

25

YEARS

EMBRACING HERITAGE
INSPIRING FUTURE

ANNUAL REPORT 2023

RAK
CERAMICS



EMBRACING HERITAGE INSPIRING FUTURE

*Celebrating 25 Years of
Institutional Excellence!*

For a quarter of a century, RAK Ceramics (Bangladesh) has been deeply rooted in the rich socio-cultural heritage of Bangladesh, drawing inspiration from our nation's centuries-old tradition of skill, technique and craftsmanship. As we commemorate this significant milestone in our history, we reflect on our journey, steeped in the artistry of clay, the resilience of our people and the imagination of our customers and patrons.

From humble beginnings 25 years ago, we have evolved into a beacon of innovation and quality in the ceramics industry of Bangladesh, staying true to our roots while embracing modern processes and technologies. Our commitment to preserving and honoring our heritage is evident in every piece we create, each imbued with the spirit and tenacity of Bangladesh.

As we look towards the future, we remain dedicated to inspiring the next generation of artisans and home-makers. Through mentorship programs, skill development initiatives and partnerships with local communities, we aim to nurture talent and empower individuals to shape their own futures.

Indeed, our journey is not just about celebrating the past. It is about charting a course for the years to come. With a firm grasp of our legacy and a versatile forward-thinking approach, we are poised to continue making meaningful contributions to the ceramics industry of Bangladesh.

We invite you on our journey of shared progress as we embrace our heritage, celebrate our achievements, and inspire the future filled with endless possibilities. Together, we are committed to building a legacy that honors our glorious past while paving the way for an exciting future.

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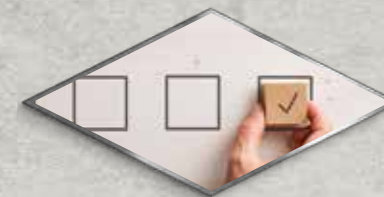
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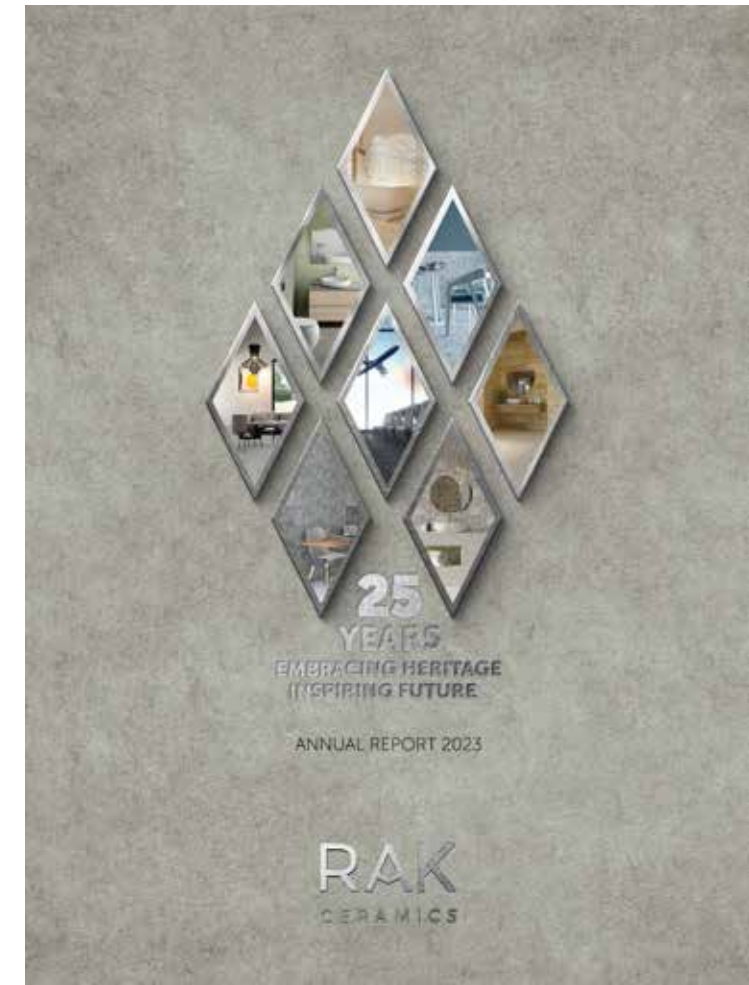




WHO WE ARE

As market leader of Bangladesh's ceramics industry, we embody the essence of timeless craftsmanship while embracing our rich heritage. Our commitment to tradition drives us to manufacture high-quality, desirable ceramic products that tell stories of culture and heritage, yet are imbued with a vision for the future. With every creation, we honor our legacy and inspire new possibilities, weaving together the threads of heritage and innovation. Each piece we craft is a testament to our dedication to preserving the artistry of ceramics while paving the way for future generations to experience the elegance and aesthetics of our heritage. Embracing our roots, we ignite a passion for excellence, shaping a future where the legacy of our craftsmanship continues to inspire and enchant.

ABOUT OUR REPORT



WE AT RAK CERAMICS (BANGLADESH) ARE COMMITTED TO ENHANCE STAKEHOLDER'S BENEFITS THROUGH TRANSPARENCY AND TRUST IN THE TRUE SPIRIT OF PARTNERSHIP AND COOPERATION FOR ADDED VALUE FOR ALL!



CORPORATE INFORMATION



Board of Directors

Chairperson
Abdallah Massaad

Managing Director
SAK Ekramuzzaman

Directors
Wassim Moukahhal
Pramod Kumar Chand

Independent Director
Mohd. Shafiul Azam

Chief Operating Officer and Chief Financial Officer
Sadhan Kumar Dey

Company Secretary
Muhammad Shahidul Islam FCS



Audit Committee

Chairperson
Mohd. Shafiul Azam

Members
Wassim Moukahhal
Pramod Kumar Chand

Secretary
Muhammad Shahidul Islam FCS

Head of Internal Audit and Compliance
Mohammad Samsul Arefin FCMA



Nomination and Remuneration Committee

Chairperson
Mohd. Shafiul Azam

Members
Wassim Moukahhal
Pramod Kumar Chand

Secretary
Muhammad Shahidul Islam FCS



Statutory Auditor

A. Qasem & Co.
Chartered Accountants
(a member firm of ECOVIS International)
Gulshan Pink City
Suites: 01-03, Level: 07
Plot: 15, Road: 103 Gulshan Avenue,
Dhaka-1212, Bangladesh.



Principal Bankers

Standard Chartered Bank
Eastern Bank PLC
Commercial Bank of Ceylon PLC
Midland Bank Ltd



Legal Advisor

Barrister Margub Kabir



Website

[www.rakceramics.com/
bangladesh](http://www.rakceramics.com/bangladesh)



Registered Office

RAK Tower
(7th, 8th & 9th floor)
1/A Jasimuddin Avenue
Sector-3, Uttara Model
Town Dhaka-1230
Bangladesh.

Phone:
+88 (02) 58957393,
58952303
Fax: +88 (02) 58957096



Factory

Dhanua, Sreepur,
Gazipur, Bangladesh



Abdallah Massaad
Chairman

REPORT FROM OUR CHAIRMAN



AT RAK CERAMICS WE HELP TO CREATE ICONS, WE HELP TO BUILD MAR-VELS AND OUR PRODUCTS FEATURE IN SOME OF THE MOST ICONIC BUILD-INGS IN THE WORLD. WE ARE KNOWN FOR OUR WIDE PRODUCT RANGE AND OUR ABILITY TO PRODUCE BESPOKE RANGES FOR BOTH SMALL AND LARGE SCALE PROJECTS, ENABLING OUR CLIENTS TO BRING THEIR IDEAS TO LIFE. WE RESPECT, WE INSPIRE, WE IMPROVE, WE DELIVER; TODAY, TOMORROW, NO MATTER THE AMBITION, NO MATTER THE CHALLENGE, AT RAK CERAMICS WE TAKE CARE OF ALL THE DETAILS, HOWEVER LARGE OR SMALL, SO YOU DON'T HAVE TO.

OUR PASSION AND EXPERTISE COMBINED WITH THIS CAREFUL ATTENTION TO DE-TAIL ENABLES US TO PROVIDE YOU WITH A WIDE RANGE OF INTEGRATED CERAM-ICS SOLUTIONS, ALLOWING YOU FREEDOM TO BE CREATIVE AND PLENTY OF ROOM FOR IMAGINATION.

Dear Valued Shareholders,

As Chairman, I am pleased to present the Integrated Annual Report of RAK Ceramics (Bangladesh) for the financial year ending 31 December 2023. I am honored to address you as we reflect on the achievements and challenges of the past year and look forward to the promising future ahead for RAK Ceramics.

Geopolitical events over the world inevitably brought about a shift in priorities for the Board in 2023 towards operational sustenance and protecting the value of our business in exceptional circumstances. It is enabling a new version of the company to emerge – a leaner entity with a sharper focus on emerging growth opportunities.

The strategic agenda this transformation offers is now a key focus area for the Board as we reposition the business for long-term growth. Just to touch upon a few things we are doing, we are now significantly focusing on the premium side of our portfolio comprising value-added products that are typically larger in size and showcase a wider range of designer varieties. These are especially finding favour amongst high-end customers in urban and metro areas and is indicative of the rise in aspirations and affluence of customers in Bangladesh. Growing and serving this market will be a key area of importance as few players operate in this segment and fewer still have the variety or quality or the brand trust that we have amongst our customers.

A strong market pull is also giving us the confidence to expand our distribution network. Thus, in a major highlight of the year, we inaugurated our exclusive large RAK display centre in the urban centre of Mymensingh, our second such lifestyle format with the first being in Dhaka. These exclusive stores exhibit the largest variety of our products and provide the convenience of selection and purchase from within a single premise for our customers.

With this overview, I turn my attention to the performance highlights of the company.

In 2023, RAK Ceramics (Bangladesh) continued on its journey of excellence, delivering impressive performance despite the prevailing challenges in the global landscape and the local context. This performance was underpinned by our unwavering commitment to innovation, quality and customer satisfaction that has enabled us to navigate through the challenges and hurdles and emerge stronger.

Despite disruptions in the supply chain and fluctuations in raw material costs and inflationary pressures, the company demonstrated notable resilience in revenue generation, with income from operations expanding by around 5% to BDT 7,819.32 mn for the year. This is a creditable highlight that is a combination of both

value and volume growth, given the high competition and intense competitor activity. I acknowledge the contribution of everyone in the organization for making this possible.

One of the key drivers of success in 2023 was a strategic focus on our value-added portfolio. By offering high-value-added products and services, we not only enhanced our competitive position but also strengthened customer loyalty and satisfaction. This conscious emphasis on quality, innovation and range reaffirms our commitment to delivering superior value to our customers. We are trying to achieve the shift from mere price awareness to holistic value recognition and this is something that will enable us to maintain our lead in the market.

Amidst the challenging operating conditions, we remained steadfast in our pursuit of operational excellence. Through things that were in our control, such as cost management, process optimization and technology adoption, we were able to improve efficiency across our operations. Further, advanced planning and budgeting also emerged key during the year.

It would be remiss not to acknowledge the challenges we faced in 2023. The fragile geopolitical situation, supply chain disruptions, inflationary pressures and local challenges such as a subdued consumer environment, significant domestic inflation and forex challenges, presented formidable obstacles. However, our proactive approach, agility and resilience enabled us to adapt swiftly to changing circumstances and mitigate the adverse effects on our business.

Despite the issues at hand, we remained committed to our core values and business principles, prioritizing the learning and development needs of our employees, maintaining the highest standards of product quality, and fulfilling our responsibility to the society and the environment.

Here, I must also give credit to the management for laying extraordinary emphasis on occupational health and safety. This is a relentless focus area for us to keep our people safe against any harm and ensure we permeate a culture that prioritizes safety above anything else. Hearteningly, the company achieved a significant reduction in casualties during the year.

As we embark on the journey ahead, I am optimistic about the future prospects of RAK Ceramics. Our strong fundamentals, resilient business model and customer-centric approach positions us well to capitalize on the emerging opportunities and navigate potential headwinds.

Going forward, we will continue to invest in innovation, sustainability and talent development, driving long-term value creation for our shareholders and stakeholders. With a clear strategic intent, a dedicated team and the unwavering support of our partners and customers, I am confident we will continue to thrive and deliver sustainable value in the years to come.

In closing, I extend my heartfelt gratitude to our shareholders for their continued trust and confidence, to our customers for their loyalty and trust in our products, and to our employees for their hard work, dedication and sense of service. Together, we will chart a successful path forward, building a brighter future for the company and all those we serve.

Sincerely,



Abdallah Massaad
Chairman

BUSINESS UPDATE

BUILDING FORTIFICATION FOR BUSINESS AND PERFORMANCE SUSTENANCE

In 2023, RAK Ceramics (Bangladesh), like many businesses in the country, encountered a challenging operational environment characterized by economic uncertainties, supply chain disruptions, fuel challenges and high competition. Despite these hurdles, the company managed to deliver satisfactory performance during the year by implementing strategic initiatives, adapting to changing market dynamics and utilising the full value of its resilient business model.

The ceramics industry in Bangladesh witnessed fluctuations in demand due to economic volatility, especially in relation to inflation-led challenges that depressed consumer sentiment and slowed offtake. Additionally, increased competition intensified pricing pressures, compelling companies to innovate and differentiate their offerings. Another feature of the market

was a relative slowdown in real estate and tighter interior budgets that also created demand-side pressures.

Despite these challenges, RAK Ceramics (Bangladesh) navigated these challenges with resilience, adaptability and a positive mindset, achieving noteworthy milestones and maintaining its leadership position in the market. Key performance highlights for 2023 include:



Revenue growth: Despite the challenging environment, the company recorded revenue growth, driven by a combination of strategic pricing, targeted marketing efforts and better internal operating efficiencies. The company focused on promoting its product range wider into the market to a broader audience and capitalized on emerging trends in home and office improvement.



Product innovation: Recognizing the importance of innovation in staying competitive, RAK Ceramics invested in innovation and uplift to enhance its product portfolio. The introduction of new designs, textures and sizes, especially in large format matte tiles, helped the company attract more discerning and sophisticated customers and cater to their individualistic preferences.



Operational efficiency: In response to supply chain disruptions and cost pressures, the company optimized its operations to improve efficiency and reduce overhead expenses. Streamlining production processes and adopting lean and streamlined manufacturing principles enabled the company to maintain profitability despite margin pressures.



Customer engagement: Building strong relationships with customers remained a priority for the company. It implemented numerous customer-centric initiatives, such as after-sales support and even feedback mechanisms to enhance satisfaction levels and foster brand loyalty, including word-of-mouth recall.

While the organisation achieved satisfactory performance in 2023, several challenges persisted throughout the year, which were mitigated with careful consideration.

Vulnerability in the local economy, especially inflation and forex crisis, coupled with global uncertainties, created challenges for business planning and forecasting. Exchange rate fluctuations and inflationary pressures affected input costs and profitability margins, requiring agile decision-making to mitigate risks.

The ceramics industry of Bangladesh relies on imported raw materials, making it vulnerable to supply chain disruptions. Delays in shipments, port congestion and logistic challenges posed operational hurdles and impacted production schedules, leading to inventory management issues. The company focused on mitigating this through advance inventory procurement that protected against any unfavourable supply shocks.

Intensifying competition posed challenges for the company too. Price competition and aggressive marketing strategies exerted pressure on margins, necessitating strategic pricing and promotional tactics to maintain market share. However despite these challenges, the company was able to successfully pass-on cost increases in the market without any significant erosion in demand. This shows the company's pricing power and strong customer trust in the brand.

Looking ahead in 2024 and over the mid-term, RAK Ceramics (Bangladesh) remains cautiously optimistic about its prospects. The company aims to leverage its unique institutional strengths in product innovation, operational efficiency and customer engagement to navigate the uncertainties and capitalize on emerging opportunities. Key focus areas for the future include:



Exploring new market segments and geographical areas to diversify revenue streams and reduce dependency on specific markets.



Accelerating initiatives to enhance customer experience, optimize supply chain management and drive factory efficiency.



Investing in sustainable practices and eco-friendly processes to minimize environmental impacts and aligning with evolving consumer preferences.



Investing in employee training, learning and development to nurture a skilled workforce that is capable of driving innovation and sustaining competitive edge.

UNDERSTANDING OUR BUSINESS

ABOUT RAK CERAMICS (BANGLADESH)

SETTING
OUR SIGHTS
TOWARDS
THE FUTURE

As the company continues to navigate the challenges of the market, it remains committed to delivering value to customers, stakeholders and the community at large, positioning itself for sustainable growth while protecting and expanding its share of the market.



“EMBRACING HERITAGE”
Drawing from our rich legacy, we rose above the challenges, convert adversities into opportunities and forge a relentless attitude to success.

“INSPIRING FUTURE”
A force that fuels our desire, determination and drive to exceed expectations and shape a future that serves the interests of Bangladesh.

“EMBRACING HERITAGE, INSPIRING FUTURE”

Together, these two lens – looking back at our glorious past and looking forward to an exciting future – is a formidable combination, motivating and guiding us towards our goals, while empowering us to overcome and withstand any challenges that come our way.

Over the past 25 years, our journey has been marked by determination, commitment and the ability to navigate our path with poise and confidence. It has enabled us forge an exceptional legacy in the ceramics industry of

Bangladesh. This has not only carved a lasting source of pride for us but has also positioned us well for tomorrow as we set our sights on the future.

Stepping into the next chapter of our growth journey, our goals and motivations serve as the driving force that propels forward us, pushing us to fulfil our aspirations with the rising Bangladesh. Together, these factors converge to compose our extraordinary narrative – one that symbolizes embracing heritage and inspiring future.

Parentage

RAK Ceramics (Bangladesh) is a large consumer company of Bangladesh and a strategic entity of UAE-based RAK Ceramics PJSC. The company is the nation's largest stock market-listed ceramics' brand with a legacy and heritage in ceramic and gres porcelain wall and floor tiles, bathroom sets and fittings and varied types of sanitaryware.

Spaces that make a statement

Established as a UAE-Bangladesh joint venture company in 1998, RAK Ceramics (Bangladesh) today is a leading new-age luxury surfaces and bathroom solutions company headquartered in Dhaka with a modern factory in Gazipur. Over time, the company has transformed into a multi-product multi-location entity, engaged in creating spaces that make a statement and the lifestyle choice of customers.

Empowered by our heritage, emboldened by our future

Since its incorporation in 1998, RAK Ceramics (Bangladesh) has emerged as a distinguished name in the Bangladeshi tiles and sanitaryware industry. This exalted position is attributable to the company's consistent focus on seizing opportunities and moving forward with a customer-first culture and mindset.

Over the years, the company has transformed itself by its astute business practices and a growth-oriented mindset. This approach has enabled it to make progress at a rapid clip while building capacity to cater to the rising demand in the country.

The company's diverse products – comprising ceramic wall and floor tiles, polished vitrified tiles, glazed vitrified

tiles, sanitaryware and bath fittings and accessories – are known for their design variety, size configurations, quality and a significant market goodwill.

Preferred customer choice

The company offers a wide range of tiles and sanitaryware/bath fittings, thus meeting the choice and budget expectations of a wide customer base.

All products for everyone

We showcase a wide range of ceramics tiles, including vitrified and ceramic tiles such as polished, double charged, glazed, unglazed, rustic, matt, homogenous and non-homogeneous body tiles. We also have a wide variety of gres porcellanato tiles. Our sanitaryware range comprises bath sets, wash basins, single-piece and wall-hung water closets, urinals, etc., with features and functionalities like anti-bacterial, twin flushing technology, scratch, chemical and stain resistant features, etc.

Rising to the occasion

The company is one of the largest ceramics player of Bangladesh with a formidable range of around 3000 SKUs in tiles and around 100 SKUs in sanitaryware products. Annual capacity of the company's tiles division stands at 10.32 mn sqm and that for sanitaryware stands at 1.45 mn pieces.

Linking every corner of the country

We have a deep connect with our customers across the length and breadth of the country through our robust network of 142 dealers and five exclusive large lifestyle format showrooms in Dhaka, Chattogram, Sylhet and Mymensingh.

Providing the best experience to our customers

Customers walk into our showrooms and display centres, purchase products as per their home interior needs ...



... which we deliver to their locations and thus enable them to build their dream home with love, joy and assurance!



OUR VALUE DELIVERY

Realizing our strategy through our value delivery objectives and strategic growth intent

Executive summary



RAK Ceramics (Bangladesh) aims to become the leading-recall ceramics firm in Bangladesh by being future-ready in operational, financial and market aspects.



Our business strategy is formulated with short- and long-term focus areas, and annual strategy reviews are conducted to assess and evaluate our strategy.



We consider external factors such as market stability, advancements in ceramics technology, competitor action and regulatory norms in framing our strategic intent.



During the year, the company's key strategic intent was securing production integrity, regaining pricing power, improving customer value proposition, focusing on cost rationalization, enhancing dealership engagement and optimizing production for cost competitiveness.



In the current year, the company's focus lies on efficiency enhancement, selective price increase and cost optimization with a view to restore profitability.

OUR KEY INTENT AREAS AND BUSINESS OBJECTIVES

We at RAK Ceramics (Bangladesh) are purposeful in our desire to establish ourselves as the most innovative, unique and customer-centric ceramics company in Bangladesh. Also as the leader of the ceramics industry in the country, we believe our next phase of growth will be achieved through making us a more integral part of our customers' lives.



Goals of our business plans

We attain our intent through the formulation of our business plan that takes into consideration the company's areas of focus in both the short and long term. In order to adapt to the constantly evolving needs and expectations of our customers, we employ a comprehensive approach to our strategic planning process. Every year, the corporate headquarters has a strategy review and planning and budgeting session to facilitate the thorough examination, evaluation and appraisal of our strategy, future trajectory and long-term growth prospects.

In addition, it is necessary for us to engage in business activities that are influenced by external factors that are yet mostly outside our control, such as unforeseen market volatility, unfavourable actions by competitors, abrupt regulatory changes, and other similar factors.

These extraneous factors are also considered while identifying risks and formulating our strategic intent drivers.

In 2023, as in the past years, our primary goal was centered around reducing costs, managing raw material and FG inventory and working capital to ensure seamless operations, sustaining our preferred status amongst our customers, focusing on specific market high-opportunity segments such as larger glossy tiles, and ensuring consistent return to shareholders in the form of dividend.

In the current year of 2024, while these objectives will remain important, we will focus on profit recovery. This will be primarily aided by our emphasis on portfolio premiumization, margins sustenance through cost reduction programs and ensuring volume growth across our product range.

Within this framework, our primary strategic intent is to:

-
- Secure production despite fuel-related challenges
 - Ensure adequate raw material stock to ride over any pricing or availability risks
 - Focus on gaining incremental market share (both volume and revenue)
 - Focus on cost-cutting and expense prioritization
 - Continue to lead pricing in the market
 - Upgrade assets and machineries on a timely basis
-

These strategic objectives will be instrumental in enabling us to meet our revenue and profit expectations, which will not only bolster our financial profile but also enable us to continue to generate dividend income in the hands of our shareholders.



RAK LEADERSHIP

At RAK Ceramics (Bangladesh), our leadership and management represent the ethos of "Embracing heritage, inspiring futures." Our leaders are stewards of tradition, drawing upon the rich legacy of craftsmanship to guide our team towards excellence. With a keen understanding of our heritage, they inspire innovation and creativity, empowering every member of our organization to contribute to our shared vision for the future. Through strategic guidance and direction, our management ensures that every decision honors our legacy while propelling us towards new horizons. They cultivate a culture of collaboration and growth, where heritage serves as a foundation for innovation, and where every achievement celebrates the enduring spirit of our craftsmanship.



SAK Ekramuzzaman
Managing Director

STATEMENT FROM THE MANAGING DIRECTOR



OUR COMMITMENT TO CUSTOMERS' SATISFACTION EXTENDS BEYOND THE POINT OF SALE AS WE STRIVE TO DELIVER EXCEPTIONAL SERVICE AND SUPPORT AT EVERY TOUCHPOINT OF THE CUSTOMER JOURNEY.

Dear Shareholders,

I am pleased to address you through this annual report as we reflect on yet another year of resilient performance and growth at RAK Ceramics, a trusted partner in the tiles and sanitaryware industry of Bangladesh.

Despite the unprecedented challenges posed by the global pandemic and volatile market conditions, I am proud to report that our company has remained steadfast in its commitment to delivering exceptional products, maintaining strong customer relationships and driving value for our stakeholders.

Amidst the uncertainties of the past year, our company has demonstrated remarkable resilience and adaptability, navigating through the challenges with agility and determination. Our unwavering focus on operational excellence, prudent financial management and strategic investment has enabled us to mitigate risks effectively and capitalize on emerging growth opportunities in the market.

At RAK Ceramics, we take great pride in our commitment to innovation and product excellence. Our relentless pursuit of design, innovation, quality, craftsmanship and customer-centricity sets us apart in the competitive tiles and sanitaryware market of Bangladesh.

Throughout the past year, we introduced new product styles and design collections that reflect the latest trends and preferences of our discerning customers. From contemporary minimalist designs to timeless classics, our diverse product portfolio offers something for every taste, style and expectation.

Moreover, our focus on sustainability and environmental stewardship has driven us to develop eco-friendly products that minimize our carbon footprint and contribute to a greener future. By embracing sustainable materials and production practices and ensuring waste minimization, we are not only meeting the evolving needs of our customers but also fulfilling our responsibility to the planet.

Our commitment to customers' satisfaction extends beyond the point of sale as we strive to deliver exceptional service and support at every touchpoint of the customer journey. Whether it is assisting with product selection, providing technical guidance, or addressing

post-purchase inquiries, our dedicated team of sales professionals and customer service representatives are always available to meet the needs of our valued customers.

At RAK Ceramics, we recognize that building and maintaining strong customer relationships is essential to our long-term success. That is why we place a strong emphasis on customer engagement, listening attentively to their feedback and continuously improving our products and services to meet their evolving needs and requirements.

Through targeted marketing campaigns, loyalty programs and personalised communication, we nurture meaningful connections with our customers, fostering brand loyalty and advocacy. By understanding their preferences, anticipating their needs and exceeding their expectations, we strive to create memorable experiences that keep them coming back to our brands time and time again. Thus, despite facing a challenging operating environment in 2023, RAK Ceramics demonstrated resilience and adaptability, achieving a sound performance.

As we look ahead to the future, we remain committed to our core values of integrity, innovation and excellence. With your continued support and trust, I am confident that our company will continue to thrive and prosper in the years to come.

I would like to express my heartfelt gratitude to each and every one of our shareholders for their unwavering support and confidence in our company. Their faith fuels our growth, inspires our team and drives us to reach new heights of growth and success.

Together, we will continue to build a brighter future for the company and all our stakeholders.

Thank you.

SAK Ekramuzzaman
Managing Director



BUSINESS PROFILE

RAK Ceramics (Bangladesh) has utilised its extensive knowledge and comprehension of interior construction materials to expand its range of products and transform into a preferred brand that offers comprehensive solutions in a unified manner. The design of our product assortment is meticulously curated to redefine the concepts of happiness, affluence and fulfillment.



We produce and promote an extensive assortment of merchandise, including floor tiles, wall tiles, glazed vitrified tiles, polished vitrified tiles, double charge tiles, gres porcellanato, sanitaryware and bathroom sets and fittings.

We own the most robust and extensive portfolio in the ceramics sector of Bangladesh. Our products are designed to appeal to both mass and class preferences, allowing us to impress our consumers on all occasions of purchase. Our portfolio is designed to include a diverse range of strategic brands that cater to various designs, styles, sizes and price-points, ensuring that it appeals to every individual's taste, desire, aspirations and imagination.

Our strong operational excellence standards ensure that we consistently offer ever higher customer value propositions, which is crucial for maintaining our market leadership. The primary areas we prioritize in our operations include cost and manufacturing efficiency, technical skill development, craftsmanship, optimal utilisation of capacity, reduction of waste and adherence to environmental and other standards. Ensuring the protection of essential resource inputs is a vital component of our operational strategy.

In order to achieve success in a competitive market, we offer a unique and wide range of ceramic brands that cater to the needs of all customers for all spaces and occasions. Our distribution strategy is unparalleled in our operational zones since it encompasses a diverse array of consumer channels, including our own major lifestyle formats and dealerships, which attract a larger client base. By the end of 2023, our company had established one of the largest dealership networks in the country, consisting of 05 company-owned stores and 142 dealers located throughout the nation.

Ensuring exceptional customer service and striving for excellence are vital for our business. We are fully

committed to supporting the growth of our dealership partners, since it directly contributes to our own growth. We offer sales-focused business insights, assure prompt delivery, and provide diverse support by sharing updates on advertising and brand initiatives, as well as implementing in-store POPs and danglers. We also have a vibrant sample sharing activity.

We base our financial management strategy on the principles of prudence, conservatism and sound judgement. While maintaining stringent cost control and managing expenses is a top priority, we also prioritize maintaining balance sheet strength to secure capital for potential long-term growth opportunities. Our primary objective is to enhance our financial, risk and credit standing. This is demonstrated by our credit ratings, which are deemed satisfactory. Our long-term rating of "AA+" signifies a higher level of security in satisfying credit commitments, while our short-term grade of "ST-1" indicates the maximum level of certainty in timely repayment. These ratings have been provided by CRISL, a leading credit rating agency of Bangladesh.

We are dedicated to enhancing our social standing in the community, which we achieve by serving the needs and interests of multiple stakeholders. This principle is deeply ingrained in our commitment to generating value for all parties involved, thereby significantly contributing to the progress of the communities in which we operate. We achieve this by providing employment opportunities and offering extensive support to our supply chain. Additionally, we have a longstanding tradition of engaging in community outreach projects, which have become an integral part of our business.

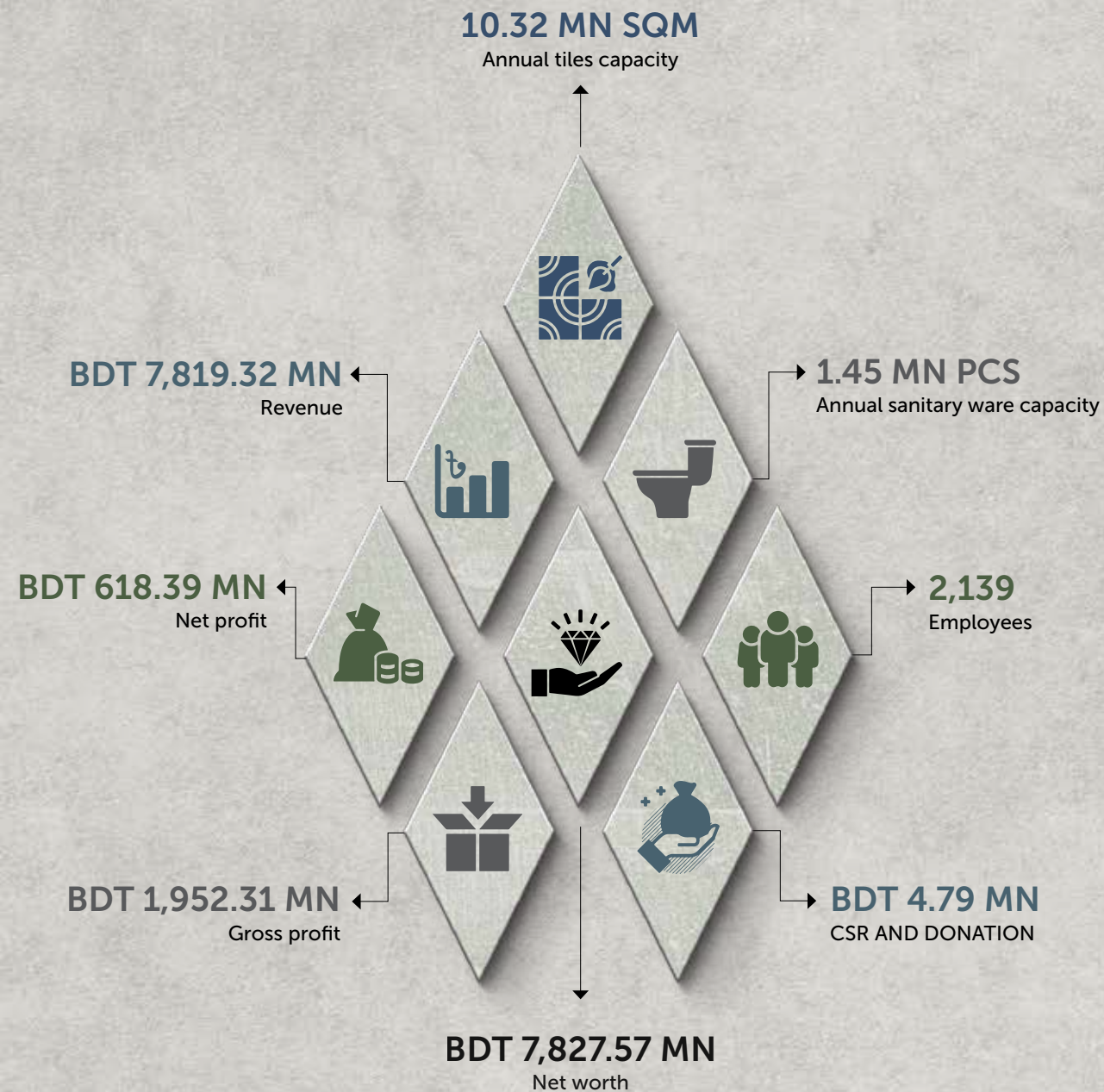
We prioritize environmental preservation by incorporating sustainability into our decision-making process and implementing impactful initiatives that benefit the wider communities.



RAKCERAMICS.COM



MOST RESPECTED OF BANGLADESH'S CERAMICS INDUSTRY



VISION

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



MISSION

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



OUR CORE VALUES AND CODE OF CONDUCT

The enduring prosperity of our company is undeniably tied to the prosperity of our clients and business partners, as well as our capacity to captivate them with the things they adore. Our primary focus is to provide our clients with top-notch home interior solutions, which encompass ceramic tiles and bathroom fittings such as sanitaryware that enhance their feelings of joy, satisfaction and delight.

The primary objective of the company's Board of Directors is to provide a leadership example by ensuring the utmost levels of corporate governance, while promoting ethical conduct and values in the execution of our long-term strategy and in the daily functioning of the organisation. For us, ethics transcends beyond a mere written declaration; it permeates our everyday existence.


The company's internal policies and practices, which have been effective since its establishment, are embraced and adopted in compliance with the regulations for listed companies in Bangladesh. The primary responsibility of our Board is to ensure the utmost standards of applicable governance, accountability and risk management.

In addition, we have extensively established a values-driven ethical framework across our organisation to ensure that our employees and colleagues continuously conduct themselves in a manner that upholds our high principles and aligns with our overarching operational and best practices philosophy, thereby making appropriate choices. The commitment to adherence is deeply ingrained in our company's culture and is

safeguarded by both our fundamental principles and Code of Conduct.


RAK Ceramics (Bangladesh) is a conscientious corporation that has a well-defined and open policy framework for disclosing information, preventing corruption and combating bribery, as mandated by the applicable laws. These rules have aided the corporation in its efforts to establish trustworthy and mutually advantageous partnerships with its consumers, employees, shareholders, regulators and other stakeholders.

Our Code of Conduct and Ethics and Code of Conduct for Prevention of Insider Trading are an extension of our values and reflect our staunch commitment to ethical business practices. The Board is responsible and committed to perpetuating sound principles of governance and compliance fulfillment. It also accomplishes a crucial role in overseeing how the leadership and management team serve the short and long-term interests of shareholders and other stakeholders via a diligent supervisory approach that lays emphasis on ownership, accountability and responsibility.



Customer relations

It is an established policy of the company to develop and nurture fair, sustainable and mutually-beneficial relationships with customers. Employees are expected to respect customers and their needs and contribute to satisfying these needs in an efficient and effective manner such that the interests of the company and its shareholders remain secured and uncompromised in any way.



Guiding principles

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

In their daily work, our employees are guided by the following fundamental principles:

- Responsibility
- Accountability
- Integrity
- Efficiency
- Impartiality
- Discretion




Compliance with statutory norms and regulations

Employees are expected to be aware of and conduct themselves in accordance with all the applicable laws, rules and regulations of the country, and make best efforts not to willingly breach any provision of such laws.


They shall ensure compliance with various legal/regulatory requirements, as applicable, in business conduct, and also endeavour to give due cognisance to relevant legal/regulatory requirements and norms before any directions are given or decisions taken. The Board and the senior management aim to elevate adherence to laws and regulations as an everyday practice commonly observed and held fast by all.

As a company transparent in all its dealings, any transaction falling under the definition of related party transactions (RPTs), as per the provisions of the law and as detailed in the Related Party Transaction Policy of the company entered into by employees, is disclosed on a time-bound basis to the Board or any committee thereof.



Corporate commitment

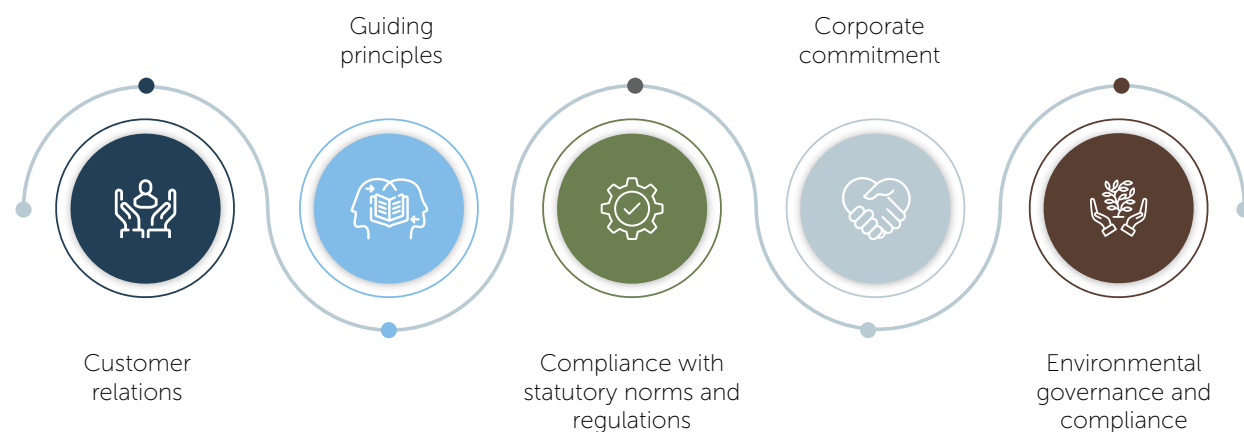
Staff members on the rolls of the company are expected to be in the full-time employment of the company. This implies that employees on the rolls of the company cannot work for any other employer unless specifically permitted, directed or approved by the company. Employees will not take personal advantage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



Environmental governance and compliance

Employees are expected to be aware of the company's commitment to contribute to sustainable business development with respect to environmental issues and requirements, and its Environmental Policy statements issued from time-to-time.

Employees are also expected to have knowledge of, monitor and adhere strictly to Bangladesh's applicable laws, rules, regulations and guidelines related to the environment that impact the company's operations and business, including adherence to environmental standards commended for industrial companies. This is essential to secure and preserve our license to operate.





DIRECTORS' PROFILE



Abdallah Massaad
Chairman

Mr. Abdallah Massaad is the Chairman of RAK Ceramics Bangladesh, Group CEO of RAK Ceramics PJSC and a member of the Board of Directors of several subsidiaries and other international organizations.

He is extremely knowledgeable in the fields of ceramics and industrial manufacturing and is instrumental in helping companies engage in the forward and backward integration of the ceramics supply chain. With over 26 years of experience from field sales, to sales management, to product marketing, Mr. Massaad has highly developed business leadership skills in national and international markets.

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

Mr. Massaad formally joined RAK Ceramics in 2006 as Deputy CEO, responsible for operations management, strategy development, implementation and RAK Ceramics' global interests. He supported the Chairman and CEO with strategic planning and expansion initiatives enabling the company to reach the milestone of 1 billion square meters of global sales since it began. He was also responsible for implementing corporate governance regulations and overseeing the strategic refocusing of the business portfolio. Mr. Massaad has led RAK Ceramics PJSC as Group Chief Executive Officer since June 2012.

Most recently, Mr. Massaad has coveted the prestigious 2023 CEO Today Middle East Leadership Award as well as recognized for the 2023 Stevie Gold Honorary Award for Excellence and Good Reputation presented by the Ras Al Khaimah Chamber of Commerce and the world-renowned premier business award giving body, The Middle East & North Africa Stevie® Awards.

An award-winning CEO, in 2015, Mr. Massaad won an International Business Stevie® Award for 'Executive of the Year (Manufacturing)'. The efforts of Mr. Massaad as a visionary CEO were also further recognized when he was awarded 'Industry CEO of the Year' at the CEO Middle East Annual Awards 2015 and in 2016 Mr. Massaad was shortlisted as a Top 100 CEO as part of Mediaquest's Top CEO Awards in the GCC. In 2017, Mr. Massaad was shortlisted as one of the Top 100 Smartest People in the United Arab Emirates by Arabian Business, and he was also honored as one of the top 100 Most Sustainable CEOs by the World Sustainability Congress. In 2018, Mr. Massaad was awarded the most 'Visionary CEO in Manufacturing Leadership' by Frost & Sullivan, 'GameChanging CEO' by Finance Monthly, 'Outstanding CEO' at the Global Business Excellence Awards, 'Executive of the Year' at the BIG Awards for Business and the '2018 CEO of the Year' by CEO Monthly Magazine.

Prior to joining RAK Ceramics, Mr. Massaad was General Manager of International Ceramics Company SARL in Lebanon from 1997 to 2004.

Mr. Massaad holds postgraduate qualifications in Management 'DEA in Business Administration' (1998) and an undergraduate degree "Maitrise in Business Administration – Marketing" from USEK (Université SaintEsprit de Kaslik), Lebanon. He is fluent in Arabic, French and English.



SAK Ekramuzzaman
Managing Director

Mr. SAK Ekramuzzaman is one of the major local equity investors in RAK Ceramics (Bangladesh) Limited. Besides managing diversified business interests of the RAK Group, he is also involved in a number of other business interests in Bangladesh. Mr. Ekramuzzaman is also the member of the Board of RAK Power Pvt. Ltd. and RAK Security and Services (Pvt.) Ltd., subsidiaries of RAK Ceramics (Bangladesh) Limited.

Mr. Ekramuzzaman has been conferred as "CIP Industry 2017" by the Government of Bangladesh in recognition of his outstanding contribution to the industrial development of Bangladesh.



Wassim Moukahhal
Director

Mr. Wassim Moukahhal is a Director of RAK Ceramics (Bangladesh) Limited and RAK Security and Services (Pvt.) Ltd., which is subsidiary of this Company. He is also a member of the Audit Committee and the Nomination and Remuneration Committee of RAK Ceramics (Bangladesh) Limited. He also serves as a Member of the Board of Directors and the Executive Committee for RAK Ceramics PJSC and as a Member of the Board of Directors of RAK Porcelain and RAK Ceramics India.

Mr. Moukahhal has more than 20 years of experience in private equity investments in the Middle East and Asia. He is the Head of Alternative Investments of Artal Capital, a leading asset manager based in Riyadh, Saudi Arabia. He was previously a Managing Director of Samena Capital Investments Limited in Dubai and prior to Samena Capital he worked at EFG-Hermes in Dubai where he was a Vice President in the Private Equity and Infrastructure investments team. Prior to EFG, he worked in the Private Equity Group for The National Investor (TNI) in the UAE.

Mr. Moukahhal served on multiple Boards of Directors of various portfolio companies across several industries such as building materials, technology, and consumer sectors. Mr. Moukahhal holds an MBA from the Wharton School at the University of Pennsylvania and a Bachelor's degree in Economics & Finance from McGill University.



Pramod Kumar Chand
Director

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

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

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

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



Mohd. Shafiul Azam
Independent Director

Mr. Mohd. Shafiul Azam, is the Independent Director of the Company and also the Independent Director of subsidiary companies of RAK Ceramics (Bangladesh) Limited. He is the Chairman of the Audit Committee and Nomination and Remuneration Committee of RAK Ceramics (Bangladesh) Limited.

Mr. Azam is also working as an advocate of Supreme Court of Bangladesh and as an arbitrator under the Arbitration Act 2001 in the different courts of Bangladesh.

Mr. Azam, completed his LL.B (Hon's) and LL.M from the University of Dhaka. He has also completed training on Judicial Adjudication of Terrorism Cases from Ceeli Institute, Prague, Czech Republic, Strengthening Subordinates Judiciary Management Training at Western Sydney University, Australia and India. He also has completed different in-service training in Judicial Administration Training Center, Bangladesh. He is retired from his service as a Senior District & Sessions Judge. He has over 29 years of professional experience in the legal field as a judge and 07 years as a lawyer. He is a career judge and has vast experiences on Civil and Criminal and Company Disputes on Bangladesh perspective.

MANAGEMENT TEAM



SAK Ekramuzzaman
Managing Director

Mr. SAK Ekramuzzaman, Managing Director of RAK Ceramics (Bangladesh) Limited is one of the renowned local investors involved in a number of business interests in Bangladesh. He has been conferred as CIP Industry 2017 by the Government of Bangladesh in recognition of his outstanding contribution for industrialization and in the economy of Bangladesh.



Mohammad Samsul Arefin
Head of Internal Audit and Compliance

Mr. Mohammad Samsul Arefin is the Head of Internal Audit & Compliance of the Company since May 2018. He has more than 18 years of professional experience in the field of Finance, Supply Chain and Internal Audit in different multinational companies. Mr. Arefin is a qualified Cost and Management Accountant and fellow member of ICMA. He is also a CGMA and associate member of CIMA, UK.



Sadhan Kumar Dey
Chief Operating Officer & Chief Financial Officer

Mr. Sadhan Dey is the Chief Operating Officer and Chief Financial Officer of the Company since 2019. He carries more than 26 years of industrial experience focused on serving construction companies in the manufacturing sectors. He is a qualified finance and anagement professional from the Chartered Institute of Management Accountant – UK. He is a Master of Commerce and MBA. Mr. Sadhan is an alumni of Harvard Business School – Boston, USA.



Md. Mahbubul Haque
GM-Supply Chain Management

Mr. Mahbubul Haque is the General Manager – Supply Chain Management of RAK Ceramics (Bangladesh) Limited. He is having more than 21 years of professional experience in supply chain management in different multinational and renowned local companies. Mr. Mahbubul completed his graduation in Mechanical Engineering from Bangladesh University of Engineering and Technology (BUET). He is also certified Supply Chain Manager from ISCEA (International Supply Chain Education Alliance, USA).



Muhammad Shahidul Islam
Company Secretary

Mr. Muhammad Shahidul Islam is the Company Secretary of the Company since 2010. His professional career spans over 19 years in Company Secretariat, Corporate Affairs, Compliances, Initial Public Offering (IPO), Legal, Capital Market Operations and Internal Audit covering Manufacturing and Insurance sectors. Mr. Shahidul is a qualified Chartered Secretary and a Fellow Member of the Institute of Chartered Secretaries of Bangladesh (ICSB).

VIBRANT TEAM



Mir Sifuzzaman
AGM, Finance & Accounts
(Treasury & Financial Reporting)

Md. Hasan Tareq
AGM, Sales & Marketing

Abu Shahid
AGM, Finance & Accounts
(Receivable)

Md. Mahbubul Haque
GM-Supply Chain Management

Sadhan Kumar Dey
Chief Operating Officer &
Chief Financial Officer

SAK Ekramuzzaman
Managing Director

Muhammad Shahidul Islam
Company Secretary

Mohammad Samsul Arefin
Head of Internal Audit and
Compliance

S.M. Arafatur Karim
DGM-Sales & Marketing (Brand)

Mohammed Shamsuddin
AGM, Finance & Accounts
(Taxation)

Surajit Barua
AGM, HR & Admin

Sk Rafiq Uddin
DGM, Finance & Accounts
(MIS, Costing & Budgeting)

FUNCTIONAL HEADS



Krishna Phanendra Srinivas Soma Venkata
Deputy General Manager, Tiles



Md. Hasan Tareq
Assistant General Manager, Sales & Marketing



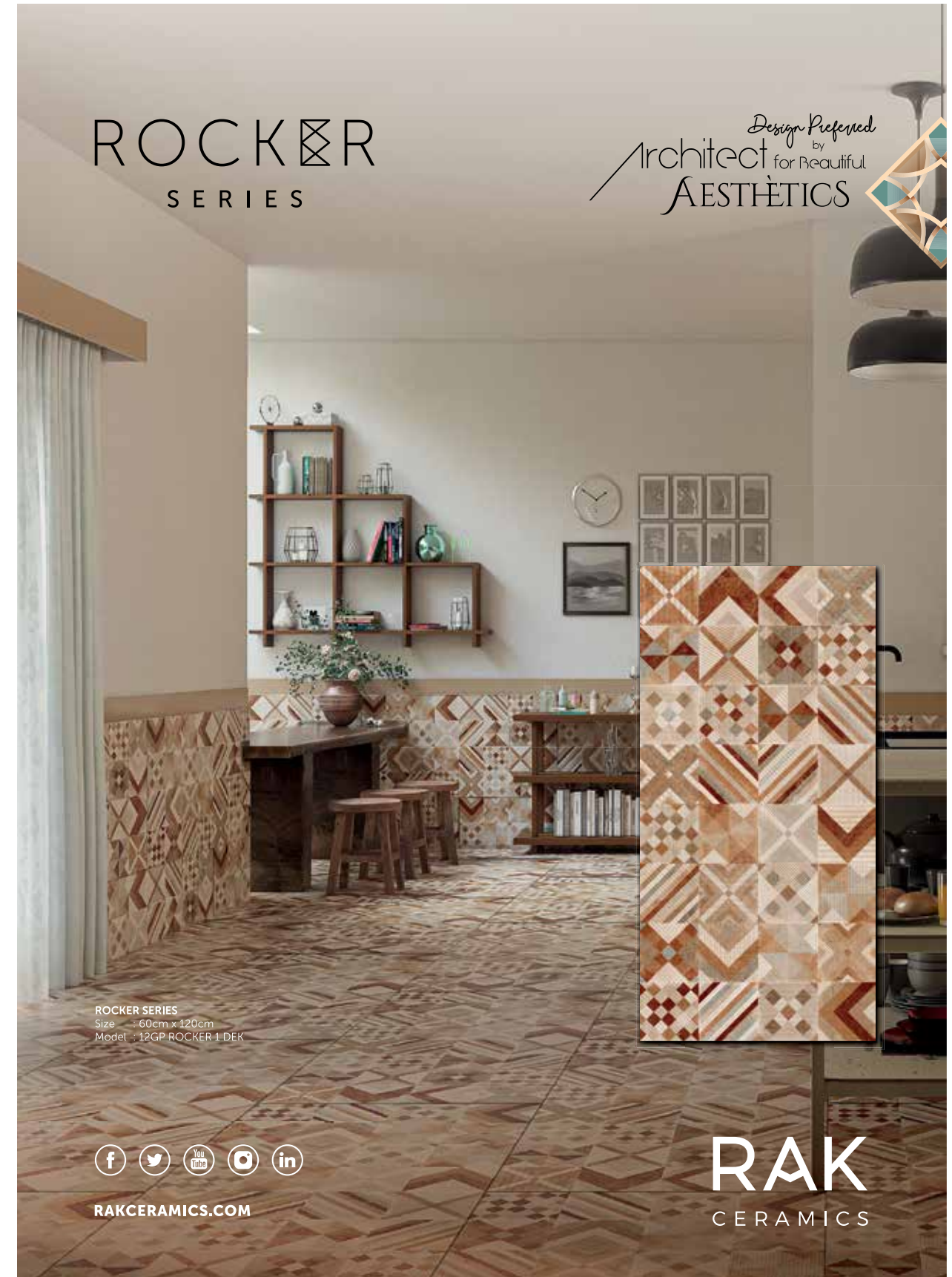
Surajit Barua
Assistant General Manager, HR & Admin



Adireddy Pasunoori
Senior Production Manager, SWD



Md. Shahinur Alam Shahin
Senior Manager, IT

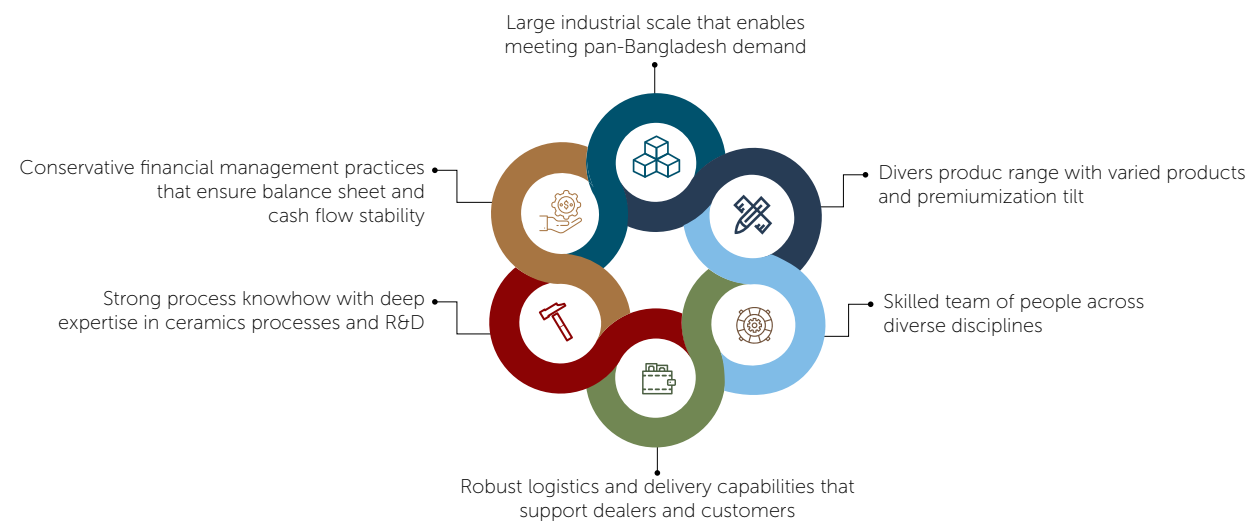


OUR INVESTMENT THESIS

POSITIONED STRONGLY FOR MEETING UPCOMING DEMAND

Bangladesh's ceramics industry has witnessed significant growth in recent years, driven by favourable demographics, urbanization, infrastructure development and rise of the affluent class with increasing disposable income. Thus, the investment thesis of RAK Ceramics (Bangladesh) is compelling, especially on the back of its strong market position, growth potential, sound industry dynamics and government thrust on infrastructure and construction.

BUILDING OUR INVESTMENT FUNDAMENTALS Leveraging our institutional competencies for sustainable advantage



POSITIVE MARKET DYNAMICS



Growth potential

Bangladesh's ceramics industry is poised for robust growth, fuelled by rising demand for construction materials, infrastructure development and interior décor products. With a growing population and expanding middle-class, the demand for ceramics products, including tiles, sanitaryware and tableware is expected to soar in the coming years. Furthermore, the imminent shift from the unorganized to the organized sector is a substantial scope of opportunity for frontline players like RAK Ceramics.



Urbanization and housing boom

Rapid urbanization and a burgeoning housing sector are driving demand for ceramics products in Bangladesh. The government's focus on affordable housing initiatives and urban development projects further augments the demand for construction materials, presenting lucrative opportunities for ceramics manufacturers. Additionally, the government's thrust on affordable housing is also an attributed factor that defines the positive market dynamics for ceramic companies.



Export potential

Bangladesh's ceramics industry has significant export potential, with a growing presence in international markets. As global demand for high-quality ceramics products continues to rise, Bangladeshi manufacturers are well-positioned to capitalize on export opportunities, particularly in neighbouring countries and beyond.



INSTITUTIONAL STRENGTHS



Market leadership

RAK Ceramics holds a prominent position in Bangladesh's ceramics industry, it being the largest in the industry. The company benefits from a strong brand reputation, goodwill, extensive distribution network and diversified product portfolio. Its established presence in the domestic market provides a solid foundation for sustained growth.



Product innovation and quality

The company's commitment to innovation and quality excellence sets it apart in the market. By continuously investing in innovation and R&D, the company launches innovative products that cater to evolving customer preferences and industry trends, thus ensuring customer fulfillment and loyalty. Furthermore the company's strong parentage with RAK Ceramics PJSC, which is the world's largest ceramics player, enables it to get strong insights into evolving global tastes and preferences and bring those to the Bangladesh market in a selective manner. Thus, there is an international look and feel to the company's products in the domestic market that creates a strong customer pull.



Operational efficiency

Operational excellence is a key driver of the company's success. Through streamlined processes, efficient production facilities and ongoing cost optimization initiatives, the company maintains competitive pricing while maximizing profitability. Additionally, its focus on sustainability and environmental stewardship enhances its reputation and market appeal. It must be mentioned that the company deploys the SACMI technology for manufacturing ceramics products. This is an internationally-proven technology used by reputed manufacturers worldwide.



KEY GROWTH STRATEGIES



Market expansion

The company aims to capitalize on the growing demand for ceramics products in Bangladesh by expanding its market reach across the country. By targeting emerging pockets of opportunity and strengthening its distribution channels, the company seeks to increase its market share and revenue growth. A strong step in this direction was the company's launch of its second exclusive large format showroom in Mymensingh in 2023 (the first being in the city of Dhaka), which not only indicates the potential for strong demand uptake, but also the acceptance of such a model in Bangladesh.



Product diversification and premiumization

Diversifying its product portfolio to include premium offerings and value-added products is a strategic priority for the company. By catering to diverse customer segments and tapping into niche markets, the company is poised to enhance its competitive position and market edge. Furthermore, the company is focused on premiumization with a view to tap into the growing demand for niche high-value products that are in-vogue especially among affluent customers with a sophisticated taste. This represents a significant opportunity for growth as the company's portfolio is tilted towards premium products.



Investment in technology and infrastructure

Continued investment in technology upgrades and infrastructure enhancements is essential to maintaining competitiveness and operational efficiency. By leveraging automation, digitalization and modern manufacturing techniques, the company has constantly improved productivity, reduced costs and met evolving customer demands.

AWARDS AND ACCOLADES 2023



Gold Award
10th ICSB National Award for Corporate Governance Excellence 2022



Silver Award
23rd ICAB National Awards for Best Presented Annual Report 2022



Silver Award
13th ICMAB Best Corporate Award 2022



Bronze Award
SAFA Best Presented Annual Report Award 2022

DEALERS ENGAGEMENT PROGRAMS 2023



EMPLOYEES ENGAGEMENT PROGRAMS 2023



New Year Celebration



Miraz Appreciation Event



4th Plant Inauguration



Safety Week Celebration



Iftar Mahfil



SAK Cup Cricket Tournament 2023



International Women's Day



Pohela Falgun Celebration



Sales Conference

PARTICIPATING IN DIFFERENT EXHIBITIONS



Build Tech Expo Bogura



FICCI Expo



IAB Expo



Kitchen & Bath Expo



REHAB Fair Chottogram

RAK SIGNATURE BRANDS

At RAK Ceramics (Bangladesh), we have been able to create strong brand trust with our customers, thanks to our wide range of iconic tiles brands in our portfolio that suit every taste, budget and requirement. Unquestionably, our brands enable us to secure our positioning as the largest tiles Company.

SUGER
SERIES

PREMIJA
SERIES
ARTISTRY WITH SUSTAINABILITY

Hard Rock
COLLECTIONS

ELEGANT
SLAB

ROCKER
SERIES

WOOD ART
COLLECTION
Gres Porcellanato

High Tech  Porcelain

StoneArt
Tiles Collection

Single Piece
WC

Wall Hung
WC

OUR PATH-BREAKING SANITARY WARE MODELS



RAK CLOUD Counter Table Top



HARMONY WALL HUNG
Water Closet Rimless



RAK SENSATION COUNTER
TABLE TOP



RAK FLORA Single Piece WC



RAK MORNING WC



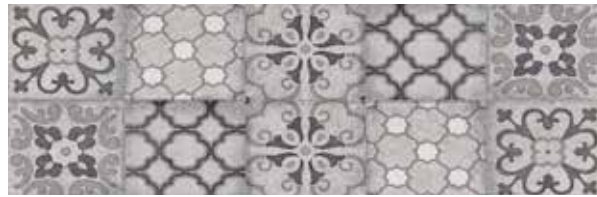
RAK RESORT SINGLE PCS
WC

OUR ICONIC TILES MODELS

PREMIJA SERIES

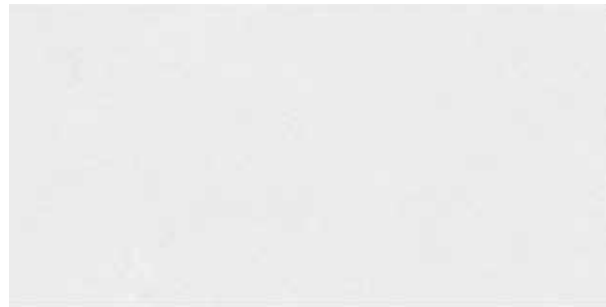


7007 SAND HL



7058 HL GREY

SUGER SERIES



6602 Suger LBR, 6602 Suger HLBR, 6602 Suger DBR

STONE ART TILES



AMBER STONE ANTHM



RIVER STONE BEM

VIVID COLLECTION



7007 SAND HL



7058 HL GREY

OUR ICONIC TILES MODELS

SLAB



SLAB 1216



12GP DG 104



12GP ROCKER 1 DEK



12GP WEST WOOD 1 NTRL



ELEGANT ALPHA 8207



6GP TERRAZZO 3 IV



ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

The spirit of "Embracing heritage, inspiring futures" encapsulates our commitment to Environmental, Social and Governance (ESG) principles. At our company, we recognize the importance of preserving our cultural heritage while also stewarding the planet for future generations. Our ESG initiatives are rooted in this ethos, as we strive to minimize our environmental footprint through sustainable practices in sourcing, production and waste management. Similarly, we prioritize social responsibility by fostering a diverse and inclusive workplace where every individual is valued and empowered to thrive. Our governance practices uphold transparency, integrity and accountability, ensuring that our operations are conducted ethically and in accordance with the highest standards of corporate governance. By integrating ESG considerations into our business, we honor our heritage and also inspire a brighter future.

OUR SUSTAINABILITY STRATEGY



Approach to sustainability strategy formulation at RAK Ceramics (Bangladesh)

Formulating a prospective plan that is rooted on sustainability is a demanding, yet essential undertaking. Within this framework, our company's strategy delineates its intended market position and primary competitive advantages in terms of both product offering and resource utilization.

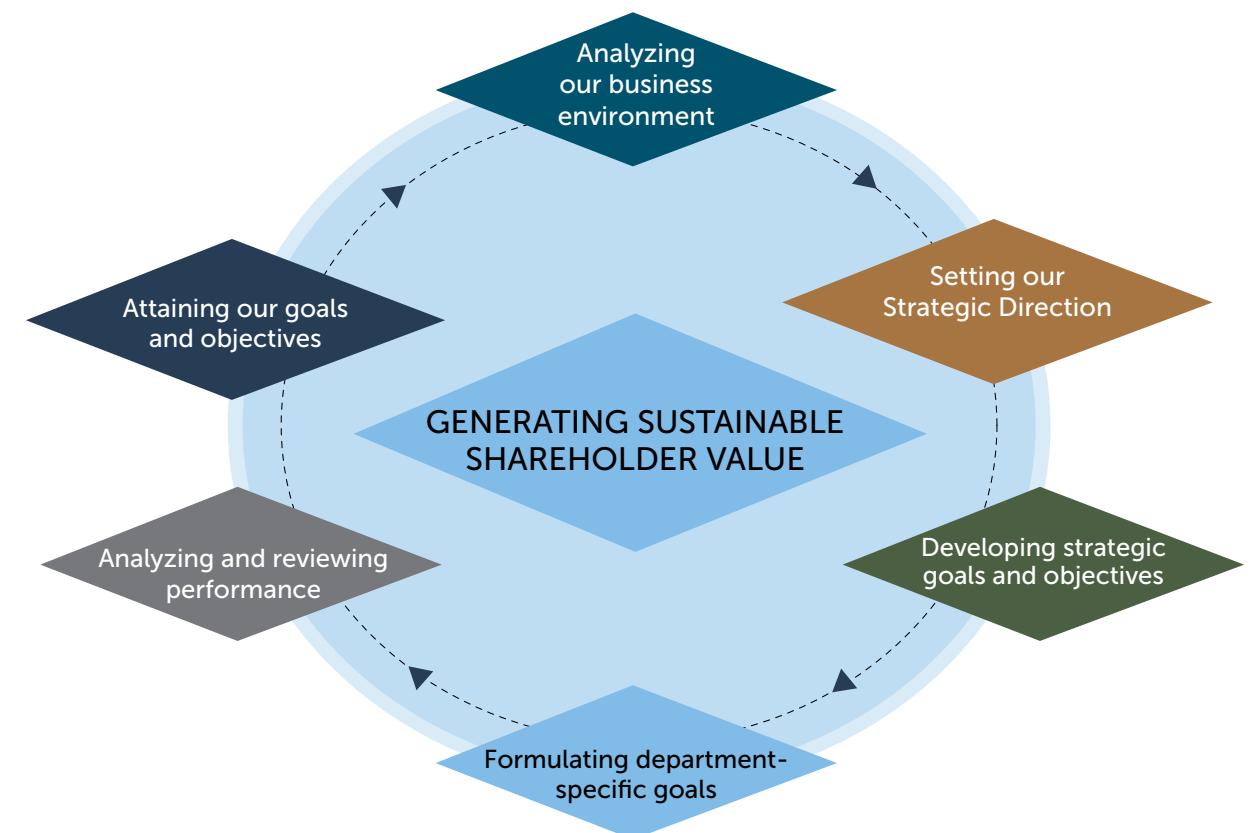
Our strong business fundamentals and focused efforts to achieve our vision, mission and business objectives are reinforced by our commitment to sustain our competitive edge by strengthening our strategic business objectives.

The genesis of our strategic business objectives lies in our strategy planning process, which allows us to comprehensively assess our operating environment and develop a robust, flexible, adaptable and future-focused strategy. Furthermore, it ensures that we maintain our emphasis on executing and achieving the goals outlined in this strategy.

Our strategy planning process takes into cognisance our sustainability expectations and considers our organization's present capacity to generate value as well as the future capacity needed to accomplish ever-higher value creation. Given this, our organisation is actively working to attain its full potential in order to accomplish future goals and aspirations.

The business planning process of RAK Ceramics (Bangladesh) is outlined as follows:

RAK CERAMICS' STRATEGIC PLANNING PROCESS



OUR COMMITMENT TO THE PRINCIPLES OF



The three crucial pillars for ensuring long-term success in any organization are Environmental, Social and Governance (ESG). Currently, it is crucial and even obligatory for every corporation to synchronize its interests with those of its stakeholders.

Initially as a small enterprise with limited staff, RAK Ceramics (Bangladesh) has since grown into a workforce of over 1,797 people who have played a crucial role in establishing the company as the leading provider of ceramic tiles and sanitaryware products in Bangladesh. Moreover, the company has also become a trailblazer in the field of decorative surfaces and bathroom fixtures and fittings. The organization values its talent pool and actively strives to retain its top employees by offering ample opportunities for professional and career growth, supported by competitive compensation.

The main focus of human resources is to ensure optimal productivity, employee contentment, motivation and a high rate of staff retention. Throughout its journey, the company has experienced multiple transformational changes to align to the evolving economic environment and customer preferences, while still firmly defining its core ideals and tenets.

At our organization, we consider intellectual capital to be a crucial resource for ensuring the ongoing growth of our commercial operations. We consistently strive to protect the environment by minimizing any adverse impacts of our operations and showcasing our unwavering commitment to this cause. We firmly believe that Environment, Health and Safety (EHS) are essential and vital pillars for the sustained expansion

of our organization and a crucial driver of our growth strategy.

Furthermore, we have developed policies and procedures that exceed the minimum regulatory standards in terms of environmental, health and safety considerations. The production plant of the company has been specifically engineered to conserve energy and operates using natural gas instead of environmentally harmful alternatives.

We demonstrate our unwavering commitment to excellence and environmental stewardship by the compliance of our production facilities with ISO and other standards. Aligned to our company's dedication to social and environmental responsibility, we prioritize a substantial amount of our attention and effort towards conserving ecological systems.

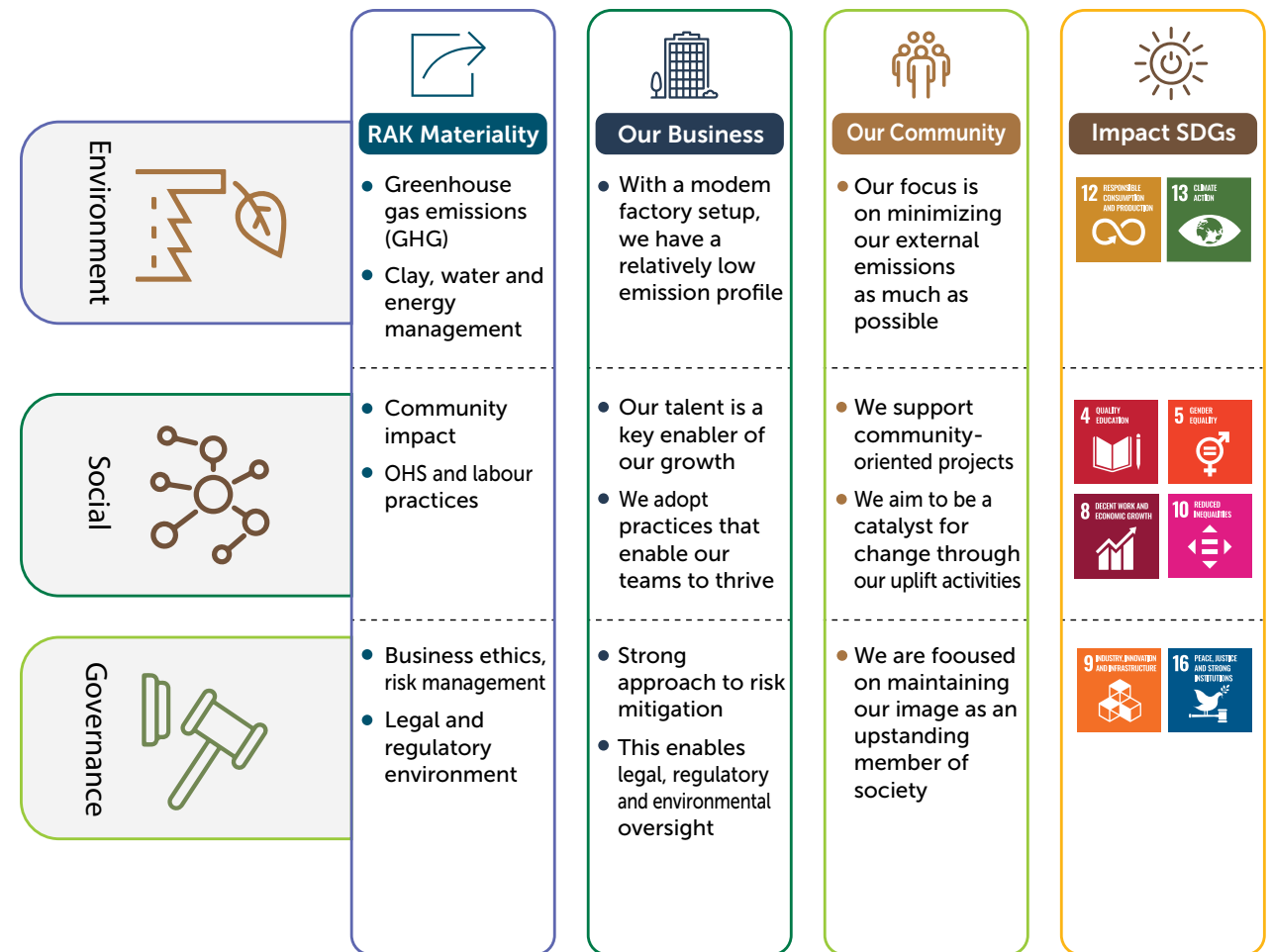
We have successfully achieved our present goals of reducing water and energy consumption and reducing waste. Currently, we are undertaking projects aimed at enhancing operational efficiency to further lower our use of vital natural resources.

Therefore, we are confident that by adopting and enhancing our ESG principles and ensuring the highest level of accountability, we will continue to create sustainable value as we make our business resilient and adaptable to future opportunities and challenges.

FULFILLING ESG AND SDG OBLIGATIONS

ADVANCING SHARED VALUE CREATION

At RAK Ceramics (Bangladesh), our ESG framework is distinctive in its focus and goes beyond considering sustainability in terms of the needs of people and communities. This commitment to action aligns seamlessly with and bolsters the United Nations Sustainable Development Goals ("UN SDGs"), which serve as a global agenda for the development path towards an equitable and shared future. The table below exemplifies how RAK Ceramics' ESG framework not only aligns with but also actively contributes to advancing the UN SDGs.



CORPORATE SOCIAL RESPONSIBILITY

FOCUSED ON BEING A VALUABLE MEMBER OF THE SOCIETY

Overview

In an era where corporate social responsibility (CSR) has become increasingly paramount, companies are recognizing the importance of integrating social and citizenship actions into their business strategies. RAK Ceramics (Bangladesh), a leading ceramics company of Bangladesh, understands the significance of contributing to society beyond its core business activities. This section delves into the various social, citizenship and environmental action initiatives undertaken by RAK Ceramics in the country, highlighting their impact and significance.



Community engagement programs:

RAK Ceramics has implemented several community engagement programs aimed at uplifting the communities in which it operates. These programs include initiatives such as:

- **Educational thrust:** RAK Ceramics partners with local schools and educational institutions to provide resources, scholarships and educational support, especially to underprivileged children.
- **Healthcare initiatives:** The company organizes health camps, medical check-ups and awareness campaigns in collaboration with healthcare professionals to address health issues prevalent in the community.
- **Skill development programs:** RAK Ceramics offers skill development training and workshops to empower individuals with employable skills, thereby enhancing their livelihood opportunities.
- **On-premise medical facilities:** The company has a well-equipped medical setup at its factory, complete with a qualified doctor as well as other emergency and necessary medicines and other resources. This not only indicates the company's seriousness to attend to any injuries but it also reflective of its focus on fostering a safe and secure industrial establishment.

Environmental sustainability efforts

RAK Ceramics (Bangladesh) is committed to environmental sustainability and undertakes various initiatives to minimize its environmental footprint. These efforts include:

- **Clean energy:** The company uses natural gas (NG) that reduces its dependence on other more emission-intensive conventional energy sources that also help in mitigating greenhouse gas (GHG) emissions.
- **Waste management practices:** The company implements effective waste management practices, including recycling and waste reduction initiatives, to minimize environmental pollution and promote a circular economy.
- **Water conservation measures:** Recognizing the importance of water conservation, the company implements water-saving technologies and initiatives to reduce water usage in its manufacturing processes.

Employee welfare and development:

RAK Ceramics prioritizes the welfare and development of its employees through various initiatives, including:

- **Occupational Health and Safety (OHS):** The company ensures a safe and healthy working environment for its employees through rigorous safety protocols, training programs and regular inspections. Further, the company has mandated workers to compulsorily wear personal protective equipment or PPE without which they are not allowed on the shopfloor. This has in itself instilled a culture of safety among them.
- **Professional development opportunities:** RAK Ceramics provides opportunities for skill enhancement, upskilling and reskilling, career advancement and personal growth through training programs, workshops and mentoring initiatives.

- **Employee well-being:** The company offers wellness programs, counselling services and even recreational activities to promote the physical, mental and emotional well-being of its employees.

Philanthropic contributions:

In addition to its ongoing social and citizenship action initiatives, RAK Ceramics also engages in philanthropic endeavours to support charitable causes and address pressing societal issues. These contributions include:

- **Disaster relief efforts:** RAK Ceramics extends support to communities affected by natural

disasters by providing financial aid, relief supplies and rehabilitation assistance. This helps restore community resilience.

- **Community development projects:** The company invests in infrastructure development projects, such as building schools, healthcare facilities and community centers to improve the quality of life for marginalized and backward communities.
- **Poverty alleviation:** RAK Ceramics collaborates with NGOs and governmental organizations to implement poverty alleviation programs, including livelihood support and vocational training.

OPTIMIZING RESOURCE CONSUMPTION



CLAY

For us at RAK Ceramics, optimizing clay consumption is a crucial focus area to improve efficiency, reduce costs, minimize environmental impact and optimize our consumption of a naturally occurring resource. A few ways and means by which we implement activities to optimize clay consumption is given hereunder:

- **Material selection:** We choose only high-quality clay with optimal characteristics for the desired ceramic products. We also conduct thorough research and testing to identify clay types that offer the best balance of properties, such as plasticity, strength and firing behaviour to minimize wastages during production. Further, by being a part of RAK Ceramics PJSC, we are exposed to global best practices in material selection as well as early access to any innovations in this line.
- **Process optimization:** We have streamlined our production processes to minimize clay wastage at every stage, from raw material preparation to forming, drying, firing and finishing. We have further implemented lean manufacturing principles to identify and eliminate inefficiencies, reduce waste and improve yield rates. Our focus is always on "Doing more from less".
- **Recycling:** We have implemented recycling programs to minimize clay wastage. We collect and recycle clay scraps, trimmings and defective products back into the production process, whenever possible. We thus try to fully utilize
- reclaimed clay in such aspects as our formulations or as filler material to reduce the need for virgin clay.
- **Precision mixing and blending:** We use advanced mixing and blending techniques to ensure uniform distribution of clay and other raw materials in ceramic formulations. We also focus on optimizing mixing parameters, such as duration and moisture content, etc., to achieve homogeneity while minimizing excess clay usage.
- **Controlled forming:** We employ precise extrusion and forming techniques to minimize clay wastage during shaping and moulding processes. We also implement automation and computer-aided design technologies to optimize product designs and minimize material loss during shaping operations.
- **Continuous improvement:** We have established a culture of continuous improvement within the organization to identify opportunities for optimizing clay consumption and implementing efficiency-enhancing measures. We also encourage employee involvement in problem-solving and innovation to drive ongoing process optimization efforts.

By implementing these strategies, we have effectively optimized clay consumption, which is the most significant resource consumed by us, and have reduced waste, improved resource efficiency and enhanced our overall competitiveness index in the industry.





WATER STEWARDSHIP

Optimizing water consumption is essential for a ceramics company to minimize its environmental impact, conserve resources and enhance operational efficiency. Hereunder we have given a few strategies by which we optimize our water consumption and remain responsible stewards of this precious resource:

- **Water recycling and reuse:** We implement water recycling systems to treat and reuse wastewater generated during production processes. We have also installed filtration and purification systems to remove contaminants and impurities, allowing recycled water to be reused for non-critical purposes such as dust suppression or cleaning and gardening, etc.
- **Process optimization:** We closely analyze our production processes to identify opportunities for reducing water usage without compromising on product quality or operational efficiency. We also employ process modifications, equipment upgrades, operational changes and other techniques with a view to minimize water usage per unit of output.
- **Leak detection and repair:** We regularly inspect equipment, pipelines and plumbing fixtures for leaks and promptly repair any identified leaks. We also incorporate preventive maintenance programs to detect and address potential sources of water loss or leakages before they escalate into significant issues.
- **Water-efficient equipment and technologies:** We have made progress in water-efficient equipment, machinery and technologies to reduce water consumption in our production processes. We also choose equipment with in-built water saving features, such as low-flow fixtures, automated shut-off valves and water recycling capabilities.
- **Training and awareness:** We provide training and awareness programs to our employees on an ongoing basis to raise awareness and educate them about the importance of water conservation and best practices for minimizing water usage in their daily processes and activities. We also encourage employees to report water wastage and suggest improvement ideas.
- **Water monitoring:** We have implemented water management systems to monitor water usage, track performance and identify areas for material improvement. We also regularly review water consumption patterns, analyze these and benchmark against industry standards to drive continuous improvement efforts. Our affiliation with RAK Ceramics PJSC enables exposure to best practices in water monitoring and management.



Our reduction in Water consumption over last two years

6.68%

Thus via implementing these strategies, we effectively optimize water consumption, reduce water usage, minimize environmental impact and enhance operational sustainability. Additionally, optimizing water consumption leads to cost savings as well and also other benefits such as regulatory compliance and improved corporate reputation as a responsible steward of natural resources.



ENERGY MANAGEMENT

Optimizing energy consumption is essential for us to improve operational efficiency standards, reduce costs and minimize our environmental impact, including our carbon footprint. Herein below we have mentioned a few initiatives we taken to optimize energy consumption:

- **Energy audits:** We conduct comprehensive energy audits to identify areas of energy wastages (including potential areas), inefficiency and other scope for improvement. We also assess and review energy usage patterns, equipment performance and process inefficiencies to prioritize energy-saving initiatives.
- **Equipment modernisation and retrofit:** We invest in energy-efficient equipment, machinery and technologies to replace outdated or inefficient systems. We also upgrade lighting fixtures and fittings, heating, ventilation and air-conditioning systems and production machinery with energy-efficient alternatives to lower energy consumption and the energy-intensity of our processes.
- **Process optimization:** We optimize our production processes to minimize energy usage while maintaining product quality and operational efficiency. We also work on process modifications, automation and control systems to optimize energy-intensive processes, reduce idle time and eliminate unnecessary or wasteful energy consumption.
- **Energy management systems:** We have implemented energy management systems to monitor, control and optimize energy usage. We harness this data and engage in performance tracking to identify energy-saving opportunities, optimize load management and adjust energy usage patterns based on demand and pricing.
- **Employee engagement and training:** We provide training and awareness programs to employees to promote energy conservation best practices and encourage behavioural change. We also empower them to identify energy-saving opportunities, report energy waste and participate in energy-saving initiatives.
- **Culture of continuous improvement:** We have established a culture of continuous improvement within our organization to drive ongoing energy-saving initiatives and innovation. We prompt employee involvement in energy conservation efforts, acknowledge energy-saving ideas and track progress towards energy efficiency goals.



Our reduction in Energy consumption over last two years

5.17%

Thus, RAK Ceramics' environmental, social and citizenship action initiatives in Bangladesh exemplify its commitment and thrust to creating positive societal impact beyond its business operations. By engaging in community development programs, promoting environmental sustainability, prioritizing employee welfare and contributing to pressing philanthropic causes, the company demonstrates its role as a responsible corporate citizen.

Moving forward, RAK Ceramics aims to further enhance its social, citizenship and ecological action efforts, building its value in the community and leveraging its resources and expertise to address emerging challenges and contribute to sustainable development in Bangladesh.

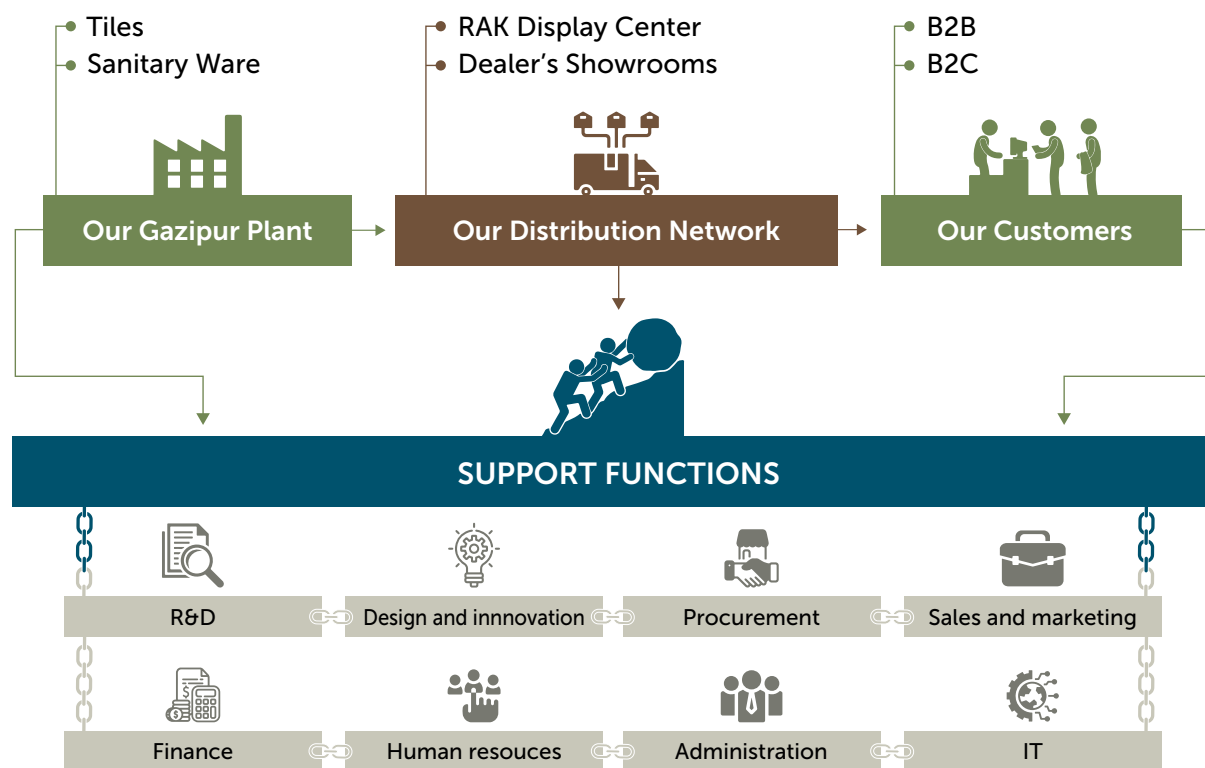


POSITIONING OURSELVES FOR SUSTAINED VALUE DELIVERY

For us at RAK Ceramics (Bangladesh), we are committed to serve our customers in the best possible way.

We achieve this through our world-class manufacturing and operational standards, through our wide and strong retail footprint in Bangladesh and via our experienced showroom and dealership personnel who help our customers make the right informed choice. These activities are supplemented by our several functions who support the backend of the business and constitute the backbone of our enterprise.

OUR ORGANIZATIONAL VALUE CHAIN



We create value for our customers through offering a wide variety of tile and sanitaryware products that suit their budget, space and design expectations. A clear tilt in our strategy is our focus towards premium value-added products that enable us to accrue a better margin as well as ensure an aspirational touch to our products.

TILES

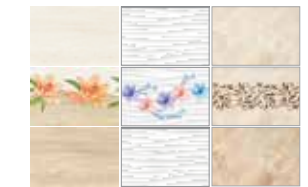


OUR FLOOR TILES:

- Gres Porcellanato
- Salt & Pepper
- Glaze Rustic
- High Tech Porcelain
- Glaze Polish
- Double Charge

OUR WALL TILES:

- Ceramics Red Body
- Ceramics White Body
- Hard Rock



SANITARYWARE (SW)



- Washbasin
- Toilet Seat
- Water Closet
- Wall Hung Toilet
- Pedestal Washbasin

Through our integrated operations, manufacturing excellence and customer service, we support the key expectations of our shareholders and others. These include:

- Price premium over competitor products
- Customer acquisition, retention and loyalty
- Aspirational product range and differentiation
- Premium touch to our portfolio
- Cost control despite inflationary pressures
- Equipment and process optimization and upgradation
- Upskilling and career upshift





OUR INTEGRATED REPORT

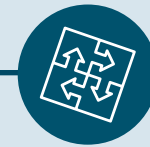
Our Integrated Report combines financial and non-financial information to offer a holistic view of our company's performance. In doing so, it captures both the heritage and legacy of our organisation. It provides an update on our history and values that have shaped our company's identity and guided its actions. Our legacy on the other hand encompasses the lasting impact our company aims to leave on society, the environment and future generations. By integrating these concepts into our report, we have demonstrated how we honour our heritage while building a sustainable legacy for the future.



Fostering Forthrightness in Investor Communication

In an era where transparency, accountability and sustainability are paramount, RAK Ceramics (Bangladesh) stands at the forefront of governance excellence with its commitment to disclosure transparency and integrated reporting. With a holistic focus on all material information disclosure and compliance with integrated reporting standards (<IR>), RAK Ceramics demonstrates its dedication to providing stakeholders with a comprehensive and accurate overview of its value creation process, performance and impact on society and the environment.

INTEGRATED REPORTING:



A Holistic Approach to Corporate Reporting

Integrated reporting represents a paradigm shift in corporate reporting, moving beyond traditional financial reporting to encompass a broader spectrum of information relevant to stakeholders. We thus seek to provide a full view of our company's strategy, governance, performance and prospects, integrating financial, environmental, social and governance (ESG) considerations into a single, cohesive report. By adopting integrated reporting thus, we aim to enhance transparency, accountability and stakeholder engagement, ultimately driving long-term value creation and sustainability.

In fact, at RAK Ceramics, integrated reporting is more than just a regulatory requirement—it is a fundamental aspect of our corporate philosophy. We recognize that our success is directly linked to our ability to create value for all our stakeholders, including shareholders, customers, employees, suppliers and the communities around which we operate. By embracing integrated reporting, RAK Ceramics seeks to communicate its value creation journey in a clear, concise and transparent manner, fostering trust and confidence among stakeholders and enhancing its reputation as a responsible corporate citizen.



Key Components of our Report

RAK Ceramics' integrated report encompasses a wide range of information that reflects our commitment to transparency and accountability. Key components of the report include:

Financial performance: Our integrated report provides stakeholders with a comprehensive overview of RAK Ceramics' financial performance, including revenue, profitability and cash flow. It also includes audited financial statements prepared in accordance with the International Financial Reporting Standards (IFRS), local regulatory norms and regulations, including governance and listing regulations, along with analysis and commentary on financial results.

Strategic objectives and governance: The report outlines RAK Ceramics' strategic objectives, governance structure and risk management practices. It highlights the company's vision and mission, as well as its approach to governance, ethics and compliance.

Stakeholder engagement: RAK Ceramics actively engages with its stakeholders to understand their

needs, concerns and expectations. The integrated report describes the company's stakeholder engagement process and highlights key insights and feedback received from stakeholders which form the basis of our material matters.

Environmental and social performance: RAK Ceramics is committed to minimizing its environmental footprint and maximizing its positive social impact. The integrated report provides information on the company's environmental initiatives, social programs and community engagement activities, thus highlighting its value to society and continued license to operate.

Risk management and resilience: RAK Ceramics identifies and manages risks proactively to safeguard and reinforce its long-term sustainability. The integrated report discusses the company's approach to risk

management, resilience and business continuity planning, including the identification of top risks and mitigation strategies in brief.

We have always believed that integrated reporting is a powerful tool for enhancing transparency, accountability and stakeholder value. By adopting integrated reporting standards and focusing on information disclosure, RAK Ceramics demonstrates its commitment to responsible governance and sustainable value creation. The company's integrated report provides stakeholders with a comprehensive understanding of its strategy, performance and impact, empowering them to make informed decisions and engage meaningfully with the company.

As RAK Ceramics continues its journey of growth and innovation, integrated reporting will remain a cornerstone of its commitment to transparency, accountability and stakeholder trust.

Scope and Boundary

This report covers the company's main business activities from January 1, 2023, to December 31, 2023, providing a thorough overview of the period. The report focuses on the primary commercial operations of the company, which involve the production and marketing of ceramic tiles and sanitaryware products.

The information has been gathered, collated and analyzed by reviewing insights and evidence gathered from the senior management and other senior leaders. This report has been prepared by utilizing additional internal sources of information as well as pertinent external research studies, wherever applicable, with proper attribution.



Principles of Reporting

The financial and statutory data is presented in this Integrated Annual Report in compliance with the following frameworks:

INTEGRATED REPORTING

Reporting <IR> Framework of the International Integrated Reporting Council (IIRC)

SUSTAINABILITY REPORTING

Development Goals (SDGs)

FINANCIAL REPORTING

The Companies Act, 1994

- Regulatory requirements
- BSEC
- DSE
- CSE and
- Other applicable rules

International Financial Reporting Standards (IFRS)



Impacting the SDGs

We have identified the following United Nations Sustainable Development Goals (SDGs) that we prioritize and believe they will remain aligned to our business strategy and values.

How Do We Make an Impact

Support of educational initiatives and organizations addressing poverty and inequality alleviation. Support for social concerns, risk assessment and impact on a just transition to a developing society.



Support for local economic development and policy implementation.

Extend support to organizations addressing alleviation. Support for social concerns that matter most to the community, including uplift initiatives.



Local economic development support and local community engagement, while staying focused on energy, water, waste management and circular economy principles and climate change risk mitigation.

Support to educational initiatives and fostering a society where education is given due importance as a means to transform change.



Carbon-neutral objectives, ensuring that we minimize the carbon footprint of our activities and sustain and advance our green practices.

Focused utility management across our operations, supporting innovation and focusing on environment-friendly and efficiency-based solutions.



We play an active role in industry forums, etc., ensuring adherence to regulatory requirements. We also collaborate through strategic partnerships.

Materiality

This report focuses on information that is material to our business. Qualitative and quantitative materiality are considered in all cases. These determinations are made by the Senior Management and applied across the enterprise. The report provides a concise overview of our performance, prospects and our ability to generate sustainable value for all our stakeholders. All relevant information has been included in this report while considering the legitimate interests of all stakeholders. These are enshrined in the material matters that are given below.



Board Responsibility

The Board, assisted by the Audit Committee, is responsible and accountable for the integrity of this report. The Board believes that the report is a balanced and appropriate representation of the financial and operational performance of RAK Ceramics.



Archive Access

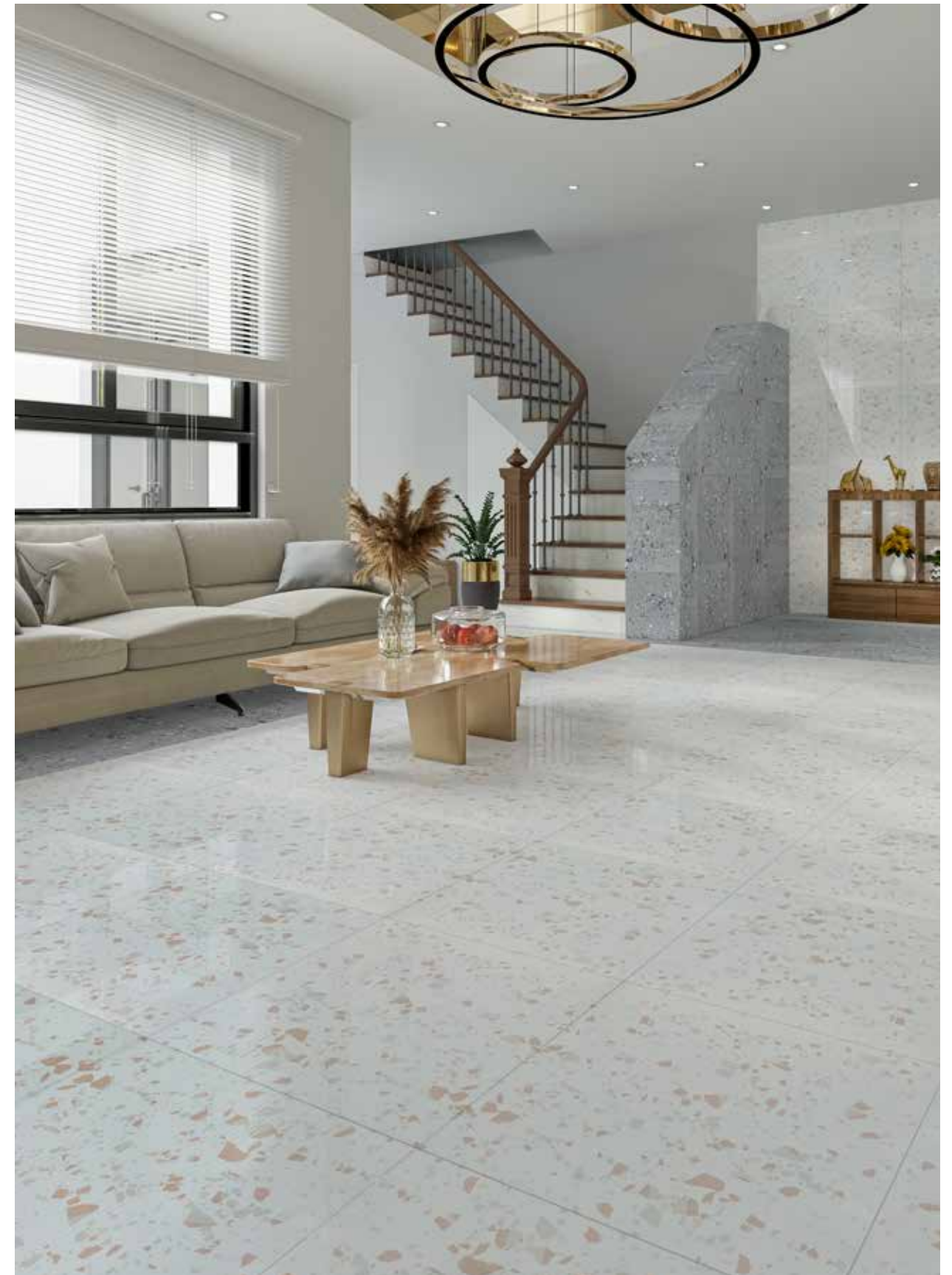
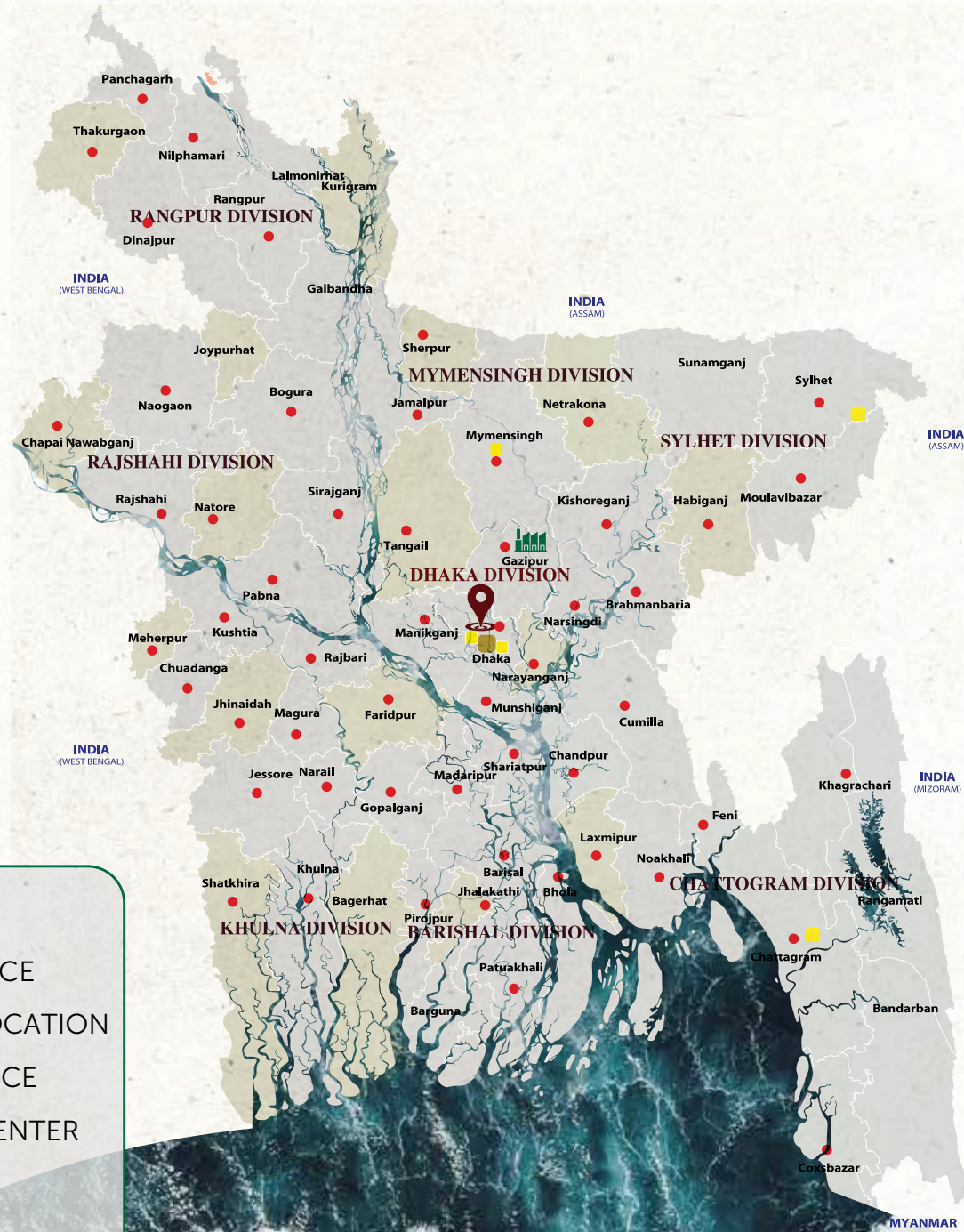
All previous integrated reports, including the most recent one for the financial year 2023, can be downloaded from our corporate website: www.rakcerambd.com/bangladesh



Send us your feedback

To ensure that we report on issues that matter to our stakeholders, please provide any feedback and questions to: Shahidul.islam@rakceramics.com

OUR PAN-BANGLADESH PRESENCE



SPOTLIGHT ON OUR SIX CAPITALS

OUR APPROACH TO THE SIX CAPITALS

At RAK Ceramics (Bangladesh), we view our six capitals as valuable tools for assessing how our organization’s activities generate and transform value. However, we also consider it a responsible reporting practice to accurately depict our internal decision-making processes. We are making sound progress in using the six capitals for internal reporting on value creation and their incorporation in this report is evolving as we align more closely with the capitals framework.



FC: Financial Capital

Our financial capital includes cash, investments, debt and equity resources. We utilize a mix of these financial resources in our business operations to ensure operational sustainability, balance sheet strength and cash flow security.

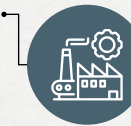


Why this capital is important?

We use cash generated by our business activities as well as funding to finance business growth and for meeting our everyday operational needs. We provide our shareholders with a return on their investments through dividend payments.

MC: Manufactured Capital

This capital consists of our manufacturing plants, offices and workspaces, infrastructure, technology, business processes and other facilities. We invest financial capital in these assets to support and expand our production to deliver on our brand-specific value propositions in both the tiles and sanitaryware categories.



Why this capital is important?

Our manufactured capital enables us to sustain our lead as Bangladesh’s largest ceramics company. It also empowers us with scale that enables us to ensure our products always remain stocked on retail shelves, as well as enable us to advance on our cost optimisation and efficiency improvement agendas.

HC: Human Capital

Our employees represent our biggest asset and form our human capital. Most of them have years of experience and are professionally qualified and contribute to our leadership position in the ceramics market of the country. We invest financial capital in building our human and intellectual capital to attract and retain high-performance employees.

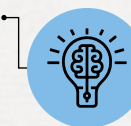


Why this capital is important?

We are a “people business” and our employees are instrumental in delivering an exceptional customer service. We continue to innovate and identify key talented individuals and potential leaders and provide them with robust career progression opportunities.

IC: Intellectual Capital

Offering our customers value-driven product propositions and a superior purchase experience is at the heart of our intellectual capital. Furthermore, our robust process knowhow, deep craftsmanship, wide product variety and technology assets and infrastructure comprise the other parts of our intellectual capital.

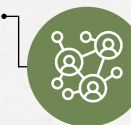


Why this capital is important?

As Bangladesh’s one of the largest ceramics company, our intellectual capital, particularly through product and service excellence, is what enables the delivery of our strategy. Seamless cooperation between divisions is a differentiator that supports factual, evidence-based improvements.

SCR: Social & Relationship Capital

This capital incorporates our relationships with the communities in which we operate and that we serve as well as other key stakeholders, including our customers. Transparency, responsiveness and dialogue characterises our stakeholder relationship management approach. We also embed corporate citizenship by giving back to the broader society through various outreach projects.



Why this capital is important?

Our business actions impact on our key stakeholders. Therefore, we ensure that their input forms part of our strategy development and implementation in our sustainable stakeholder value creation processes. We also participate in activities that support and sustain communities in those areas where we operate. Our citizenship action focuses on positive societal outcomes through local employment, etc. Where possible, we align with the UN SDGs.

NC: Natural Capital

We rely on natural resources such as clay, energy and water for our operations and we are mindful that we need to preserve and conserve them by mitigating potentially negative environmental impacts through responsible utilization.



Why this capital is important?

We are aware of the growing concern around global climate change. Thus, we continue to maintain exemplary standards in environmental management and in the way we to procure and use our natural resources.



FINANCIAL CAPITAL

ENSURING PRUDENCE AND FINANCIAL CONSERVATISM IN ALL OUR DEALINGS

In the face of a challenging business environment, RAK Ceramics (Bangladesh) has demonstrated strong resilience and financial acumen, leveraging its financial capital to navigate headwinds and drive sustained growth. With a commendable 5% topline growth in 2023 and effective cost optimization initiatives, the company has not only weathered the challenges but also positioned itself for long-term stability.

Despite facing headwinds, such as supply chain disruptions, inflationary pressures and economic uncertainties, the company achieved a commendable growth in revenue from operations to BDT 7,819.32 mn in 2023, up from BDT 7,453.47 mn in the previous year. This achievement is a testament to the company's well-established business model, strong market positioning and proactive management strategies. By focusing on customer needs, diversifying its product portfolio and expanding its retail footprint, the company has been able to capitalize on growth opportunities and drive revenue growth even in a challenging environment.

In addition to revenue acceleration, the company implemented various cost optimization initiatives to mitigate the impact of external challenges and safeguard profitability, the erosion of which would have been sharper had these initiatives not been taken. Through rigorous cost management, process improvements and supply chain efficiencies, the company was able to control operating expenses and sustain margins despite cost pressures.

While facing market headwinds, the company was successful in controlling the deceleration in net profit, which declined by only about 7.92% in 2023 vs. the previous year. Through strategic market initiatives and cost reduction measures, the company's proactive approach helped stabilize profitability. This resilience underscores the company's ability to adapt to changing market dynamics and mitigate financial risks effectively.

Fiscal prudence: The company's financial capital is a key enabler of its resilience and growth in a challenging business environment. With reasonable topline growth, effective cost optimization initiatives, stable net profit performance, proactive interest cost management, and robust balance sheet and cash flow management, the

company has demonstrated fiscal conservatism and prudence. As it continues to navigate market uncertainties and pursue growth opportunities, the company is well-positioned to build on its financial strengths and drive long-term success.



STRATEGIC OUTLOOK



We will continue to look at enhancing margins and profitability, specially on the back of our product premiumization focus



We will continue to prioritize balance sheet management with a greater reliance on internal accruals to fund our working capital and other financial needs



All our financial decisions will be taken from a long term perspective which we believe is the best route to sustainable shareholder value creation



OUR FINANCIAL CAPITAL: VALUE CREATION DASHBOARD

Parameter Unit, 2023

BDT 7,819.32 MN

Revenue

BDT 1,952.31 MN

Gross profit

24.97%

Gross profit margin

BDT 899.14 MN

Operating profit

BDT 618.39 MN

Net profit

BDT 1.44

Earnings per share

Key pillars of our financial capital

Interest cost management: RAK Ceramics has been proactive in managing its interest costs, leveraging its financial strength and prudent capital allocation measures. By optimizing its capital structure, mobilizing debt at favourable terms, and managing liquidity effectively, the company has been able to optimize its interest expenses over time and strengthen its financial position. This proactive approach to interest cost management not only boosts profitability potential but also reduces financial risk and improves risk profile.

Balance sheet and cash flow management: The company maintains a healthy balance sheet and robust cash flow management practices, which provide a sound foundation for sustainable growth and resilience. The company maintains a prudent approach to debt management, ensuring a manageable credit burden and adequate liquidity to support its operations and strategic initiatives.



MATERIAL MATTERS SERVED

Prudent liquidity management

Sound capital allocation

Reduction in debt and cost of debt

Expand profitability levers

Reduce fixed and variable costs

SDG served





MANUFACTURED CAPITAL

SHAPING EXCELLENCE: ELEVATING LIFESTYLES THROUGH INNOVATIVE CERAMIC SOLUTIONS

At RAK Ceramics (Bangladesh), our manufactured capital refers to the tangible assets and resources that we utilize to manufacture our products. For us as a ceramics company, manufactured capital plays a crucial role in driving operational efficiency, product quality and market competitiveness. By leveraging the latest technology for manufacturing products and maintaining a strong and

wide distribution network, we have positioned ourselves for sustained growth and success.

We have a largescale manufacturing establishment where we utilize the advanced SACMI technology for ceramics production. This not only shows our commitment to quality, but also to customer trust in our products, ecological conservation and brand governance.

OUR MANUFACTURED CAPITAL: VALUE CREATION DASHBOARD

Parameter Unit, 2023

10.32 MN SQM Ceramics tiles installed capacity	1.45 MN PCS Sanitaryware installed capacity	9.52 MN SQM Ceramics tiles production
1.22 MN PCS Sanitaryware production	BDT 6,920.18 MN Total operational expenditure (opex)	BDT 1,155.78 MN Total finished FG inventory

Key pillars of our manufactured capital

One of our key pillars is the adoption of the latest manufacturing technologies. We have invested in state-of-the-art equipment, machinery and processes to streamline production, improve product quality, and enhance operational efficiency.

- Automated production lines: We utilize automated production lines equipped with advanced machinery to minimize manual labor, reduce production lead times, and optimize resource utilization.
- Energy-efficient technologies: Sustainability is a growing priority for us, driving investment in energy-efficient infrastructure and practices. We are adopting energy-efficient kilns, dryers and other equipment to reduce energy consumption, minimize carbon emissions and lower our operational costs.
- Wide distribution network and logistics control: In addition to the advanced manufacturing technologies, our manufactured capital also encompasses our distribution network and logistics capabilities that ensures efficient and time-bound delivery of our products to customers around the country.
- Logistics control: A near-direct logistics control allows us to have end-to-end visibility and control over our entire supply chain, from production to distribution. By managing a fleet of vehicles through our contracted logistics partners, coordinating transportation routes and optimizing delivery schedules, we ensure on-time deliveries, reduce transportation costs and enhance dealer fulfillment and customer satisfaction.

STRATEGIC OUTLOOK



We will focus on premium products, which is a key strategy for us

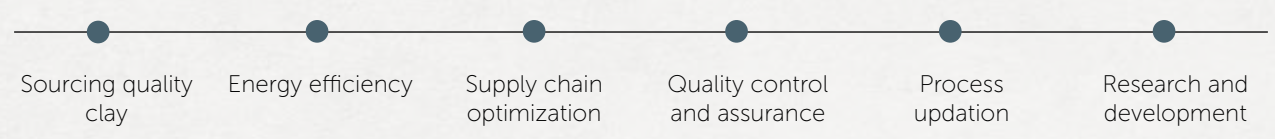


Towards this end, we will ensure consistent investment in plant maintenance and asset upgradation



Expanding capacity in an inorganic way will help us drive incremental product output at lower fixed and variable costs

MATERIAL MATTERS SERVED



SDGs served





HUMAN CAPITAL

EMPOWERING OUR TALENT THROUGH RESPONSIBLE AND SAFE EMPLOYMENT

At RAK Ceramics (Bangladesh), our people, culture, values and capabilities form the foundation of our identity and our human capital.

This capital for us encompasses our skilled workforce that drives innovation, production and sustainable growth. From craftspeople and workers who mold clay into exquisite tiles and bathroom fittings to engineers who keep our machinery running and in shape, to our design team who innovate new products and solutions based on form, function and utility, our human capital forms the backbone of our operations.

Moreover, investing in the development and well-being of our employees not only enhances productivity but

also fosters a sense of pride within the company. By nurturing talent, providing training opportunities and promoting a culture of continuous learning, we are able to ensure sustainable growth and competitive advantage in the market.

In a major highlight of the year 2023, the company was able to bring down its accident rate significantly from 1,444 injuries in 2021, to 885 in 2022, down to 384 in 2023, reflecting injury rate being lowered by almost 4-times in the past three years. This shall continue to remain a prioritized focus area in the upcoming years too.

OUR HUMAN CAPITAL: VALUE CREATION DASHBOARD

Parameter Unit, 2023			
2,139 Total workforce	3% Women in the workforce	BDT 1 MN (approx) Learning and training investment	13,854 MAN-HOURS Total training
13,300 Total participants	181 Total training and awareness programs	384 Injuries	BDT 3.65 MN Avg. revenue per employee

Key pillars of our human capital

- Skills development: We invest in training and upskilling programs to enhance the technical and creative skills, craftsmanship and knowledge of ceramic production processes, in addition to equipment and process knowhow.
- Innovation and creativity: We encourage a culture of innovation and creativity among our employees to develop new designs and production techniques.
- Health and safety: We prioritize the health and safety of our employees by implementing rigorous safety protocols, mandating PPE wear and providing a safe working environment, in addition to offering shopfloor workshops on safe operations.
- Diversity and inclusion: We foster a diverse and inclusive workplace that values different perspectives, backgrounds and experiences to promote creativity and innovation.
- Career development: We offer opportunities for career growth and advancement through coaching and leadership development.
- Talent acquisition and retention: We focus on attracting top talent through competitive compensation packages, employee recognition and a positive work culture, while also focusing on employee retention strategies.

Employee transformation

L&D and skilling activities support our people in their growth journey amid the challenging industry environment.

To ensure a sustainable and healthy workplace with high-potential, skilled and motivated manpower, the Learning and Development (L&D) team of HR arranged 181 awareness and training activities throughout the year 2023, indicating 13,854 man-hours invested in upskilling as many as 13,300 participants.

Key awareness programs organized in 2023 include:

- Product knowledge workshop for sales team
- Invoice tracking system induction
- Cancer prevention awareness
- Menstrual hygiene awareness
- Ramadan nutrition awareness
- Heart disease awareness
- Dengue prevention and stroke awareness
- Task hazard awareness
- Mechanical and electrical safety
- PPE selection
- Workplace safety awareness
- Fire safety
- Driving safety

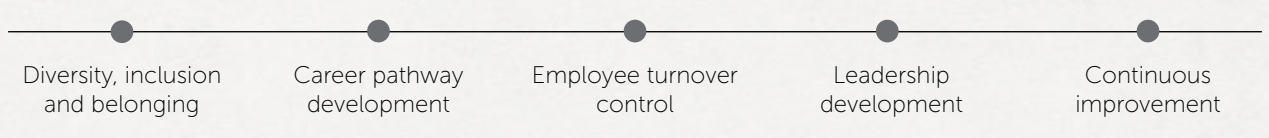
STRATEGIC OUTLOOK

We will continue to provide high-quality learning and training programs

Employee retention and new onboarding will remain a top priority

KPI planning will be a focus area to improve the culture of performance and productivity

MATERIAL MATTERS SERVED



SDGs served





INTELLECTUAL CAPITAL

DRIVING INNOVATION AND COMPETITIVE ADVANTAGE

In the highly competitive industry environment, intellectual capital for us plays a pivotal role in driving innovation, enhancing product quality and maintaining our competitive edge. RAK Ceramics (Bangladesh), a leader in the industry, excels in leveraging its intellectual capital to deliver superior products and solutions that set it apart from competitors.

Being in the ceramics business for over 25 years now, we have built strong product know-how and expertise. The company's commitment to R&D, coupled with its investment in cutting-edge technology and talent and

parentage that enables global insights and knowhow, enables it to produce products of superior quality and design.

From tiles and sanitaryware to other decorative items, RAK Ceramics' products are renowned for their durability, aesthetics, functionality and performance, earning the trust and loyalty of customers all over the country. This deep understanding of product requirements and market trends allows the company to anticipate customer needs, innovate proactively and maintain its leadership position in the industry.



OUR INTELLECTUAL CAPITAL: VALUE CREATION DASHBOARD

Parameter Unit, 2023

250

New products launched (over two years)

39

Dealership addition (over two years)

5

Total Exclusive large format showrooms

Key pillars of our intellectual capital

Advanced IT infrastructure and processes: At the core of our intellectual capital is our advanced IT infrastructure and processes, which form the backbone of our operations. The company has made significant investment in technology, implementing state-of-the-art systems and software to streamline its manufacturing, supply chain and business operations. From enterprise resource planning systems for integrated management to customer management platform for enhanced customer service, the company's IT infrastructure enables efficient decision-making and seamless organization-wide coordination.

Manufacturing and process knowledge: We possess deep manufacturing and process knowledge that gives us a significant competitive edge in the market. With state-of-the-art manufacturing facilities equipped with advanced machinery and equipment, the company has fine-tuned its processes to achieve optimal efficiency, consistent quality and lower rejects. From raw material preparation and formulation to shaping, firing and finishing, the company's expertise extends across the entire production lifecycle.

Continuous improvement and innovation: The company is committed to continuous improvement and innovation across all aspects of its business. Through ongoing research and development initiatives, it explores new materials, technologies and design concepts to enhance its product portfolio and address evolving customer preferences.



STRATEGIC OUTLOOK



We will continue to build on our advanced IT infrastructure and processes, superior product know-how and quality excellence



By leveraging our intellectual capital we will drive innovation, efficiency and value delivery



MATERIAL MATTERS SERVED

New product development

IT reinforcements

Quicker decision-making and seamless coordination

SDGs served





SOCIAL AND RELATIONSHIP CAPITAL

DEVELOPING CONDUCIVE RELATIONSHIPS FOR MUTUAL BENEFIT

RAK Ceramics (Bangladesh) stands as a beacon of excellence, not only for its superior products but also for its commitment to fostering strong social and relationship capital. With a firm belief in the importance of nurturing stakeholder relations for mutual benefit and maintaining our social license to operate, we have established ourselves as a trusted partner in the community and the industry.

At the heart of our social capital strategy lies a deep commitment to the welfare and engagement of our

employees. Recognizing that employees are our most valuable asset, the company prioritizes initiatives aimed at promoting a positive, productive and respectful work environment, fostering career development opportunities and ensuring employee well-being. By investing in training and development programs, providing competitive compensation propositions and fostering a culture of inclusivity and diversity, we not only enhance employee satisfaction and loyalty but also drive organizational sustainability.

OUR SOCIAL AND RELATIONSHIP CAPITAL: VALUE CREATION DASHBOARD

Parameter Unit, 2023

142	39	350	345
Dealer served	CSR beneficiaries	Approx. indirect employment (through retail footprint, etc)	Net employees added in two years

Key pillars of our social and relationship capital

At RAK Ceramics (Bangladesh), we understand the importance of giving back to the communities in which we operate. Through our Corporate Social Responsibility (CSR) and community citizenship initiatives, the company actively engages with local communities, addressing social and environmental challenges and making a positive impact on the society. From education and healthcare initiatives to environmental conservation, the company's CSR efforts aim to uplift and empower communities.

Supplier and partner relationships: The company values its relationships with suppliers and partners, recognizing their critical role in the company's success. By fostering open communication, transparency and trust, we cultivate long-term partnerships based on mutual respect and shared goals. Through collaborative efforts and strategic alliances, we focus on strengthening our supply chain resilience, enhance product quality and drive innovation for mutual benefit.

Customer satisfaction and loyalty: Customer satisfaction and fulfillment is a top priority for RAK Ceramics and the company goes beyond to meet and exceed customer expectations. By offering high-quality products, responsive customer service and innovative solutions tailored to customer needs, we build strong and enduring relationships with our customers. These relationships not only drive repeat business and loyalty but also serve as a source of valuable feedback and insights for continuous improvement.

Industry thought leadership: As a leading player in the ceramics industry of Bangladesh, RAK Ceramics recognizes its responsibility to lead by example and advocate for sustainable practices and industry standards. Through active participation in industry associations and ongoing engagement with regulatory bodies, we contribute to the advancement of best practices, the development of industry standards and the promotion of responsible business conduct.

STRATEGIC OUTLOOK

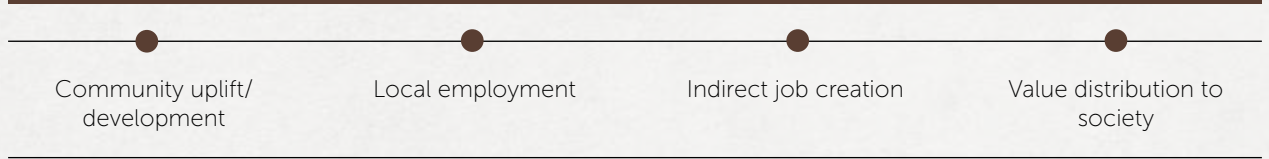
We will work upon building mutually-beneficial partnerships with all our stakeholders

Employees are a key part of our social and relationship capital and we will continue to lay thrust on employee engagement and retention

We will also further develop our market strategies so that we remain as the preferred company of choice for all their needs and expectations

We will drive innovation, efficiency and value delivery

MATERIAL MATTERS SERVED



SDGs served





NATURAL CAPITAL

RESPONSIBLE STEWARDSHIP OF NATURAL RESOURCES

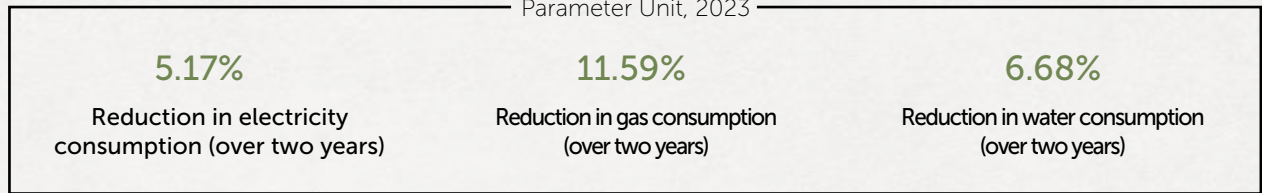
Natural capital refers to the stock of natural resources and ecosystems. For a manufacturing company, natural capital plays a crucial role in ensuring the availability of raw materials, minimizing environmental impact and promoting sustainable practices. This is especially true since our major raw material is clay, a naturally occurring resource.

By efficiently utilizing natural resources and focusing on

efficient energy consumption to minimize our carbon footprint and external emissions, we are demonstrating a commitment to environmental stewardship and long-term sustainability. Few of the other major natural resources we use include minerals and water. We thus employ various strategies to efficiently utilize our natural resources while minimizing waste and environmental impact

OUR NATURAL CAPITAL: VALUE CREATION DASHBOARD

Parameter Unit, 2023



Key pillars of our natural capital

Clay sourcing and management: Clay is the primary raw material used by us in ceramics production and thus we carefully select and manage clay to ensure sustainable sourcing practices. We thus contribute to minimizing ecosystem disruptions.

Water conservation: Water is a critical resource in ceramics manufacturing used for various purposes including clay preparation, shaping, glazing and cooling. We implement water conservation measures, such as recycling and reusing process water, optimizing water usage and investing in water-efficient technologies to minimize water consumption and reduce strain on local water sources.

Energy consumption and carbon footprint: Energy consumption is a significant aspect of natural capital for ceramics companies as it directly impacts operational costs, carbon emissions and environmental sustainability. We thus prioritize energy efficiency and emission reduction initiatives to minimize our carbon footprint and external emissions.

Energy-efficient technologies: We invest in energy-efficient technologies and equipment to optimize energy consumption across our manufacturing processes. This includes the use of energy-efficient kilns, dryers, lights and fittings, etc., as well as the implementation of energy management systems and continuous monitoring to identify and address any energy wastage.

STRATEGIC OUTLOOK



We will keep an eye on lowering our consumption of natural resources

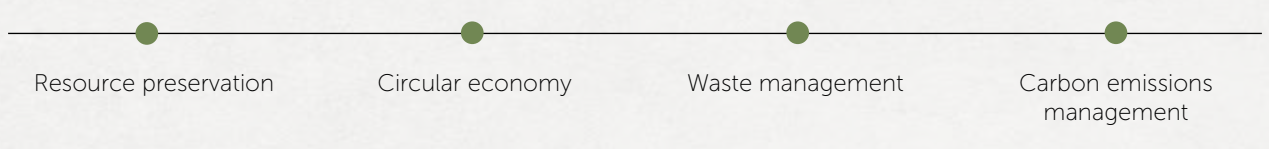


We will continue to cultivate best practices in conservation at our workplaces



Employee awareness is an important part of our resource utilization practices

MATERIAL MATTERS SERVED



SDGs served



TRAINING AND AWARENESS PROGRAM 2023



Finance for Non-financial Managers Training



Communication and Business Etiquette



Microsoft Office 365 Training



Dengue Prevention and Heat Stroke Awareness



Fire Prevention, Rescue and First Aid Training



Safety Counselling



On the Job training



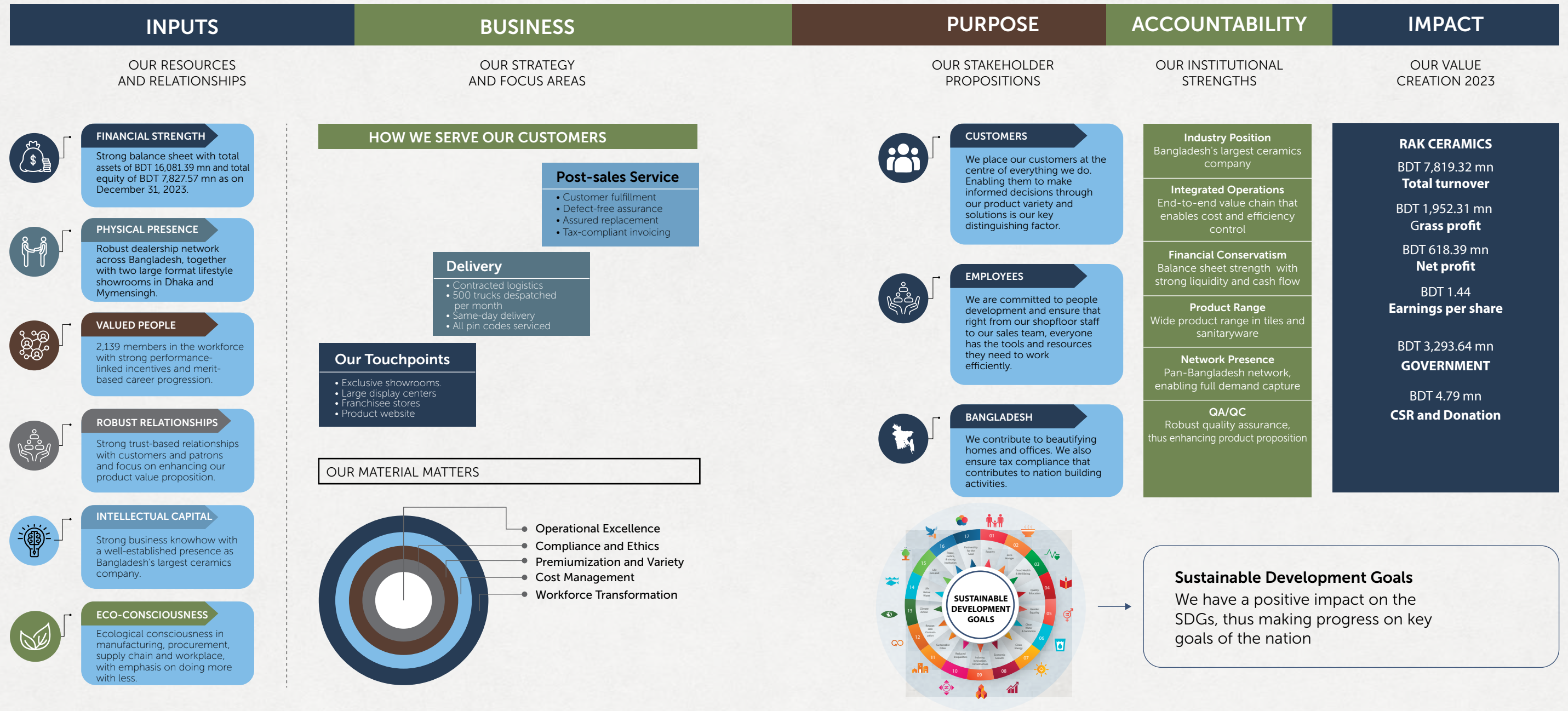
World Heart Day

PRODUCTION FACILITIES



OUR BUSINESS MODEL

At RAK Ceramics (Bangladesh), we create value through our business model by converting our inputs, through our business activities, stakeholder purpose and accountability, to drive impact that is beneficial for all our stakeholders.



Sustainable Development Goals
We have a positive impact on the SDGs, thus making progress on key goals of the nation

OUR INTEGRATED VALUE CHAIN

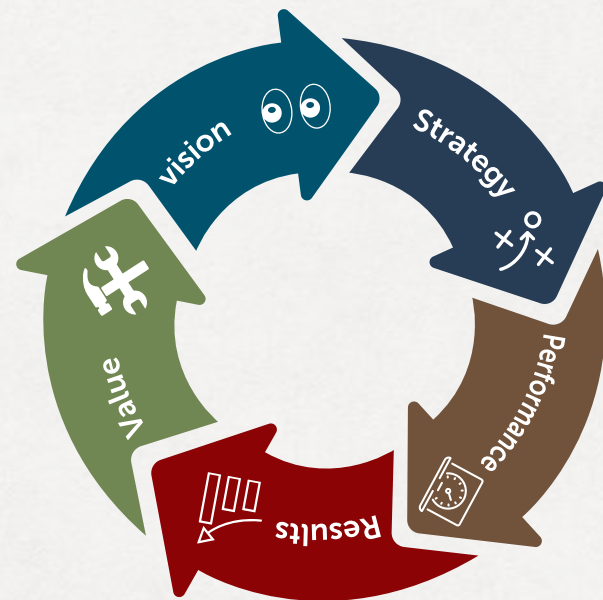
ALIGNING VALUES, STRATEGY AND EXECUTION:

Blueprinting our long-term success through fortifying our integrated value chain

In the vibrant landscape of Bangladesh’s ceramics industry, we at RAK Ceramics (Bangladesh) have identified that the confluence of values, strategy and execution serves as the cornerstone for our sustainable growth and competitive advantage. As the market continues to evolve, it is imperative for us to embrace a holistic approach that integrates our core values into our strategic planning and meticulous execution. The significance of aligning our values with strategy and execution has enabled us to generate sustainable long-term value for our shareholders and other stakeholders.

Our Circular Value Creation Process

How RAK Ceramics uses its values and strategy to foster sustainable outcomes



Aligning our values to our long-term vision

At the heart of our success is our set of guiding principles that shape our culture, decision-making processes and relationships with stakeholders. In Bangladesh, where cultural heritage and craftsmanship are deeply ingrained, embracing values such as integrity, quality, innovation and sustainability is paramount for us. This has been instrumental in enabling us to remain as the number one ceramics company of Bangladesh for many years now.

Integrity forms the foundation of trust between the company and our customers, suppliers and employees. Upholding high ethical standards as an upright member

of the society in all our business dealings fosters long-term relationships and enhances brand reputation. Quality, synonymous with excellence, is non-negotiable for us as we pursue it relentlessly. From raw materials to finished products, our commitment to uncompromising quality ensures customer satisfaction and loyalty.

For us, innovation drives differentiation and competitiveness. Embracing technological advancements, design creativity and process efficiency enables us to stay ahead of market trends and meet evolving consumer preferences. Our parentage with RAK Ceramics PJSC has also been instrumental in

enabling us to get early insights into international trends and developments.

Sustainability, both environmental and social, is increasingly vital in today’s conscientious consumer landscape. Thus, implementing eco-friendly practices, reducing our carbon footprint and investing in community development and citizenship initiatives not only contributes to a better community environment but also resonates with socially responsible consumers.

Delivering on our strategy despite the challenges

For us, our well-defined strategy acts as a roadmap, guiding the company towards its long-term objectives while navigating through dynamic and challenging market conditions. In the context of Bangladesh’s ceramics industry, such a strategic approach encompasses product diversification, market expansion and operational excellence that are essential for sustainable growth for us.

At our company, product diversification involves leveraging market insights to expand our product portfolio, catering to diverse customer segments, categories and applications. By offering a range of ceramic tiles and sanitaryware products tailored to residential, commercial and industrial needs, we are able to mitigate risks associated with market fluctuations and capitalize on emerging opportunities. To cite an example, we have progressively shifted our portfolio to larger matte tiles that are being increasingly preferred by upper-end customers. Further, we are also creating a laddering effect where we are enabling customers up upgrade with us towards more premium, aspirational products.

For us, market expansion entails identifying and penetrating new geographical regions, especially deeper into the districts of Bangladesh. Furthermore, investing in market research, distribution networks and local cultural adaptation facilitates our successful market entry and growth.

Operational excellence is the fulcrum that ensures efficiency, productivity and cost-effectiveness across our value chain. Adopting lean manufacturing principles, optimizing supply chain logistics and harnessing

digital technologies enhance our operational agility, responsiveness and market action. Moreover, fostering a culture of continuous improvement empowers our employees to innovate, streamline processes and drive performance excellence.

Building out our execution strategy

We believe that execution is where strategy meets reality, requiring disciplined implementation, resource allocation and performance monitoring. In the dynamic landscape of Bangladesh’s ceramics industry, effective execution hinges on agility, adaptability and resilience, key character traits essential for long-term success.

Agility enables us to respond swiftly to market dynamics, customer feedback and competitive dynamics. Flexibility in production processes, right-sizing inventory and working capital management and investment in distribution channels enables effective and timely adjustments to changing demand patterns and supply chain disruptions.

For us, adaptability is essential for navigating unforeseen challenges and seizing emerging opportunities. Embracing a growth mindset, fostering cross-functional collaboration and cultivating a deep culture of learning and transformation empowers our employees to embrace change, experiment with new ideas and adapt to evolving market dynamics.

Resilience is the ability to withstand setbacks, learn from failures and emerge stronger. In a volatile and uncertain business environment, resilience is a strategic imperative for us. Investing in risk management, scenario planning and contingency measures mitigates potential disruptions and ensures business continuity.

Aligning our values with strategy and execution thus is key to unlocking sustainable growth opportunities and competitive advantage in the ceramics industry. By embracing integrity, quality, innovation and sustainability as our core values, we formulate our strategic initiatives that help capitalize on market opportunities while adhering to ethical standards. Effective execution, characterized by agility, adaptability and resilience, transforms our strategic vision into performance-based results, driving long-term value, success and prosperity.

PESTEL FRAMEWORK OF RAK CERAMICS (BANGLADESH)

The company's PESTEL framework enables it to identify the key trends in the broader operating environment and take decisions that could enable it to positively capitalise on those trends or protect the business from any downsides.

Over the years, Bangladesh has been experiencing rapid urbanization, leading to increased demand for housing and commercial spaces, thus presenting opportunities for real estate development and the sustainable demand for ceramic products that are key for home or office interiors.

Furthermore, the government has been laying thrust on infrastructure projects such as roads, bridges, etc., that has supported economic growth in the hinterlands, improve connectivity within the country and thus fuelled new opportunities for ceramics companies. With the growing population and rising incomes, there is potential for the expansion of retail and commercial spaces, driving demand for ceramic tiles and other products for interior and exterior decoration or embellishment.

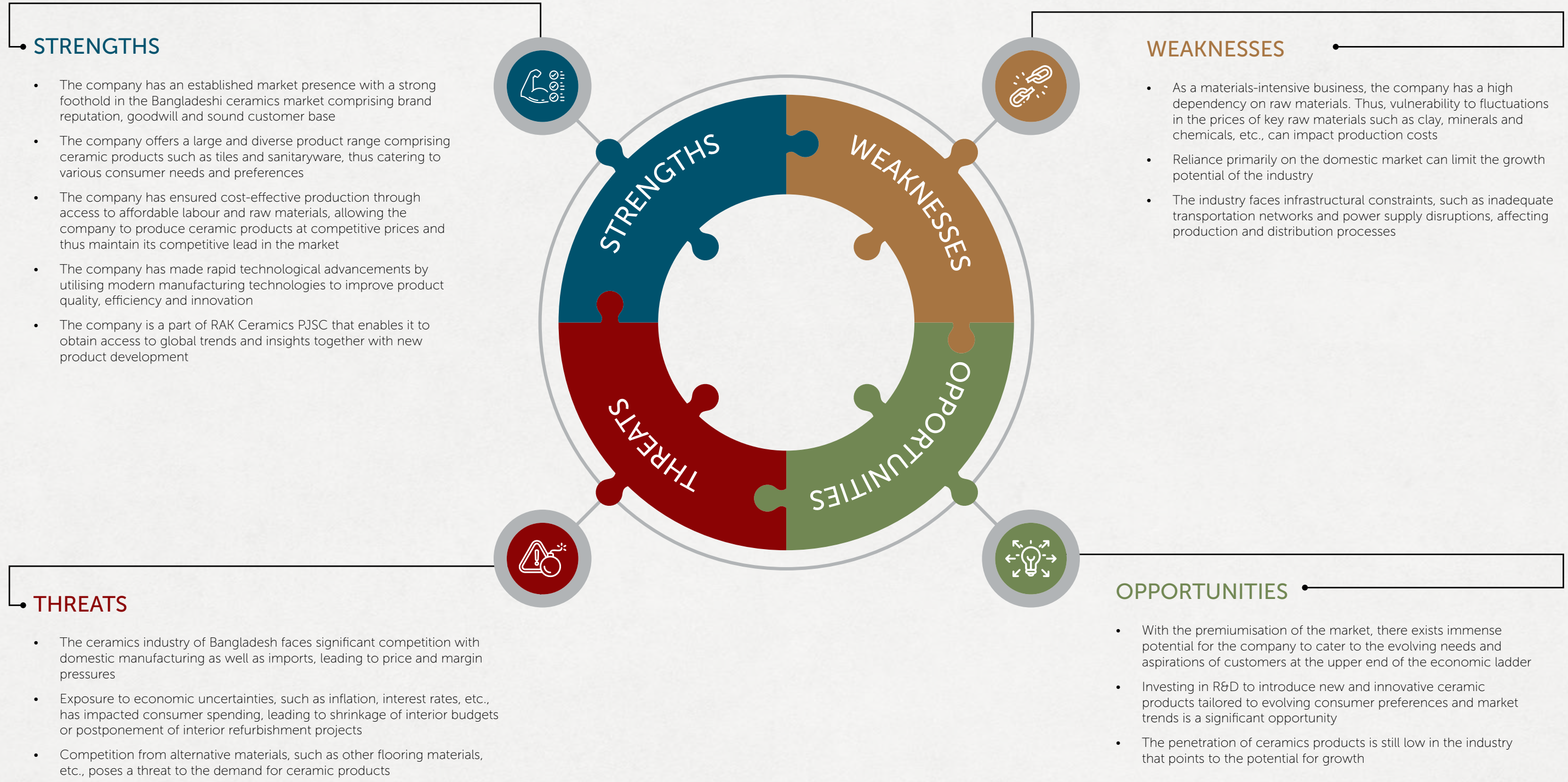


We present hereunder our PESTEL framework (Political, Environmental, Social, Technological, Environmental, Legal) an assessment of which enables our company to take the best long-term decisions and implement strategic delivery accordingly.

FACTORS	KEY TRENDS
 Political	<ul style="list-style-type: none"> With our business directly correlated to the growth of the real estate and infrastructure sectors, government policies and regulations that affect the real estate and infrastructure sectors, such as land acquisition laws and zoning regulations, have a key bearing on our operations Political stability is a key factor that enables us to ensure sustained business operations and investment decisions The Bangladesh government is forward-looking and will foster policy initiatives that facilitate ease of doing business
 Economic	<ul style="list-style-type: none"> Bangladesh has been consistently reporting high GDP growth rates and overall economic stability has influenced consumer spending on real estate that has driven the demand for our products Higher disposable income driving higher spends on interiors, aspiration of a better lifestyle and capacity to experiment have been key economic factors underlying the growth of the country's ceramics industry Interest rates and elevated inflation have impacted borrowing costs, making it more costly for people to buy homes. In this regard, real estate players and banks, etc., have sought to enhance affordability through prolonging instalments, providing favourable rates, etc.
 Social	<ul style="list-style-type: none"> Demographic trends and urbanization rates are key social factors driving demand for residential and commercial properties Lifestyle changes are influencing the demand for our products There is a distinct trend towards larger homes, especially in the post-pandemic era that is a good sign for the industry
 Technological	<ul style="list-style-type: none"> Advancements in technologies impacting the efficiency and cost-effectiveness of real estate development projects is a key factor which can leave a bigger surplus in the hands of homebuyers for their interiors Innovations in ceramic manufacturing processes improve product quality and optimise production costs Technological factors also have a role to play in enabling us to optimise resource consumption and lower wastages that is key for ensuring better environmental compliance
 Environmental	<ul style="list-style-type: none"> Environmental regulations governing the construction and operation of real estate projects, including green building standards. Thus, enhanced consciousness amongst buyers for environmental factors push manufacturers too to adopt green and more sustainable practices Through utilising cutting-edge technology we as a company are able to advance our focus on "doing more with less", enabling us to reduce the carbon footprint of our operations
 Legal	<ul style="list-style-type: none"> Compliance with industry codes and regulations is important for us to ensure that we continue to hold our license to operate We uphold all legal and statutory regulations as a means to ensure we remain an upstanding member of the society

SWOT ANALYSIS

SWOT analysis enables the company to undertake a holistic 360-degree view of its business in relation to the industry environment and hence focus on building on its "Strengths", minimising its "Weaknesses", capitalising on prevalent "Opportunities" and lowering "Threat" barriers for ensuring sustainable growth and development.



BUILDING MOMENTUM: COMMITTED TO VALUES-BASED GROWTH

As a large, reputed industrial enterprise of Bangladesh, we believe it is our moral obligation to serve the market with the best quality products with competitive value propositions.

To capture opportunities and enhance our institutional strength in the ceramic tiles and sanitaryware and faucets industry, we consider the following enablers with a view to achieve value-based responsible growth:

- 

Commitment to Bangladesh

Affordability has brought tiles within the reach of the mass people and RAK Ceramics (Bangladesh) has been playing an important role in helping people prefer tiles for their surfaces. Furthermore, the company has also played a key role in import substitution and driving down costs through local manufacturing. This has enhanced affordability amongst customers to make products come within their reach. Thus, it would be appropriate that the evolution of the ceramics industry in the country has been aligned to the success of RAK Ceramics. Our role is to ensure that we continue to play a leading role as an institution than as a business entity, thus positioning ourselves as an organization delivering all-round value.
- 

RAK as the preferred choice

We have been able to successfully establish the right product-market fit with ceramic tiles and other ceramic products. Today, ceramic tiles have an unquestioned position in the Bangladeshi market due to all the other flooring options (such as marble, wood, net cementing or mosaic) either being more expensive or less hygienic or non-environment friendly and labour-intensive. Flooring tiles have some unique advantages as well, being free from any of these issues. Therefore, the market for ceramic tiles has grown steadily over the years and RAK Ceramics has played a role in this progressive demand acceleration.
- 

Ecologically-friendly production:

As a company rooted in responsibility, we are committed to protecting the environment, and making this possible is our philosophy of doing "more with less". Thus, we are using recycled water up to 60% and our aim is to expand this to recycling water up to 100%. Additionally, we are installing solar power systems in our factory premises, installing a heat recovery system and reducing energy consumption. We have achieved progress in lowering energy consumption in our factory by about electricity 5.17% , and gas 11.59% over the past two years. We are also re-using broken tiles to manufacture some components in the factory, thus ensuring the principles of recycling, recovery and the circular economy.
- 

Product innovation:

We are investing in research and development to create innovative ceramic tiles and sanitaryware and bathroom fitting designs that meet the evolving customer preferences, including eco-friendly and feature-rich varieties and options. We have a robust product innovation cycle that is boosted by our parentage that enables us to spot global trends and preferences early and bring these selectively to Bangladesh. We have also got insights into the likes and preferences of the local customers that boosts product success in the market.
- 

Key influencer engagement:

We ensure an extraordinary focus on engaging with our key influencers. These may be interior designers, architects, large builders and even masons. We value their suggestions offered to end-customers and try to be a part of the conversation, thus nudging them towards our products. This also gives us the opportunity to showcase the range of our portfolio and establish that our products give them choice, distinctiveness and appeal. Furthermore, an important component of our engagement is with masons. Towards this extent, we organize training events and workshops that also enable them to upgrade their skills.

By leveraging these enablers, we are able to effectively capitalize on market opportunities, while strengthening our institutional capabilities for long-term competitiveness and success.

OUR CUSTOMER SERVICE PROCESS

At RAK Ceramics (Bangladesh), our customer service process is rooted in ensuring that we provide the best service to our customers. This is crucial for us to ensure that we are able to drive our position as the largest ceramics company of Bangladesh and one of the most trustworthy brand of the country.

Our customer service process involves several stages aimed at providing satisfactory support to our customers across the lifecycle - before, during and after their purchase of our products. Through the following we highlight the key customer service process at our company.



PRE-SALE ASSISTANCE

Product Information: We provide detailed information about the company's products, including specifications, features, benefits and pricing. This is the route we adopt with a view to ensure informed decision-making at our customers' end.

Customization: We assist our customers in understanding customization or personalization options, such as color choices, sizes, finishes and design variations. This is especially true for our metro customers who have more demanding tastes and preferences.

Samples and demonstrations: We offer samples or demonstrations of our products to help our customers make informed purchasing decisions. In fact, sampling is a huge activity at our company and a key driver of sales. Furthermore, we ensure we display the largest range of our products that enable us to showcase the full portfolio to our customers, thereby ensuring their choice and convenience.

Expert advice: We provide expert and specialist advice and recommendations based on customers' specific needs, preferences and project requirements. We emphasise on this aspect in all our trainings so that our employees are able to assist our customers in making the best decisions. This also ensures that our customers remain the key brand ambassadors of our products.



ORDER PROCESSING

Order placement: We provide full assistance to our customers in placing orders for our products through various channels, including in-person visits to our showrooms. We ensure the best possible engagement with them that enables us to ensure fulfillment.

Order confirmation: We dispatch order confirmation notifications to our customers, including details of the products ordered, pricing, approx. delivery schedule and payment information.

Payment assistance: We offer full assistance with payment options to our customers, including online payment gateways and bank transfers.

Production and fulfillment: We provide regular updates to our customers on the status of their orders, including progress, estimated availability, etc.

Quality assurance: We ensure that all our products meet the company's stringent quality standards (QA/QC) and specifications before dispatch or delivery.

Packaging and shipping: We securely package our products that are prone to breakage to prevent damage during transit and coordinate delivery arrangements with our customers.



POST-SALES SUPPORT

Delivery: We coordinate delivery schedules and provide any assistance as needed, ensuring that our products are safely and properly installed in customers' desired locations.

Customer feedback: We actively solicit feedback from our customers about their overall satisfaction with the products and services they received from us, addressing any concerns or issues promptly and with full attention.

Returns: We provide information about procedures for returning or exchanging products, resolving customer complaints or issues satisfactorily.



CUSTOMER RELATIONSHIP MANAGEMENT

Customer relationship management is a key part of our customer service process. In order to facilitate this, we ensure proactive communication by reaching out to our customers periodically with updates, promotions or special offers to maintain engagement with them. We also handle customer queries promptly and courteously, aiming to preserve customer goodwill.

Thus, our comprehensive customer service process enables us to enhance customer satisfaction, build loyalty and differentiate ourselves in the competitive market, ultimately contributing to our long-term success and profitability.

RISK MANAGEMENT AND CONTROL ENVIRONMENT

Our approach to enterprise risk management and control and environment continues to evolve to ensure agility, resilience and relevance. This has contributed to infusing sustainability into our business.

Risk management and control at RAK

At RAK Ceramics (Bangladesh), our Board and management team continue to set our organization's tone in all matters concerning governance and risk.

We are continuing to build our enterprise risk management controls based on our learnings and experiences during constantly shaping the business for growth and long-term value generation. The objective is to empower our business and functions, equipping our resources with the tools and knowledge necessary to maintain our upstanding commitment to responsible citizenship and ethical business practices.

The ultimate aim is to achieve business enablement, allowing our people to confidently innovative, think creatively and achieve new heights. In this way, our business will support our strategic intent and contribute to the company's growth agenda.

We also aim to foster an informed risk environment that encourages innovation, invention, collaboration and the active commercialization of opportunities. Key focus areas here include anti-bribery and anti-corruption, code of conduct, diversity, equity and inclusion and information security. We deal with any fraud events with a stern hand that in itself thwarts any attempt at defalcations.

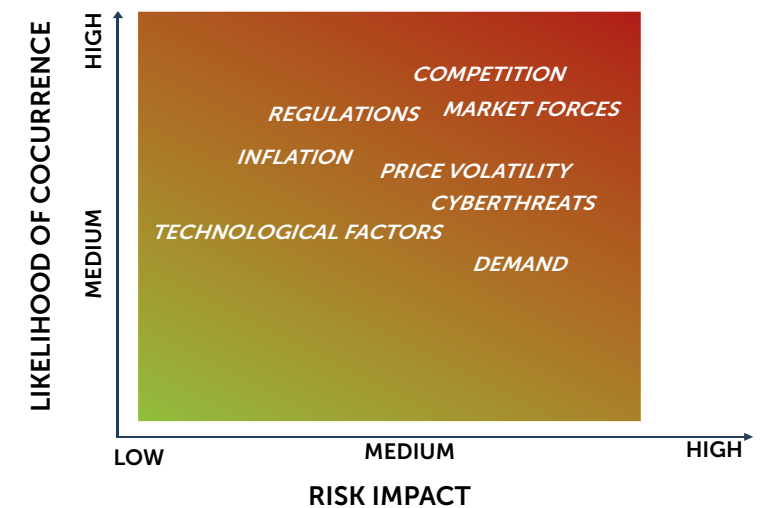
Forums: Enterprise risk is efficiently managed through various forums within the organisation, including Board meetings, committee and team meetings, customer and stakeholder interactions, etc.

Addressing our principal risks




In the dynamic and ever-changing business landscape, uncertainties and unforeseen events can significantly impact economies and businesses. Recognizing this, RAK Ceramics places vital importance on effective risk management as a crucial element of its strategy. The company understands the need for sustainable business practices and actively identifies potential risks while taking proactive measures to mitigate them.

To achieve this objective, the company has adopted a robust set of risk management practices, which act as a guiding tool in its approach towards risk management. A proactive risk management approach helps the company to identify potential threats, assess their potential impact on the business, and implement appropriate measures to minimize their consequences. Furthermore, our risk heat map that sets out our key risks on the basis of their impact and likely occurrence also enables strong risk control.

Risk heat map of RAK Ceramics

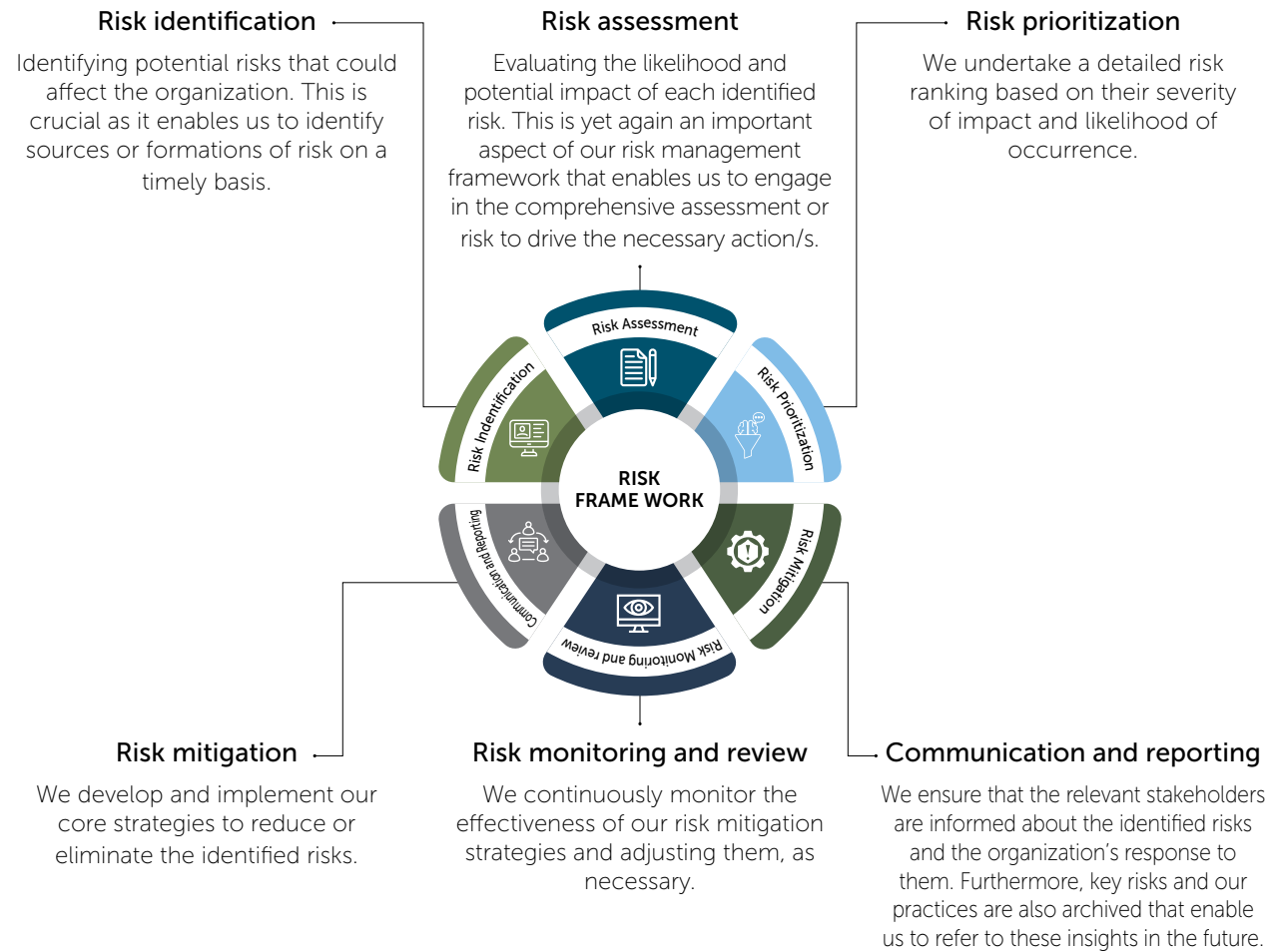


Principal risks	Risk context	Mitigation measures
 Price volatility	<p>Inflation was a significant factor affecting businesses and industries in 2023. This was due to a combination of geopolitical challenges and supply chain disruptions. The company, being resource-intensive in nature, is not insulated to changes in global commodity prices, specifically natural resources and fuel.</p>	<ul style="list-style-type: none"> We engaged in many cost and operational efficiency measures to counter inflationary pressures We focused on process optimization activities to lower input consumption for the same level of output We tried to broaden and diversify our supply base to ensure flexibility in our procurement We engaged in advance key resource procurement to protect against price or delivery challenges
 Regulations	<p>Unforeseen and stringent regulations may adversely affect the company's operations. Any sudden changes in regulatory requirements could create financial and operational challenges, potentially leading to a decline in profitability.</p>	<ul style="list-style-type: none"> We remained vigilant and closely monitored any regulatory developments to proactively adapt our operations in response We ensured compliance management and training, thus aligning to all norms and regulations
 Competition	<p>With the presence of a large number of players in the market, together with significant imports, especially from China, it is important for the company to undertake activities that maintains its competitive lead.</p>	<ul style="list-style-type: none"> We are the largest ceramics company of Bangladesh and our significant scale of operations ensure a leading market share and high customer recall Through product quality, value competitiveness and relative affordability, we are sought out by our customers in the market Our significant goodwill has added to our brand trust which helps us differentiate ourselves from the rest of the market
 Market forces	<p>With the dynamic nature of the economy, it becomes a priority to monitor the changes and adapt accordingly.</p>	<ul style="list-style-type: none"> We have a significant presence in the market that enables us to gather intelligence about key developments and take action swiftly as a response We have continuously invested in state-of-the-art equipment to improve our operational efficiency and provide a significant range of products in terms of sizes, designs and price-points that are factors which help in growing our customer base We have also selectively increased prices to protect profitability and lower any additional cost burden on customers

Principal risks	Risk context	Mitigation measures
 Technological factors	<p>Operating outdated technologies has the potential to harm the company's operational efficiency, negatively impact the quality of its products and ultimately hinder its profitability.</p>	<ul style="list-style-type: none"> We utilize the modern SACMI technology that is the gold standard in ceramics manufacturing This provides us with a competitive lead in the quality of our products as well as in the look and finishing Furthermore, it also enables us to optimize costs and minimize wastages
 Cyber Threats	<p>The vulnerability of the company's systems can increase the risk of fraud activities that may impact its business operations.</p>	<ul style="list-style-type: none"> We have modern IT implemented business-wide with proper safeguards and firewalls that thwart any cybersecurity event We provide training to our employees on the safe use of our IT systems, etc.
 Inflation	<p>The company's operations may be impacted by inflationary pressures that cannot be transferred to consumers.</p>	<ul style="list-style-type: none"> To safeguard our competitiveness, we capitalize on our economies-of-scale, efficient cost management and streamlined logistics This strategic approach enables us to navigate the challenges posed by inflationary pressures and ensure we pass on only the necessary cost increase to customers while offsetting the rest through our own internal efficiency drives

RISK MANAGEMENT FRAMEWORK

At RAK Ceramics (Bangladesh), we have a robust, time-tested risk management framework that enables us to identify risks on time and take necessary preventive or corrective actions. Our risk management framework is thus representative of a structured approach to identifying, assessing, prioritizing and mitigating risks within our organization. It typically involves several key steps:



RISK FRAMEWORK

In the corporate landscape of Bangladesh, risk management frameworks are influenced by both international standards as well as local regulatory requirements.

Majority of the companies, especially listed, are guided by the tenets and codes of the Bangladesh Security and Exchange Commission (BSEC), typically with regards to adherence to guidelines and regulations related to risk management. Such guidelines normally cover areas such as operational risk. Companies are required to establish robust risk management frameworks that include risk identification, measurement, monitoring and reporting processes.

The BSEC mandates risk management practices, including requirements for risk assessment, internal controls and risk disclosure in financial reports. While specific risk management frameworks vary across industries and organizations in Bangladesh, the overarching goal remains the same: to identify, assess and mitigate risks to ensure the resilience and sustainability of businesses.

At our company, we take every possible action with a view to ensure that we are able to align to our risk framework and ensure a stable and sustainable organisation that can stand the test of time.

RISK MANAGEMENT METHODOLOGY

For us at RAK Ceramics (Bangladesh), the risk landscape presented new complexities during the year 2023, reflecting the continued economic and social implications of the pandemic as well as the geopolitical instability in Europe and West Asia.

The company proactively monitors emerging risks that could affect its financial performance, stability, business continuity and supply chain over the short, medium and long-term. The Company's approach to risk management methodology and managing risks in 2023 is set out below.

RISK GOVERNANCE

The Board of Directors holds ultimate responsibility for ensuring that the company's risks are identified and mitigated effectively. The Board is supported by a risk management team in discharging its risk management responsibilities. The team reviews the effectiveness of the company's risk management and internal control systems on an ongoing basis, which is a vital part of its risk management methodology.

The team consists of senior managers representing key functions and report to the leadership on the risk performance of each function on a regular basis. This is also a major part of our risk management and mitigation approach. The company's risk profile is also monitored through the internal reporting mechanisms of the company and the group as a whole.

The company's risk management framework and methodology is characterised by defined mandates, comprehensive policy frameworks and clear governance structures. As a part of RAK Ceramics PJSC, the company also benefits from the international harmonisation of global best practices in risk management and has been successful in forging and fostering a risk culture that aptly balances risk and growth considerations.

At every periodic basis, a comprehensive risk assessment is carried out to identify the principal uncertainties facing the company, including those that would threaten its business model, future performance or liquidity. As part of the management approach to risk methodology, we have put in place current activities to manage the risk and ensure sufficient and appropriate responses. Furthermore, activities and plans have been put in place to implement these on an ongoing basis.

Financial and non-financial risks are identified at a functional level, with inputs from relevant employees. This is done through team discussions and team sessions which facilitate value addition. The identified risks are reviewed for completeness by the risk management team on a regular basis and reported to the leadership.

Risk registers, which are standardised across the company, are used to assess and evaluate risks. All identified risks are assessed at various levels with reference to the likelihood of occurrence and the potential impact. Tolerance levels and trigger points are

also defined for each identified risk. The risk registers are validated by the risk team and reviewed regularly by the Board and its committees.

Based on the risk scores that originate from the risk register, the respective functions formulate strategies to curtail and mitigate these risk exposures. Each identified risk is allocated to the head of each function who are the risk owners who reports regularly to the risk management team on the performance of defined risk parameters. Additionally, the potential impact of global trends and risks are also captured through input, which also recommends improvements in internal controls, in line with global best practices.

Risks are monitored at multiple levels in the organisation including at functional level, by the risk management team and even at the Board-level. Identified risks, the risk registers, mitigation plans and performance of each identified risk are evaluated at these levels throughout the year.

Our comprehensive risk management approach outlines the overarching strategy and principles guiding how our organization identifies, assesses, mitigates and monitors risks. On the other hand, risk management methods refer to specific techniques and methodologies or processes used to implement the approach and achieve our objectives.

As part of our risk management approach and culture, we have established a system-wide culture where risk management is valued and integrated into decision-making at all levels of the organization. Besides, defining the organization's willingness to take risks and the level of risk it is prepared to accept. Additionally, we are also aligning risk management activities with the organization's strategic objectives and priorities.

Involving key stakeholders in the risk management process to ensure their perspectives and concerns are considered. Further, we are also committed to ongoing review and enhancement of our risk management framework based on key insights gleaned and changes in the business environment.

Hence, combining a well-defined risk management approach with appropriate methods and techniques ensures that our organization can proactively identify, assess and respond to risks in a structured and effective manner, ultimately enhancing resilience and achieving our goals and objectives.

DISCLOSURE OF RISK REPORTING

At RAK Ceramics (Bangladesh), we have always believed that disclosure of risk reporting is a critical aspect of our corporate transparency and accountability, providing stakeholders with essential information to make informed decisions about our organization's risk profile, performance and prospects. Effective risk reporting ensures that investors, regulators, bankers/creditors and other stakeholders have time-bound access to relevant information about the potential risks faced by the company, how these risks are managed and mitigated, and their potential impact on our organization's financial health and operations.



TIMELY DISCLOSURE – THE HEART OF OUR RISK REPORTING FUNCTION

At its core, risk reporting involves the communication of risks and uncertainties that could materially affect our company's business objectives, financial condition or results of operations. This includes both quantitative and qualitative information about various types of risks, such as strategic, operational, financial and compliance/legal risks, as well as emerging risks that may potentially impact our organization in the future.

Quantitative risk reporting involves the measurement and disclosure of specific risk metrics and indicators, stress-test results, loss events and key risk exposures. These metrics provide our stakeholders with a quantitative understanding of the potential magnitude of risks and the effectiveness of our risk management practices in mitigating them.

On the other hand, qualitative risk reporting focuses on providing context and narrative explanations of risks, risk management strategies and the broader risk environment in which our organization operates. This includes descriptions of risk governance structures, internal control frameworks and safeguards, risk appetite and the roles and responsibilities of key stakeholders in managing risks effectively. Qualitative disclosures help our stakeholders understand the company's risk culture, decision-making processes and commitment to transparency and integrity.

Effective risk reporting requires clear, concise and timely communication of risk-related information through various channels, including financial statements, annual reports, regulatory filings and corporate website. We thus comply with all applicable accounting standards, regulatory requirements and disclosure norms and obligations to ensure the accuracy, consistency and comparability of our risk disclosures over time.

Moreover at our company, risk reporting is tailored to the specific needs and expectations of our different stakeholder groups, considering their level of expertise, risk appetite and interest in the company's affairs. For example, few stakeholders may require detailed disclosures about specific risk factors affecting their decisions, while others may prefer simplified explanations of key risks and their potential impact on shareholder value.

Transparency and disclosure of risk reporting not only enhance investor confidence and trust in our company, but also promote better risk management practices within our organization. By acknowledging and addressing potential risks, we build resilience, improve decision-making and create long-term sustainable value for our stakeholders.

Ultimately at RAK Ceramics (Bangladesh), robust risk reporting contributes to a more informed and resilient financial system, fostering stability, trust and accountability in the market.

OUR OPPORTUNITY LANDSCAPE

CERAMIC TILES MARKET ANALYSIS

The global ceramic tiles market size is expected to grow from US\$ 358.60 billion in 2023 to US\$ 489.70 billion by 2028, thus registering a CAGR of 6.43% during the forecast period. The ceramic tiles market is one of the leading variants of the flooring market. Though it suffered several setbacks in 2020 due to the COVID-19 outbreak, the overall market has likely recovered since.

Ceramic tiles are multipurpose products that have varied applications across different geographies and end-user industries. There are several driving factors for the growth of the market across the world. Most prominent is the increasing construction activity, supported by the growing need for housing. In developing economies like countries in the Middle East and the Asia-Pacific, rapid urbanization and a rise in disposable income also contribute significantly to market dynamics.

China, Japan and India's construction businesses are experiencing robust growth due to the growth in the Asia-Pacific and global market. Rising disposable income and high population, along with other factors, are positively influencing the construction sector, which is driving the ceramic tiles market.

Ceramic tiles are widely applicable in residential and commercial buildings owing to their durability and crack-resistant nature. Moreover, the protective coatings on ceramic tiles offer high water resistance, stain protection and clean-up for the tile surface.

The growing demand for ceramic tiles in recent years can be attributed to several factors, including affordability, designs and varieties and ease of maintenance and installation, among others. Additionally, changing consumer preferences, demand for variety in designs, sizes and styles, and an upsurge in home/office renovation/upgradation activities have played a significant role in driving the market's expansion.



Furthermore, the rising applicability of ceramic tiles in public construction projects, such as airports, railway stations, retail hotspots and schools, as well as in home settings, is further fuelling the growth of the ceramic tiles market.

When considering regional demand, the Asia-Pacific holds a significant market share for ceramic tiles due to its large population and consequent demand for housing and infrastructure. Reinforcing this trend, countries such as China, India, Indonesia, Thailand and Vietnam are significant consumers and producers of ceramic tiles. The expansion of the market in this region is driven by rising incomes and improving standards of living. On the other hand, the North American and European markets are growing at a moderate pace as compared to the Asia Pacific region due to relative maturity of demand.

Asia-Pacific is the fastest-growing market and is expected to dominate the global ceramic tiles market throughout the forecast period (2023-2028). Rapid industrialization and urbanization and cost benefits are the prime reasons for the growth of the ceramic tiles market in the Asia-Pacific region. In terms of volume, China and India dominate the global ceramic tiles market.

Additionally, government regulations and frameworks, such as tax benefits and incentives, have attracted many players to increase operations in the region as the most populous countries, China and India, have given a thrust on buildings and infrastructure development. This provides an impetus for the market for ceramic tiles in the region.



KEY TILE SECTOR TRENDS



Large format tiles

Large format tiles are increasingly popular in interior design for their impressive appearance, especially amongst affluent customers. They create a sense of spaciousness by reducing tile joints, especially when using colours such as black, ash, etc., resulting in a minimalist and classy look. Moreover, they offer a wide range of styles and finishes, from natural stone to bold colours and geometric patterns, thus allowing for bold and captivating statements in different spaces.



Greater experimentation propensity

There has been a significant growth in consumers experimenting with designs, styles, colours, size configurations and varieties, which has also given a thrust to manufacturers towards new product development and innovation. With the rise in disposable incomes consumers have become bold in their choices.



Demand for eco-friendly construction

Ceramic tiles are said to play a major role in eco-friendly building development. It has been estimated that certain roof tile categories reflect solar energy, reducing inside temperatures through better insulation characteristics.



GLOBAL SANITARYWARE AND BATH FITTINGS

The worldwide bathroom fittings industry is set to experience a significant growth rate between 2023 and 2028. Starting at a value of US\$ 53.3 billion in 2022, the market is assessed to touch a size of US\$ 79.1 billion by 2028, reflecting a CAGR of 6.9% during the period.

Growth in the global sanitaryware and bath fittings market is being driven by a number of key factors, such as rising infrastructure development, growing popularity of smart homes and changes in residential interior design trends, especially the shift towards larger and more spacious homes. This has contributed to the increase in the number of bathrooms per flat that is directly contributing to the demand witnessed in sanitaryware and bath fittings.

Furthermore, the market is anticipated to grow with the advent of smart bathroom fittings with unique features,

such as water flow control, lighting adjustment and music. Added to this is the rise in related sectors and infrastructure development in the hospitality sector, which are further propelling the growth of the bathroom fittings market.

As the global sanitaryware and bath fittings market continues to expand, several major trends have emerged worldwide. Specifically, the Asia Pacific region for bathroom accessories is expected to experience significant growth due to factors, such as urbanization, changing demographics and increased investments by millennials on home improvement products and contemporary interior designs in both developed and developing economies. The region's strong economic expansion, combined with government initiatives and manufacturing activities, are projected to grow the market further over the foreseeable future.



BANGLADESH'S CERAMICS MARKET

As per a report referring to Bangladesh Ceramic Manufacturers and Exporters Association (BCMEA), the demand for ceramic products in Bangladesh has gone up by 22% over the last five years, indicating sectoral traction. Further, the total investment in the sector currently stands at about US\$ 1.58 billion.

In Bangladesh, the age when ceramics were exclusively associated with tiles for home flooring decoration has come to an end. The versatile material is currently utilized for several different applications that are well sought after in both local and international markets.

The research additionally calculates that the industry directly or indirectly employs over half a million individuals. Moreover, the sector can significantly contribute to expanding Bangladesh's range of exported goods, hence increasing the country's foreign revenue.

The manufacturing cost structure of ceramics is mostly composed of raw materials and energy. Raw materials make up around 22-25% of the total, while energy accounts for an additional 21-22%. Together, these two components make up about 43-47% of the overall expenses in the production of ceramics. Furthermore, the wage and overhead expenses account for roughly around 16% and 13% of the total costs, respectively.

Although Bangladesh benefits from low labour and overhead costs compared to other major manufacturing destinations, the ceramics industry in the country faces significant challenges due to the substantial rise in gas prices and inadequate pressure in the gas pipeline, which disrupts manufacturing operations. The concerns regarding this significant energy input for the sector are valid, as any further decline in the situation could increase production costs and render the country less competitive in the global ceramics industry, also adding to domestic inflation.

Additional issues may arise for ceramic exporters when Bangladesh transitions from its least developed country (LDC) category in 2026. This transition may result in the imposition of tariff barriers, with exports being subject to an average tariff of 12.7% when accessing global markets. Therefore, Free Trade Agreements (FTAs) play a crucial role in this context.

Nevertheless, despite the obstacles, the ceramics industry presents significant prospects due to the increasing demand within the country and the possibility of expanding exports. Moreover, the country's transition out of the Least Developed Country (LDC) status will lead to a substantial increase in demand, as consumption is closely tied to economic expansion and the overall macroeconomy.



KEY DEMAND DRIVERS

Some of the major demand drivers in Bangladesh include:



Demand from the residential sector

- Affordable housing
- Large spacious homes



Demand from the commercial realty sector

- Vibrant start-up ecosystem
- Modernization of workstations
- Smart offices
- Retail sector demand



Financial shifts

- Rise in disposable income
- Rise in affluences and tastes
- Higher interior budgets



Demographics

- Large population
- Family nuclearization
- Urbanization



Lifestyle trends

- Shortening home renovation cycle
- Personalized fittings
- Ease of maintenance
- Biophilia (nature-inspired designs)

RAK Ceramics (Bangladesh) operates in a promising long-term business climate. Being the country's leading ceramic tiles and sanitaryware company, it has maintained a market lead through adoption of a strategic approach to its business. This approach is supported by planned capital investments and constant workforce transformation, which will be used not only to create new production capacity but also to upgrade machinery and improve existing capacity, while ensure workforce readiness for the future.

(Source: Mordor Intelligence (www.mordorintelligence.com) and The Business Research Company (www.thebusinessresearchcompany.com))

OPPORTUNITIES IN OUR EXTERNAL ENVIRONMENT

ACCELERATING STRATEGIC GROWTH: UNLEASHING THE POTENTIAL OF RAK CERAMICS IN BANGLADESH

Harnessing our growth levers...

As RAK Ceramics (Bangladesh) embarks on its journey in the country's dynamic ceramics industry, seizing strategic growth opportunities is imperative to unlock the full potential of the company and its opportunity canvas for sustaining market leadership. With low per capita consumption serving as both a challenge and an opportunity, the company must strategically leverage its key drivers to fuel expansion, innovation and profitability. The key growth levers in the hands of the company include:

Market penetration and expansion:

With Bangladesh's ceramics market still in its infancy or relative nascent stage in terms of demand and per capita consumption being low as compared to developing country standards, there exists immense potential for market penetration and expansion. RAK Ceramics will capitalize on this opportunity by strategically targeting untapped segments and geographic regions. Furthermore, market segmentation is a key agenda in which the company will tilt its premium value-added product portfolio to urban markets with relatively high disposable income and interior budgets and its mass portfolio primarily comprising smaller size gloss-based products in the semi-urban and rural regions. Such a segmentation will enable the company to effectively capture demand at both ends of the spectrum.

Furthermore, geographic expansion is a constant focus and expanding its distribution network to tap into rural areas and secondary cities will broaden the company's customer base and enhance accessibility to its products. Moreover, investing in marketing and promotional campaigns tailored to local preferences and lifestyle trends will augment brand visibility and stimulate demand across diverse demographics.

Product diversification and innovation:

Innovation lies at the core of sustaining our competitive advantage and meeting evolving consumer demands. At RAK Ceramics (Bangladesh), we will drive strategic growth by continuously investing in R&D and innovation to diversify our product portfolio and introduce innovative offerings tailored to the needs of the Bangladeshi market.

This includes introducing new tile designs, surface finishes and sizes that cater to the preferences of residential and commercial customers. Additionally, exploring advanced technologies such as digital printing will enhance product differentiation and customization capabilities. Besides, under our sanitaryware and bathroom fittings segment, it is our constant endeavour to provide our customers with new and more functional products with better look and appeal. We also have a vibrant product sampling activity that enables our dealers to better engage with customers.

Quality and sustainability focus:

In a market where discerning consumers prioritize quality and sustainability, we differentiate ourselves by emphasizing these values across our entire value chain. By adhering to stringent quality standards and certifications, we instill confidence in our products and build trust among our customers and other participants in our value chain.

Furthermore, integrating sustainable practices into our operations, such as optimizing clay, energy and water usage, reducing waste and responsibly sourcing raw materials not only aligns with our societal responsibility but also enables us to inform our customers of our responsibly-made products. Our commitment to quality and sustainability serves as a key differentiator in a competitive market landscape.

Strategic engagement:

Collaborating with our value chain, including retailers, interior design specialists, architects and other influencers, enhance our brand sheen and facilitate us access to new customer segments. Strategic relationships with real estate developers also create opportunities for product bundling in large projects, such as residential complexes and commercial buildings.

In an opportunity-filled landscape

It is undoubted that ceramic products have the potential to significantly contribute to the diversification of Bangladesh's export portfolio. This is a significant opportunity for local companies to not only tap into demand potential, especially in neighbouring nations, but also open an attractive sales channel, in addition to catering to a large domestic market. Notably, the sector is a large employment generator too, with over five lakh individuals directly or indirectly connected to the industry.

As per a report of Bangladesh Ceramic Manufacturers and Exporters Association (BCMEA), the demand for ceramic products in Bangladesh has increased by 22 percent over the past five years. According to the report, the current total investment in the sector is \$1.58 billion. In FY2021-22, the year for which the latest figures are available, Bangladesh obtained investment to the tune of BDT 15,356.50 crore from a total of 71 enterprises. According to BCMEA data, 33 tiles companies invested BDT 10,151.86 crore and 18 sanitaryware companies invested BDT 2,030.39 crore. This investment is a clear signal of the optimistic long-term potential of the market. Enhanced production can be channelled into the export markets too. Capacity expansion by players will drive local employment generation, while also enhancing contribution to the exchequer.

The application for ceramic products has expanded from just tiles used for applying on surfaces and decorating home and office floors. It is currently employed for various different applications too. Presently, ceramic dinnerware, insulators and other products are highly sought after and in demand in both local and international markets.

The ceramic sector in Bangladesh is being increasingly modernized in response to the growing demand for distinctive ceramic products. The major factor fuelling the expansion of this market are the proliferation of diverse applications for advanced ceramics. For instance, the utilisation of sophisticated ceramics for 3D printing technology.

The ceramics sector is faced with challenges too, including escalating gas prices and the alarming prospect

of depleting natural gas (NG) reserves, which could potentially impact future foreign investment. In the event of a future scarcity or absence of natural gas for industrial use, it will be necessary for the industry to procure gas from external sources in order to facilitate seamless operations. This will undoubtedly impact production costs, potentially leading to significant challenges for the domestic ceramics industry. Bangladesh is typically a price-conscious market and any input cost increases will have to be dealt with carefully in order to avoid any large scale pass-on of costs to sustain demand.

A further issue is the potential challenges that ceramic exporters may encounter as Bangladesh transitions from its least developed country (LDC) status in 2026. Consequently, exporters will be subjected to normalized tariffs over preferred tariffs when products enter international markets. Thus, government support and other internal drivers will be key to protect Bangladesh's competitiveness in the export market. Besides, an alternate means to enhance the national export capability is through forging FTAs or Free Trade Agreements for which the government is in discussion with a few select countries.

Furthermore, implementing measures to lower manufacturing costs, necessitating the introduction of contemporary technology and machines, will be crucial. At RAK Ceramics (Bangladesh), we are constantly upgrading and updating our assets and machineries with a view to ensure the maximum efficiency in cost of manufacturing, production output and end-product quality. Furthermore, it enables us to lower wastages that further support our cost reduction expectations.

RISKS, OPPORTUNITIES AND INTERNAL CONTROL

The business environment we operate in has seen significant changes, with increased levels of uncertainty and, as a result, the risk landscape has been impacted and radically expanded by the state of the world. While the year 2023 has been a complex and challenging period, both in the global and local macroeconomic context, we foresee many of these challenges to continue over the short to medium term.

An unprecedented risk landscape is not just about minimising the abnormal downside risk – it is as much about optimising the upside risk and the opportunities that arise. At RAK Ceramics (Bangladesh), we monitor the external environment and respond appropriately to

both the risks and opportunities it presents. In our quest to create and protect value for all our stakeholders, we responsibly allocate our capitals to opportunities that yield sustainable risk-adjusted growth and returns.

The business of ceramics and consumer marketing remains fundamentally about the management of risk, and we always strive to be a company with a strong risk culture, sound governance practices and a robust enterprise-wide risk management framework. The overall status, outcomes and effectiveness of our risk management have remained favourable and duly stress-tested by the various ongoing crises and shock events.

can differentiate us and attract discerning customers to us who are seeking unique and sustainable solutions. Further, our ability to customize products is also a major advantage of ours as it enables us to meet even unique customer demands.

Leveraging new-age technologies, such as e-commerce platforms, social media marketing and data analytics can enhance customer engagement, streamline

our operations and drive business growth. We are increasingly relying on new sources of building our competitive advantage. Besides, embracing sustainability practices, such as energy-efficient production processes and recycling-reuse initiatives not only reduces our environmental impact but also resonates with conscious consumers, thus enhancing our brand reputation and market competitiveness.



OUR RISK AND OPPORTUNITY LANDSCAPE – KEY RISK SOURCES

For a frontline company like RAK Ceramics that is the largest ceramics company of Bangladesh, we face a myriad of risks and opportunities. By implementing effective internal controls and safeguards, we are able to mitigate these risks, capitalize on opportunities and ensure predictable and sustainable growth.

As part of our risk assessment cycle, we embrace a holistic approach that takes into cognisance the external environment and our preparedness to tackle these through our institutional competencies and our decision-making abilities.

Fluctuations in consumer demand, economic conditions and competitive dynamics pose risks to us. Economic downturns, changes in consumer preferences or even aggressive pricing by competitors can impact our sales and profitability. Furthermore, dependency on imported raw materials and reliance on external suppliers expose

us to supply chain risks. Any disruption in the supply chain, such as delays in shipments or shortages of critical materials, can disrupt production schedules and increase costs.

Besides, operational challenges such as inefficient production processes, inadequate quality control (QC) measures or workforce issues relating to heightened absenteeism or low productivity can affect our operational efficiency and product quality, leading to customer dissatisfaction and potential reputational damage. Non-compliance with regulatory requirements, such as environmental regulations or labor laws, can result in legal sanctions or penalties and can induce damage to the company's reputation. Failure to adapt to technological advancements or invest in innovation can render our production processes obsolete in the face of competition.



OPPORTUNITY ASSESSMENT IN OUR LANDSCAPE

Bangladesh has a relatively nascent real estate industry that points to potential for growth of the industry, especially with urbanization and rising disposable incomes. This presents significant growth opportunities for ceramics companies, especially with products that are primarily a necessity in interiors and are also

relatively non-substitutable by nature. Thus, real estate development, urbanization trends and rising disposable incomes drive demand for ceramic tiles and sanitaryware products.

Continuous product innovation, such as introducing new designs, textures, colours or eco-friendly materials



INTERNAL RISK CONTROL STRATEGIES - RISK IDENTIFICATION AND ASSESSMENT

We conduct regular risk assessments to identify potential threats and vulnerabilities. We also prioritize risks based on their likelihood and impact and develop suitable mitigation strategies to address them effectively.

We diversify our sourcing and procurement options, establish relationships with reliable and longstanding suppliers with good market standing and maintain buffer resources (raw material) to mitigate supply chain disruptions. In addition, implementing inventory management systems and supply chain initiatives enhances transparency and agility in responding to any disruptions.

We implement stringent quality control-quality assurance (QC/QA) measures, standard operating procedures and also employee training programs to ensure consistent product quality and operational efficiency. Furthermore, we also regularly engage in performance monitoring and process optimization drives to help identify areas for improvement and lead continuous improvement initiatives.

Our robust and well-established compliance programs are a major part of our internal risk control safeguards. We take all the necessary initiatives to ensure adherence to regulatory requirements, compliance norms and ethical standards. We also provide training to our employees on compliance policies and procedures and establish surveillance and reporting mechanisms for detecting and addressing any potential violations.

As a company with a longstanding market presence, we foster a culture of innovation, adaptability and resilience to respond effectively to disruptions and changing market dynamics. We also invest in research and development initiatives and encourage employee creativity and experimentation.

We implement financial controls, such as budgeting, financial reporting and internal audits to ensure transparency, accountability and financial integrity. Regular financial reviews and external audits help detect and prevent fraud, errors or financial mismanagement.

STRATEGY AND RESOURCE ALLOCATION

Harnessing our intellectual capital to maintain an effective strategy and efficient resource allocation to remain on our growth path and ward off threats and risks.

At RAK Ceramics (Bangladesh), we have always found that strategic resource allocation is paramount for the success of our company, operating in Bangladesh's competitive industry and market environment. We recognize the importance of effective and efficient resource allocation to drive sustainable growth, enhance operational leverage and capitalize on emerging opportunities. We delve into the company's strategic approach to resource allocation and its implications for long-term success.

Before formulating resource allocation strategies, we conduct a thorough and comprehensive assessment of the market landscape and potential, considering factors such as consumer preferences, competitive dynamics, regulatory environment and key macroeconomic trends. This assessment provides valuable insights that inform our strategic decision-making and resource allocation priorities.

RAK Ceramics aligns its resource allocation efforts with its strategic priorities, focusing on key areas that drive sustainable growth and competitive advantage. These strategic priorities include the following.

Building brand equity and market presence is a key strategic priority for RAK Ceramics. Resource allocation is directed towards marketing and branding activities aimed at enhancing brand visibility, communicating product value propositions that is key to building our competitive edge, and engaging with target customers through various channels, including digital platforms and traditional media.

RAK Ceramics invests in research and development and innovation at scale to continuously enhance its product portfolio and stay ahead of evolving consumer preferences. Resource allocation is directed towards innovation initiatives aimed at developing new designs, textures and finishes and key functionalities that resonate with target customers and hence enhance product appeal.

Efficient utilisation of resources is crucial for maintaining our operational excellence standards and cost competitiveness. We allocate resources towards optimizing production processes, improving supply chain management and investing in technology to enhance our operational efficiency, eliminate wastage and optimise costs.

We have always found that a skilled workforce is essential for driving innovation, quality and customer satisfaction. RAK Ceramics allocates resources towards employee training and development initiatives aimed at enhancing technical skills, fostering a culture of continuous learning and nurturing leadership and entrepreneurial capabilities within the organization. Furthermore, we also focus on hiring for leadership roles from within, thus providing strong career progression opportunities for our customers.

We mention here our short and mid-term strategic objectives:

Short-term objectives:

- Enhance product design and quality to meet evolving consumer preferences and ensure the best product-market fit
- Improve operational efficiency to reduce production and other operational costs and enhance competitiveness
- Strengthen marketing efforts to augment brand awareness and market share.
- Expand distribution channels to ensure outreach to new customer segments and geographical pockets of opportunity
- Invest in employee training and development to foster a skilled workforce.

Mid-term objectives:

- Diversify product offerings to cater to key high-end segments.
- Implement sustainable practices to minimize environmental impact and enhance social responsibility impacts
- Optimize supply chain management to ensure resource availability and streamlined working capital management
- Explore opportunities for expansion to tap into new markets and diversify revenue streams
- Enhance customer engagement and brand trust through personalized services and innovative solutions

RESOURCE ALLOCATION

At RAK Ceramics, we adopt a systematic approach to resource allocation, guided by clear and consistent objectives, performance metrics and risk-reward considerations. The resource allocation process involves the following key steps that are mentioned below.

The company formulates its strategic planning and budgeting priorities and goals based on market insights and internal capabilities. This involves setting clear goals and objectives, defining performance metrics and identifying key initiatives to achieve strategic objectives. Further, accountability is also built within the team to ensure collective responsibility to our goals and targets.

We prepare annual budgets based on strategic priorities and resource requirements for each functional area, such as product development, marketing, operations, supply chain and human resources. Resource allocation

decisions are made based on the alignment with strategic priorities, expected return on investment and key risk considerations.

Regular monitoring and evaluation of resource allocation decisions are essential for ensuring alignment with strategic objectives and identifying opportunities for optimization. We track performance metrics, analyze variances and conduct periodic reviews to assess the effectiveness and efficacy of our strategy and resource allocation and make necessary adjustments thereof.

Effective resource allocation is thus a critical activity for RAK Ceramics to achieve sustainable growth and maintain its competitive edge. By aligning resource allocation with strategic priorities and objectives we are able to navigate through the challenges and ensure sustainable value creation.

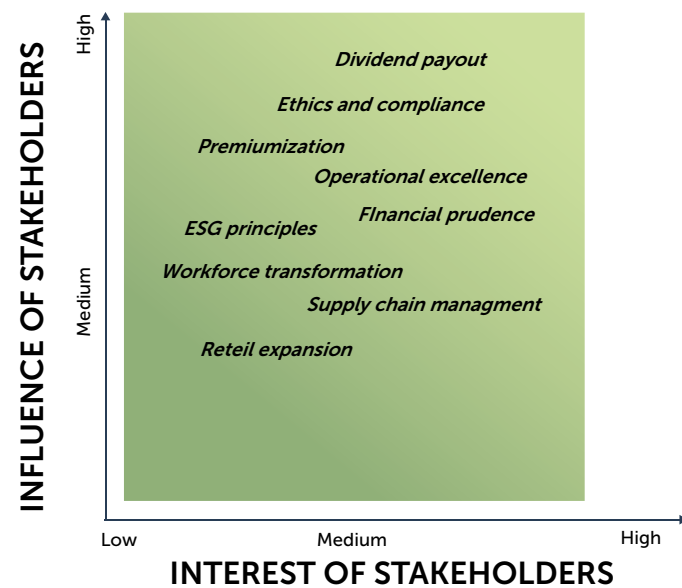
MATERIALITY AND STAKEHOLDERS CONNECTIVITY



STAKEHOLDER ENGAGEMENT

Our understanding of stakeholder needs and expectations informs our business approach, enabling us to identify risks and adapt to change effectively. We engage proactively and transparently with our key stakeholders, including business partners, suppliers, investors, lenders, community groups, employees and the government/regulators. Stakeholder engagement is one of our key governance objectives that are aligned to our purpose, philosophy and values.

Materiality at RAK Ceramics (Bangladesh)



Meeting the material interests of our stakeholders is at the centre of our decision-making and all our activities. In the chart alongside we have enlisted our major material matters that are relevant to our stakeholder groups. These material matters include: Dividend payout, ethics and compliance, premiumization, operational excellence, financial prudence, ESG principles, workforce transformation, supply chain management, and retail expansion.

We use these material matters to create strategies with the view to satisfy and fulfill the specific needs and expectations of our stakeholders, which is provided in the following pages.



EMPLOYEES

Our employees are vital stakeholders that support the company's ability to generate value by developing and delivering our products and services to our customers in the best possible way.

ACCOUNTABLE FOR RELATIONSHIP: PEOPLE AND CULTURE

Engagement initiatives	Key focus areas	Issues management
<ul style="list-style-type: none"> Employee engagements, led by the COO Regular email/one-to-one communications Surveys and consultations Business and performance updates Diversity and inclusion initiatives Strong induction initiatives during new employee onboarding 	<ul style="list-style-type: none"> Fair remuneration and compensation Reputation management Professional and personal growth Career advancement Diversity and inclusivity More in-person engagement opportunities Better work-life integration and career management 	<ul style="list-style-type: none"> Offering robust employee value proposition, in line with best practices Ensuring a safe and secure workplace with a focus on eliminating injuries Enhancing transparency in people-related matters Performing ongoing assessment of performance and remuneration Executing proactive career and performance management

Defining success: An inclusive culture bolstered by our workforce that takes pride in being part of RAK Ceramics (Bangladesh) and shares strong alignment to the company's vision and mission.



CUSTOMERS

We offer our products and solutions to various customers in both private and public sectors, including retail customers and businesses. Building strong relationships with these customers is essential for our organization to stay profitable and sustainable for the long-term.

ACCOUNTABLE FOR RELATIONSHIP: COMMERCIAL GO-TO-MARKET STRATEGIES

Engagement initiatives	Key focus areas	Issues management
<ul style="list-style-type: none"> Customer engagement forums and events curated at our showrooms and dealerships Customer support solutions Customer feedback collection mechanisms Knowledgeable sales team that guides customers throughout the entire decision-making and purchase process 	<ul style="list-style-type: none"> Emphasis on providing customer choice and convenience Ensuring time-bound deliveries Addressing ongoing demand for larger tiles with more design options, especially in metropolitan areas Stocking products to serve specific regional demand, for instance glossy and smaller-sized tiles in rural and semi urban areas Providing assurance on quality and price 	<ul style="list-style-type: none"> Ensuring consistent and transparent communications through engagement Sustaining quality assurance Maintaining client assurance on delivery Providing a range of innovative and latest products with high functionality across both tiles and sanitaryware

Defining success: The success of our client relationships is contingent on acquiring new clients, expanding the use of our products within existing customers, retaining clients and ensuring customer fulfillment. These factors collectively drive our overall revenue growth. In the context of our diverse range of products, this is accomplished through meaningful client engagement for aiding their decision-making.



INVESTORS, SHAREHOLDERS AND OTHER MARKET PARTICIPANTS

Investors and shareholders provide financial capital in the form of equity to support the company's operations, with the expectation of receiving a corresponding return on their investment. Analysts and market participants offer their views on the company's potential and can shape investor and shareholder perception of the company.

ACCOUNTABLE FOR RELATIONSHIP: INVESTOR RELATIONS

Engagement initiatives	Key focus areas	Issues management
<ul style="list-style-type: none"> • Stock exchange announcements • Updates to investors on quarterly and annual performance • Annual general meeting (AGM) interactions • Public relations activities and media outreach • Annual report • Corporate website 	<ul style="list-style-type: none"> • Debt and capital management • Business transformation to pursue growth opportunities • Navigating the challenging local economy, including competitive pressures • Ensuring availability of skills and resources • Judicious dividend policy for value enhancement to shareholders 	<ul style="list-style-type: none"> • Stable financial performance despite escalating market challenges • The management team consistently monitors geopolitical factors that may impact company operations • The senior team actively steers the company's business in response to the macroeconomic challenges

Defining success: Enabling investor understanding of the company's business model and growth strategy to drive an accurate valuation of the share price within the market.



BANKS AND OTHERS (DEBT FUNDS)

Debt funders provide financial capital to fund the company's activities. Due to debt on our books, we have prioritized the execution of a strategy to consistently focus on optimizing our debt levels.

ACCOUNTABLE FOR RELATIONSHIP: TREASURY AND CAPITAL MANAGEMENT

Engagement initiatives	Key focus areas	Issues management
<ul style="list-style-type: none"> • All public sources of communication (stock exchanges, website and staff communication) • Ongoing reporting forums • Regular meetings 	<ul style="list-style-type: none"> • Capability to execute strategy • Financial position and performance • Compliance with commitments under loan agreements • Maintaining credit ratings and risk profile 	<ul style="list-style-type: none"> • Ongoing efforts to enhance value • Execution of capital management • Offering transparent financial reporting • Securing independent assurance for financial statements through appointing reputed external auditors

Defining success: Establishing an optimal capital and financial structure resulting in more manageable financing costs and improved cash flow generation.



SUPPLIERS AND OTHER PARTNERS

Suppliers and other partners support the services and products we supply to our customers. Ensuring strong relationships with these stakeholders is essential to maintain our capacity to create value and continue serving the market.

ACCOUNTABLE FOR RELATIONSHIP: PROCUREMENT

Engagement initiatives	Key focus areas	Issues management
<ul style="list-style-type: none"> • Business procurement function • Events, programs and functions held with dealers on a regular basis • Direct interaction with senior team of supplier companies • Supplier business development support and engagement • Transparent dealings 	<ul style="list-style-type: none"> • Long-term contracts, where possible, to protect against price or delivery challenges • Meeting production targets • Consistency in procurement, thereby assuring business to suppliers • Maintaining supply chain transparency 	<ul style="list-style-type: none"> • Conducting supplier vetting and onboarding to assess delivery and other capabilities • Creating supply opportunities for local MSMEs • Consistently enhancing our procurement processes

Defining success: Sustainable and strategic partnerships are important to us as we constantly focus on establishing RAK Ceramics as a partner of choice for our suppliers and other business partners.



REGULATORY BODIES AND INDUSTRY ASSOCIATIONS

Government oversees and regulates business operations and the industry as a whole, and maintaining a positive relationship with regulators is essential to uphold our operating licence. Further, industry organizations offer platforms for sharing best practices and create a cohesive channel for conveying business needs to the government/regulators.

ACCOUNTABLE FOR RELATIONSHIP: RISK AND COMPLIANCE

Engagement initiatives	Key focus areas	Issues management
<ul style="list-style-type: none"> • Direct engagement with regulators, as per join • Join requirements • Professional interactions involving workshops, industry-specific forums, surveys and feedback on proposals 	<ul style="list-style-type: none"> • Compliance with all regulations and legislations • Meeting all laws and regulations, especially with regards to tax, labour and environmental laws • Focus on responsible tax compliance and maintaining other obligations 	<ul style="list-style-type: none"> • Consistently interacting with regulators through professional associations aimed at enhancing governance, etc. • Meeting all statutory and regulatory compliance standards • Collaboration with industry bodies to understand key trends and market developments

Defining success: Sustained discussions with regulatory bodies, while advancing future objectives. Further, fostering collaboration through our industry associations to contribute to the development of any regulatory policies.



COMMUNITIES AND SOCIETY

RAK Ceramics' commitment to socio-economic development projects advances community development and uplift and stands as a core element of our sustainable business strategy. This commitment steers the organization in cultivating and upholding an authentic culture concerning societal transformation and corporate governance.

ACCOUNTABLE FOR RELATIONSHIP: SOCIETAL SUCCESS AND CULTURE

Engagement initiatives	Key focus areas	Issues management
<ul style="list-style-type: none"> Stakeholder meetings Community events Corporate website Employee volunteering and citizenship initiatives 	<ul style="list-style-type: none"> Focused community efforts tied to the SDG goals Education and skills development Initiatives to enhance learning access and skills development Economic empowerment Initiatives promoting job creation and economic opportunities for local communities Environmental sustainability initiatives Inclusivity and diversity across the organization, including the supply chain 	<ul style="list-style-type: none"> Upholding open and transparent communication to promptly address any concerns Regularly sharing of updates Actively listening to stakeholder concerns and feedback, ensuring their perspectives are considered into decision-making Emphasizing continuous improvement using feedback and insights to identify areas for social development

Defining success: Fulfilling a significant role in facilitating economic access, enhancing people's lives through improved education and skills development, increased income and employment opportunities that contribute to active economic participation.

GRIEVANCE REDRESSAL FOR STAKEHOLDERS

At RAK Ceramics, we have always held the view that proper and sufficient grievance redressal mechanism is crucial for us, especially in line with our mission to serve our stakeholders in the best possible way and thus sustain our reputation as Bangladesh's most respected ceramics tiles company.

Proper and sufficient stakeholder grievance redress is crucial for us for several reasons:

As a listed entity, we are subject to regulatory requirements, including the provision of effective grievance redressal mechanisms, as mandated by securities regulators and stock exchanges.

Addressing grievances promptly and fairly helps maintain the company's reputation and goodwill among stakeholders, including investors, customers, employees and regulatory authorities.

An efficient grievance redressal mechanism enhances investor confidence by demonstrating our company's commitment to transparency, accountability and stakeholder reparation.

As part of our shareholder services, we are focused on upholding shareholder interests. We have always believed that upholding their interests and rights is crucial for our image as a publicly-listed company.

Throughout the year 2023, we engaged in shareholder communication, resolving any complaints on shares, non-receipt of annual report and/or dividend. We remained vigilant to ensure satisfactory shareholder fulfillment.

As a key investor service, we attach a proxy form alongside our annual report to enable our shareholders to nominate a proxy who can come and vote on their behalf at the Annual General Meeting (AGM), if they aren't able to attend it in person.

We remain steadfast in maintaining regular communication with our shareholders by transmitting periodic updates on the company's quarterly and annual performance and also on other material developments at the company, as and when they occur.

Redress mechanism

We remain vigilant on the swift redress of any investor complaint. We have a responsive system in place to ensure all complaints are heard and resolved as swiftly as possible. Shareholders can lodge their complaints through the following channels:

Stakeholder redress channels

Email address:	sharedepartment.bgd@rakceramics.com/ shahidul.islam@rakceramics.com
Dedicated helpline:	16630
Online portal of stock exchanges:	https://www.rakceramics.com/bangladesh/en-bd/
Fax:	+88 (02) 58957096
Courier address:	RAK Tower (7th, 8th & 9th floor) 1/A Jasimuddin Avenue, Sector-3, Uttara Model Town Dhaka-1230, Bangladesh.

Process for investors to ensure complaints redress

Lodging a complaint

A complaint can be lodged by the investor through the channels described above or via the designated email: shahidul.islam@rakceramics.com

Acknowledgement

The complaint is forwarded to the complaint officer/ necessary department to resolve the said complaint in a time-bound and satisfactory manner.

Investigation

A thorough investigation process is launched based on impartiality and fairness regarding the specific details of the complaint. This process usually involves contacting the concerned parties, examining relevant documents, and conducting other necessary assessments.

Communication

A communication channel is maintained to keep investors informed of the progress of their complaint, through which we demonstrate our seriousness in addressing the complaint.

Resolution

The company takes all appropriate steps to resolve the complaint based on the findings of the investigation.

Closure

The complaint is considered closed when a satisfactory resolution is arrived at and acceptable to the concerned investor.

Feedback

We ensure to obtain stakeholder feedback after case closure on our grievance address process with the view to make continuous improvements in our journey towards ensuring full stakeholder satisfaction and fulfillment.

The annual report of the company is published on the corporate website <https://www.rakceramics.com/bangladesh/en-bd/> as soon as it is prepared, together with the quarterly and annual financial statements and other material information.

Shareholder communication – Ensuring continual engagement with our shareholders

We maintain a transparent communication link with our

shareholders throughout the year. We ensure this in the following ways:

- Publishing price sensitive information (PSI) in national newspapers and in online news portals
- Publishing on our own website
- Dispatching it to the stock exchanges for publishing on their website
- Releasing press statements on the significant events
- Sending notices of AGMs and EGMs, as necessary
- Annual report of the company dispatched to shareholders every year
- Publishing quarterly and financial statements in the newspaper
- Organizing general meetings of shareholders
- Utilizing electronic and other communication modes to reach out to shareholders

Shareholder complaints/queries can be sent to the following addresses:

Registered Office:	1st Contact Point (Compliance Officer)	Escalation Point (Company Secretary)
RAK Tower (7th, 8th & 9th floor) 1/A Jasimuddin Avenue, Sector-3, Uttara Model Town Dhaka-1230.	Share Department	Muhammad Shahidul Islam FCS



RAK PERFORMANCE

At RAK Ceramics (Bangladesh), in 2023, we continued to embody the timeless essence of our ethos of embracing heritage, inspiring futures through registering a sound performance and through our unwavering commitment to excellence. Building upon our rich legacy of craftsmanship, we achieved new heights of success, setting benchmarks in innovation, quality and customer fulfillment. Our dedication to preserving heritage while embracing modernity propelled us to new frontiers, as we introduced innovative designs and sustainable practices that resonated with our customers. Despite the challenges, we remained steadfast in our mission, leveraging our legacy as a source of inspiration to envision a more prosperous tomorrow. Through strategic leadership and effective management, we navigated market dynamics with agility and resilience.

UPDATE ON OUR PERFORMANCE

Making strides in our growth journey despite the challenges

Executive summary, 2023



BUSINESS UPDATE FOR THE YEAR

The year 2023 presented significant challenges that affected economies and businesses worldwide. However, the driving force of RAK Ceramics (Bangladesh) was "Embracing Heritage, Inspiring Futures", propelling it forward even amidst the subdued economic landscape. Despite a myriad of obstacles, the Company persevered in its pursuit of building on the progress of the past and displayed remarkable strength and resilience throughout the year.

The industry faced substantial challenges in the business environment during the year. High gas prices and other inflation-induced commodity cost increases led to rising input costs, while a challenging macroeconomic climate resulted in relatively tepid demand with sluggish volumes. Amidst this volatility and challenging environment, the company is immensely proud of how it has continued to build on its legacy of being a leading player in the ceramics industry of Bangladesh. It showed significant resilience in its journey to realize its ambitions of sustainable growth and shareholder value.

RAK Ceramics (Bangladesh) continued to make strides in the upgradation and modernization of its manufacturing facilities, installing new machineries that aided growth in production volumes and enabled the company to capture share of the market and build its lead. The enhanced scale of manufacturing also supported better control of overhead costs.

The Company's ambition to serve the growing Bangladeshi market through its vast geographic coverage is integral to its operations. With a vision to cater to the evolving needs of a thriving nation on the throes of rising up the global economic ladder by transitioning out of the Least Developed Country (LDC) index, and a belief in the growing preference for designer and larger tiles over traditional small flooring materials, the company has embarked on the journey towards premiumization of its portfolio that will also support its margin expectations.

Over the course of two-and-a-half decades, the Company has transformed its vision into resounding success, establishing itself a leading company in the industry. This is commendable considering there are over 25 players in the market and significant imports, especially from China. Thus, there is significant domestic production as well as goods coming through imports.

Throughout our journey, we have faced numerous challenges and encountered obstacles. Nevertheless, with perseverance

and an indomitable spirit, the company has consistently triumphed over these hurdles, remaining strong in the pursuit of its ambitions.

The business environment of 2023 influenced the Company's financial performance during the year. Despite these circumstances, it achieved a notable revenue growth of about 5% to BDT 7,819.32 mn against the prior year revenue of BDT 7,453.46 mn. The company's gross profit stood at BDT 1,952.31 mn during the year as compared to BDT 1,969.92 mn in the previous year. A gross profit (GP) margin of 25% is amongst the highest in the industry. It is also commendable due to the fact that we have a significant revenue from operations that is higher than many players in the market, which shows that our revenue base is high and attaining a high GP margin on a higher base is that much tough.

The company was however significantly affected by the considerable increase in inflation-driven raw material costs. Though the company strategy was to absorb this cost via efficiency improvement measures and highly selective price increase to customers we still fell a bit short as the cost increase impacted our profitability.

Factors such as escalating fuel costs and the prevailing macroeconomic conditions were responsible for the impact on the company's financial performance, especially net profit that declined to BDT 618.39 mn in 2023, vs. BDT 671.58 mn in the prior year period. Nevertheless, we were able to successfully navigate through the challenges via our expansive distribution network, robust brand and market building activities and significant brand recall.

A major point of optimism for us is the fact that we are trying to pivot our portfolio towards segments of the market that have high disposable income and are willing to spend on sophisticated and classy interior products. We believe that this segment of the market is growing faster than the overall market and is also less price sensitive. Further, this category has relatively low competitive intensity as most of the players are majorly in the lower or mass end of the market.

Our outlook for the industry remains quite optimistic as we are witnessing the normalization of input costs which has a direct correlation on our operational capabilities. The company firmly believes that the significant opportunities for growth in Bangladesh will act as a catalyst for our advancement and we are confident in our ability to rise alongside the nation's ascension.

FINANCIAL PERFORMANCE 2023

Particulars	Amount in BDT mn		
	Y-2023	Y-2022	Change %
Revenue	7,819.32	7,453.47	4.91

Sales increased by 4.91% to BDT 7,819.32 in 2023 from 7,453.47 mn in 2022.

Particulars	Amount in BDT mn		
	Y-2023	Y-2022	Change %
Gross Profit	1,952.31	1,969.92	(0.89)

Gross profit decreased by 0.89% to BDT 1,952.31 mn in 2023 from BDT 1,969.92 mn in 2022.

Particulars	Amount in BDT mn		
	Y-2023	Y-2022	Change %
PAT	618.39	671.59	(7.92)

Profit after tax decreased by 7.92% to BDT 618.39 mn in 2023 from BDT 671.59 mn in 2022.

Particulars	Amount in BDT mn		
	Y-2023	Y-2022	Change %
EBTDA	1,335.89	1,369.11	(2.43)

EBITDA decreased by 2.43% to BDT 1,335.89 mn in 2023 from BDT 1,369.11 mn in 2022.

Particulars	Amount in BDT mn		
	Y-2023	Y-2022	Change %
EPS (Absolute BDT)	1.44	1.57	(8.28)

EPS decreased by 8.28% to BDT 1.44 in 2023 from BDT 1.57 per share in 2022.

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

Income statement analysis:

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

Revenue:

The topline was increased by 4.91% compared to previous year.

Revenue mix:

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

Ceramics:

Particulars	Amount in BDT mn		
	Y-2023	Y-2022	Change %
Revenue	7,768.94	7,411.92	4.82

Revenues increased by 4.82% to BDT 7,768.94 mn in 2023 from BDT 7,411.92 mn in 2022.

Particulars	Amount in BDT mn		
	Y-2023	Y-2022	Change %
PAT	608.24	691.34	(12.02)

Profit after tax decrease by 12.02% to BDT 608.24 mn in 2023 from BDT 691.34 mn in 2022.

Power:

Particulars	Amount in BDT mn		
	Y-2023	Y-2022	Change %
Revenue	634.60	368.39	72.26

Particulars	Amount in BDT mn		
	Y-2023	Y-2022	Change %
PAT	8.45	24.08	(64.91)

Profit after tax decrease by 64.91% to BDT 8.45 mn in 2023 from BDT 24.08 mn in 2022, with increase in revenue to the extent of 72.26% to BDT 634.60 mn in 2023 from BDT 368.39 mn in 2022.

Security:

Particulars	Amount in BDT mn		
	Y-2023	Y-2022	Change %
Revenue	101.29	87.73	15.46

Particulars	Amount in BDT mn		
	Y-2023	Y-2022	Change %
PAT	3.70	2.17	70.51

Profit after tax increased by 70.51% to BDT 3.70 mn in 2023 from BDT 2.17 mn in 2022 with increase in revenue to BDT 101.29 mn in 2023 from BDT 87.73 mn in 2022.

Operating profit:

Particulars	Amount in BDT mn		
	Y-2023	Y-2022	Change %
Operating Profit	899.14	995.09	(9.64)

Net operating profit decreased by 9.64% to BDT 899.14 mn in 2023 from BDT 995.09 mn in 2022.

Operating expenses:

Particulars	Amount in BDT mn		
	Y-2023	Y-2022	Change %
Operating expenses	6,920.18	6,458.38	7.15

The Company's operating expenses (operating, marketing and administrative) increased by 7.15% to BDT 6,920.18 mn in 2023 from BDT 6,458.38 mn in 2022.

Operating cost matrix:

Amount in BDT mn

Particulars	2023		2022		Increase/ (Decrease) (%)
	Amount (BDT mn)	Proportion of sales (%)	Amount (BDT mn)	Proportion of sales (%)	
Cost of Goods Sold	5,867.01	75.03	5,483.54	73.57	6.99
Marketing Expenses	638.88	8.17	623.92	8.37	2.40
Administrative Expenses	397.34	5.08	347.98	4.67	14.18

Administrative expenses:

Amount in BDT mn

Particulars	Y-2023	Y-2022	Change %
Administrative expenses	397.34	347.98	14.18

Administrative expenses increased by 14.18% to BDT 397.34 mn in 2023 from BDT 347.98 mn was in 2022.

Marketing expenses:

Amount in BDT mn

Particulars	Y-2023	Y-2022	Change %
Marketing expenses	638.88	623.92	2.40

Marketing expenses increased by 2.40% to BDT 638.88 mn in 2023 from BDT 623.92 mn was in 2022 mainly due to increase in sample expenses and traveling expenses.

Financial expenses:

Amount in BDT mn

Particulars	Y-2023	Y-2022	Change %
Financial expenses	71.21	109.27	(34.83)

Interest expenses against loan increased by BDT 11.96 mn and Interest expenses against lease liability increased by BDT 2.74 mn in 2023. Foreign exchange loss decrease BDT 52.11 mn.

ANALYSIS OF THE BALANCE SHEET

Shareholders' fund:

Amount in BDT mn

Particulars	Y-2023	Y-2022	Change %
Share capital	4,279.69	4,279.69	-
Share premium	1,473.65	1,473.65	-
Retained earnings	2,074.24	1,883.82	10.11
Shareholders' fund	7,827.58	7,637.16	2.49

Shareholders' fund increased by 2.49% to BDT 7,827.58 mn in 2023, from BDT 7,637.16 mn in 2022.

Non-current assets:

Fixed assets additions:

During the year 2023, the total additions to the fixed assets, including subsidiary companies, was BDT 872.63 mn. The major additions to the fixed assets were Purchase of land Plant & machinery, building and office equipment etc.

Intangible assets:

During the year 2023, the total addition to the intangible assets was BDT 8.80 mn the major additions to the intangible assets were purchase of various licenses like CM licenses and Software licenses.

Capital work-in-progress:

The Company invested BDT 355.45 mn in heavy equipment mainly in its Ceramics plant upgradation, which is expected to be commissioned in the coming year.

Current assets:

Inventory:

Amount in BDT mn

Particulars	Y-2023	Y-2022	Change %
Finished goods	1,155.78	577.74	100.05
Raw materials	1,106.11	1,589.02	(30.39)
Stores and consumables spares	1,062.10	1,053.96	0.77
Work-in-process	80.28	72.29	11.05
Goods-in-transit	175.00	111.56	56.87
Total Inventory	3,579.27	3,404.57	5.13

Inventory comprises finished goods of BDT 1,155.78 mn, raw materials of BDT 1,106.11 mn, stores and consumables spares of BDT 1,062.10 mn, work-in-process of BDT 88.28 mn and goods-in-transit of BDT 175.00 mn. The Company has a policy of maintaining adequate inventory of key inputs to ensure uninterrupted operations.

Trade and other receivables:

Amount in BDT mn

Particulars	Y-2023	Y-2022	Change %
Trade receivable	2,480.10	1,523.48	62.79
Other receivables	0.89	1.09	(18.35)
Trade and other receivables	2,480.99	1,524.57	62.73

These largely comprise of trade receivables where in average receivables cycle is maintain as per company's credit policy.

Asset composition:

Particulars	2023		2022		Increase/ (Decrease) (%)
	Amount (BDT mn)	Proportion of assets (%)	Amount (BDT mn)	Proportion of assets (%)	
Non-Current assets	4,546.27	28.27	3,947.65	27.13	15.16
Current assets	11,535.12	71.73	10,604.27	72.87	8.87
Total	16,081.39	100.00	14,551.92	100.00	10.51

Cash and bank balance:

Amount in BDT mn

Particulars	Y-2023	Y-2022	Change %
Cash in hand	5.65	4.94	14.37
Cash at bank	836.35	1,270.83	(34.19)
Total	842.00	1,275.77	(34.00)

Cash and bank balances include cash in hand of BDT 5.65 mn, balances in bank accounts of BDT 719.21 mn and fixed deposits of BDT 117.14 mn. Liquid balances of cash and bank are necessary for the smooth functioning of the business.

Equity and liabilities:

Capital and reserves:

The equity capital comprised 427,968,701 equity shares of BDT 10 each. The market value of the share is BDT 42.90 (as on 31 December 2023, DSE) resulting in a market capitalization of BDT 18360 mn.

Non-current borrowings:

Non-current borrowings increased to BDT 363.89 mn, there was no Non-current borrowings in previous year.

Current borrowings:

Current borrowings includes BDT 11.24 mn current position of term loan BDT 70.52 mn Bank overdrafts and rest of BDT 651.86 mn offshore financing.

Current Liabilities:

Amount in BDT mn

Particulars	Y-2023	Y-2022	Change %
Current Liabilities	7,794.92	6,793.54	14.74

Current liabilities increased by 14.74% to BDT 7,794.92mn in 2023 from BDT 6,793.54 mn in 2022.

Analysis of Cash Flows:

Cash flow from operating activities:

Operating cash flow decreased by 48.36% to BDT 319.85 mn in 2023 from BDT 619.42 mn in 2022 mainly due to decrease in cash receipt from customer. Resulted net operating cash flow per share decreased to BDT 0.75 in 2023 from BDT 1.45 in 2022.

Cash flow from investing activities:

Net cash used in investing activities decreased by 0.49% to BDT 993.76 mn in 2023 from BDT 998.67 mn in 2022 due to less outflow of cash for acquisition of Property, Plant and equipment, investment income.

Cash flow from financing activities:

Net cash generated from financing activities increased by 138.56% to 240.19 mn in 2023 from BDT (622.84) mn in 2022 due to increase in term loan and less dividend payment.

HORIZONTAL & VERTICAL ANALYSIS

HORIZONTAL ANALYSIS	2023	2022	2021	2020	2019	2018
Statement of profit or loss and other comprehensive income						
Net revenue from contracts with customers	5%	9%	30%	-18%	2%	-2%
Gross profit	-1%	-3%	74%	-38%	-5%	-7%
Operating profit	-10%	-15%	168%	-60%	-15%	82%
Profit before tax	-8%	-23%	158%	-57%	-15%	-13%
Profit after tax	-8%	-26%	191%	-59%	-15%	-13%
Earning per share	-8%	-26%	190%	-59%	-15%	-13%
Statement of financial position						
Total non-current asset	15%	18%	-9%	-6%	-3%	-3%
Total current asset	9%	-1%	21%	0%	8%	7%
Total asset	11%	4%	12%	-2%	5%	3%
Share capital	0%	0%	0%	0%	7%	7%
Retained earning	10%	8%	38%	-21%	-2%	13%
Total equity attributable to owner of the company	2%	2%	7%	-5%	5%	8%
Total non-current liability	279%	-16%	-28%	-5%	-26%	-47%
Total current liability	15%	7%	20%	2%	6%	2%
Total liability	19%	6%	18%	2%	4%	-3%
Total equity and liability	11%	4%	12%	-2%	5%	3%

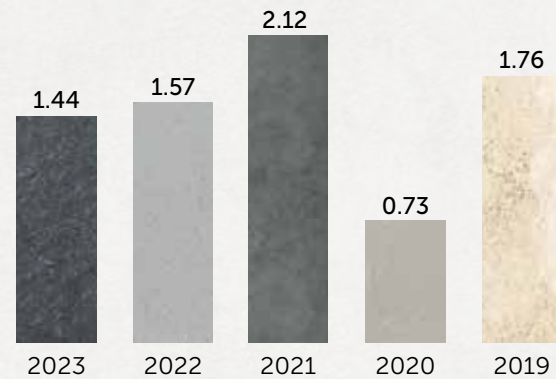
VERTICAL ANALYSIS	2023	2022	2021	2020	2019	2018
Statement of profit or loss and other comprehensive income						
Net revenue from contracts with customers	100%	100%	100%	100%	100%	100%
Gross profit	25%	26%	30%	22%	30%	37%
Operating profit	11%	13%	17%	8%	17%	19%
Profit before tax	10%	12%	17%	8%	16%	18%
Profit after tax	8%	9%	13%	6%	12%	13%
Statement of financial position						
Total non-current asset	28%	27%	24%	29%	31%	33%
Total current asset	72%	73%	76%	71%	69%	67%
Total asset	100%	100%	100%	100%	100%	100%
Share capital	36%	40%	41%	46%	45%	44%
Retained earning	13%	13%	12%	10%	13%	13%
Total equity attributable to owner of the company	49%	52%	54%	56%	58%	57%
Total non-current liability	3%	1%	1%	2%	2%	2%
Total current liability	48%	47%	45%	42%	41%	40%
Total liability	51%	48%	46%	44%	42%	43%
Total equity and liability	100%	100%	100%	100%	100%	100%

CORPORATE PERFORMANCE 2023

Definition: Earnings per share (EPS) is calculated as the Company's profit divided by the outstanding number of ordinary shares. This is the primary determinant of valuing our share price.

Performance

EPS

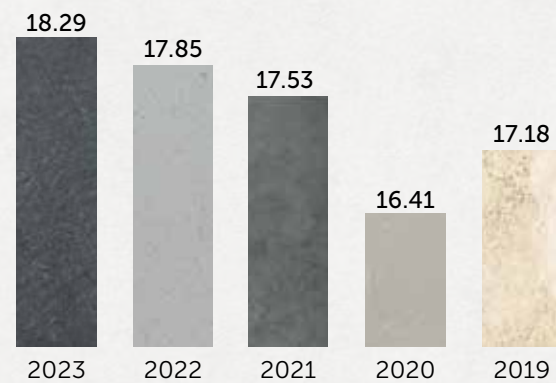


Observation: The downturn of EPS in current year is due to earning less profit.

Definition: Net asset value (NAV) per share represents the net value of an entity per share and is calculated as the total equity less non-controlling interest divided by the number of total outstanding shares.

Performance

NAV Per Share

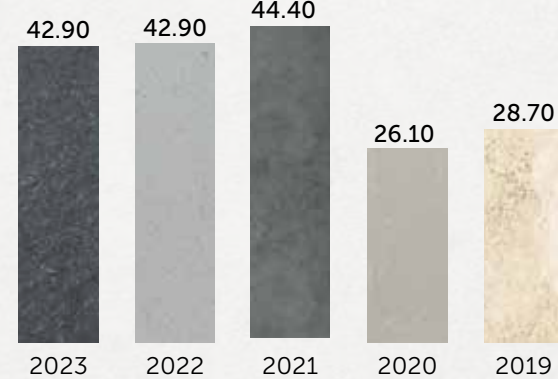


Observation: Equity has positive impacted due to increasing of retained earnings.

Definition: Market price of stock over the period. Market price of stock multiplied by outstanding number of ordinary shares determine the market capitalisation or the intrinsic value of the Company.

Performance

Stock Performance

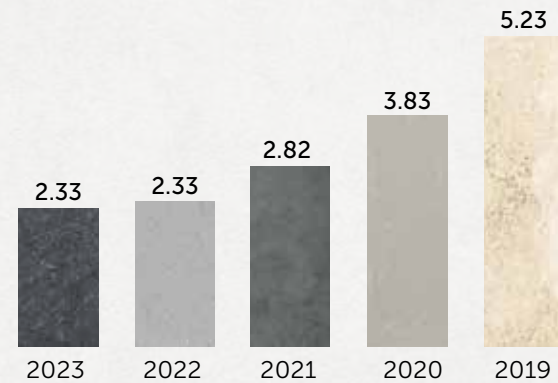


Observation: The stock performance has been changed due to various macroeconomic factors, company performance and mandatory floor price maintained by the stock exchanges.

Definition: Dividend yield represents a financial ratio that measures the quantum of cash dividends paid out to shareholders relative to market value per share.

Performance

Dividend Yield (%)

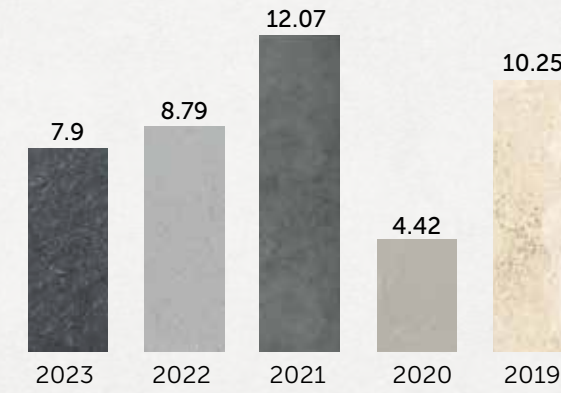


Observation: Board of Directors of the Company recommended dividend less than last year that declined the dividend yield slightly.

Definition: Return on shareholders' fund shows how much money is returned to the owners (shareholders) as a percentage of the money they have invested or retained in the company.

Performance

Return on Shareholders' Funds (%)

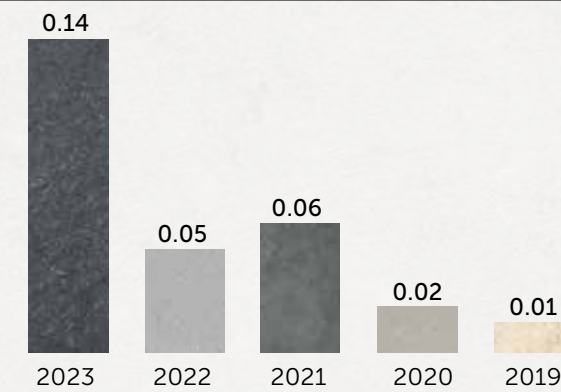


Observation: The return of shareholders' fund decreased because of declining PAT in current year.

Definition: Debt equity (D/E) is calculated by dividing the company's total debt by shareholders' equity. It is measure of the extent of the company financing its operations through debt verses equity.

Performance

Debt Equity Ratio (times)

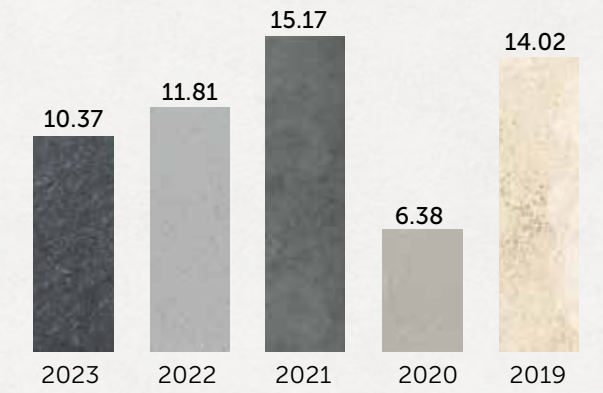


Observation: Debt Equity Ratio is reduced due to reduction of short term loan.

Definition: Return on capital employed (ROCE) measures how efficiently a Company can generate profits from its capital employed by comparing net operating profit against capital employed.

Performance

ROCE (%)

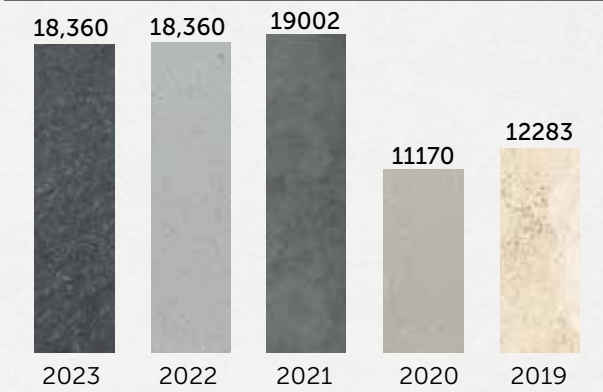


Observation: A lower gross profit margin has impacted all other margin parameter including return on capital employed.

Definition: Market capitalisation is the aggregate market value of a Company. It is computed based on the current market price (CMP) of its shares and the total number of outstanding shares.

Performance

Market Capitalization (BDT mn):

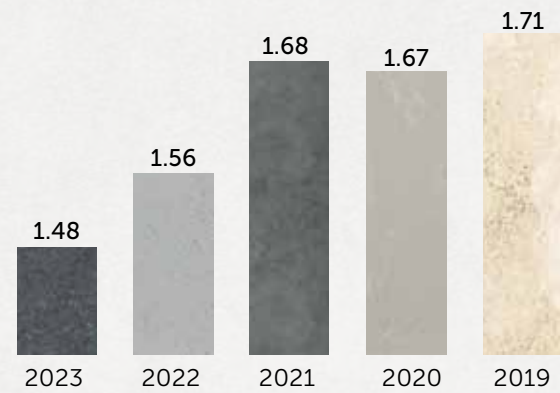


Observation: Market price of shares has influence the market capitalization adversely.

Definition: Current ratio measures the Company's ability to honour short-term obligations like debt payable or those due within one year. This is computed as current asset over current liability.

Performance

Current Ratio

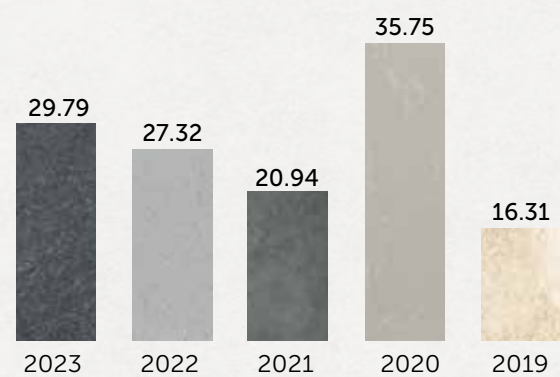


Observation: Current liability decrease due to increase of trade and other payables, accrue expenses and provision for income tax. However, current assets remain almost same compare to last year.

Definition: The price earnings ratio (P/E ratio) is the ratio for valuing a Company by measuring its current share price relative to its earnings per share.

Performance

P/E Ratio (times)

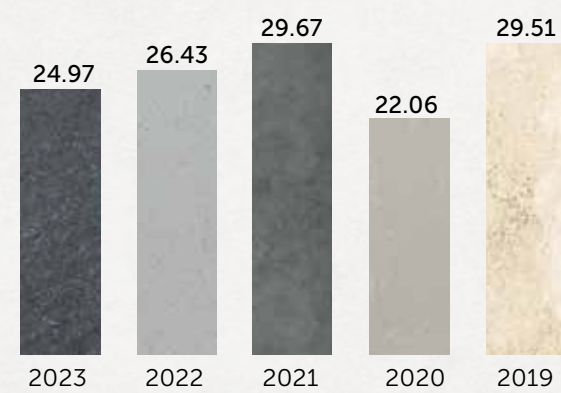


Observation: Due to decrease of EPS, PE ratio has impacted in proportion.

Definition: The gross profit margin is calculated by taking revenue minus the COGS and dividing the difference by revenue. The gross margin result is typically multiplied by 100 to show the figure as a percentage.

Performance

Gross Profit Margin (%)

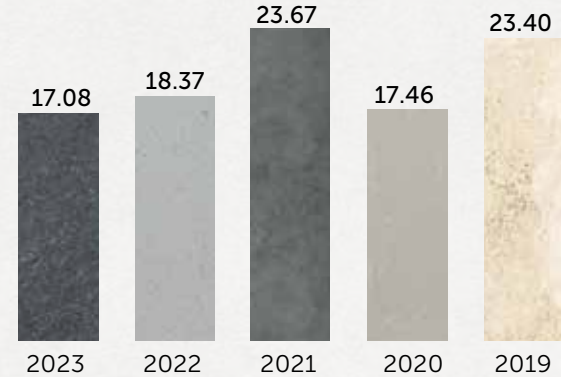


Observation: Gross profit margin is decreased due to increase in Gas Price, significant volatility of foreign currency market, disruption of global supply chain etc.

Definition: Earnings before depreciation, interest, tax and amortisation is a measure of the Company's overall financial performance. EBITDA margins provide investors a snapshot of short-term operational efficiency.

Performance

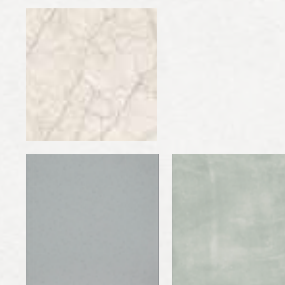
EBIDTA (%)



Observation: A lower gross margin caused a decrease in all other margin parameters.

REFLECTING ON THE MAJOR BUSINESS SEGMENTS

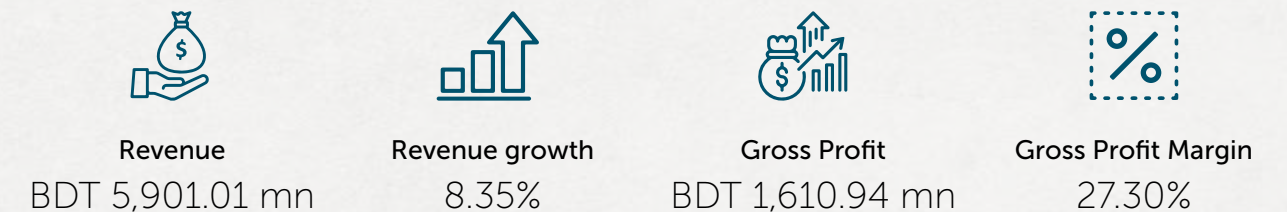
RAK CERAMICS (BANGLADESH) LIMITED



TILES

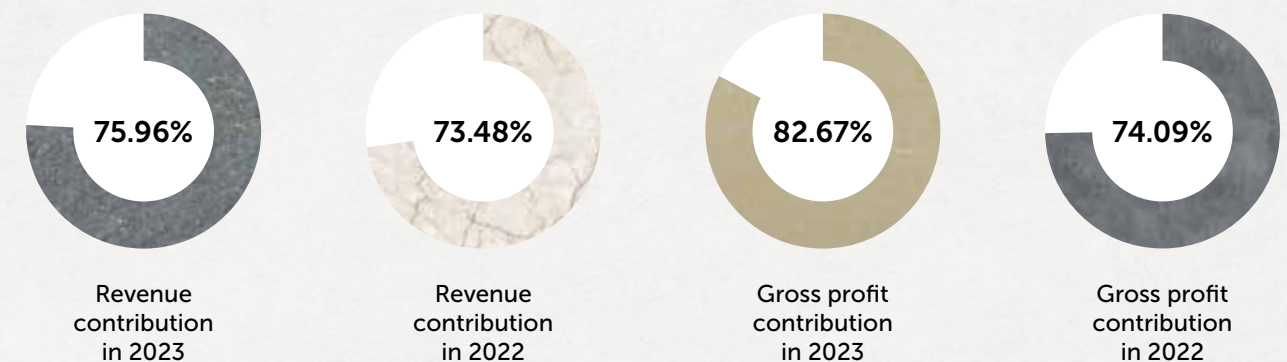
Bangladesh's largest ceramics and gres porcelain tile company with a vast, vibrant and versatile library of designs, styles and sizes available pan-Bangladesh via a robust distribution network comprising company-owned exclusive showrooms and dealerships.

KEY STATUS, 2023



INSTALLED CAPACITY | 10.32 MN SQM PER YEAR

SEGMENT PERFORMANCE





KEY HIGHLIGHTS OF THE YEAR

- Maintained marketing communication spends to augment consumer visibility
- Capitalised on the shift towards organised/branded tiles players Achieved significant reduction in finished goods inventory
- Made deeper inroads into the hinterlands to meet the emerging needs of non-metropolitan populations
- Plant capacity utilisation stood at 92.24% 2023
- Cumulative production stood at 9.52 mn sqm, 3.56% higher than the previous year.

INNOVATION FOCUS

The Company has pioneered a number of products that have received tremendous traction and consumer appreciation. Some of these include

- Through-Body Veining Porcelain tiles that are natural as marble
- RAK-Sanit: Antibacterial surface coverings for ensuring enhanced cleanliness and safety
- Luce: Translucent tiles for special spaces and environments
- High-Performance Tiles Technical tiles with such attributes as anti-slip guard technology, etc



MAJOR FOCUS AREAS FOR 2023

The Company has pioneered a number of products that have received tremendous traction and consumer appreciation. Some of these include



Focus on meeting economic-recovery led consumer demand



Improve process efficiency and cost controls



Protect market share in the face of rising competition

SANITARY WARE

Bangladesh's largest and most preferred sanitary ware brand rooted in the brand attributes of aesthetics, functionality, usability and range, focused on fostering desirability and choice amongst customers, including homebuyers, interior designers and influencers.

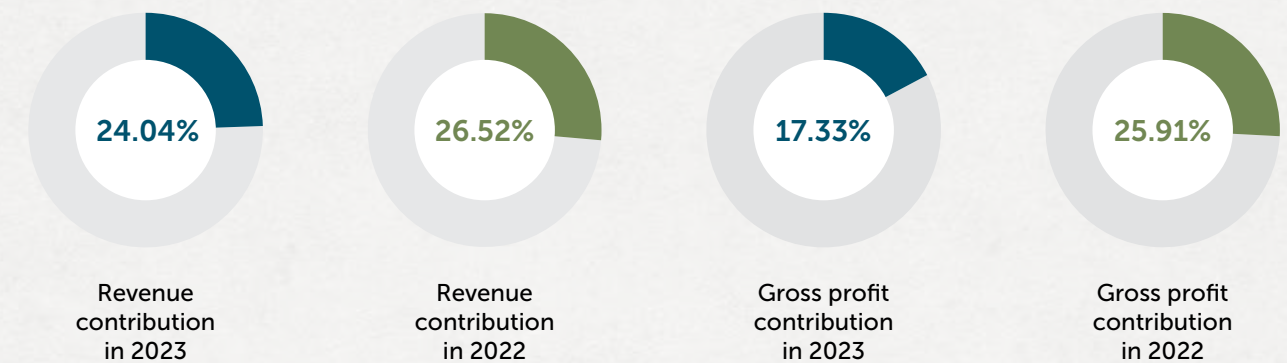


KEY STATUS, 2023

Revenue	Revenue growth	Gross Profit	Gross Profit margin
BDT 1,867.93 mn	(4.97)%	BDT 337.74 mn	18.08%

INSTALLED CAPACITY | 1.45 MN PCS PER YEAR

SEGMENT PERFORMANCE



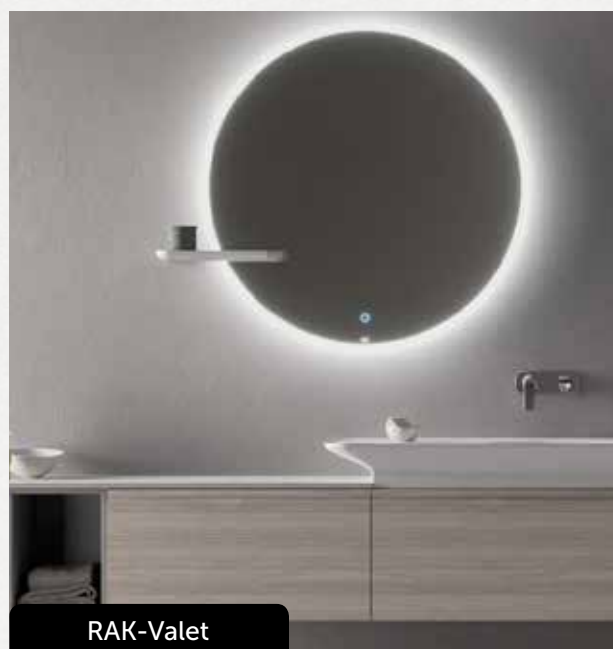
KEY HIGHLIGHTS OF THE YEAR

- Launched new eco-conscious products to cater to wider consumer preference, such as the need for water conservation and sustainable water use
- Focused on premiumisation, with consumers becoming inclined towards premium products showcasing design aesthetics, including rimless water closets and bidets
- Initiated a number of cost efficiency programmes across the shopfloor, especially centering around resource utilisation
- Marketing communication was anchored on product aesthetics, longevity and durability
- Capacity utilization declined to 83.45%, as compared with 92.41% in the previous year
- Production stood at 1.21 mn pcs., 9.70% lower than the previous year, which was impacted on production for adequate gas pressure in national gas pipe line.



INNOVATION FOCUS

The Company has pioneered the bathroom and kitchen space through offering a wide variety of functional, aesthetic and high-performance products including bidets, water closets, washbasins, etc. Some of our brands include:



RAK-Valet



RAK-Des



RAK-Urban



RAK-Compaq



RAK-Sahara

MAJOR FOCUS AREAS FOR 2023

The Company has pioneered a number of products that have received tremendous traction and consumer appreciation. Some of these include

Sustain capacity utilization and ensure waste elimination

Harmonise processes further to ensure both product standardization as well as superior craftsmanship

Focus on portfolio enrichment through introduction of products that meet evolving consumer tastes

SEGMENT-WISE PERFORMANCE

A. RAK CERAMICS (BANGLADESH) LIMITED

TILES



INSTALLED CAPACITY

10.32 MN SQM

Annually



CAPACITY UTILISATION STOOD AT

92%

At our tiles plant



CUMULATIVE PRODUCTION STOOD 9.52 MN SQM

3.59%

Higher than the previous year

Roadmap, 2024

- Enhance capacity utilisation as per demand recovery and optimise fixed costs
- Focus on enhancing process efficiency and cost controls
- Explore rural markets for diversifying sales beyond major metropolitan areas

SANITARYWARE



INSTALLED CAPACITY

1.45 MN PCS

Annually



CAPACITY UTILISATION STOOD AT

84%

at our sanitary ware plant



PRODUCTION STOOD AT 1.22 MN PCS

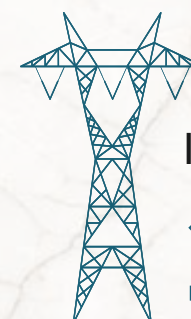
8.96%

Less than the previous year

Roadmap, 2024

- Place emphasis on scaling up capacity utilisation
- Focus on value-added products, including closets that help in water-savings, etc.

B. RAK POWER PVT. LTD.



INSTALLED CAPACITY

13 MW

Highlights, 2023

- Power plant capacity was available in excess of 90% of installed capacity during the year 2023
- Significant proportion of generated power was primarily to meet captive requirements of the parent company, RAK Ceramics (Bangladesh) Limited

C. RAK Security and Services (Pvt.) Ltd



OVERVIEW

The Company is in the business of providing security and other services to Group companies as well as third party customers.

Highlights, 2023



The Company reported revenue of BDT 101.29 mn in 2023, vs. BDT 87.73 mn in 2022

Roadmap, 2024

- Expand customer base in the country by leveraging experience
- Focus on profitability recovery/restoration

Segment Reporting 2023

(Amount in BDT)

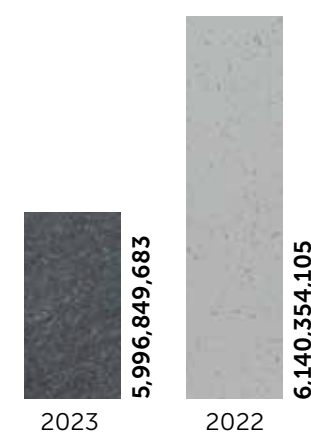
Particulars	Ceramics	Power	Security	Total	Elimination	Total
Sales	7,768,935,743	634,595,990	101,293,151	8,504,824,884	(685,502,543)	7,819,322,341
Gross Profit	1,948,682,134	21,518,186	28,673,280	1,998,873,600	46,558,915	1,952,314,685
Net Profit before Tax	801,568,158	12,250,952	6,320,986	820,140,096	2,000,000	818,140,095
Net Profit after Tax	608,240,471	8,450,528	3,697,010	20,388,008	2,000,000	618,388,007



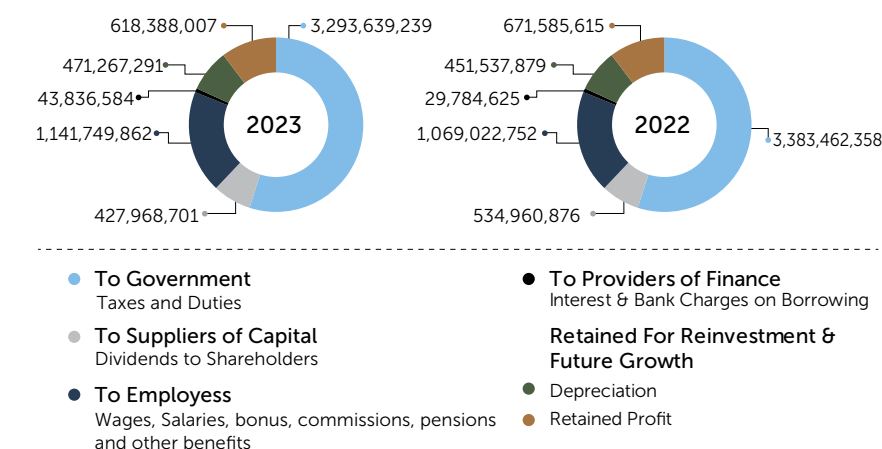
VALUE ADDED STATEMENT

Particulars	31-Dec-2023 Taka	%	31-Dec-2022 Taka	%
Revenue	11,587,491,370		11,149,631,676	
Other Income	30,904,721		48,912,314	
Less : Paid to suppliers for materials and services	(5,621,546,408)		(5,058,189,885)	
Value Added	5,996,849,683	100	6,140,354,105	100
Distribution of Value Added				
To Government				
Taxes and Duties	3,293,639,239	54.92	3,383,462,358	55.10
To Suppliers of Capital				
Dividends to Shareholders	427,968,701	7.14	534,960,876	8.71
To Employees				
Wages, Salaries, bonus, commissions, pensions and other benefits	1,141,749,862	19.04	1,069,022,752	17.41
To Providers of Finance				
Interest & Bank Charges	43,836,584	0.73	29,784,625	0.49
Retained For Reinvestment & Future Growth				
Depreciation	471,267,291	7.86	451,537,879	7.35
Retained Profit	618,388,007	10.31	671,585,615	10.94
Total	5,996,849,683	100	6,140,354,105	100

VALUE ADDED



Distribution of Value Added

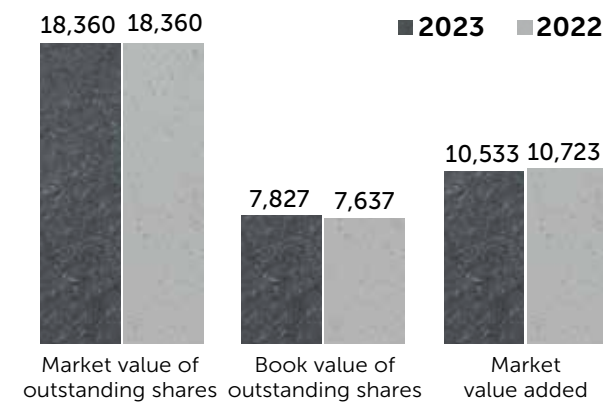


MARKET VALUE ADDED STATEMENT:

Amount in BDT mn

Particulars	2023	2022
Market value of outstanding shares	18,360	18,360
Book value of outstanding shares	7,827	7,637
Market value added	10,533	10,723

MARKET VALUE ADDED STATEMENT

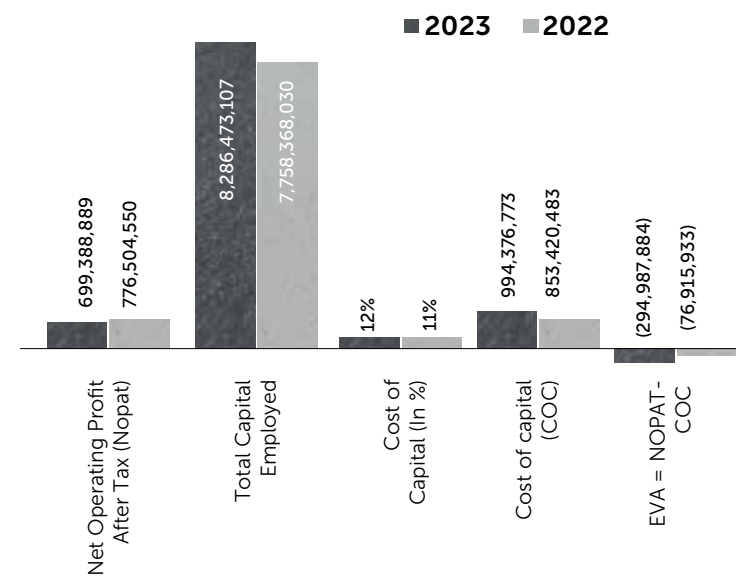


ECONOMIC VALUE-ADDED STATEMENT:

Amount in BDT mn

Particulars	2023	2022
Net operating profit after tax (NOPAT)	699,388,889	776,504,550
Total capital employed	8,286,473,107	7,758,368,030
Cost of capital (in %)	12%	11%
Cost of capital (COC)	994,376,773	853,420,483
EVA = NOPAT - COC	(294,987,884)	(76,915,933)

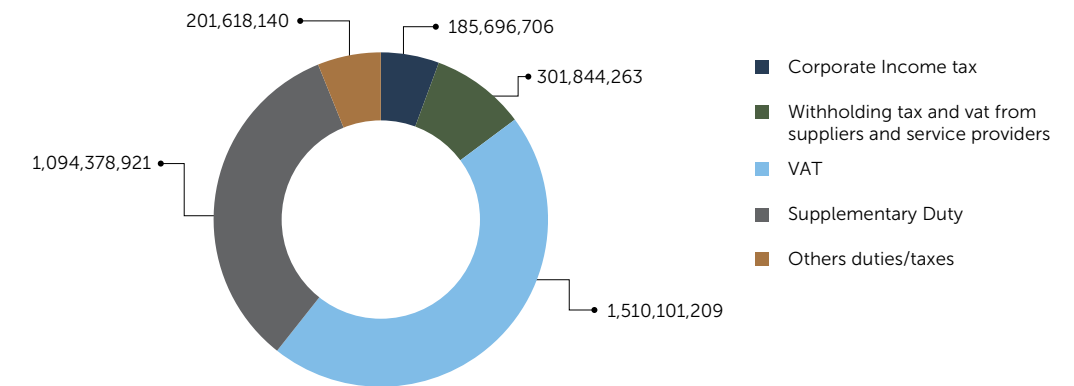
ECONOMIC VALUE-ADDED STATEMENT



CONTRIBUTION TO NATIONAL EXCHEQUER FOR THE YEAR 2023

Amount in BDT mn

Serial No.	Particulars	2023
1	Corporate Income tax	185,696,706
2	Withholding tax and vat from suppliers and service providers	301,844,263
3	VAT	1,510,101,209
4	Supplementary Duty	1,094,378,921
5	Others duties/taxes	201,618,140
	Total Contribution to National Exchequer	3,293,639,239





RAK GOVERNANCE

Our robust governance practices serve as our guiding beacon in upholding the highest standards of ethics and principles within our company. Anchored in a legacy of integrity and responsibility, our ethical principles permeate every aspect of our operations, ensuring transparency, fairness and accountability. Our governance framework is meticulously designed to safeguard our heritage while fostering innovation and growth. Through robust policies, rigorous supervisory oversight and clear accountability structures, we uphold the trust placed in us by our stakeholders, maintaining the balance between tradition and progress. With a firm commitment to ethical conduct and sound governance, we navigate complexities with integrity and uprightness, laying a solid foundation for the future. Our dedication to "Embracing heritage, inspiring futures" is not just a motto; it is a testament to our unwavering commitment to ethical leadership and responsible stewardship.

DIRECTOR'S REPORT

RAK CERAMICS (BANGLADESH) LIMITED

Dear Shareholders,

Assalamu Alaikum!

The Board of Directors of RAK Ceramics (Bangladesh) Limited are pleased to present the Directors' Report, along with the audited financial statements of the Company for the year ended 31 December 2023, and the Auditor's Report thereon, for your valued consideration, approval and adoption.

The Directors' report has been prepared in compliance with Section 184 of the Companies Act 1994, the Corporate Governance Code 2018 issued by the Bangladesh Securities and Exchange Commission, Listing Regulations of Dhaka and Chittagong Stock Exchanges and all others applicable provisions.

Principle activities

RAK Ceramics (Bangladesh) is one of the largest and foremost tiles and sanitary-ware brand in the country. The Company is engaged in the manufacture and sale of a wide range of ceramic tiles, bathroom sets and sanitaryware products. Over its 25 years journey, the Company has created industry-leading designs and patterns for wall and floor tiles and borders and corners, etc., which have been well-accepted by customers and have emerged as benchmarks in their own categories. Further, many of RAK Ceramics' models come in modular designs which open up ample choice for our customers, suiting their space requirements and budgets.

Industry outlook and possible future developments

Details about this section are discussed in the 'Industry outlook and possible future developments' report on page 144 and 'Management discussion and analysis' report on page 141 of this Annual Report.

Segment-wise performance

RAK Ceramics (Bangladesh) operates with an annual production capacity of 10.32 mn sqm of tiles and 1.45 mn pieces of sanitary-ware with over 46+ active designs, thus ensuring the widest range of products available in the industry. Details about segment-wise or product wise performance is disclosed in the 'Segment wise performance' report on page 123 of this Annual Report.

Financial results

The Company reported consolidated sales of BDT 7,819.32 mn in 2023, vs. BDT 7,453.47 mn reported in 2022 and consolidated gross profit of BDT 1,952.31 mn in 2023 against BDT 1,969.92 mn reported in 2022. The Company's consolidated net profit stood at BDT 618.39 mn in 2023 against BDT 671.59 mn achieved in 2022.

Details of operational results are discussed in the 'General review of our 2023 performance' on page 114 of this Annual Report.

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

The Directors are pleased to report the financial results for the year 2023 and recommend the following appropriations:

(Amount in BDT mn)

Particulars	2023	2022
Profit before tax	818.14	889.65
Less: Provision for tax	199.75	218.06
Profit after tax*	618.39	671.59
Add: Un-appropriated profit brought forward	1,883.82	1,747.19
Profit available for distribution	2,502.21	2,418.78
Less: Appropriation of dividend	427.97	534.96
Un-appropriated profit C/F	2,074.24	1,883.82

*Profit after tax is exclusive of non-controlling interest.

Key operating and financial data of the preceding five years is given in 'Annexure-1' on page 137 of this annual report.

Reserves and surplus

In 2023, retained earnings of the Company stood at BDT 2,074.24 mn, against BDT 1,883.82 mn in 2022.

Dividend

The Board of Directors is pleased to recommend dividend @ 10% in cash of the paid-up capital of the Company, representing an amount of BDT 427.97mn for the year ended December 31, 2023. This dividend will be paid from out of profit of the company for the year 2023 and from undistributed accumulated profits. The Company paid dividend @10.00% in cash of the paid up capital of the Company for the year 2022. No bonus shares or stock dividend has been declared as interim dividend.

In compliance of BSEC's Letter No. SEC/SRMIC/165-2020/part-1/202 date 25 August 2021 and SEC/SRMIC/165/part-1/166 dated 06 July 2021 and the CMSF Rules, the Company transferred the unclaimed or undistributed or unsettled dividend for the year 2010 to 2019 in cash and stock to CMSF in due time.

The summary of the transferred dividend are disclosed in Annexure- 2 on page 138 of this annual report.

Contribution to the national exchequer

RAK Ceramics (Bangladesh) is committed to timely disbursement of its direct and indirect tax obligations. During the year 2023, the Company, including its subsidiaries, contributed a total sum of BDT 3,293.64 mn to the national exchequer. Details about the contribution to the national exchequer during the year is discussed in the 'Contribution to national exchequer' section on page 131 of this Annual Report.

Extraordinary gain or loss

There were no extraordinary activities during the year 2023 affecting any extraordinary gain or loss.

Variance between quarterly and annual financial statements

There are significant variances in the financial results between quarterly and annual financial statements and from the last year's operating results. Sales are increased by 4.91% from BDT. 7,453.47 mn in 2022 to BDT. 7,819.32 mn in 2023 but gross profit margin has been reduced to 24.97% from 26.43% in 2022 due to increase of cost of goods sold (COGS) by 6.99%. COGS has been increased for non-availability of adequate gas, increase in gas price, electricity price, significant volatility of foreign currency market as well as depreciation of reporting currency which caused increase of all input raw material price and shipping freight. Therefore, earning per share is also decreased from BDT 1.57 in 2022 to BDT 1.44 in 2023. However, collection has not been increased proportionately. Vendor payment was more compared to collection due to the settlement of multiple import bills during year. Moreover, due to the significant devaluation of reporting currency, increase of imported raw material price and freight charge, import related payment was more compared to previous year. Gas and electricity payment are also increased due to the price hike of gas which caused net operating cash flow per share decreased from BDT 1.45 in 2022 to BDT. 0.75 in 2023.

Material change or change in the nature of business

During the year under review, there are no material changes in the nature of business of the Company or its subsidiaries.

Risk and concerns

Risk assessment and mitigation is an integral part of the Company. The Company has an appropriate and effective risk management framework which carries out risk identification and assessment and ensures that risk mitigation plans are in place. The Board of Directors regularly monitor, assess and identify potential risks and threats to profitability and sustainable growth. Details of risks and concerns, including internal and external

risk factors are discussed in the 'Risk management and control' section on page 102 of this Annual Report.

Auditors and audit report

M/s A. Qasem & Co., Chartered Accountants (an independent member of ECOVIS), were the statutory auditors of the Company for previous three consecutive years including the year 2023 and shall retire at the 25th AGM and are not eligible for re-appointment, as per the Bangladesh Securities and Exchange Commission notification dated 20 June 2018. The Company invited and received proposals from shareholders for appointment of auditors of the Company for the year 2024. The Audit Committee of the Board scrutinized the proposals and recommended to appoint M/s ACNABIN (An independent member of BAKER TALLY INTERNATIONAL), Chartered Accountants, as the statutory auditors of the Company for the year 2024. The Board of Directors also recommend to appoint M/s ACNABIN, Chartered Accountants, which will be placed before the 25th AGM for shareholders' approval. Remuneration of the auditor will also be fixed by the shareholders at the 25th AGM.

The statutory auditors of the Company have given reports on the financial statements of the Company for the year ended 31 December 2023, which forms part of the Annual Report. There is no qualification, reservation, adverse remark, comments, observations or disclaimer given by the statutory auditors in their reports.

Parent and subsidiary companies

RAK Ceramics PJSC, UAE (the Company), is the parent company of RAK Ceramics (Bangladesh). It is one of the largest ceramics' brands in the world, specializing in ceramic and gres porcelain wall and floor tiles and sanitary-ware. It has an annual production capacity of 123 mn sqm of tiles and 5 mn pcs of sanitaryware per year at its 16 state-of-the-art plants located various part of the world, including Bangladesh. The Company serves clients in 150+ countries through its network of operational hubs in Europe, the Middle East and North Africa (MENA), Asia, North and South America and Australia. It is listed on the Abu Dhabi Securities Exchange in the United Arab Emirates and, as a Group, it has an annual turnover of around us \$1 billion.

RAK Ceramics (Bangladesh) has two subsidiaries; namely RAK Power Pvt. Ltd and RAK Security and Services (Pvt.) Ltd, which are fully-owned subsidiaries of the Company. The principal activities and status of these subsidiaries are separately disclosed in the 'Segment wise performance' on page 123 of this Annual Report.

Related party transactions

Details of related parties with whom transactions have taken place and their relationship as identified and certified by the management is disclosed in the 'Related party disclosures under IAS-24 section on page 214 of this Annual Report.

Corporate social responsibility

The Company understands its responsibility towards social welfare and contributed an amount of BDT 4.79mn during the year 2023. Details of the Company's CSR activities during the year is discussed in the 'Corporate social responsibilities' section on page 52 of this Annual Report.

Human resources and staff welfare

RAK Ceramics (Bangladesh) accords the highest priority to its human resources and towards sustainable staff welfare. The Company believes that its employees are integral to its success. The Company is also committed to ensure a safe and healthy working environment for all. The Company currently has 2,139 full-time employees on its rolls and offers best-in-class compensation packages for employees to encourage professionalism, productivity, build talent and skills, enhance leadership capabilities and also maximize their own personal and professional potential.

The employees of the Company enjoy benefits of contributory Provident Fund, gratuity scheme and group life insurance, etc. Further, the Company has also established a "Workers Profit Participation Fund and Welfare Fund". In the year 2023, the Company contributed 5% of its profit before tax (PBT) towards Workers' Profit Participation and Welfare Fund, amounting to BDT 40.69 mn.

Board of Directors

The Board of Directors of the Company comprises with five members including one Independent Director. Appointment of another Independent Director is under process. Names and profiles, including the nature of expertise in specific functional areas, membership of the committee, other engagement on other company of the Directors are indicated in the 'Directors' profile' on page 27 of this Annual Report.

Appointment/reappointment of Directors

In accordance with the articles 93, 94 and 95 of the Articles of Association of the Company, Mr. Pramod Kumar Chand will retire from his office as Director by rotation at the 25th Annual General Meeting and, being eligible, offers himself for re-election in accordance with the terms of Article 96 of the Articles of Association of the Company.

Remuneration of Directors, including Independent Directors

The Company did not pay any remuneration to any Director, including Independent Director, except Board meeting attendance fees and 3% of profit before tax to the Managing Director.

Board of Directors' meetings and attendance

The Board of Directors of the Company met four times during the year 2023. The number of Board meetings held

and the attendance of each Director during the year is disclosed in 'Annexure-3' on page 139 of this Annual Report.

Code of conduct

In compliance with the conditions of Corporate Governance Code, the Board has laid down a code of conduct for the Chairman of the Board and other Board members of the Company, and annual compliance of the code is recorded accordingly.

Pattern of shareholding

In accordance with the conditions of corporate governance, the shareholding pattern of the Company is disclosed in 'Annexure-4' on page 140 of this Annual Report.

Directors' statement on financial reporting

The Directors, in accordance with the Corporate Governance Code, 2018 of the Bangladesh Securities and Exchange Commission dated June 03, 2018 an amendment dated November 20, 2023, confirm the following to the best of their knowledge:

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

Management's discussion and analysis

In accordance with the conditions of Corporate Governance Code, 'Management discussion and analysis' has been duly signed by the Managing Director of the Company and is included on page 141 of this Annual Report.

Declaration by MD and CFO

In accordance with the conditions of Corporate Governance Code, a declaration on financial statements

for the year ended December 31, 2023 duly signed by the MD and CFO is included on page 171 of this Annual Report.

Credit Rating Report

The Credit Rating Information and Services Limited (CRISL) has assigned the following rating to "RAK Ceramics (Bangladesh) Limited" on 02.04.2023 in consideration of its audited financial up to 31st December 2022, and others relevant quantitative as well as qualitative information up to the date of rating declaration:

Long Term Rating = "AA+" (Double A Plus Indicating Higher safety for Timely Repayment)

Short Term Rating = "ST-1" (Indicating Highest Certainty of Timely Repayment)

Outlook = Stable"

A certificate of credit rating has been included on page 168 of this Annual Report.

Corporate governance

RAK Ceramics (Bangladesh) is committed to comply with all the requirements of Corporate Governance Code, 2018 of Bangladesh Securities and Exchange Commission. To ensure the spirit of governance with full accountability for inspiring confidence and trust of investors, regulators, financiers and other stakeholders, Details about corporate governance are discussed in the 'Corporate governance report' on page 151 of this Annual Report.

Reporting and compliance of corporate governance

The Company has complied with the conditions of the Corporate Governance Code, 2018 of the Bangladesh

Securities and Exchange Commission dated June 03, 2018. Detailed status of compliance on corporate governance, along with the corporate governance compliance certificate, has been included on page 155 of this Annual Report.

Membership with BAPLC

RAK Ceramics (Bangladesh) has membership of the Bangladesh Association of Publicly Listed Companies (BAPLC). A certificate of BAPLC membership has been included on page 169 of this Annual Report.

Post balance sheet events

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

Appreciation

The Board would like to take this opportunity to thank the government authorities, shareholders, investors, bankers, employees and other stakeholders for their continuous commitment, cooperation, confidence and support in achieving the Company's objectives and outcomes.

For and on behalf of the Board of Directors,



(Abdallah Massaad)

Chairman

Date: January 29, 2024

KEY OPERATING AND FINANCIAL DATA OF THE LAST FIVE YEARS

ANNEXURE - 1

Amounts in BDT

Particulars	2023	2022	2021	2020	2019
Sales	7,819,322,342	7,453,465,494	6,851,136,685	5,288,916,673	6,463,857,312
Cost of sales	5,867,007,657	5,483,544,470	4,818,277,683	4,122,212,640	4,556,112,666
Gross profit	1,952,314,685	1,969,921,024	2,032,859,002	1,166,704,033	1,907,744,646
Administrative expenses	454,988,709	395,990,271	389,439,450	340,640,502	459,102,484
Marketing and selling expenses	638,875,955	623,919,697	523,744,007	414,376,760	455,996,281
Net profit before financial expenses	858,450,021	950,011,056	1,119,675,545	411,686,771	992,645,881
Financial expense	71,214,646	109,274,503	10,390,323	19,673,258	27,323,676
Other income*	30,904,720	48,912,314	44,817,259	55,522,446	79,082,208
Net profit before taxation	818,140,095	889,648,8678	1,154,102,481	447,535,959	1,044,404,413
Income tax expenses	199,752,088	218,063,252	248,916,594	136,882,507	290,378,957
Non-controlling interest	41	118	204	121	247
Net profit after taxation	618,388,007	671,585,615	905,185,887	310,653,452	754,025,209

ANNEXURE-2

The summary of unclaimed or undistributed or unsettled dividend in cash, transferred to Capital Market Stabilization Fund (CMSF) are as follows:

Amount in BDT

Year	Gross Dividend Amount	TDS on Dividend	Net Dividend Amount	Dividend Distributed	Fund Transferred to CMSF
2010	345,110,250	60,198,297	284,911,953	274,257,528	10,654,425
2011	379,621,275	65,382,545	314,238,730	306,565,331	7,673,399
2012	417,583,403	27,344,749	390,238,653	386,535,373	3,703,280
2013	459,341,744	30,693,245	428,648,499	426,108,408	2,540,090
2014	842,126,528	60,654,665	781,471,863	776,464,072	5,007,791
2015	842,126,528	61,659,449	780,467,078	776,773,479	3,693,599
2016	673,701,222	48,745,089	624,956,133	620,752,883	4,203,250
2017	353,693,141	27,276,252	326,416,889	324,757,456	1,659,433
2018	389,062,456	29,888,903	359,173,553	357,227,075	1,946,478
2019	641,953,052	49,029,624	592,923,428	586,814,480	4,617,978

ANNEXURE-3

THE NUMBER OF BOARD MEETINGS AND THE ATTENDANCE BY EACH DIRECTORS DURING THE YEAR 2023

Name of directors	Position	Number of meetings held while a member	Number of meetings attended
Abdallah Massaad (Nominee of RAK Ceramics PJSC, UAE)	Chairman	04	04
SAK Ekramuzzaman	Managing Director	04	04
Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director	04	04
Wassim Moukahhal (Nominee of RAK Ceramics PJSC, UAE)	Director	04	04
Mohd. Shafiu Azam	Independent Director	04	04

SHARE HOLDING PATTERN

Annexure -4

Shareholding Pattern

The pattern of Shareholding as on 31 December 2023

Parent/Subsidiary companies and other related parties

Name	Status/Position	No. of Shares held
RAK Ceramics Co. PJSC, UAE	Parent Company	291,586,431

Directors/CFO/CS/HIAC and their spouses and minor children

Name	Status/Position	No. of Shares held
Abdallah Massaad (Nominee of RAK Ceramics PJSC, UAE)	Chairman	16
SAK Ekramuzzaman	Managing Director	16,895,824
Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director	Nil
Wassim Moukahhal (Nominee of RAK Ceramics PJSC, UAE)	Director	Nil
Mohd. Shafiul Azam	Independent Director	Nil
Sadhan Kumar Dey	Chief Operating Officer and Chief Financial Officer	Nil
Muhammad Shahidul Islam	Company Secretary	Nil
Mohammad Samsul Arefin	Head of Internal Audit and Compliance	Nil

Shareholding status of top 5 salaried employees other than COO and CFO, CS & HIAC

Name	Status/Position	No. of Shares held
Md. Mahbubul Haque	GM-SCM	Nil
Sk Rafiq Uddin	DGM-Finance & Accounts	Nil
S.M. Arafatur Rahman	DGM-Sales and Marketing	Nil
Mohammed Shamsuddin	AGM Finance and Accounts	Nil
Srinivasa Rao Ummadisetti	Sr. Manager-production	Nil

Shareholders holding 10% or more voting interest in the company

Name	Status/Position	No. of Shares held
RAK Ceramics PJSC, UAE	Parent Company	291,586,431

MANAGEMENT'S DISCUSSION AND ANALYSIS

RAK Ceramics (Bangladesh) Limited is the country's leading and most respected tiles and sanitary ware manufacturing Company. The Company has anchored this position based on its market-leading capacities, world-class manufacturing assets, high production utilization levels, optimized cost structures, vibrant sales and distribution network, superior post-sales support and robust customer engagement programs.



Accounting policies and estimation for preparation of financial statements and changes there on

Accounting policies and estimation for the preparation of the Company's financial statements and changes there on are disclosed in "Note no – 3 of the "consolidated financial statements" on page 181 of this annual report.

Comparative analysis of financial performance and position of the Company

Comparative financial data of preceding five years are given below:

(Amount in BDT mn)

Particulars	2023	2022	2021	2020	2019
Sales	7,819.32	7,453.47	6,851.14	5,288.92	6,463.86
Gross Profit	1,952.34	1,969.92	2,032.86	1,166.70	1,907.74
Net Profit After Tax	618.39	671.59	905.19	310.65	754.03
Earnings Per Share (Absolute BDT)	1.44	1.57	2.12	0.73	1.76
Net Operating Cash Flow	319.85	619.42	582.86	1,228.66	1,585.22
Net Asset Value (NAV)	7,827.58	7,637.15	7,500.53	7,023.31	7,354.61
Net Asset Value Per Share	18.29	17.85	17.53	16.41	17.18

The detail of comparative analysis of the financial performance and position of the Company's operational results is discussed in the "An update on our performance for the year 2023" on page 114 of this annual report.

Financial performance vis-à-vis industry peers

Listed ceramics companies in Bangladesh comprise the following:

Sl. No.	Name	Product Category	Market Category	Year of listing on DSE	Year of listing on CSE	Year end
01	RAK Ceramics (Bangladesh) Limited	Tiles and sanitary ware	A	2010	2010	December 31st
02	Fu-Wang Ceramic Industry Limited	Tiles	B	1998	1998	June 30th
03	Monno Ceramic Industries Limited	Tableware	A	1883	1995	June 30th
04	Shinepukur Ceramics Limited	Tableware	B	2008	2008	June 30th
05	Standard Ceramic Industries Ltd.	Tableware	B	1996	1996	June 30th

Financial scenario of ceramic companies in Bangladesh:

(Amount in BDT mn)

Particulars	For the year ended 31 December-2023	For the year ended 30 June 2023			
	RAK Ceramics (Bangladesh) Limited	Fu-Wang Ceramic Industry Limited	Monno Ceramic Industries Limited	Shinepukur Ceramics Limited	Standard Ceramic Industries Ltd.
Sales	7,819.32	911.37	612.91	2,059.00	244.47
Gross Profit	1,952.34	261.00	91.40	305.92	(66.00)
Net profit/Loss after tax	618.39	46.74	109.76	59.69	(12.29)
NOCF Per Share (Absolute BDT)	0.75	(5.17)	(2.96)	1.63	(9.10)
Net Asset Value per share (Absolute BDT)	18.29	11.91	80.29	31.37	(14.82)
Earnings per Share (Absolute BDT)	1.44	0.26	2.91	0.41	(19.03)

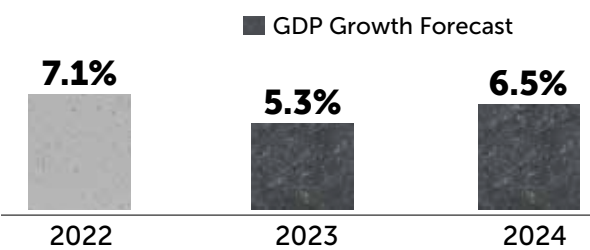
ECONOMIC SCENARIO OF BANGLADESH AND THE GLOBE

Bangladesh's robust economic recovery from the COVID-19 pandemic has been interrupted by the war in Russia-Ukraine, resultant supply-chain disruptions, global oil and food-price spikes, slowdown in external demand, weak remittance inflow, shortfall in revenue collection and slow public expenditure, rise in inflation, widening of current account deficit, depreciation of the Taka and a decline in foreign exchange reserves.

In January 2023 the World Bank says in its latest Global Economic, the GDP growth rate of Bangladesh to decline to 5.2 percent in the Financial Year 2023. It cites rising inflation and its negative impact on household incomes and firms' input costs, as well as energy shortages, import restrictions, and monetary policy tightening as the reasons for the sharp slowdown from 7.2 percent in FY 2022 to 5.2 percent in FY 2023. However, the growth rate is forecast to rise to 6.2 percent in FY 2024.



BANGLADESH



Inflation continues to decelerate from 9.2 percent in 2022, on a year-over-year basis, to 5.9 percent and it would be reached 4.8 percent in 2024. Core inflation, excluding food and energy prices, is also projected to decline, albeit more gradually the inflation, to 4.5 percent in 2024. As a result, projections are increasingly consistent with a "soft landing" scenario, bringing inflation down without a major downturn in activity, especially in the United States, where the forecast increase in unemployment is very modest, from 3.6 to 3.9 percent by 2025.

Rate of Inflation	December 2023	December 2022
Point to point	9.41%	8.71%
Monthly Average (Twelve Month)	9.48%	7.70%

Source : BBS (Bangladesh Bureau of Statistics)

The global economic growth in 2023 remains highly uncertain due to the impact of the COVID-19 pandemic over the past three years and the growing adverse effects of the ongoing Russia's war in Ukraine. In the World Economic Outlook (WEO) 2023, International Monetary Fund (IMF) has expected the global economy to slow down from 3.4 percent in 2022 to 2.8 percent in 2023 and rebound to 3.0 percent in 2024. This projection is 0.1 percentage point lower than in the January 2023 WEO update. The slowdown of economic activity is observed due to spikes in commodity prices and supply chain disruption driven by the effects of war. Sluggish growth rates between advanced economies and emerging market and developing economies will be divergent. Growth in advanced economies is expected to decline

from 2.7 percent in 2022 to 1.3 percent in 2023 and rebound 1.4 percent in 2024. In emerging market and developing economies, however, growth is expected to drop from 4.0 percent in 2022 to 3.9 percent in 2023 and rebound to 4.2 percent in 2024.

Global growth is projected to stay at 3.1 percent in 2024 and rise to 3.2 percent in 2025. Elevated central bank rates to fight inflation and a withdrawal of fiscal support amid high debt weigh on economic activity. Inflation is falling faster than expected in most regions, amid unwinding supply-side issues and restrictive monetary policy. Global inflation is expected to fall to 5.8 percent in 2024 and 4.4 percent in 2025, with the 2025 forecast having been revised down.

WORLD ECONOMIC OUTLOOK OCTOBER 2023 | GROWTH PROJECTIONS



Risks and concerns

Details of risks and concerns facing the Company are discussed in detail in the "Risk management and control" on page 102 of this annual report.



Future outlook

At RAK Ceramics (Bangladesh), we are focused on seizing the opportunities and challenges to continue on the path of sustainable progress and value creation for all our stakeholders. However the Company is not in position to disclose its business strategy including operation, performance and financial position considering the business confidentiality

(SAK Ekramuzzaman)

Managing Director

Date: January 29, 2024

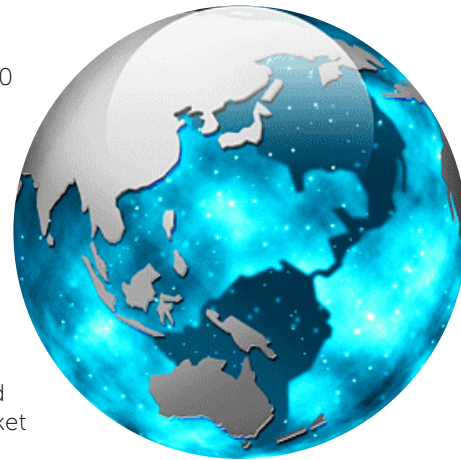
INDUSTRY OUTLOOK AND POSSIBLE FUTURE DEVELOPMENT

OVERVIEW

The ceramic industry plays an important role in the economy of Bangladesh as it is one of the fastest-growing manufacturing sectors providing notable contributions to the country's export revenue, GDP, and job creation in the economy.

GLOBAL CERAMICS MARKET

The global ceramic tiles market size was estimated at USD 186.70 billion in 2023 and is projected to grow at a compound annual growth rate (CAGR) of 7.4% from 2024 to 2030. Increasing demand for aesthetically, superior and durable wall and floor covering solutions and consumer trends in floor design have been driving industry growth of the market over the past few years. Expansion of offices & workspaces, improving consumer lifestyle, and rapid urbanization are factors that have also contributed to the market growth. The tremendous cost of rehabilitation has created a demand for materials with a much longer life span and requiring minimal maintenance. This is expected to have a positive impact on the industry over the forecast period. Ceramic tiles are available in a variety of colors, textures, and sizes which has led to an increase in the attractiveness of this market segment over the past years.



ASIA-PACIFIC CERAMIC TILES MARKET ANALYSIS

The Asia-Pacific ceramic tiles market held the largest share of the global ceramics market and is expected to continue its dominance throughout the projected years. Asia-Pacific, being the largest manufacturer and consumer of ceramic tiles, shows signs of emerging as a dominant region during the forecast period. Moreover, the booming construction sector in this region will be the major contributor to the growth in consumption.

Rapid industrialization, urbanization, and cost benefits are the prime reasons for the ceramic tiles market growth in the Asia-Pacific region.

The Asia-Pacific Ceramic Tiles Market is expected to register a CAGR of greater than 5% during the forecast period (2024-2029).

Countries such as India, China, and Japan are also attracting heavy investments from global players, thus propelling the market growth. The rising demand for designer and modular tiles, expanding construction market sector, and the various government initiatives promoting the ceramic industries are primarily responsible for driving the market growth in this region.

The Asia-Pacific Ceramic Tiles Market Is Segmented By Product (Glazed, Porcelain, Scratch-Free, And Others), Application (Floor Tiles, Wall Tiles, And Others), End-User (Residential, And Commercial), And Construction (New Construction, Replacement, And Renovation) And Geography (China, Japan, India, South Korea, Australia, And Rest Of Asia-Pacific). The Report Offers The Market Sizes And Forecasts In Value (USD) For All The Above Segments.

ASIA PACIFIC CERAMIC FIBER MARKET

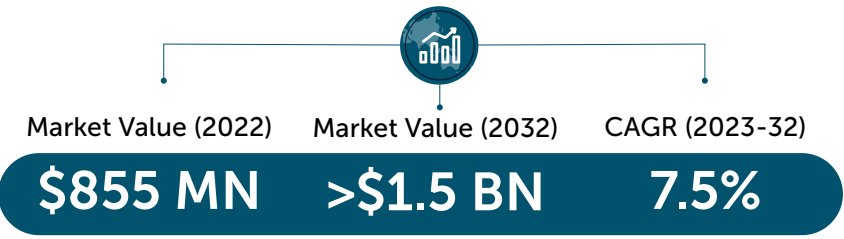
Up to 1000 segment CAGR (2023-32)
>6.5%

Refractory ceramic fiber (RCF) segment Market Value (2032)
>\$985 MN

Module segment Market Value (2032)
>\$490 MN

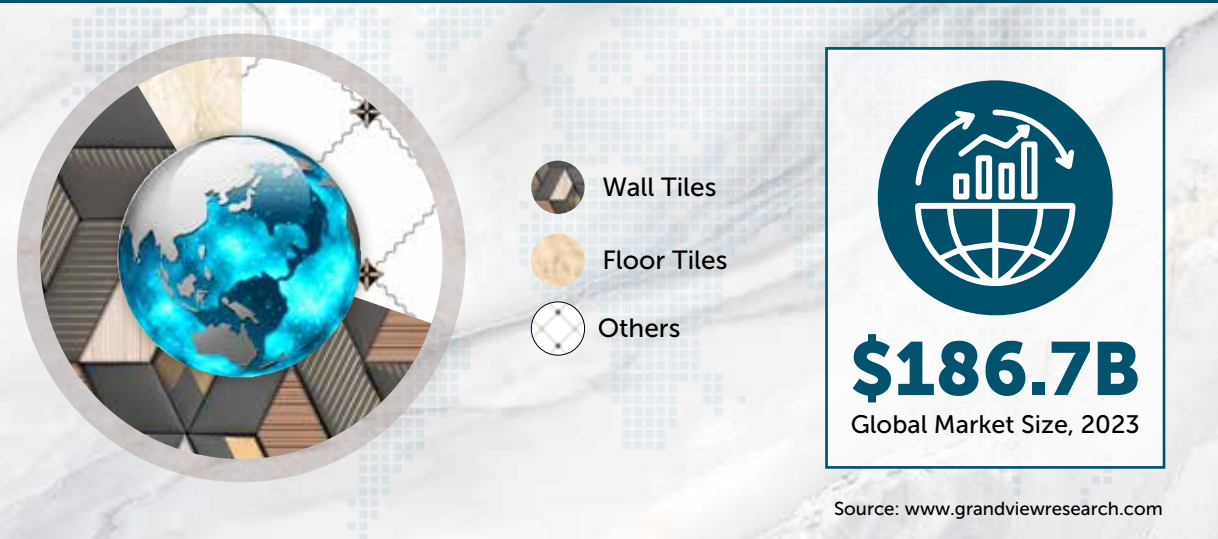
REGIONAL ANALYSIS

>7.5%
CHINA CAGR (2023-32)



GLOBAL CERAMIC TILES MARKET

Share, by Application, 2023 (%)





BANGLADESH CERAMICS INDUSTRY

The ceramic industry in Bangladesh started its journey in 1958 and currently consists of around 65 producers of traditional ceramics such as tableware, tiles, sanitaryware, insulator, heavy clay etc. The total domestic market consumption for ceramic products amounted to USD 660 million and local production meets the demand of 96% of tableware, 77% of tiles and 89% of sanitary ware.

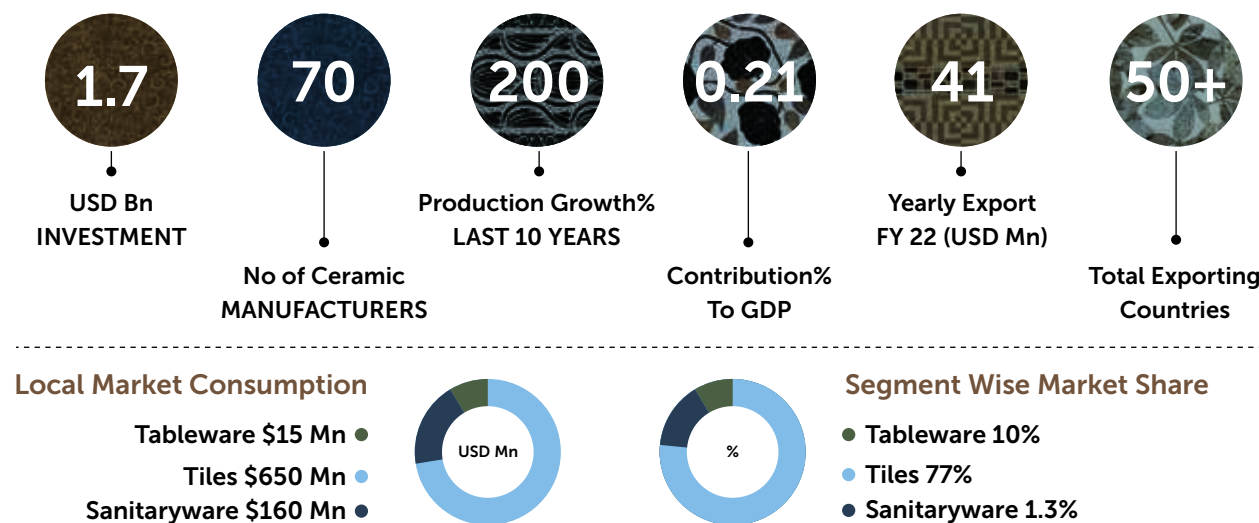
Over the last decade, the Bangladeshi ceramic industry has witnessed a multi-dimensional growth in both domestic (20% average annual growth) and export markets (26% during the last three years), and approximately 200% growth in production capacity in the last 5 years. The sector directly employs around 48,000 people and is estimated to indirectly employ over 500,000 people. According to Export Promotion Bureau (EPB), Bangladesh it is forecasted to become the third largest in the next five years.

According to Bangladesh Ceramic Manufacturers & Exporters Association (BCMEA), the demand for ceramic products has seen an increase of 22% in the last five

years taking the annual domestic market consumption of ceramics products to USD 905 mn (the tiles industry is around USD 650 mn while that of the tableware and the sanitary ware, respectively, are USD 180 mn and USD 75 mn).

The Ceramic Industry of Bangladesh also carries the utmost potential to become the largest sources of FOREX earnings for the country. Global market for ceramic products is expected to be worth USD 408 billion by 2025 and the country's ceramic manufacturers are positioned to capture a slice of this expanding world market. The demand for Bangladeshi ceramic products is very high in the international market due to high quality build and aesthetically pleasing design. At present, our ceramic products are exported to more than 50 countries, including the UK, the USA, Italy, Norway, France, Germany, Sweden, Spain, Netherlands, Poland, Greece, Turkey, Canada, Russia, Australia, the UAE, India and more. In the last fiscal year, ceramic products worth Tk 586 crore were exported from Bangladesh. As a single commodity, it occupies the seventh position in export.

THE CERAMIC SECTOR IN BANGLADESH



Prospects of the Industry

The industry might be benefited from rising incomes, rapid urbanization, and duty-free access to some international markets. There is still much to be done to address the problems this industry is facing, such as uninterrupted power and gas supplies, which are essential to continue competing in global markets. If Bangladesh's ceramics sector can get over the obstacles, it has every chance to develop and increase its contribution to the nation's foreign exchange earnings.

The concerns for Bangladesh ceramic industry are the increase in gas prices, while might affect future foreign investments. That means if in the future there is a shortage or no natural gas available for industries, we will have to import gas to run our factories. That will certainly affect the cost of production and then the ceramic export sector might face severe difficulties.

The more Industry Outlook and Possible Future Development Report on Page no 97.

AUDIT COMMITTEE REPORT

It is our immense pleasure to present the Report of Audit Committee for the year 2023. The Audit Committee is a sub-committee of the Board of Directors. The Committee assists the Board in ensuring that the financial statements reflect a true, fair and accurate view of the state of affairs of the Company, and also in ensuring robust monitoring systems and internal control within the business.

Terms of reference

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

Composition

In accordance with the CG Code, 2018 and amended on November 20 2023, the Audit Committee comprises three members including an Independent Director. The Chairperson of the Committee is an Independent Director. The Company Secretary is the Secretary of the Committee.

The current members of the Audit Committee include:

- Mohd. Shafiu Azam, Chairperson
- Wassim Moukahhal, Member
- Pramod Kumar Chand, Member
- Muhammad Shahidul Islam, Secretary

All members of the Audit Committee have rich business acumen, insights and are individuals with specialist skills, ethics and integrity, and are able to ensure compliance with financial, regulatory and corporate laws that support purposeful contribution to the business as well.

Roles and responsibilities

The roles and responsibilities of the Audit Committee are clearly defined in the Audit Committee Charter. The Audit Committee shall assist the Board in fulfilling its oversight responsibilities. To recognize the importance of oversight responsibilities of the Board with special emphasis on ensuring compliance with all applicable legislations and regulations, the core responsibilities of the Audit Committee, among

- Oversee the financial reporting process;
- Monitor the choice of accounting policies and principles;

- Monitor internal audit and compliance processes to ensure that it is adequately resourced, including approval of the internal audit and compliance plan and review of the internal audit and compliance report;
- Oversee hiring and performance of external auditors;
- Hold meetings with external/statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;
- Review, along with the management, the annual financial statements before submission to the Board for approval;
- Review, along with the management, the quarterly and half-yearly financial statements before submission to the Board for approval;
- Review the adequacy of the internal audit function;
- Review the Management's Discussion and Analysis before disclosing it in the Annual Report;
- Review statements of all related party transactions submitted by the management;
- Review management letters or letters of internal control weakness issued by statutory auditors;
- Oversee the determination of audit fees based on the scope and magnitude, level of expertise and time required for effective audit, while also evaluating the performance of external auditors; and
- Perform other activities related to the Audit Committee Charter, as requested by the Board of Directors.

Committee meetings and attendance

During the year 2023, the Committee held 04 (four) meetings, complying with the requirement of at least one meeting to be held every quarter, in which the Committee reviewed issues relating to business operations, compliance and finance and accounts, among others. The Managing Director, Chief Financial Officer and Head of Internal Audit and Compliance (HIAC) were permanent invitees to the meeting. Relevant departmental heads and other members of the management also attended the meetings, as required. The proceedings of the meetings are properly recorded in minutes and regularly reported to the Board of Directors. The number of Audit Committee meetings held, and the attendance by each member during the year 2023, comprise the following:

Name of directors	Position	Number of meetings held during 2023	Number of meetings attended
Mohd. Shafiu Azam	Chairman	04	04
Wassim Moukahhal	Member	04	04
Pramod Kumar Chand	Member	04	04
Muhammad Shahidul Islam	Secretary	04	04

Internal control and risk management process

The Company, keeping the cognisance of its size and nature of the business, has developed and deployed robust internal controls by instituting a comprehensive documentation system for all its operational and financial functions. Its well-documented policies and guidelines ensure proper maintenance of accounting records, reliable financial reporting, adequate and timely regulatory compliance and accurate monitoring of the Company's operations.

Proper authorisation, recording and reporting of all transactions safeguard assets against its unauthorised use or disposition. The internal audit team conducts periodic reviews of the adequacy and adherence to the internal controls and discusses the observations with the management and the Audit Committee. The Company also conducts regular audits and monitoring of the internal controls by the internal audit team and undertakes suggested recommended measures to strengthen the system further.

The risk management process at RAK Ceramics (Bangladesh) comprises the alignment of resources to ensure the attainment of strategy and business plans, including harnessing available opportunities that meet the risk appetite criteria set by the Board. Risk profiles intrinsic to existing activities are maintained within approved risk tolerance levels, thereby optimising risk-return parameters, thus laying the foundations for sustainable growth and consistent value creation for shareholders and other stakeholders.

Committee's report summary

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

- Reviewed the quarterly, half-yearly and yearly financial statements of the Company, and recommended to the Board for their adoption and approval;
- Reviewed the internal audit process and effectiveness of internal audit;
- Reviewed the findings of the internal audit team and its corrective actions;
- Reviewed if adequate internal control systems are in place to detect, correct and prevent fraud and errors on a timely basis;
- Reviewed if laws and regulations relating to business and internal policies, procedures and guidelines have been complied with;
- Reviewed if financial statements for the year ended December 31, 2023 contained full disclosures and if these were prepared in accordance with Bangladesh Financial Reporting Standards (BFRS), as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB);
- Reviewed if appropriate management information systems (MIS) are in place to facilitate the decision making process;
- Reviewed if existing risk management procedures are effective to capture and mitigate risk; and

- Reviewed if the state of compliance with corporate governance code and other regulations, as per the requirements of the Bangladesh Securities and Exchange Commission, were ensured.

Statutory auditor

The Audit Committee is satisfied through its own process of review that the statutory auditor of the Company is independent, as defined by the related act.

M/s A. Qasem & Co., Chartered Accountants (an independent member of ECOVIS), were the statutory auditors of the Company for previous three consecutive years including the year 2023 and shall retire at the 25th AGM and are not eligible for re-appointment, as per the Bangladesh Securities and Exchange Commission notification dated 20 June 2018. The Company invited and received proposals from shareholders for appointment of auditors of the Company for the year 2024. The Audit Committee of the Board scrutinized the proposals and recommended to appoint M/s ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL) as the statutory auditors of the Company for the year 2024.

Internal audit

Internal audit is regarded as one of the four pillars of corporate governance. The Company has established a separate internal audit and compliance department to ensure that internal control and compliance is in place. On the other hand, the Audit Committee regularly monitors and reviews the reports generated by the internal audit and compliance department and takes appropriate corrective measures.

Quarterly financial statements

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

Annual financial statements

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

Appreciation

The Audit Committee expresses its sincere acknowledgement to members of the Board, the management and statutory and internal auditors for their continuous support and assistance in enabling it to discharge its duties and responsibilities effectively.



(Mohd. Shafiul Azam)

Chairman

Audit Committee

Date: January 29, 2024

NOMINATION AND REMUNERATION COMMITTEE REPORT

It is our immense pleasure to present the Report of Nomination and Remuneration committee for the year 2023. The Nomination and Remuneration Committee (NRC) is a sub-committee of the Board. The NRC assists the Board in formulating the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of Directors and other top-level executives. The NRC plays a stewardship role to the management to identify the Company's needs for human resources at different levels and to determine their selection, transfer or replacement and promotion criteria.

Terms of reference

The terms of reference of the NRC have been determined by the Board, as per the Corporate Governance Code, 2018 (CG Code 2018) of Bangladesh Securities and Exchange Commission, dated June 03, 2018 and amendment on November 20, 2023.

Composition

In accordance with CG Code, 2018 and amendment on November 20, 2023; the NRC of RAK Ceramics (Bangladesh) comprises with three members including two non-executive Directors and an Independent Director. The Chairperson of the Committee is an Independent Director of the Company. The Company Secretary is the Secretary of the Committee.

The current members of the NRC include:

- Mohd. Shafiul Azam, Chairperson
- Wassim Moukahhal, Member
- Pramod Kumar Chand, Member
- Muhammad Shahidul Islam, Secretary

Roles and responsibilities

The roles and responsibilities of the NRC are clearly defined in the terms of reference (ToR). The core responsibilities of the NRC, among others, are as follows:

- (1) NRC shall be independent and responsible or accountable to the Board and to shareholders
- (2) NRC shall oversee, among others, the following matters and make a report with recommendations to the Board:
 - (a) Formulating the criteria for determining qualifications, positive attributes and independence of a Director, and recommending a policy to the Board relating to the remuneration of Directors and top-level executives, considering the following:

- (i) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable Directors to steward the Company successfully;
 - (ii) The alignment of remuneration to performance is clear and meets appropriate performance benchmarks;
 - (iii) Remuneration to Directors and top-level executives involves a balance between fixed and incentive pay, reflecting short and long-term performance objectives appropriate to the working of the Company and its goals;
- (b) Devising a policy on the Board's diversity, taking into consideration age, gender, experience, ethnicity, educational background and nationality;
 - (c) Identifying persons who are qualified to become Directors and who may be appointed in top-level executive positions, in accordance with the criteria laid down, and recommend their appointment and removal to the Board;
 - (d) Formulating the criteria for evaluation of performance of Independent Directors of the Board;
 - (e) Identifying the Company's needs for employees at different levels and determining their selection, transfer or replacement and promotion criteria;
 - (f) Developing, recommending and reviewing annually the Company's human resources and training policies; and
 - (g) Developing a succession plan for the Board and top-level executives, and regularly reviewing the plan.

Nomination policy

The NRC shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director in terms of the diversity policy of the Board, and recommend to the Board his/her appointment. For the appointment of top-level executives, a person should possess adequate qualifications, expertise and experience for the position he/she is considered for appointment. Further, for administrative convenience, for the appointment of top-level executives, the Managing Director is authorised to identify and appoint a suitable person for such positions. However, if need be, the Managing Director may consult the Committee/Board for further directions/guidance.

Remuneration policy

The level and composition of remuneration to be paid to Directors, top-level executives and other employees shall be reasonable and sufficient to attract, retain and motivate suitable individuals. The relationship of remuneration to performance should be clear and should encourage meeting of appropriate performance benchmarks. The remuneration should also involve a balance between fixed and incentive/performance related pay, reflecting achievement of short- and longterm performance objectives appropriate to the working of the Company and meeting its goals.

Evaluation criteria

The Committee shall carry out evaluation of performance of every Director. The Committee shall identify the evaluation criteria, which will evaluate Directors based on their knowledge to perform the role, time and level of participation, performance of duties, level of oversight and professional conduct and independence. The appointment/re-appointment/continuation of Directors on the Board shall be subject to the outcome of the annual evaluation process. The Committee shall evaluate performance of top-level executives on the basis of individual KPIs. Decisions pertaining to promotion/continuation of top-level executives shall be subject to the outcome of the annual evaluation process based on appropriate performance benchmarks.

Activities of NRC

The NRC carried out the following activities during the year 2023:

- Reviewed the performance of top-level executives on the basis of individual KPIs.
- Reviewed the criteria for evaluation of performance of Independent Directors and the Board.
- Reviewed the Company's need for employees at different levels and determined their selection, transfer or replacement and promotion criteria.
- Reviewed human resources and training policies.

- Reviewed the salary at different levels of the Company.
- Reviewed the appointment/reappointment of Directors of the Company.

Committee meetings and attendance

During the year 2023, the NRC held one meeting, complying with the requirement of at least one meeting to be held during the year. The proceedings of the meeting were recorded in proper minutes and reported to the Board of Directors. The number of NRC meetings held and the attendance by each member during the year 2023 is given below:

Name of directors	Position	Number of meetings held during 2023	Number of meetings attended
Mohd. Shafiul Azam	Chairman	01	01
Wassim Moukahhal	Member	01	01
Pramod Kumar Chand	Member	01	01
Muhammad Shahidul Islam	Secretary	01	01

Appreciation

The NRC expresses its sincere appreciation to the members of the Board and the management of the Company for their excellent support and cooperation extended in helping it discharge its duties and responsibilities effectively.



(Mohd. Shafiul Azam)

Chairperson

Nomination and Remuneration Committee

Date: January 29, 2024

CORPORATE GOVERNANCE REPORT

At RAK Ceramics (Bangladesh), we believe that good corporate governance emerges from the application of the best and sound management practices and compliance with the laws coupled with adherence to the highest standards of transparency and business ethics.

Being an industry leader for more than 25 years, gives us immense pride and at the same time puts onus on us to raise our own bar of governance. In keeping with this responsibility, we continuously review our Corporate Governance framework and practices. We believe that our good governance processes provide transparency with regards to corporate policies and strategies, while enabling us to refine our decision making process. This further strengthens internal control systems and helps in building positive relationships with all our stakeholders.

The Board of Directors of the Company is deeply engaged in developing and measuring the Company's long-term strategy, performance, culture and values. We believe that it adds a valuable and diverse set of external perspectives, while a robust, open debate about significant business issues brings an additional discipline and rigour to major decisions.

The Board is responsible and committed to embracing sound principles of corporate governance. Our governance framework ensures that we make timely disclosures and share detailed and timely information with respect to our financials and our performance, as well as disclosures related to our leadership and governance. We believe in transparency and commit ourselves to adhere to best practices in governance at all times. The Corporate Governance Philosophy of the Company is based on the following principles:

- Appropriate composition of the Board;
- Timely disclosure of material and financial information to the Board, regulators, shareholders and other stakeholders;
- Robust systems and processes to ensure strong internal controls, financial controls and compliance with laws, rules and regulations; and
- Proper business conduct by the Board, committees, top management and employees.

Board of Directors

At RAK Ceramics (Bangladesh), an active, well-informed and independent Board is necessary to ensure the highest standards of Corporate Governance in order to bring objectivity and transparency in the Management. The Board of Directors is an effective intermediary

between shareholders and the management. Directors are elected or appointed by shareholders at the Annual General Meeting (AGM) and they are accountable to our shareholders.

Composition of the Board

In compliance with the Corporate Governance Code 2018 and amended on November 20, 2023 of Bangladesh Securities and Exchange Commission (BSEC), The Board of Directors of RAK Ceramics (Bangladesh) comprises with five members including one Independent Director. Appointment of another Independent Directors is under process. The Company has a Non-Executive Chairman and a Managing Director (different individuals).

Board procedure

The Board embraces the practice of planning in advance in matters requiring discussions and decisions by the Board. The Board is appraised across all facets of the business by means of a presentation on production, sales, marketing, finance, major business segments/operations, among other matters, as per their demands and requirements. The Managing Director along with the Company Secretary, finalises the agenda papers for Board meetings, in consultation with concerned teams/stakeholders. The minutes of the proceedings of each Board meeting are maintained as per statutory provisions.

Committees of the Board

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

Audit Committee

The Audit Committee is a sub-committee of the Board and provides assistance in ensuring the perpetuation of strong monitoring systems across the organization. The Committee comprises with three members, including an Independent Director. The Chairman of the Committee is an Independent Director of the Company. The Company Secretary is the Secretary of the Committee. The Audit Committee is responsible to the Board, and the duties and responsibilities of the Committee are clearly articulated in writing by the Board in the Audit Committee Charter. The Audit Committee reports to the:

- Board of Directors
- Relevant regulatory authorities
- Shareholders and general investors

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

Nomination and Remuneration Committee (NRC)

NRC is a sub-committee of the Board and assists the Board in devising the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executives, as well as a policy for the formal processes of considering remuneration of Directors and top-level executives.

NRC of RAK Ceramics (Bangladesh) comprises with three members including two non-executive Directors and an Independent Director. The Chairperson of the Committee is an Independent Director of the Company. The Company Secretary is the Secretary of the Committee. NRC is independent, responsible and accountable to the Board and to shareholders. The NRC shall:

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

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

Chairman of the Board and Managing Director

The position of the Chairman of the Board and the Managing Director of RAK Ceramics (Bangladesh) is occupied by different individuals. The Board of Directors has clearly defined the respective roles and responsibilities of the Chairman and the Managing Director, in addition to their roles and responsibilities, as per the Articles of Association of the Company.

Chief Operating Officer and Chief Financial Officer

Sadhan Kumar Dey is the Chief Operating Officer and Chief Financial Officer of RAK Ceramics (Bangladesh). He is a qualified finance and management professional from the Chartered Institute of Management Accountant- UK and the Institute of Certified Management Accountant- Australia. He is an alumni of Harvard Business School, USA. He possesses more than 26 years of industrial experience in construction companies in the manufacturing sector. As COO, he is responsible for entire business operations of the Company including its subsidiaries. He is also responsible for the finance and accounting activities of the Company as CFO.

Company Secretary

Muhammad Shahidul Islam is the Company Secretary of RAK Ceramics (Bangladesh) and has been appointed by the Board of Directors of the Company. He is a qualified Chartered Secretary and a fellow member of the Institute of Chartered Secretaries of Bangladesh (ICSB). His professional career spans more than 19 years in the realm of Company Secretariat, Corporate Affairs, Compliance, Initial Public Offer (IPO), Legal, Capital Market Operations and Internal Audit covering the manufacturing and insurance sectors. The Board of Directors have clearly defined the roles, responsibilities and duties of the Company Secretary.

Head of Internal Audit and Compliance

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

Statutory auditors

Statutory auditors are appointed by shareholders at the Annual General Meeting and also fix their remuneration thereof. A. Qasem & Co., Chartered Accountants (a member firm of ECOVIS International), was the statutory auditor of the Company for previous three consecutive years including the year 2023. The Audit Committee of the Board scrutinized the proposals and recommended to appoint M/s ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL) as the auditors of the Company for the year 2024. The Board also recommended to appoint M/s ACNABIN, Chartered Accountants for the year 2024. They conducted systematic examination of the books and records of the Company and ascertained, verified and reported upon the facts regarding the financial results of the Company. To ensure the highest levels of compliance with governance guidelines, the Company did not engage its statutory auditors to perform the following services:

- (i) Appraisal or valuation services or fairness opinions;
- (ii) Financial information systems design and implementation;
- (iii) Book-keeping or other services related to the accounting records or financial statements;
- (iv) Broker-dealer services;
- (v) Actuarial services;
- (vi) Internal audit services or special audit services;
- (vii) Any service that the Audit Committee determines;
- (viii) Audit or certification services on compliance of corporate governance; and
- (ix) Any other service that creates conflict of interest.

A. Qasem & Co. Chartered Accountants declares that none of the partners or employees or any family members of any partners or employees of A. Qasem & Co. Chartered Accountants has taken any loan from RAK Ceramics (Bangladesh), nor have they any directorship/ shares of RAK Ceramics (Bangladesh) during the tenure of the audit assignment.

Internal audit and control

RAK Ceramics (Bangladesh) considers internal audit and compliance an important tool for ensuring alignment with best governance practices. Hence, the Company has an independent internal audit and compliance department under the control of the Audit Committee of the Board. Internal audit assists the Company in attaining its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management capabilities, controls and governance processes. It also assists the Audit Committee of the Board to perform their responsibilities efficiently and effectively.

Subsidiary company

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

- Provisions relating to the composition of the Board of subsidiary companies, including Independent Directors, have been complied with
- Independent Director of the company is also a Director in subsidiary companies
- Affairs of subsidiary companies have been reviewed at Board meetings of the Company
- Minutes of Board meetings of subsidiary companies have been placed for review at Board meetings of the Company
- Financial statements of subsidiary companies have been reviewed by the Audit Committee of the Company

Code of conduct

The Board of Directors of RAK Ceramics (Bangladesh) has formulated a coherent code of conduct for the Chairperson of the Board, other Board members, and

Chief Executive Officer of the Company, and annual compliance to the code is recorded. As an organization with a longstanding heritage, our values encompass integrity, self-determination and valuing our human resources. Our parent company has articulated the corporate values for the Company and has also stipulated a code of conduct for employees, ensuring that the latter maintains the highest integrity, promotes fair and accurate disclosures, and ensures financial reporting and compliance with all relevant laws and principles.

Dividend Distribution Policy

Dividend Distribution Policy is being adopted in compliance with the Directive of the Bangladesh Securities and Exchange Commission (BSEC) No. BSEC/CMRRCD/2021-386/03 dated 14 January 2021. The said policy is uploaded in the Company's website <https://www.rakceramics.com/bangladesh/en-bd/investor-relation/dividend/dividend-distribution-policy> as well as disclose in the page 166 on this annual report.

Transfer of Unclaimed dividend to CMSF

In response BSEC's Letter No. SEC/SRMIC/165-2020/part-1/202 date 25 August 2021 and SEC/SRMIC/165/part-1/166 dated 06 July 2021 and the CMSF Rules, the Company transferred the unclaimed or undistributed or unsettled dividend for the year 2010 to 2019 in cash and stock to CMSF in due time. The summary of unclaimed or undistributed or unsettled dividend in cash, transferred to Capital Market Stabilization Fund (CMSF) on page 138 in this annual report.

Compliances

RAK Ceramics (Bangladesh) is committed to comply with all requirements of the corporate governance code, as required by BSEC. The certificate on compliance of conditions of corporate governance code of the Company is provided on page 154 in this annual report.

Conclusion

RAK Ceramics (Bangladesh) ensured compliance with the highest standards of governance and unwavering adherence to the requirements of the ethical code of conduct through close and consistent monitoring. Further, through the code of ethics, all levels of staff were made aware of and encouraged to report through whistle-blowing any suspected wrongdoing.

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

We have examined the Compliance status to the Corporate Governance Code by RAK Ceramics (Bangladesh) Limited for the year ended on December 31, 2023. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 of the Bangladesh Securities and Exchange Commission.


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

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

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

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

For: **Jasmin & Associates**
Chartered Secretaries


Jasmin Akter, FCS
Chief Executive

Place : Dhaka
Dated : January 29, 2024

55/B Noakhali Tower (10th Floor), Suite : 11-F, Purana Paltan, Dhaka-1000, www.jasminandassociates.com
E-mail: jasminandassociates@gmail.com, jasminmizan123@yahoo.com, Phone : 02-9574125, 01712644440, 01711-076815

RAK CERAMICS (BANGLADESH) LIMITED

For the year ended 31st December 2023

Status of Compliance with the Corporate Governance Code

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

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

(Report under Condition No. 9)

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1	BOARD OF DIRECTORS:			
1(1)	Board's Size			
	The number of the Board members of the Company shall not be less than 5 (five) and more than 20 (twenty).	✓		
1(2)	Independent Directors			
1(2)(a)	At least 2(two) directors or one-fifth (1/5) of the total number of directors in the company's Board, whichever is higher, shall be independent directors; any fraction shall be considered to the next integer or whole number for calculating number of independent director(s);	✓		At present the Board of Directors comprises with 5 members including one Independent Director. Appointment of another Independent Directors is under process.
1(2)(b)(i)	Who either does not hold share in the Company or holds less than one (1%) shares of the total paid up shares of the Company;	✓		
1(2)(b)(ii)	Who is not a sponsor of the company or is not connected with the company's any sponsor or director or nominated director or shareholder of the company or any of its associates, sister concerns, subsidiaries and parents or holding entities who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship and his or her family members also shall not hold above mentioned shares in the company;	✓		
1(2)(b)(iii)	Who has not been an executive of the company in immediately preceding 2 (two) financial years;	✓		
1(2)(b)(iv)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies;	✓		Director of subsidiary Companies
1(2)(b)(v)	Who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange;	✓		
1(2)(b)(vi)	Who is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market;	✓		
1(2)(b)(vii)	Who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm or audit firm engaged in internal audit services or audit firm conducting special audit or professional certifying compliance of this Code;	✓		
1(2)(b)(ix)	who has not been reported as a defaulter in the latest Credit Information Bureau (CIB) report of Bangladesh Bank for non- payment of any loan or advance or obligation to a bank or a financial institution; and"	✓		
1(2)(b)(x)	Who has not been convicted for a criminal offence involving moral turpitude.	✓		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(2)(c)	The independent director(s) shall be appointed by the Board and approved by the shareholders in the Annual General Meeting (AGM) : Provided that the Board shall appoint the independent director, subject to prior consent of the Commission, after due consideration of recommendation of the Nomination and Remuneration Committee (NRC) of the company;	✓		
1(2)(d)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days.	✓		
1(2) (e)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) tenure only:	✓		
1(3)	Qualification of Independent Director (ID)			
1(3)(a)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws regulatory requirements and can make meaningful contribution to business;	✓		
1(3)(b)(i)	Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk.100.00 million or any listed company or a member of any national or international chamber of commerce or registered business association; or	✓		
1(3)(b)(ii)	Corporate Leader who is or was a top level executive not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid-up capital of Tk. 100.00 million or of a listed company; or	✓		
1(3)(b)(iii)	Former or existing official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or business or Law: Provided that in case of appointment of existing official as independent director, it requires clearance from the organization where he or she is in service; or	✓		
1(3)(b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law; or	✓		
1(3)(b)(v)	Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification;	✓		
1(3) (c)	The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b);	✓		
1 (3)(d)	In special cases, the above qualifications or experiences may be relaxed subject to prior approval of the Commission.			No such matter
1(4)	Duality of chairperson of the Board of Directors and Managing Director of chief Executive Officer			
1(4) (a)	The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals;	✓		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(4)(b)	The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company;	✓		
1(4)(c)	The Chairperson of the Board shall be elected from among the non-executive directors of the company;	✓		
1 (4)(d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer;	✓		
1 (4) (e)	In the absence of the Chairperson of the Board, the remaining members may elect one of themselves from nonexecutive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	✓		
1(5)	The Director's Report to Shareholders			
1(5)(i)	An Industry outlook and possible future developments in the industry;	✓		
1(5)(ii)	The Segment-wise or product-wise performance;	✓		
1(5)(iii)	Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any;	✓		
1(5)(iv)	A Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin,where applicable;	✓		
1(5) (v)	A Discussion on continuity of any Extra-Ordinary activities and their implication (gain or loss);			No such matter
1(5) (vi)	A detailed discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions;	✓		
1(5)(vii)	A statement of utilization of proceeds raised through public issues, rights issues and/or any other instruments;			No such matter
1(5)(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing, etc.;			No such matter
1(5)(ix)	An explanation on any significant variance that occurs between Quarterly Financial performances and Annual Financial Statements;	✓		
1(5)(x)	A statement of remuneration paid to the directors including independent directors;	✓		
1(5)(xi)	A statement that the financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;	✓		
1(5)(xii)	A Statement that proper books of account of the issuer Company have been maintained.	✓		
1(5)(xiii)	A statement that appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;	✓		
1(5)(xiv)	A statement that International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;	✓		
1(5)(xv)	A statement that the system of internal control is sound in design and has been effectively implemented and monitored;	✓		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(5)(xvi)	A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;	✓		
1(5)(xvii)	A statement that there are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed;			No such matter
1(5)(xviii)	An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained;	✓		
1(5)(xix)	Key operating and financial data of at least preceding 5 (five) years shall be summarized;	✓		
1(5)(xx)	An explanation on the reasons If the issuer company has not declared dividend (cash or stock) for the year;			No such matter
1(5)(xxi)	Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend;	✓		
1(5)(xxii)	The total number of Board meetings held during the year and attendance by each director;	✓		
1(5)(xxiii)(a)	Parent or Subsidiary or Associated Companies and other related parties (name-wise details);	✓		
1(5)(xxiii)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children (name wise details);	✓		
1(5)(xxiii)(c)	Executives;	✓		
1(5)(xxiii)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	✓		
1(5)(xxiv)(a)	A brief resume of the director;	✓		
1(5)(xxiv)(b)	Nature of his / her expertise in specific functional areas;	✓		
1(5)(xxiv)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the board;	✓		
1(5)(xxv) (a)	Accounting policies and estimation for preparation of financial statements;	✓		
1(5)(xxv)(b)	Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes;	✓		
1(5)(xxv)(c)	Comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof;	✓		
1(5)(xxv)(d)	compare such financial performance or results and financial position as well as cash flows with the peer industry scenario;	✓		
1(5)(xxv)(e)	Briefly explain the financial and economic scenario of the country and the globe;	✓		
1(5)(xxv)(f)	Risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company; and	✓		
1(5)(xxv)(g)	Future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM;	✓		
1(5)(xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A;	✓		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(5)(xxvii)	The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per Annexure-B and Annexure-C;	✓		
1(5)(xxviii)	The Directors' report to the shareholders does not require to include the business strategy or technical specification related to products or services, which have business confidentiality.	✓		
1(6)	Meetings of the Board of Directors; The company shall conduct its Board meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Code.	✓		
1(7)	Code of Conduct for the Chairperson, other Board members and Chief Executive Officer			
1(7)(a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC) at condition No. 6, for the Chairperson of the Board, other board members and Chief Executive Officer of the company;	✓		
1(7)(b)	The code of conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behavior; confidentiality; conflict of interest; compliance with laws, rules and regulations; prohibition of insider trading; relationship with environment, employees, customers and suppliers; and independency.	✓		
2	Governance of Board of Directors of Subsidiary Company.			
2(a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company;	✓		
2(b)	At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company;	✓		
2(c)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company;	✓		
2(d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also;	✓		
2(e)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	✓		
3	Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS).			
3(1)	Appointment			
3(1)(a)	The Board shall appoint a Managing Director (MD) or Chief Executive Officer (CEO), a Company Secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC);	✓		
3(1)(b)	The positions of the Managing Director (MD) or Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO) and Head of Internal Audit and Compliance (HIAC) shall be filled by different individuals;	✓		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
3(1)(c)	The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time: Provided that CFO or CS of any listed company may be appointed for the same position in any other listed or non-listed company under the same group for reduction of cost or for technical expertise, with prior approval of the Commission: Provided further that the remuneration and perquisites of the said CFO or CS shall be shared by appointing companies proportionately;"	✓		
3(1)(d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS;	✓		
3(1)(e)	The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s).	✓		
3(2)	Requirement to attend Board of Directors' Meetings The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board: Provided that the CS, CFO and/or the HIAC shall not attend such part of a meeting of the Board which involves consideration of an agenda item relating to their personal matters.	✓		
3(3)	Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)			
3(3)(a)	The MD or CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief:			
3(3)(a)(i)	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and	✓		
3(3)(a)(ii)	these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;	✓		
3(3)(b)	The MD or CEO and CFO shall also certify that there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board or its members;	✓		
3(3) (c)	The certification of the MD or CEO and CFO shall be disclosed in the Annual Report.	✓		
4	Board of Directors' Committee:- For ensuring good governance in the company, the Board shall have at least following sub-committees:			
4 (i)	Audit Committee; and	✓		
4(ii)	Nomination and Remuneration Committee	✓		
5	AUDIT COMMITTEE:			
5(1)	Responsibility to the Board of Directors			
5(1)(a)	The Company shall have an Audit Committee as a sub-committee of the Board of Directors;	✓		
5(1)(b)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business;	✓		
5(1) (c)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	✓		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
5(2)	Constitution of the Audit Committee			
5(2)(a)	The Audit Committee shall be composed of at least 3 (three) members;	✓		
5(2)(b)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the Company and shall include at least 1 (one) Independent Director;	✓		
5(2) (c)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience;	✓		
5(2)(d)	When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 60 (sixty) days from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee;	✓		
5(2)(e)	The company secretary shall act as the secretary of the Committee;	✓		
5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without independent director.	✓		
5(3)	Chairman of the Audit Committee			
5(3)(a)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director;	✓		
5(3)(b)	In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	✓		
5(3) (c)	Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM);	✓		
5(4)	Meeting of the Audit Committee			
5(4)(a)	The Audit Committee shall conduct at least its four meetings in a financial year;	✓		
5(4)(b)	The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two-third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must.	✓		
5(5)	Role of Audit Committee The Audit Committee shall :-			
5(5)(a)	Oversee the financial reporting process;	✓		
5(5)(b)	Monitor choice of accounting policies and principles;	✓		
5(5) (c)	Monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report;	✓		
5(5)(d)	Oversee hiring and performance of external auditors;	✓		
5 (5) (e)	Hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;	✓		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
5(5) (f)	Review along with the management, the annual financial statements before submission to the board for approval;	✓		
5(5) (g)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;	✓		
5(5) (h)	Review the adequacy of internal audit function;	✓		
5(5) (i)	Review the Management's Discussion and Analysis before disclosing in the Annual Report;	✓		
5(5) (j)	Review statement of all related party transactions submitted by the management;	✓		
5(5) (k)	Review Management Letters or Letter of Internal Control weakness issued by statutory auditors;	✓		
5(5) (l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors; and	✓		
5(5) (m)	Oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission;			No such matter
5(6)	Reporting of the Audit Committee			
5(6)(a)	Reporting to the Board of Directors			
5(6)(a)(i)	The Audit Committee shall report on its activities to the Board.	✓		
5(6)(a)(ii)(a)	Report on conflicts of interests;			No such matter
5(6)(a)(ii)(b)	Suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements;			No such matter
5(6)(a)(ii)(c)	Suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations; and			No such matter
5(6)(a)(ii)(d)	Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately;			No such matter
5(6)(b)	Reporting to the Authorities ;If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier.			No such matter
5(7)	Reporting to the Shareholders and General Investors ;Report on activities carried out by the Audit Committee, including any report made to the Board under condition No. 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.	✓		
6	Nomination and Remuneration Committee (NRC):-			
6(1)	Responsibility to the Board of Directors			
6(1)(a)	The company shall have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board;	✓		
6(1)(b)	The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive;	✓		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
6(1)(c)	The Terms of Reference (ToR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5)(b).	✓		
6 (2)	Constitution of the NRC			
6(2)(a)	The Committee shall comprise of at least three members including an independent director;	✓		
6(2)(b)	At least 02 (two) members of the Committee shall be non-executive directors;	✓		
6(2) (c)	Members of the Committee shall be nominated and appointed by the Board;	✓		
6(2) (d)	The Board shall have authority to remove and appoint any member of the Committee;	✓		
6(2)(e)	In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee;	✓		
6(2)(f)	The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as advisor who shall be non-voting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee;	✓		
6(2)(g)	The company secretary shall act as the secretary of the Committee;	✓		
6(2)(h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent director;	✓		
6(2)(i)	No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company.	✓		
6(3)	Chairperson of the NRC			
6(3)(a)	The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director;	✓		
6(3)(b)	In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;	✓		
6(3)(c)	The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders;	✓		
6(4)	Meeting of the NRC			
6(4)(a)	The NRC shall conduct at least one meeting in a financial year;	✓		
6(4)(b)	The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC;	✓		
6(4)(c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2) (h);	✓		
6(4) (d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC.	✓		
6(5)	Role of the NRC			
6(5) (a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders;	✓		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
6(5)(b)(i)(a)	The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;	✓		
6(5)(b)(i)(b)	The relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and	✓		
6(5)(b)(i)(c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;	✓		
6(5)(b)(ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;	✓		
6(5)(b)(iii)	Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;	✓		
6(5)(b)(iv)	Formulating the criteria for evaluation of performance of independent directors and the Board;	✓		
6(5)(b)(v)	Identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and	✓		
6(5)(b)(vi)	Developing, recommending and reviewing annually the company's human resources and training policies;	✓		
6(5)(c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report.	✓		
7	External or Statutory Auditors.			
7(1)	The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely:-			
7(1)(i)	Appraisal or valuation services or fairness opinions;	✓		
7(1)(ii)	Financial information systems design and implementation;	✓		
7(1)(iii)	Book-keeping or other services related to the accounting records or financial statements;	✓		
7(1)(iv)	Broker-dealer services;	✓		
7(1)(v)	Actuarial services;	✓		
7(1)(vi)	Internal audit services or special audit services	✓		
7(1)(vii)	any service that the Audit Committee determines;	✓		
7(1)(viii)	Audit or certification services on compliance of corporate governance as required under condition No. 9(1); and	✓		
7(1)(ix)	Any other service that creates conflict of interest.	✓		
7(2)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company; his or her family members also shall not hold any shares in the said company.	✓		
7(3)	Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General Meeting or Extraordinary General Meeting) to answer the queries of the shareholders.	✓		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
8	Maintaining a website by the Company:-			
8(1)	The company shall have an official website linked with the website of the stock exchange.	✓		
8(2)	The company shall keep the website functional from the date of listing.	✓		
8(3)	The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchange(s).	✓		
9	Reporting and Compliance of Corporate Governance.-			
9(1)	The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report.	✓		
9(2)	The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the Annual General Meeting.	✓		
9(3)	The directors of the company shall state, in accordance with the Annexure-C attached, in the directors' report whether the company has complied with these conditions or not.	✓		

DIVIDEND DISTRIBUTION POLICY

This Policy shall become effective from the date of its adoption by the Board i.e. 03/05/2021.

1. Purpose, Objectives and Scope

1.1 This policy is being adopted in compliance with the Directive of the Bangladesh Securities and Exchange Commission (BSEC) No. BSEC/CMRRCD/2021-386/03 dated 14 January 2021. The Directive requires to formulate a dividend distribution policy which shall be disclosed in the annual report and official website of the company.

1.2 The objective of this Policy is to ensure the optimum balance between the quantum of dividend declared and/or paid and amount of profits to be retained in the business for various investment and funding purposes. The Policy sets parameters to be considered by the Board of Directors of the Company for declaration of dividend including interim dividend from time to time. The Policy also sets out the circumstances and different factors for consideration by the Board at the time of taking such decisions of distribution or retention of profits, in the interest of providing transparency to the shareholders.

1.3 This Policy reflects the philosophy of the Company to maximize reward to its shareholders by sharing a portion of its profits after retaining sufficient funds for growth of the Company. The Company shall pursue this Policy, to pay, subject to the business & economic circumstances and external & internal factors enlisted, which shall be consistent with the performance of the Company over the years.

2. Definitions

2.1. Unless repugnant to the context:

2.2 "Act" shall mean The Companies Act, 1994 including the Gazette Notification / Rules made thereunder, and as amended from time to time relating to the Act.

2.3 "Applicable Laws" shall mean the Companies Act, 1994 including the Gazette Notification / Rules made thereunder, as amended from time to time, and all other acts, rules, regulations, notifications, orders, circulars etc. of the Bangladesh Securities and Exchange Commission (BSEC), the Dhaka Stock Exchange Limited (DSE), the Chittagong Stock Exchange Limited (CSE) and such other act, rules or regulations which applicable to the Company.

2.4 "Company" shall mean RAK Ceramics (Bangladesh) Limited.

2.5 "Compliance Officer" shall mean the Compliance Officer of the Company appointed by the Board of Directors.

2.6 "Board" or "Board of Directors" shall mean Board of Directors of the Company.

2.7 "Dividend" shall mean Dividend as defined under the Companies Act, 1994.

2.8 "GCFO, MD, CEO" shall mean Group Chief Financial Officer, Managing Director and Chief Executive Officer of the Company.

2.9 "Policy or this Policy" shall mean the Dividend Distribution Policy.

2.10 "Subsidiary" shall mean Subsidiary of the Company as defined under the Companies Act, 1994.

2.11 Words and expressions used and not defined in this Policy but defined in Companies Act, 1994 or rules made thereunder or Bangladesh Securities and Exchange Commission rules shall have the meanings respectively assigned to them in those Acts, Rules and Regulations.

3. Parameters for declaration of dividend

The Board shall consider the following circumstances for declaration and payment of dividend.

3.1 Financial parameters

- Availability of profits;
- Financial feasibility of the Company;
- Favorable Debt Equity ratio;
- Debt interest coverage ratio;
- Liquidity position;
- Business expansions, acquisitions, etc.;
- Favorable state of the capital markets;
- Profit growth.

3.2 External factors

- Shareholders' expectations;
- Uncertain or recessionary economic and business conditions;
- Sectorial performance;
- Future uncertainties and industrial downturn;
- Government policy;
- Clientele effect;
- Risk effect.

3.3 Internal factors

- Growth rate of past earnings;
- Growth rate of predicted profits;
- Expansion and modernization of existing business;

- Investment in research and development;
- Working capital requirements;
- Mergers and Acquisitions;
- Investments in subsidiaries/Joint ventures/associates;

3.4 Utilization of retained earnings

The decision of utilization of retained earnings of the Company shall be based on the following factors:

- Acquisition/Diversification of business;
- Long term strategic plan;
- High cost of debt;
- Market or product development/expansion plan;
- Increase in production capacity;
- Modernization Plan;

4. Target Dividend

RAK Ceramics (Bangladesh) Limited is committed to returning capital to shareholders via a sustainable dividend policy, aiming at a payout ratio in excess of 60% of consolidated net income subject to consideration of factors such as the business outlook, capital requirements for growth opportunities, expansion plans, optimal leverage levels and healthy cash reserves in addition to regulatory approvals.

5. Circumstances under which the shareholders may or may not expect dividend

- Whenever it undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital;
- Significantly higher working capital requirements adversely impacting free cash flow;
- Whenever it undertakes any acquisitions or joint ventures requiring significant allocation of capital;
- In the event of inadequacy of profits or whenever the Company has incurred losses.

The decision of dividend payout shall, majorly be based on the aforesaid factors considering the balanced interest of the shareholders and the Company.

6. Procedure of Dividend Payout

6.1 The given below is a summary of the process of declaration and payment of dividends, and is subject to applicable regulations.

6.2 In case of final dividends.

- The Chief Financial Officer in consultation with the GCFO, MD / CEO of the Company shall prepare a proposal note to the Board for recommending the percentage of dividend, if any and that proposal shall be reviewed by the Board, and shall be recommended for shareholders consideration and approval.
- The dividend as recommended by the Board shall be approved/declared by the shareholders at the annual general meeting of the Company.
- The payment of dividend shall be made within 30 days from the date of declaration to the shareholders entitled to receive the dividend on the record date/book closure period as per the applicable law.

6.3 In case of interim dividend.

- Interim dividend, if any, shall be declared by the Board.
- Before declaring interim dividend, the Board shall consider the financial position of the Company that allows the payment of such dividend.
- The payment of dividends shall be made within 30 days from the date of record date to the shareholders entitled to receive the dividend as per the applicable laws.
- In case no final dividend is declared, interim dividend paid during the year, if any, will be regarded as final dividend in the annual general meeting.

The Company shall ensure compliance of provisions of Applicable Laws and this Policy in relation to Dividend declared by the Company.

7. Classes of Shares

The Company has issued only equity shares. There are no other class of shares issued or proposed to be issued by the Company. In case of issue of new class of shares in the future, the policy will be reviewed accordingly.

8. Applicability of the Policy

This policy is applicable on equity shares of the Company.

9. Compliance Responsibility

- The Company shall ensure compliance of provisions of Applicable Laws and this Policy in relation to Dividend declared by the Company.
- Compliance of this Policy shall be the responsibility of the Chief Financial Officer and the Company Secretary of the Company who shall have the power to ask for any information or clarifications from the management in this regard.

10. Review of the Policy

10.1 This Policy would be subject to revision/amendment in accordance with the guidelines as may be issued by the National Board of Revenue, Bangladesh Securities and Exchange Commission or such other regulatory authority as may be authorized, from time to time, on the subject matter.

10.2 The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy.

10.3 Such amended Policy shall be periodically placed before the Board for adoption immediately after such changes.

11. Publication of the Policy

This Policy, as approved by the Board, shall be disclosed in the annual report and official website of the company at www.rakceramics.com/bangladesh.

12. Disclaimer

This document does not solicit investments in the Company's securities. Nor is it an assurance of guaranteed returns (in any form), for investments in the Company's equity shares.

CREDIT RATING

CRISL Credit Rating Information and Services Limited

Nakshi Homes (1st, 4th & 5th Floor), 6/1/A, Segun Bagicha, Dhaka-1000, Bangladesh
Tel: 88-02-953 0991-3, Fax: 88-02-953 0995, E-mail: info@crisld.com, Web: www.crisld.com

First ISO 9001: 2015 Certified Credit Rating Company in Bangladesh Operating Since 1995

Setting global standard at national level

April 02, 2023

CRISL/Com/ 1009 /23

The Chief Executive Officer
RAK Ceramics (Bangladesh) Limited
RAK Tower (7th, 8th & 9th floor), 1/A Jasimuddin Avenue, Sector# 3
Uttara Model Town, Dhaka-1230
Fax: +88 (02) 58957096
Email: mir.sifuzzaman@rakceramics.com

Sub: Announcement of Credit Rating for Public Listed Companies

Sir,
Pursuant to the Credit Rating Companies Rules, 2022, this is to inform you that the Rating Committee of Credit Rating Information and Services Limited (CRISL) has assigned the following rating to **"RAK Ceramics (Bangladesh) Limited"** on 02.04.2023 in consideration of its audited financials up to 31st December, 2022 and other relevant quantitative as well as qualitative information up to the date of rating declaration:

Long Term	Short Term	Outlook	Rating Date	Rating Validity
AA+	ST-1	Stable	02.04.2023	01.04.2024

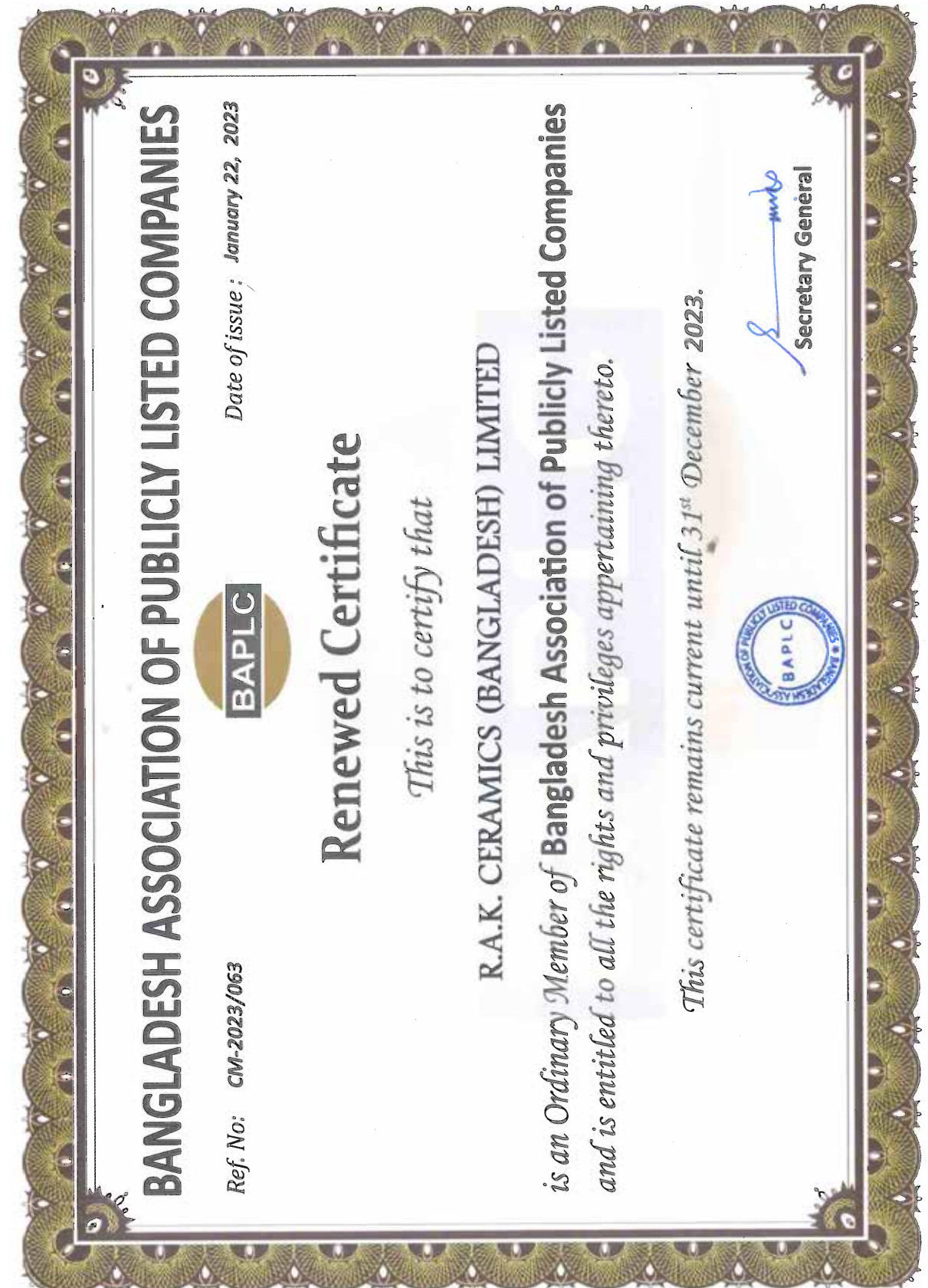
The above is reported as price sensitive information as per guidance in clause 8 A (b) of chapter III of Credit Rating Companies Rules 2022 by BSEC.

Thanking you,

With best regards



Rony Chandra Ghosh
Manager Compliance





RAK FINANCIALS

In alignment with our ethos, we have achieved a robust financial performance for the year 2023. Our commitment to honoring tradition while embracing innovation has not only bolstered our key metrics but has also cemented our position as leaders in the industry. Through prudent financial management and strategic investment, we have bolstered our financial position, ensuring sustainability and resilience in the face of market challenges. Our robust financial performance reflects our unwavering dedication to preserving our heritage while driving towards a future filled with opportunity and growth. As we continue to uphold the values encapsulated in our motto, we remain steadfast in our pursuit of excellence, inspiring confidence in our stakeholders and paving the way for a prosperous future for the next generations.

RAK CERAMICS (BANGLADESH) LIMITED DECLARATION BY MD AND CFO

Date: January 29, 2024
The Board of Directors
RAK Ceramics (Bangladesh) Limited

Subject: Declaration on Financial Statement for the year ended 31 December 2023.

Dear Sirs,

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

1. The audited standalone and consolidated financial statements of RAK Ceramics (Bangladesh) Limited for the year ended on 31 December 2023 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
2. The estimates and judgements related to the financial statements were made on prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
3. The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
4. To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
5. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
6. The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern.

In this regard, we also certify that:-

- (i) We have reviewed the audited standalone and consolidated financial statements for the year ended on 31 December 2023 and that to the best of our knowledge and belief:
 - a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) These statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- (ii) There are, to the best of knowledge and belief, no transactions entered into by the Company during the period which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,

(SAK Ekramuzzaman)
Managing Director

(Sadhan Kumar Dey)
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of RAK Ceramics (Bangladesh) Ltd.

Report on the Audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of RAK Ceramics (Bangladesh) Ltd. (the Group) which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give true and fair view, in all material respects, of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's

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

Key Audit Matters (KAM)

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements for the year ended 31 December 2023. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

SL	Key Audit Matter	How our audit addressed the key audit matter
2	Tax and regulatory matters (Refer to notes 3.22 and 43 to these Consolidated financial statements)	
	<p>The Group has several pending corporate tax assessments and legal proceedings with Government revenue authorities related to claims for tax, VAT and custom duty. The pending cases expose the Group to significant litigation and similar risks arising from many disputes and regulatory proceedings. Such matters are subject to many uncertainties, and the outcomes may not be appropriate to predict.</p> <p>These uncertainties inherently may affect the amount and timing of potential cash outflows with respect to tax provisions and contingent liabilities related to tax, VAT and custom duty.</p> <p>As listed entity, the Group also has to maintain compliance requirements of the Bangladesh Securities and Exchange Commission.</p>	<p>Our audit procedures included the following:</p> <ol style="list-style-type: none"> We obtained an understanding, evaluated the design and tested operational effectiveness of the Group's key control on tax provision and contingencies. We enquired to those charged with governance to obtain their view on the status of all significant litigations and regulatory matters; We enquired of the Group's internal legal counsel for all significant litigations and regulatory matters and inspected internal notes and report. We also received formal confirmation from external counsel; We assessed the methodologies on which provision and contingencies are based and recalculated the provision and tested the completeness and accuracy of the underlying information; and We also assessed the disclosures on the Group's provisions and contingent liabilities.
3	Credit risks and impairment on trade receivables (Refer to notes 3.10, 3.14 and 36.1(b) to these Consolidated financial statements)	
	<p>The amount of trade receivables covers 22% (2022: 14%) of total current assets. The global and national volatile economic situation has positioned many business organizations in the financial stress and as a result, the risks of being default in payment of debts by the stressed customers increases significantly.</p> <p>The significant amount of trade receivables of the Group is attributable to a single customer which is also a related party as disclosed in note 37 to the consolidated financial statements to the Group. Being the related party, there may be financial transactions that lack in the criteria of arm's length transaction.</p> <p>Significant amount of judgment is to be applied to determine the risk of default by the customers over the expected life of trade receivables which may have material impact on trade receivables and as a result, there is risk of error in determining the allowance for impairment on trade receivables.</p> <p>Considering the above factors and the risk associated with the determination of impairment allowance on trade receivables, we have determined the same to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ol style="list-style-type: none"> We tested the receivable balances compared those with the results obtained from external confirmations. We inspected the arrangements, security documents, credibility assessments and correspondences with parties concerned to assess the recoverability of significant long outstanding receivables; We enquired of the Group's internal legal counsel for all significant litigations and regulatory matters and inspected internal notes and report. We also received formal confirmation from external counsel; We reviewed the calculation of impairment allowance on trade receivables as per IFRS 9; and We also assessed the disclosures on the trade receivables as per IFRS 9.

SL	Key Audit Matter	How our audit addressed the key audit matter
4	Property, plant and equipment (Refer to notes 3.5 and 4 to these consolidated financial statements).	
	<p>The property, plant and equipment balance comprises 22% (2022: 22%) of total assets. This amounts to BDT 3,609 million (2022: BDT 3,263 million) as shown in note 4.</p> <p>Judgement is exercised in determining the useful lives and when assessing whether there are any indicators of impairment exist and when performing impairment assessments where indicators have been identified.</p> <p>Based on the value of the property, plant and equipment as well as the judgements involved in determining useful lives, this has been identified as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ol style="list-style-type: none"> 1. Obtained the useful lives and confirmed that this was reviewed and considered in the year under review; 2. We have reviewed the judgments and methodology applied by management including the nature of underlying costs capitalized, determination of realizable value of the assets retired from active use, technical assessment conducted in assessing the useful life of assets; 3. Assessed whether indicators of impairment existed at 31 December 2023 based on our knowledge of the business and the industry; and 4. Assessed the relevant disclosures made within the financial statements.

Other information included in the Group's 31 December 2023 Annual Report

Other information consists of the information included in the Group's 31 December 2023 Annual Report other than the consolidated financial statements and our auditor's report thereon. We obtained Director's Report, Management Discussion and Analysis, five years financial information, and Corporate Governance report prior to the date of our auditor's report, and we expect to obtain the remaining reports of the Annual Report after the date of our auditor's report. Management is responsible for the other information.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with IFRSs, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of consolidated financial

statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error,

as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

We communicate with those charged with governance regarding, among other matters, the planned scope

A. Qasem & Co.

Chartered Accountants
RJSC Registration No.: 2-PC7202



Mohammad Motaleb Hossain FCA
Partner
Enrolment Number: 0950

29 January 2024

and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on other legal and regulatory requirements

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 Taka	2022 Taka
Assets			
Property, plant and equipment	4	3,609,087,484	3,263,124,297
Investment property	5	502,790,328	503,012,247
Right-of-use assets	6	74,825,529	25,127,649
Intangible assets	7	4,118,952	675,942
Capital work-in-progress	8	355,450,242	155,705,038
Total non-current assets		4,546,272,535	3,947,645,173
Inventories	9	3,579,272,722	3,404,569,828
Trade and other receivables	10	2,480,990,360	1,524,574,050
Advances, deposits and prepayments	11	425,976,410	299,208,628
Advance income tax	12	4,206,879,792	4,100,140,671
Cash and cash equivalents	13	841,999,337	1,275,774,291
Total current assets		11,535,118,621	10,604,267,468
Total assets		16,081,391,156	14,551,912,641
Equity			
Share capital	14	4,279,687,010	4,279,687,010
Share premium	15	1,473,647,979	1,473,647,979
Retained earnings	16	2,074,236,665	1,883,817,400
Equity attributable to equity holders of the company		7,827,571,654	7,637,152,389
Non-controlling interests	16	1,377	1,336
Total equity		7,827,573,031	7,637,153,725
Liabilities			
Borrowings	19	363,894,419	-
Deferred tax liability	17	49,340,687	108,058,703
Lease liability	20	45,664,970	13,155,601
Total non-current liabilities		458,900,076	121,214,304
Borrowings	19	733,617,407	372,805,793
Lease liability	20	12,209,734	5,427,646
Trade and other payables	21	1,975,356,944	1,526,282,571
Unclaimed dividend payable	22	8,122,499	11,901,967
Accrued expenses	23	356,420,817	355,177,680
Provision for income tax	24	4,709,190,648	4,521,948,955
Total current liabilities		7,794,918,049	6,793,544,612
Total liabilities		8,253,818,125	6,914,758,916
Total equity and liabilities		16,081,391,156	14,551,912,641

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

As per our report of same date

A. Qasem & Co.
Chartered Accountants
RJSC Registration No.: 2-PC7202

Motaleb
Mohammad Motaleb Hossain FCA
Partner
Enrolment Number: 0950

Dated, 29 January 2024


Abdallah Massaad
Chairman


SAK Ekramuzzaman
Managing Director


Pramod Kumar Chand
Director


Sadhan Kumar Dey
Chief Financial Officer


Muhammad Shahidul Islam FCS
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 Taka	2022 Taka
Sales	25	7,819,322,342	7,453,465,494
Cost of sales	26	(5,867,007,657)	(5,483,544,470)
Gross profit		1,952,314,685	1,969,921,024
Other income	27	-	100
Administrative expenses	28	(397,343,450)	(347,982,610)
Impairment loss on trade receivables	28.1	(16,954,303)	(2,928,652)
Marketing and selling expenses	29	(638,875,955)	(623,919,697)
		(1,053,173,708)	(974,830,859)
Profit from operating activities		899,140,977	995,090,165
Finance income	30	30,904,720	48,912,214
Finance expenses	31	(71,214,646)	(109,274,503)
Net finance income		(40,309,926)	(60,362,289)
Profit before contribution to workers' profit participation and welfare fund		858,831,051	934,727,876
Contribution to workers' profit participation and welfare fund	32	(40,690,956)	(45,079,009)
Profit before income tax		818,140,095	889,648,867
Income tax expense			
Current tax	33	(258,470,104)	(249,833,799)
Deferred tax	17	58,718,016	31,770,547
		(199,752,088)	(218,063,252)
Profit for the year		618,388,007	671,585,615
Other comprehensive income		-	-
Total comprehensive income for the year		618,388,007	671,585,615
Profit attributable to:			
Equity holders of the company		618,387,966	671,585,497
Non-controlling interests		41	118
Profit after tax for the year		618,388,007	671,585,615
Basic earnings per share (Par value TK 10)	39	1.44	1.57

The accompanying notes are an integral part of these financial statements

As per our report of same date

A. Qasem & Co.
Chartered Accountants
RJSC Registration No.: 2-PC7202

Motaleb
Mohammad Motaleb Hossain FCA
Partner
Enrolment Number: 0950

Dated, 29 January 2024


Abdallah Massaad
Chairman


SAK Ekramuzzaman
Managing Director


Pramod Kumar Chand
Director


Sadhan Kumar Dey
Chief Financial Officer


Muhammad Shahidul Islam FCS
Company Secretary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company			Non-controlling interests Taka	Total equity Taka
	Share capital Taka	Share Premium Taka	Retained earnings Taka		
	Note-14	Note-15	Note-16		
Balance as at 01 January 2022	4,279,687,010	1,473,647,979	1,747,192,779	1,418	7,500,527,768
Total comprehensive income for 2022	-	-	671,585,497	118	671,585,615
Profit for the year	-	-	671,585,497	-	671,585,497
Transactions with the shareholders:					
Cash dividend (2021)	-	-	(534,960,876)	(200)	(534,961,076)
Balance as at 31 December 2022	4,279,687,010	1,473,647,979	1,883,817,400	1,336	7,637,152,389
Balance as at 01 January 2023	4,279,687,010	1,473,647,979	1,883,817,400	1,336	7,637,152,389
Total comprehensive income for 2023	-	-	618,387,966	41	618,388,007
Profit for the year	-	-	618,387,966	-	618,387,966
Transactions with the shareholders:					
Cash dividend (2022)	-	-	(427,968,701)	-	(427,968,701)
Balance as at 31 December 2023	4,279,687,010	1,473,647,979	2,074,236,665	1,377	7,827,573,031

The accompanying notes are an integral part of these financial statements

RAK Ceramics (Bangladesh) Ltd.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 Taka	2022 Taka
Cash flows from operating activities		
Cash receipts from customers	6,862,699,786	7,150,436,892
Cash payments to suppliers and employees	(6,376,448,475)	(6,304,309,331)
Cash generated from operating activities	486,251,311	846,127,561
Interest received from bank deposits	11,541,793	7,642,696
Income tax paid (note - 12)	(177,967,531)	(234,352,607)
Net cash (used in)/from operating activities (note-42)	319,825,573	619,417,650
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,006,672,731)	(1,045,896,573)
Sale of property, plant and equipment (note-5.3)	2,161,360	497,560
Interest received from FDR	19,569,172	46,730,120
Intangible assets	(8,795,037)	-
Dividend received	-	100
Net cash (used in)/from investing activities	(993,737,236)	(998,668,793)
Cash flows from financing activities		
Finance charges	(39,189,868)	(23,303,829)
Avail/(repayment) of term loan	375,129,637	-
Avail/(repayment) of short-term loan	349,576,397	(57,602,324)
Payment of lease liability	(13,631,288)	(7,110,461)
Dividend paid	(431,748,168)	(534,823,358)
Adjustment related with non-controlling interest	-	(200)
Net cash (used in)/from financing activities	240,136,709	(622,840,172)
Effect of exchange rate changes in cash and cash equivalents	-	1,210,942
Net increase/(decrease) in cash and cash equivalents	(433,774,954)	(1,000,880,373)
Cash and cash equivalents as at 01 January	1,275,774,291	2,276,654,664
Cash and cash equivalents as at 31 December (Note 13)	841,999,337	1,275,774,291

The accompanying notes are an integral part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

1. Reporting entity

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

1.1 Nature of business

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

1.2 Description of subsidiaries

RAK Power Pvt. Ltd.

RAK Power Pvt. Limited has been incorporated in Bangladesh under the Companies Act 1994 on 30 June 2005 as a private company limited by shares with an authorized capital of Taka 1,000,000,000 divided into 10,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 205,000,000 at the end of reporting period. The Company has gone into operation from 1 May 2009. The registered office of the Company is at RAK Tower (8th floor), Jashimuddin Avenue, Plot # 1/A, Sector # 03, Uttara Model Town, Dhaka - 1230. The Power Plant is located at Village : Dhanua, P.S: Sreepur, District: Gazipur. 57% shares of RAK Power Pvt. Limited 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. Limited from 57% to 99.99% through purchase of 881,495 number of ordinary shares of BDT 100 each in consideration of BDT 255 per share totaling to BDT 224,781,225 only from all the other shareholders of RAK Power Pvt. Limited 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.) Limited on 20 October 2015

RAK Security and Services (Pvt.) Ltd.

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

The Board of Directors of RAK Ceramics (Bangladesh) Limited in its meeting held on July 26, 2015 have decided to further increase the shareholding in RAK Security & Services (Pvt.) Limited from 35% to 99.00% through purchase of 6,500 number of ordinary shares of BDT 100 each in consideration of BDT 2,875 per share totaling to BDT 18,687,500 only from all the other shareholders of RAK Security & Services (Pvt.) Limited 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.) Limited on 20 October 2015.

2. Basis of preparation

2.1 Statement of compliance

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

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

Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on 29 January 2024.

2.2 Basis of measurement

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

2.3 Functional and presentational currency

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

2.4 Use of estimates and judgements

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

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

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

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

2.5 Reporting period

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

3.1 Basis of consolidation

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

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

Subsidiaries

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

Loss of control

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

Transactions eliminated on consolidation

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

3.2 Financial assets

a) Trade and other receivables

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

b) Cash and cash equivalents

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

3.3 Financial liabilities

a) Trade & other payables

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

b) Borrowings

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

3.4 Share capital

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

3.5 Property, plant and equipment

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

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

3.5.1 Depreciation on property, plant and equipment

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

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

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

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

3.6 Investment property

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

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

3.6.1 Depreciation on investment property

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

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

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

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

3.7 Capital work-in-progress

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

3.8 Intangible assets

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

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

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

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

3.9 Inventories

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

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

3.10 Impairment

Non-derivative financial assets

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

Non-financial assets

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

Calculation of recoverable amount

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

Recognition of impairment

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

Reversal of impairment

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

3.11 Employee benefit schemes

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

Defined contribution plan (Provident fund)

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

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

Defined benefit plan (Gratuity)

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

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

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

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

3.13 Provisions

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

3.14 IFRS 9 Financial Instruments

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

i. Classification – financial assets

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

ii. Impairment

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

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

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

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

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

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

iii. Hedging

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

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

3.15 IFRS 15 Revenue from Contracts with Customers

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

i. Sales of goods

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

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

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

ii. Rendering of services

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

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

iii. Construction contracts

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

3.16 IFRS 16 Leases

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

General impact of application of IFRS 16 Leases

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

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

Impact of the new definition of a lease

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

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

Impact on Lessee Accounting

Former operating leases

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

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

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

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

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

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

Former finance leases

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

Impact on Lessor Accounting

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

3.17 Finance income and expenses

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

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

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

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

3.18 Foreign currency

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

3.19 Taxation

Income tax expenses 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 2023.

Deferred tax:

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

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

3.20 Earning per share

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

3.21 Determination and presentation of operating segment

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

3.22 Contingencies

Contingent liability

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

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

Contingent asset

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

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

3.23 Statement of cash flows

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

3.24 Events after the reporting period

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

3.25 Comparatives and reclassification

Comparative information have been disclosed in respect of 2022 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

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

**4 Property, plant and equipment
2023**

Particulars	C O S T			D E P R E C I A T I O N			Net book value as at 31 Dec 2023
	Balance as at 01 Jan 2023	Addition during the year	Sale/disposal/transfer during the year	Balance as at 31 Dec 2023	Charged during the year	Adjustment during the year	
Land*	1,033,267,017	212,498,319	-	1,245,765,336	-	-	1,245,765,336
Factory building	1,045,271,569	15,265,133	-	1,060,536,702	47,682,089	-	426,918,533
Office and accommodation building	542,813,594	4,722,302	-	547,535,896	29,587,342	-	285,127,290
Plant and machinery	5,993,330,750	518,712,169	(383,126,433)	6,128,916,486	331,287,695	(380,286,188)	1,496,902,124
Mobile plant	138,910,626	1,555	-	138,912,181	10,165,417	-	36,005,062
Electrical installation	242,630,147	-	-	242,630,147	6,340,450	-	14,600,704
Gas pipeline	80,514,054	1,280,648	-	81,794,702	4,078,161	-	9,602,634
Furniture and fixtures	48,152,729	1,788,199	(51,972)	49,888,956	5,105,584	(51,965)	12,322,604
Office equipment	63,708,794	7,048,437	(9,320,925)	61,436,306	8,133,485	(6,452,725)	12,991,570
Communication equipment	16,566,185	2,339,200	-	18,905,385	3,225,289	-	4,890,220
Tools and appliances	14,585,223	8,632,037	-	23,217,260	1,196,402	-	10,747,676
Vehicles	96,188,040	34,639,528	(3,869,917)	126,957,651	8,240,342	(3,656,284)	53,213,731
Fire fighting equipment	3,631,012	-	-	3,631,012	-	-	-
Total	9,319,569,740	806,927,527	(396,369,247)	9,730,128,020	455,042,256	(390,447,162)	6,121,040,537
				6,056,445,443			3,609,087,484

*Addition of land includes BDT: 6,012,500 for the purchase of 0.35 acres of land at Bnutilia, Gazipur under Dhamua and Gazipur Mouja from Mr. SAK Ekramuzzaman [Managing Director of RAK Ceramics (Bangladesh) Limited] and others as approved in EGM dated August 4, 2022. The land was proposed to be utilized for greenfield expansion of another tiles plant and new faucets plant.

Particulars	C O S T			Rate	D E P R E C I A T I O N				Net book value as at 31 Dec 2022	
	Balance as at 01 Jan 2022	Addition during the year	Sale/disposal/transfer during the year		Balance as at 31 Dec 2022	Balance as at 01 Jan 2022	Charged during the year	Adjustment during the year		Balance as at 31 Dec 2022
Land*	341,565,707	691,701,310	-	1,033,267,017	-	-	-	-	1,033,267,017	
Factory building	1,039,010,882	6,260,687	-	1,045,271,569	537,116,690	48,819,390	-	585,936,080	459,335,489	
Office and accommodation building	534,211,506	8,684,209	(82,121)	542,813,594	203,708,611	29,112,653	-	232,821,264	309,992,330	
Plant and machinery	5,838,268,311	156,574,890	(1,512,451)	5,993,330,750	4,355,890,753	325,245,589	(123,487)	4,681,012,855	1,312,317,895	
Mobile plant	122,557,641	16,270,864	82,121	138,910,626	84,900,028	7,841,674	-	92,741,702	46,168,924	
Electrical installation	242,630,147	-	-	242,630,147	215,255,337	6,433,656	-	221,688,993	20,941,154	
Gas pipeline	80,514,054	-	-	80,514,054	64,055,745	4,058,162	-	68,113,907	12,400,147	
Furniture and fixtures	44,050,472	4,474,835	(372,578)	48,152,729	28,097,484	4,787,817	(372,567)	32,512,734	15,639,995	
Office equipment	52,713,848	11,352,166	(357,220)	63,708,794	40,839,174	6,282,016	(357,214)	46,763,976	16,944,818	
Communication equipment	12,509,259	4,056,926	-	16,566,185	8,369,622	2,420,254	-	10,789,876	5,776,308	
Tools and appliances	19,831,622	-	(5,246,399)	14,585,223	14,977,934	1,267,390	(4,972,142)	11,273,182	3,312,041	
Vehicles	90,757,466	8,529,485	(3,098,911)	96,188,040	65,515,588	6,036,138	(2,391,864)	69,159,862	27,028,179	
Fire fighting equipment	3,631,012	-	-	3,631,012	3,631,012	-	-	3,631,012	-	
Total	8,422,251,927	907,905,372	(10,587,559)	9,319,569,740	5,622,357,978	442,304,739	(8,217,274)	6,056,445,443	3,263,124,297	

*Addition of land includes BDT. 677,182,210 for the purchase of 33.05 acres of land at Bhutulia, Gazipur under Dhanua and Gazipur Mouja from Mr. SAK Ekramuzzaman [Managing Director of RAK Ceramics (Bangladesh) Limited] and others as approved in EGM dated August 4, 2022. The land was proposed to be utilized for greenfield expansion of another tiles plant and new faucets plant.

5 Investment Property 2023

Particulars	C O S T			Rate	D E P R E C I A T I O N				Net book value as at 31 Dec 2023	
	Balance as at 01 Jan 2023	Addition during the year	Sale/Transfer during the year		Balance as at 31 Dec 2023	Balance as at 01 Jan 2023	Charged during the year	Adjustment during the year		Balance as at 31 Dec 2023
Land ¹	500,571,750	-	-	500,571,750	-	-	-	-	500,571,750	
Office building ²	4,432,737	-	-	4,432,737	1,992,240	221,918	-	2,214,159	2,218,578	
Total	505,004,487	-	-	505,004,487	1,992,240	221,918	-	2,214,159	502,790,328	

2022

Particulars	C O S T			Rate	D E P R E C I A T I O N				Net book value as at 31 Dec 2022	
	Balance as at 01 Jan 2022	Addition during the year	Sale/Transfer during the year		Balance as at 31 Dec 2022	Balance as at 01 Jan 2022	Charged during the year	Adjustment during the year		Balance as at 31 Dec 2022
Land ¹	500,571,750	-	-	500,571,750	-	-	-	-	500,571,750	
Office building ²	4,432,737	-	-	4,432,737	1,770,322	221,918	-	1,992,240	2,440,497	
Total	505,004,487	-	-	505,004,487	1,770,322	221,918	-	1,992,240	503,012,247	

- The land 10 khata is situated besides the RAK Tower was acquired in 2012 and presently the asset is under investment property as per IAS 40 considering undetermined future use. The said property are stated at cost as per IAS 16 due to alternate reliable sources of measurement being unavailable.
- A godown building is situated at above land and presently the asset is under investment property as per IAS 40 considering undetermined future use. The said property is stated at cost as per IAS 16 due to alternate reliable sources of measurement being unavailable.

	2023 Taka	2022 Taka
5.1 Depreciation		
Property, plant and equipment (Note 4)	455,042,256	442,304,739
Investment Property (Note 5)	221,918	221,918
	455,264,174	442,526,657
5.2 Allocation of Depreciation		
Cost of sales (Note 26)	411,677,872	404,399,955
Administrative expenses (Note 5.2.1)	35,116,982	31,297,603
Marketing & selling expenses (Note 29)	8,469,320	6,829,099
	455,264,174	442,526,657
5.2.1 Allocation of Administrative Depreciation		
Depreciation on property, plant & equipment (Note 28)	34,895,064	31,075,685
Depreciation on investment property (Note 28)	221,918	221,918
	35,116,982	31,297,603

5.3 Disposal of property, plant and equipment

2023

Particulars	Original cost	Accumulated depreciation	Book value	Receipt against sales/ insurance	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Office equipment	6,316,300	6,310,040	6,260	16,260	10,000
Furniture & fixture	51,972	51,965	7	14,000	13,993
Plant and machinery	383,126,433	380,286,188	2,840,246	-	(2,840,246)
Vehicles	3,869,917	3,656,284	213,633	2,131,100	1,917,467
Total	393,364,622	390,304,477	3,060,146	2,161,360	(898,786)

2022

Particulars	Original cost	Accumulated depreciation	Book value	Receipt against sales/ insurance	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Office equipment	357,220	357,214	6	4,000	3,994
Furniture & fixture	372,578	372,567	11	18,560	18,549
Plant and machinery	1,512,451	123,487	1,388,964	-	(1,388,964)
Vehicles	3,098,911	2,391,864	707,047	475,000	(232,047)
Tools and appliances	5,246,399	4,972,142	274,257	-	(274,257)
Total	10,587,559	8,217,274	2,370,285	497,560	(1,872,725)

6 Right-of-use assets 2023

Particulars	COST			DEPRECIATION			Net book value as at 31 Dec 2023
	Balance as at 01 Jan 2023	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2023	Charged during the year	Adjustment during the year	
Display center	48,278,231	29,737,142	(12,469,999)	65,545,374	12,368,026	(12,469,999)	39,876,852
Accommodation building	1,471,380	759,050	(666,325)	1,564,105	761,925	(666,326)	802,180
Warehouse	1,880,142	28,687,412	-	30,567,554	2,547,296	-	27,954,976
Office Building	-	6,517,391	-	6,517,391	325,870	-	6,191,521
Total	51,629,753	65,700,995	(13,136,324)	104,194,424	16,003,117	(13,136,325)	74,825,529

2022

Particulars	COST			DEPRECIATION			Net book value as at 31 Dec 2022
	Balance as at 01 Jan 2022	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2022	Charged during the year	Adjustment during the year	
Display center	44,590,469	17,601,130	(13,913,368)	48,278,231	8,215,417	(13,913,368)	22,507,736
Accommodation building	1,393,850	805,053	(727,523)	1,471,380	730,522	(727,523)	805,054
Warehouse	-	1,880,142	-	1,880,142	65,283	-	1,814,859
Total	45,984,319	20,286,325	(14,640,891)	51,629,753	9,011,222	(14,640,891)	25,127,649

6.1 Allocation of depreciation

Administrative expenses (Note 28)
Marketing & Selling expenses (Note 29)

	2023 Taka	2022 Taka
	1,087,795	730,522
	14,915,322	8,280,700
	16,003,117	9,011,222

1. Company rented four display centers situated in Dhaka, Chattogram, Sylhet and Mymensingh.
2. Accommodation building was rented for the use of transit employees.
3. Warehouse was rented to store finished goods.

7 Intangible assets
2023

Particulars	COST			AMORTIZATION			Net book value as at 31 Dec 2023
	Balance as at 01 Jan 2023	Addition during the year	Sale/disposal during the year	Balance as at 01 Jan 2023	Amortized during the year	Adjustment during the year	
License	22,692,876	8,345,037	-	22,587,507	4,872,547	142,685	27,602,739
Computer Software	12,064,380	450,000	-	11,493,807	336,795	-	11,830,602
Total	34,757,256	8,795,037	-	34,081,314	5,209,342	142,685	39,433,341

2022

Particulars	COST			AMORTIZATION			Net book value as at 31 Dec 2022
	Balance as at 01 Jan 2022	Addition during the year	Sale/disposal during the year	Balance as at 01 Jan 2022	Amortized during the year	Adjustment during the year	
License	22,692,876	-	-	22,381,800	205,707	-	22,587,507
Computer Software	12,064,380	-	-	10,349,701	1,144,106	-	11,493,807
Total	34,757,256	-	-	32,731,501	1,349,813	-	34,081,314

8

Capital Work-in-Progress

Balance as at 1 January

Add: Addition during the year (note 8.1)

Less: Transfer to property, plant & equipment during the year (note 8.2)

Balance as at 31 December

8.1

Addition during the year

Building

Plant & machinery

Others

8.2

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

Building

Plant & machinery

Others

9

Inventories

Raw materials

Less : Provision for slow moving & obsolete inventories

Stores and consumables spares and packing

Less: Write off for stores and spares

Finished goods (net of net realizable value adjustment) *

Less : Provision for slow moving & obsolete inventories

Work-in-process

Goods-in-transit

10

Trade and other receivables

Trade receivables (Note 10.1)

Accrued interest (Note 10.2)

10.1

Trade receivables

Receivables from local sales

Receivables from export sales

Less: Provision of impairment loss on trade receivable:

Unrelated parties

Related parties

10.2

Accrued interest

Interest accrued on Fixed Deposit Receipt

	2023 Taka	2022 Taka
Balance as at 1 January	155,705,038	17,713,837
Add: Addition during the year (note 8.1)	733,182,938	306,335,970
	888,887,976	324,049,807
Less: Transfer to property, plant & equipment during the year (note 8.2)	533,437,734	168,344,769
Balance as at 31 December	355,450,242	155,705,038
8.1 Addition during the year		
Building	56,305,519	15,264,180
Plant & machinery	657,479,014	273,363,820
Others	19,398,405	17,707,970
	733,182,938	306,335,970
8.2 Items transferred from capital work in progress to property, plant & equipment		
Building	14,549,044	14,944,895
Plant & machinery	509,927,776	138,247,010
Others	8,960,914	15,152,864
	533,437,734	168,344,769
9 Inventories		
Raw materials	1,142,336,604	1,616,409,488
Less : Provision for slow moving & obsolete inventories	36,222,885	27,390,319
	1,106,113,719	1,589,019,169
Stores and consumables spares and packing	1,066,145,738	1,099,615,246
Less: Write off for stores and spares	4,043,075	45,658,898
	1,062,102,663	1,053,956,348
Finished goods (net of net realizable value adjustment) *	1,169,745,855	587,936,012
Less : Provision for slow moving & obsolete inventories	13,967,249	10,193,909
	1,155,778,606	577,742,103
Work-in-process	80,280,061	72,294,867
Goods-in-transit	174,997,673	111,557,341
	3,579,272,722	3,404,569,828
*Finished goods exclude provision of net realizable value BDT. 29,925,010.		
10 Trade and other receivables		
Trade receivables (Note 10.1)	2,480,102,230	1,523,479,675
	2,480,102,230	1,523,479,675
Accrued interest (Note 10.2)	888,130	1,094,375
	2,480,990,360	1,524,574,050
10.1 Trade receivables		
Receivables from local sales	2,497,973,879	1,535,563,513
Receivables from export sales	11,166,492	-
	2,509,140,371	1,535,563,513
Less: Provision of impairment loss on trade receivable:		
Unrelated parties	10,345,283	6,039,333
Related parties	18,692,858	6,044,505
	2,480,102,230	1,523,479,675
10.2 Accrued interest		
Interest accrued on Fixed Deposit Receipt	888,130	1,094,375
	888,130	1,094,375

	2023 Taka	2022 Taka
11 Advance, deposit and prepayments		
Advances:		
Employees	299,500	354,500
Purchase of land and others	920,757	18,037,873
Suppliers against materials and services	240,619,264	60,283,423
	<u>241,839,521</u>	<u>78,675,796</u>
Security and other deposits:		
Titas gas	71,833,050	71,833,050
Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
VAT and Supplementary duty (Note-11.1)	2,030,039	2,123,789
Deposited with income tax authority	88,962,899	79,320,962
Deposited with VAT authority	6,726,946	34,345,289
Display center and others	1,312,000	1,312,000
Other deposits	1,494,626	1,494,626
	<u>174,314,560</u>	<u>192,384,716</u>
Prepayments:		
Showroom, warehouse and office rent	58,600	15,774,000
Insurance and others	9,763,730	12,374,116
	<u>9,822,330</u>	<u>28,148,116</u>
	<u>425,976,410</u>	<u>299,208,628</u>
11.1 Supplementary duty & VAT		
Balance as at 1 January	2,123,789	2,191,784
Add: Treasury deposit for SD & VAT purpose	10,505,061	9,170,717
	<u>12,628,850</u>	<u>11,362,501</u>
Less: SD & VAT on sales	10,598,811	9,238,712
	<u>10,598,811</u>	<u>9,238,712</u>
Balance as at 31 December	<u>2,030,039</u>	<u>2,123,789</u>
The above amount represents RAK Security and services (Pvt.) Ltd.		
12 Advance Income Tax		
Balance as at 1 January	4,100,140,671	3,865,788,064
Add: Paid during the year	177,967,531	234,352,607
Less: Adjustment during the year	(71,228,410)	-
Balance as at 31 December (Note - 12.1)	<u>4,206,879,792</u>	<u>4,100,140,671</u>
12.1 Payment for the year		
Income year		
Year 2023	150,060,095	-
Year 2022	243,147,159	215,539,721
Year 2021	273,680,694	273,987,480
Year 2020	130,750,084	130,950,084
Year 2019	280,875,748	280,949,748
Year 2018	314,638,282	314,338,282
Year 2017	344,518,556	344,518,556
Year 2016	291,375,845	291,375,845
Year 2015	187,848,070	187,267,285
Year 2014	253,701,667	291,694,002
Year 2013	389,651,054	389,651,054

	2023 Taka	2022 Taka
Year 2012	301,027,378	334,263,453
Year 2011	328,701,317	328,701,317
Year 2010	265,532,626	265,532,626
Year 2009	218,091,876	218,091,876
Year 2008	85,378,847	85,378,847
Year 2007	124,813,161	124,813,161
Year 2006	23,087,333	23,087,333
	<u>4,206,879,792</u>	<u>4,100,140,671</u>
13 Cash and cash equivalents		
Cash in hand	5,648,949	4,940,100
Cash at banks		
Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - BDT)	65,194	48,008,704
BRAC Bank Ltd. (current account - 1530201731248001 - BDT)	3,569,213	7,029,098
Citibank N.A. (current account - G0100001200262018 - BDT)	137,044	143,529
Dutch Bangla Bank Ltd. (current account -117-110-12733,117-110-4311,117.110.23474 BDT)	18,621,322	2,224,092
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	1,236,309	1,305,563
Standard Chartered Bank (Margin money account)	165,969,352	11,369,665
Midland Bank Ltd. (Margin money account)	76,430,054	-
United Commercial Bank Ltd. (SND account - 0831301000000164 BDT)	10,761,772	19,582,657
Al Araf Islami Bank Ltd. (SND account - 0171220002646 - BDT)	10,595,938	-
South East Bank Ltd. (Current account - 11100008546 - BDT)	18,080	-
Standard Chartered Bank (SND account - 02-3767272-01 - BDT)	127,553	376,147
Dutch Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330,117-120.2550 - BDT)	19,369,373	64,575,111
Pubali Bank Ltd. (CD account 4709901003543, 4709901003539 - BDT)	147,981	-
Prime Bank Ltd. (SND - 2125316004690 - BDT)	2,588,318	5,163,335
Eastern Bank Ltd. (CD account - 1132040363287, 1041060507936 - BDT)	946,583	1,187,158
Dhaka Bank Ltd (SND - 102.150.274- BDT))	10,024,467	12,724,019
Pubali Bank Ltd. (SND account 47091012000483 - BDT)	49,358	-
Dhaka Bank Ltd (CD - 204100000019318- BDT))	181,181	337,606
Commercial Bank of Ceylon (SND-2817000777 - BDT.)	16,368	36,099,416
Commercial Bank of Ceylon (ERQ-1806012366 - USD.)	207,926	1,167,570
Meghna Bank Ltd. (SND 1112-13500000004 - BDT)	1,983,179	18,037,173
Midland Bank Ltd. (SND 0006-1070000015, 0006-1060000043 - BDT)	187,725,847	323,664,743
Eastern Bank Ltd. (SND account - 1041360507944 - BDT)	16,761,953	76,971,089
Eastern Bank Ltd. (Margin Money account)	7,006,001	685,732
Commercial Bank of Ceylon (Margin Money account)	163,002,596	331,882
	<u>697,542,962</u>	<u>630,984,289</u>
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	1,687,358	1,686,673
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262042 - USD)	3,919,501	3,919,501
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262026 - EURO)	153,606	153,606
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262034 - GBP)	126,599	126,599
	<u>5,887,064</u>	<u>5,886,379</u>
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,828,976	2,832,666

	2023 Taka	2022 Taka
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	1,092,886	1,096,576
SCB (SND - 02-6162940-02- BDT) - 2012	174,920	176,153
SCB (SND - 02-6162940-03- BDT) - 2013	320,187	321,365
SCB (SND - 02-6162940-05- BDT) - 2015	39,314	40,449
SCB (SND - 02-6162940-06- BDT) - 2016	6,022	7,170
SCB (SND - 02-6162940-07- BDT) - 2017	-	1,133
SCB (SND - 02-6162940-09- BDT) - 2019	4,207	6,099,271
SCB (SND - 02-6162940-10- BDT) - 2020	3,161,688	3,179,172
SCB (SND - 02-6162940-11- BDT) - 2021	2,974,975	3,070,463
MDB (SND - 0006-1090000460 - BDT) - 2022	5,178,082	
	15,781,257	16,824,418
Investment in Fixed Deposit Receipt (FDR)		
Midland Bank Ltd.	50,000,000	-
Eastern Bank Ltd.	62,139,105	262,139,105
Dhaka Bank Ltd.	-	300,000,000
Commercial bank of Ceylon	5,000,000	55,000,000
	117,139,105	617,139,105
	841,999,337	1,275,774,291

14 Share Capital

Authorised:

600,000,000 ordinary shares of Taka 10/- each **6,000,000,000** **6,000,000,000**

Issued, subscribed, called and paid up :

427,968,701 ordinary shares of Taka 10/- each **4,279,687,010** **4,279,687,010**

Percentage of shareholdings :

	2023		2022	
	%	Taka	%	Taka
RAK Ceramics PJSC, UAE	68.13	2,915,864,310	68.13	2,915,864,310
S.A.K. Ekramuzzaman	3.95	168,958,240	3.95	168,958,240
Other Sponsors	0.00	1,660	0.00	1,660
General Public	27.92	1,194,862,800	27.92	1,194,862,800
	100.00	4,279,687,010	100.00	4,279,687,010

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

Mr. SAK Ekramuzzaman pledged 15,232,353 no of shares out of his total holding of 16,895,824 no of shares.

Classification of shareholders by holding

Shareholders' range	Number of shareholders		Number of shares	
	2023	2022	2023	2022
01-499 shares	17,330	17,249	4,044,428	4,042,747
500 to 5,000 shares	8,240	8,179	13,216,736	13,158,647
5001 to 10,000 shares	930	926	6,992,412	7,005,165
10,001 to 20,000 shares	483	486	7,020,409	7,117,059
20,001 to 30,000 shares	150	154	3,803,492	3,901,900
30,001 to 40,000 shares	77	76	2,755,017	2,717,389
40,001 to 50,000 shares	64	65	2,996,435	3,061,080
50,001 to 100,000 shares	97	98	6,872,942	6,955,385
100,001 to 1,000,000 shares	81	81	24,739,299	24,464,289
1,000,001 to 1,000,000,000 Shares	14	15	355,527,531	355,545,040
	27,466	27,329	427,968,701	427,968,701

15 Share premium

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

	No. of shares	Share premium (per share)	2023 Taka	2022 Taka
	10,000,000	30	300,000,000	300,000,000
	34,510,000	38	1,311,380,000	1,311,380,000
			1,611,380,000	1,611,380,000
			Less : Share issue expenses	137,732,021
			1,473,647,979	1,473,647,979

16 Retained earnings (Reserve and surplus)

Balance as on 1 January	1,883,817,400	1,747,192,779
Add : Profit during the year	618,387,966	671,585,497
	2,502,205,366	2,418,778,276
Less: Dividend declared during the year	(427,968,701)	(534,960,876)
Balance as on 31 December	2,074,236,665	1,883,817,400

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

17 Deferred tax liabilities

	2023 Taka	2022 Taka
Balance as at 1 January	108,058,703	139,829,250
Less : Deferred tax (income)/expenses	(58,718,016)	(31,770,547)
Balance as at 31 December	49,340,687	108,058,703

	Carrying amount on the date of statement of financial position	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
As at 31 December 2023			
Property, plant and equipment (Excluding land and others)	2,327,768,691	2,025,432,404	302,336,287
Trade receivable	2,486,712,628	2,515,750,769	(29,038,141)
Inventories	3,509,130,676	3,589,245,821	(80,115,145)
Right of use assets	74,825,529	-	74,825,529
Lease liability	(57,874,703)	-	(57,874,703)
Net taxable temporary difference			210,133,827
Deferred tax liability (applying applicable tax rate for individual company)			49,340,687

As at 31 December 2022			
Property, plant and equipment (Excluding land and others)	2,191,768,732	1,654,353,913	537,414,819
Trade receivable	1,532,613,442	1,544,697,280	(12,083,838)
Inventories	3,349,411,095	3,412,972,845	(63,561,749)
Right of use assets	25,127,649	-	25,127,649
Lease liability	(18,583,247)	-	(18,583,247)
Net taxable temporary difference			468,313,633
Deferred tax liability (applying applicable tax rate for individual company)			108,058,703

18 Employees benefits payable

	2023		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	83,732,330	31,616,855	115,349,184
	83,732,330	31,616,855	115,349,184
Less: Payments made to fund during the year	83,732,330	31,616,855	115,349,184
Balance as at 31 December	-	-	-

Forfeited amount of provident fund amounting to BDT. 1,512,952 for the year 2023 has been adjusted with provision and payment.

	2022		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	75,861,432	28,029,345	103,890,777
	75,861,432	28,029,345	103,890,777
Less: Payments made to fund during the year	75,861,432	28,029,345	103,890,777
Balance as at 31 December	-	-	-

Forfeited amount of provident fund amounting to BDT. 833,466 for the year 2022 has been adjusted with provision and payment.

19 Borrowings

	2023 Taka	2022 Taka
Non-current:		
Term loan	375,129,637	-
Current portion of term loan	(11,235,218)	-
	363,894,419	-
Current:		
Bank overdrafts	70,521,272	-
Short-term borrowings	651,860,917	372,805,793
Current portion of term loan	11,235,218	-
	733,617,407	372,805,793
Balance as at 31 December	1,097,511,826	372,805,793

19.1 Borrowings by maturity

At 31 December 2023	< 1 year	1-2 years	2-5 years	> 5 years	Total
Bank overdrafts	70,521,272	-	-	-	70,521,272
Short-term borrowings	651,860,917	-	-	-	651,860,917
Term loan	11,235,218	93,782,409	270,112,010	-	375,129,637
	733,617,407	93,782,409	270,112,010	-	1,097,511,826

At 31 December 2022	< 1 year	1-2 years	2-5 years	> 5 years	Total
Short-term borrowings	372,805,793	-	-	-	372,805,793
	372,805,793	-	-	-	372,805,793

19.2 Facilities details (Funded)

Bank	Name of facilities	Limit	Utilisation	Maturity	Repayment	Security - STL	Security - LTL
SCB	Overdraft	50,000,000	6,515,420	Revolving	From company's own source		
	Short term loan	500,000,000	155,307,933	180/360 days from B/L date	From company's own source		
Midland Bank Ltd.	Overdraft	25,000,000	23,606,972	Revolving	From company's own source		
	Short term loan	500,000,000	145,269,407	180/360 days from B/L date	From company's own source	1) Corporate guarantee,	
	Long term loan*	450,000,000	375,129,637	5 years with 1 year moratorium period	From company's own source	2) Hypothecation over stock & book debts on a parri - passu basis with other lenders.	1) Specific charge over plant, machinery and equipment of BMRE projects.
Eastern Bank Ltd.	Overdraft	30,000,000	5,804,881	Revolving	From company's own source		
	Short term loan	425,000,000	280,198,747	180/360 days from B/L date	From company's own source		
Dutch Bangla Bank Ltd.	Overdraft	25,000,000	24,015,000	Revolving	From company's own source	3) Demand promissory note.	
	Short term loan	90,000,000	-	180/360 days from B/L date	From company's own source		
Commercial Bank of Ceylon	Overdraft	35,000,000	10,578,999	Revolving	From company's own source		
	Short term loan	550,000,000	71,084,830	180/360 days from B/L date	From company's own source		

* The long term loan facility limit approved in Board of Directors meetings dated July 20, 2022 to be utilized for the BMRE project of tiles plant

		2023 Taka	2022 Taka
20	Lease liability		
	Non-current:		
	Lease liability	57,874,704	18,583,247
	Less : Current portion of lease liability	12,209,734	5,427,646
		45,664,970	13,155,601
	Current:		
	Current portion of lease liability	12,209,734	5,427,646

31 December 2023

Lease liability schedule

Particulars	Balance as on 01 January 2023	Addition/ (deletion)	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2023
Display center	15,897,164	13,133,102	9,383,916	2,515,693	6,868,223	22,162,043
Accommodation Building	834,211	759,050	836,842	73,251	763,591	829,670
Warehouse	1,851,871	28,687,412	3,031,583	1,324,951	1,706,633	28,832,651
Office Building	-	6,277,392	378,947	151,895	227,052	6,050,340
	18,583,247	48,856,956	13,631,288	4,065,790	9,565,499	57,874,704

31 December 2022

Lease liability schedule

Particulars	Balance as on 01 January 2022	Addition/ (deletion)	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2022
Display center	8,959,184	11,971,130	6,203,091	1,169,941	5,033,149	15,897,164
Accommodation Building	755,370	805,053	802,105	75,893	726,213	834,211
Warehouse	-	1,880,142	105,265	76,995	28,270	1,851,871
	9,714,554	14,656,326	7,110,461	1,322,828	5,787,633	18,583,247

		2023 Taka	2022 Taka
21	Trade and other payables		
	Trade payables		
	Payable to local suppliers	170,770,142	144,065,549
	Payable to foreign suppliers	538,720,832	222,739,944
	Payable to service provider	144,496,116	71,856,030
	Payable to C & F agent	60,093,953	62,174,471
		914,081,043	500,835,994
	Other payables		
	Tax deducted at source	8,801,870	18,039,481
	Tax deducted at source on remuneration (Note-23.1)	6,312,349	7,099,944
	Tax deducted at source on incentive and bonus (Note-23)	-	7,263,075
	VAT deducted at source	9,363,850	8,445,799

		2023 Taka	2022 Taka
	VAT and Supplementary duty payable (Note-21.1)	122,145,071	115,766,477
	Royalty and technical know-how fee	517,802,531	478,068,907
	Unclaimed share application	20,061,956	20,061,956
	Advance from customer against sales	11,153,898	7,663,680
	Security deposit payable	2,112,195	2,075,814
	Payable to employees	2,642,646	1,534,726
	Payable to customer against claim	17,856,960	16,656,209
	Provisional liabilities - material & services	38,872,400	44,632,834
	Payable against purchase of land (Note - 37)	304,150,175	298,137,675
		1,061,275,901	1,025,446,577
		1,975,356,944	1,526,282,571

21.1 VAT and Supplementary duty (SD) payable

Opening Balance	115,766,477	117,438,944
Add: VAT and Supplementary duty on sales	2,592,516,070	2,512,675,861
Other payable	1,365,249	211,101
	2,709,647,796	2,630,325,905
Less: Treasury deposit for SD & VAT purpose	1,640,355,684	1,633,832,497
Rebate of input VAT	947,147,041	880,726,931
	2,587,502,725	2,514,559,428
Balance as at 31 December	122,145,071	115,766,477

22 Unclaimed Dividend Payable

Year	Dividend declared	TDS on dividend	Net dividend	Dividend distributed till 31 Dec 2023	Fund Transferred to CMSF	Undistributed fund (BDT) as on 31 Dec 2023
2010	345,110,250	60,198,297	284,911,953	274,257,528	10,654,425	-
2011	379,621,275	65,382,545	314,238,730	306,565,331	7,673,399	-
2012	417,583,403	27,344,749	390,238,653	386,535,373	3,703,280	-
2013	459,341,744	30,693,245	428,648,499	426,108,408	2,540,090	-
2014	842,126,528	60,654,665	781,471,863	776,464,072	5,007,791	-
2015	842,126,528	61,659,449	780,467,078	776,773,479	3,693,599	-
2016	673,701,222	48,745,089	624,956,133	620,752,883	4,203,250	-
2017	353,693,141	27,276,252	326,416,889	324,757,456	1,659,433	-
2018	389,062,456	29,888,903	359,173,553	357,227,075	1,946,478	-
2019	641,953,052	49,029,624	592,923,428	588,305,450	4,617,978	-
2020	427,968,701	32,747,652	395,221,049	392,412,812	-	2,808,238
2021	534,960,876	39,123,334	495,837,543	492,911,315	-	2,926,228
2022	427,968,701	34,965,753	393,002,948	390,614,915	-	2,388,033
	6,735,217,875	567,709,557	6,167,508,318	6,113,686,096	45,699,723	8,122,499

Year	Dividend declared	TDS on dividend	Net dividend	Dividend distributed till 31 Dec 2022	Fund Transferred to CMSF	Undistributed fund (BDT) as on 31 Dec 2022
2010	345,110,250	60,198,297	284,911,953	274,257,528	10,654,425	-
2011	379,621,275	65,382,545	314,238,730	306,565,331	7,673,399	-
2012	417,583,403	27,344,749	390,238,653	386,535,373	3,703,280	-
2013	459,341,744	30,693,245	428,648,499	426,108,408	2,540,090	-
2014	842,126,528	60,654,665	781,471,863	776,464,072	5,007,791	-
2015	842,126,528	61,659,449	780,467,078	776,773,479	3,693,599	-
2016	673,701,222	48,745,089	624,956,133	620,752,883	4,203,250	-
2017	353,693,141	27,276,252	326,416,889	324,757,456	1,659,433	-
2018	389,062,456	29,888,903	359,173,553	357,227,075	1,946,478	-
2019	641,953,052	49,029,624	592,923,428	586,814,480	-	6,108,948
2020	427,968,701	32,747,652	395,221,049	392,398,879	-	2,822,171
2021	534,960,876	39,123,334	495,837,543	492,866,695	-	2,970,848
	6,307,249,174	532,743,804	5,774,505,371	5,721,521,659	41,081,745	11,901,967

23 Accrued expenses

	2023 Taka	2022 Taka
Power and gas	115,459,103	45,724,712
Staff cost	118,888,635	116,913,361
Dealer's incentive and bonus	7,491,671	65,367,671
Audit fees	2,040,000	1,840,000
Professional charges	3,935,745	460,497
Interest on loans	8,179,830	7,598,906
Telephone	440,566	236,848
Freight bill	7,310,331	1,750,586
Business promotion and advertisement	3,327,046	32,591,430
Hiring heavy equipment	4,139,696	1,660,994
Managing Director's remuneration (Note 23.1)	18,937,048	21,299,832
Worker's profit participation and welfare fund (Note 23.2)	40,690,956	45,079,009
Others	25,580,190	14,653,834
	356,420,817	355,177,680

23.1 Managing Director's remuneration

Balance as at 1 January	21,299,832	26,422,103
Add: Payable to Managing Director for the year (Note 28)	25,249,397	28,399,776
	46,549,229	54,821,879
Less: Tax deducted at source during the year (Note 21)	6,312,349	7,099,944
Less: Paid to Managing Director during the year	21,299,832	26,422,103
Balance as at 31 December	18,937,048	21,299,832

23.2 Worker's profit participation and welfare fund

Balance as at 1 January	45,079,009	55,919,793
Add: Contribution made to the fund during the year	40,690,956	45,079,009
	85,769,965	100,998,802
Less: Payment made from the fund during the year	45,079,009	55,919,793
Balance as at 31 December	40,690,956	45,079,009

24 Provision for income Tax

Balance as at 1 January	4,521,948,955	4,272,115,156
Add: Provision made during the year	258,470,104	249,833,799
	4,780,419,059	4,521,948,955
Less: Adjustment for completed assessment	(71,228,411)	-
Balance as at 31 December (Note 24.1)	4,709,190,648	4,521,948,955

24.1 Provision for income Tax

Income year

Year 2023	258,470,104	-
Year 2022	249,833,799	249,833,799
Year 2021	300,848,645	300,848,645
Year 2020	137,014,355	137,014,355
Year 2019	296,420,303	296,420,303
Year 2018	316,355,666	316,355,666
Year 2017	346,089,883	346,089,883
Year 2016	302,798,649	302,798,649
Year 2015	323,397,728	323,397,728
Year 2014	339,893,487	377,885,822
Year 2013	362,336,361	362,336,361
Year 2012	305,056,869	339,211,366
Year 2011	326,685,215	326,685,215
Year 2010	349,879,113	348,965,691
Year 2009	266,828,984	266,823,984
Year 2008	147,117,914	147,117,914
Year 2007	80,163,573	80,163,573
	4,709,190,648	4,521,948,955

25 Sales

Gross sales from Ceramics product	10,745,814,019	10,629,010,173
Gross sales from Power generation	729,785,389	423,653,680
Gross sales from Security service	111,891,962	96,967,823
	11,587,491,370	11,149,631,676
Less: Elimination	685,502,543	414,579,652
Supplementary Duty	1,094,378,921	1,068,911,395
VAT	1,510,101,209	1,453,214,279
Discount	1,379,708	13,455,579
Commission, incentive and bonus	476,806,648	746,005,277
Net sales	7,819,322,342	7,453,465,494

26 Cost of sales

Materials consumed:		
Opening inventory as at 1 January	1,589,019,169	1,312,339,347
Add: Purchase during the year	3,003,169,059	3,339,339,803
	4,592,188,228	4,651,679,150
Less: Closing inventory as at 31 December	1,106,113,719	1,589,019,169
	3,486,074,509	3,062,659,981
Manufacturing overhead:		
Direct labour (note 26.1)	717,982,335	681,862,234
Direct expenses:		

	2023 Taka	2022 Taka
Power and gas	790,522,381	359,835,413
Repairs and indirect materials (note 26.2)	862,727,711	826,456,415
Depreciation on property, plant & equipment (note 5.2)	411,677,872	404,399,955
Royalty and technical know-how/assistance fees *	66,578,040	70,094,388
Other production overhead (note 26.3)	49,999,674	93,246,628
Provision for slow moving & obsolete inventories (note 9)	12,605,906	4,134,109
Movement in stock	(531,160,771)	(19,144,653)
	5,867,007,657	5,483,544,470
26.1 Direct labour		
Salary & wages	521,372,413	470,246,000
Overtime	29,948,539	41,862,228
Bonus	42,844,973	44,273,390
Incentive	558,737	42,498
Temporary labour wages	59,976,400	63,830,005
Staff uniform, safety and welfare expenses	6,003,027	1,380,726
Gratuity	21,788,569	19,630,212
Employer's contribution to provident fund	27,891,400	25,673,570
Leave encashment	3,589,323	12,029,754
Group life insurance	3,617,946	2,472,578
Compensation	391,008	421,273
	717,982,335	681,862,234
26.2 Repairs and indirect materials		
Stores, spares, repair & maintenance	443,415,697	405,154,135
Packing expenses	419,312,014	421,302,280
	862,727,711	826,456,415
26.3 Other production overhead		
Tour and travel expenses	2,951,603	2,566,673
Demurrage and penalty	10,258,401	8,349,282
Insurance	24,597,990	25,652,960
Hiring charges and transportation	4,356,520	7,423,206
Write off for stores and spares	4,043,075	45,658,898
Other expenses	3,792,085	3,595,609
	49,999,674	93,246,628
*Royalty has been calculated 8% on business profit as per Finance Act 2020.		
27 Other income		
Dividend income	-	100
	-	100
28 Administrative expenses		
Staff cost (note 28.2)	221,476,711	193,947,545
Annual General Meeting expenses	1,926,312	1,941,291
Telephone and postage	13,230,704	10,742,187
Office repair and maintenance (note 28.3)	12,513,842	6,447,904
Registration and renewal	2,721,962	1,342,050
Security and guard expenses	556,963	210,764
Electricity, gas and water	6,428,386	5,897,032
Depreciation on property, plant & equipment (note 5.2.1)	34,895,064	31,075,685
Depreciation on investment property (note 5.2.1)	221,918	221,918
Depreciation on right of use assets (note 6.1)	1,087,795	730,522

	2023 Taka	2022 Taka
Amortization (note 7)	5,209,342	1,349,813
Legal and professional fees	13,179,566	15,410,904
Vehicle repair and maintenance	17,586,352	17,525,520
Rent, rate and tax	6,520,247	4,304,999
Loss on retirement of assets (note 5.3)	898,786	1,872,725
IT expenses	10,679,150	4,629,673
General Service	6,450,916	4,962,745
Donation	4,790,084	2,620,836
Managing Director's remuneration (note 28.4)	25,249,397	28,399,776
Others	11,719,954	14,348,721
	397,343,450	347,982,610
28.1 Impairment loss on trade receivables		
Unrelated parties	4,305,950	3,458,129
Related parties	12,648,353	(529,477)
	16,954,303	2,928,652
New classification of financial assets shown in note 36.1(b) as per IFRS 9.		
28.2 Staff cost		
Salary & wages	150,442,775	138,625,187
Bonus	19,927,404	12,531,984
Incentive	1,808,564	777,101
Gratuity	6,208,832	4,196,428
Employer's contribution to provident fund	8,349,001	7,703,860
Leave encashment	1,133,479	4,233,691
Group life insurance	985,106	791,147
Canteen and conveyance expenses	21,005,096	17,603,010
Staff uniform, safety and welfare expenses	5,123,649	3,590,935
Travelling expenses	3,915,481	2,214,271
Compensation	80,028	246,184
Medical expenses	879,739	462,296
Accommodation expenses	1,617,557	971,451
	221,476,711	193,947,545
Accommodation expenses and Rent, rates and taxes include rent expenses for short term lease for BDT. 1,815,701 and related government levies wherever applicable. Details of the short term lease is shown in note 35. No low value item exists at the reporting period.		
28.3 Office repair & maintenance		
Repairs office equipment	520,607	1,558,993
Office maintenance	11,993,235	4,888,911
	12,513,842	6,447,904
28.4 Managing Director's remuneration		
Provision made during the year	25,249,397	28,399,776
	25,249,397	28,399,776
Managing Director's remuneration represents provision made 3% of net profit before tax of RAK Ceramics (Bangladesh) Ltd.		
29 Marketing & selling expenses		
Staff cost (note 29.1)	136,350,463	119,734,188
Advertisement	29,879,886	47,539,985
Freight and transportation	327,679,484	328,668,292
Compensation to customers	8,539,336	9,386,717
Business promotion	64,076,766	67,785,066

	2023 Taka	2022 Taka
Depreciation on property, plant & equipment (note 5.2)	8,469,320	6,829,099
Depreciation on right of use assets (note 6.1)	14,915,322	8,280,700
Showroom, office & house rent	64,756	1,271,536
Sample expenses	28,302,666	20,080,439
Tour, travel and others	20,597,956	14,343,675
	638,875,955	623,919,697
29.1 Staff cost		
Salary & wages	84,128,009	69,285,302
Bonus	5,752,235	6,216,799
Incentive	13,362,569	13,556,819
Gratuity	3,619,454	4,202,702
Employer's contribution to provident fund	4,869,288	4,136,553
Leave Encashment	638,019	1,186,678
Group life insurance	632,448	394,162
Conveyance & food expenses	21,515,109	11,492,718
Staff uniform, safety and welfare expenses	1,833,332	9,262,455
	136,350,463	119,734,188
29.2		
Salary & wages under staff cost (note no. 26.1, 28.2 & 29.1) includes employee contribution to provident fund for BDT.27,891,400, BDT. 8,349,001 & BDT. 4,869,288.		
30 Finance income		
Interest on bank account (SND)	11,541,793	7,642,696
Interest on fixed deposits	19,362,927	41,269,518
	30,904,720	48,912,214
31 Finance expenses		
Interest expenses against loan	37,211,616	25,253,694
Interest expenses against lease liability	4,065,790	1,322,829
Foreign exchange loss	27,378,063	79,489,878
Bank charges	2,559,176	3,208,102
	71,214,646	109,274,503
32 Contribution to worker's profit participation and welfare fund		
Provision made during the year	40,690,956	45,079,009
	40,690,956	45,079,009
33 Income tax expenses		
Accounting profit (PBT as per individual company)	813,819,110	935,648,667
Add: Inadmissible depreciation allowance for separate consideration:		
Accounting Depreciation of Fixed Assets	455,083,860	442,526,657
	1,268,902,970	1,378,175,324
Add: Inadmissible expenses / allowances as per ITO, 1984/ITA, 2023:		
Business promotion expenses	8,980,563	13,737,385
Royalty expenses	-	270,752
Sample expenses	18,093,554	9,754,600
Amortization expenses	5,119,342	1,259,813
Depreciation on Right of Use Assets (ROUA)	15,801,077	9,011,221
Interest on lease liability	3,971,615	1,322,829
Provision for slow moving inventories	12,605,906	4,134,109
NRV Provision on inventories	3,947,488	3,751,662

	2023 Taka	2022 Taka
Impairment loss on trade receivable	16,849,229	2,926,052
	85,368,774	46,168,424
	1,354,271,743	1,424,343,748
Deduct: Tax base depreciation of Fixed Assets (as per 3rd Schedule of ITO,1984/ITA, 2023):	(205,232,372)	(307,779,495)
Admissible expenses as per ITO,1984/ITA, 2023:		
Rent expenses	(17,614,368)	(12,127,538)
Deduct: Dividend income	(2,000,000)	(45,949,800)
Taxable profit	1,129,425,004	1,058,486,915
Applicable tax rate for individual company		
On Business income	As per applicable tax rate for individual company	
On Dividend income	20%	20%
Tax expenses as per applicable tax rate for individual company :		
Business income	255,435,883	240,633,819
Dividend income	400,000	9,199,980
Tax deduction at source	2,634,220	-
Current Tax Liability	258,470,104	249,833,799

34 Reconciliation of effective tax rate

	%	2023 Taka	%	2022 Taka
Profit before tax		818,140,095		889,648,867
Current tax expenses	31.59%	258,470,104	28.08%	249,833,799
Deferred tax expenses	-7.18%	(58,718,016)	-3.57%	(31,770,547)
Total tax expenses	24.42%	199,752,088	24.51%	218,063,252
Expected income tax using applicable tax rate for individual company	22.67%	185,460,118	23.85%	212,224,373
Tax on non-deductible expenses	8.9%	73,009,986	4.2%	37,609,425
Effective current tax	31.59%	258,470,104	28.08%	249,833,799
Effective deferred tax	-7.18%	(58,718,016)	-3.57%	(31,770,547)
	24.42%	199,752,088	24.51%	218,063,252

35 Short term lease expenses

			2023 Rent Payment	2022 Rent Payment
Nature of the lease	Lease Term	Allocation		
Rented accommodation	< 1 year	Admin	1,815,701	1,623,710
			1,815,701	1,623,710

36 Financial risk management

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

- ▶ Credit risk
- ▶ Liquidity risk
- ▶ Market risk

36.1 Credit risk

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

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

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

a) Exposure to credit risk

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

	USD		Amounts in Taka	
	As at 31 Dec 2023	As at 31 Dec 2022	As at 31 Dec 2023	As at 31 Dec 2022
Trade receivables				
Customer-Local	-	-	2,468,935,738	1,523,479,675
Customer-Export	97,120	-	11,166,492	-
	97,120	-	2,480,102,230	1,523,479,675
Other receivables				
Accrued Interest			888,130	1,094,375
			888,130	1,094,375
Cash equivalents			836,350,388	1,270,834,191

b) Impact of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IFRS 9 for each class of the financial assets as at 31 December 2023.

Financial assets	Note	Classification under IFRS 9	Carrying amount	Carrying amount under IFRS 9	Impairment loss (Refer note 10.1)
Trade receivable-unrelated	10.1	Amortized cost	1,240,304,417	1,229,959,134	10,345,283
Trade receivable-related	10.1	Amortized cost	1,268,835,954	1,250,143,096	18,692,858
Cash at banks	13	Amortized cost	719,211,283	719,211,283	-

i The above table provides information ECLs till date. Impairment provision till Dec 2022 was Tk. 12,083,838 and provision made during the year is Tk.16,954,303.

ii Trade receivables that were classified at amortised cost.

iii Cash at banks that were classified at amortised cost.

iv Impairment loss allowance has not been considered on other receivables and bank balances because business is confident to recover the full amount from the party.

c) Ageing of receivables

The ageing of trade receivables as at 31 December was:

	Amounts in Taka	
	As at 31 Dec 2023	As at 31 Dec 2022
Not past due	1,477,530,122	1,328,198,931
0-90 days past due	249,252,327	119,056,142
91-180 days past due	382,742,486	43,494,110
181-365 days past due	331,849,670	29,094,918
over 365 days past due	38,727,624	3,635,574
	2,480,102,230	1,523,479,675

36.2 Liquidity risk

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

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

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

	As at 31 Dec 2023			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Bank overdraft	70,521,272	70,521,272	70,521,272	-
Trade and other payables	1,975,356,944	1,975,356,944	1,975,356,944	-
Short term borrowing	651,860,917	651,860,917	651,860,917	-
Term loan	375,129,637	375,129,637	11,235,218	363,894,419
	3,072,868,770	3,072,868,770	2,708,974,351	363,894,419

	As at 31 Dec 2022			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Trade and other payables	1,526,282,571	1,526,282,571	1,526,282,571	-
Short term borrowing	372,805,793	372,805,793	372,805,793	-
	1,899,088,364	1,899,088,364	1,899,088,364	-

36.3 Market risk

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

a) Currency risk

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

i) Exposure to currency risk

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

	As at 31 Dec 2023				As at 31 Dec 2022			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
Foreign currency denominated assets								
Receivable from customers-Export	-	-	97,120	-	-	-	-	-
Cash at bank	-	-	13,189	-	-	-	24,486	-
	-	-	110,309	-	-	-	24,486	-
	As at 31 Dec 2023				As at 31 Dec 2022			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
Foreign currency denominated liabilities								
Trade payables	-	477,466	1,251,964	2,625,224	4,442	238,847	1,124,326	699,445
Short term borrowings	-	-	1,610,350	1,052,918	-	-	3,463,724	158,080
Royalty & Technical Fees	-	-	4,707,296	-	-	-	4,659,391	-
	-	477,466	7,569,610	3,678,141	4,442	238,847	9,247,441	857,525
Net exposure	-	(477,466)	(7,459,300)	(3,678,141)	(4,442)	(238,847)	(9,222,955)	(857,525)

The Company has foreign exchange loss of Tk 27,378,063 during the year ended 31 Dec 2023 (31 Dec 2022: Exchange loss Tk 79,489,878).

The following significant exchange rates have been applied:

	Exchange rate as at (Average)	
	31 Dec 2023 Taka	31 Dec 2022 Taka
AED	29.8820	27.7608
GBP	140.6124	123.8037
USD	109.7500	101.8017
EURO	122.0317	108.6137

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

	As at 31 Dec 2023 Profit or (loss)		As at 31 Dec 2022 Profit or (loss)	
	Strengthening Taka	Weakening Taka	Strengthening Taka	Weakening Taka
At 31 Dec				
AED (3 percent movement)	-	-	(137)	129
GBP (3 percent movement)	(14,767)	13,907	(7,387)	6,957
USD (3 percent movement)	(230,700)	217,261	(285,246)	268,630
EURO (3 percent movement)	(113,757)	107,130	(26,521)	24,976

b) Interest rate risk

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

Profile

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

	Carrying amount	
	As at 31 Dec 2023 Taka	As at 31 Dec 2022 Taka
Fixed rate instruments		
Financial assets		
Investment in FDR	117,139,105	617,139,105
Cash at banks	719,211,283	653,695,085
Financial liabilities		
Term loan	375,129,637	-
Bank overdraft	70,521,272	-
Short term borrowing	651,860,917	372,805,793

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

	As at 31 Dec 2023		As at 31 Dec 2022	
	Carrying amount Taka	Fair value Taka	Carrying amount Taka	Fair value Taka
Financial assets				
Held to maturity assets				
Investment in FDR	117,139,105	117,139,105	617,139,105	617,139,105
Loans and receivables				
Trade receivables	2,480,102,230	2,480,102,230	1,523,479,675	1,523,479,675
Other receivables	888,130	888,130	1,094,375	1,094,375
Cash equivalents	836,350,388	836,350,388	1,270,834,191	1,270,834,191
Financial liabilities				
Liabilities carried at amortised costs				
Term loan	375,129,637	375,129,637	-	-
Bank overdraft	70,521,272	70,521,272	-	-
Trade and other payables	1,975,356,944	1,975,356,944	1,526,282,571	1,526,282,571
Short term borrowing	651,860,917	651,860,917	372,805,793	372,805,793

Interest rates used for determining amortised cost

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

	31 Dec 2023	31 Dec 2022
Investment in FDR (local currency/BDT)	1.50%-8.25%	1.50%-6.75%
Bank overdraft (local currency/BDT)	8.75%-10.14%	9%
Short term bank loan (local currency/BDT)	SMART+3.50%	9%
Short term bank loan (foreign currency/USD)	SOFR+3.50%	SOFR+2.00%-3.50%

37 Related party disclosures under IAS-24

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

Name of related party	Relationship	Security/ Guarantee status	Bad debts Status	Period	Purchase of goods/services	Sale of goods/ services	Outstanding receivables	Outstanding payable	Remuneration	Dividend income***	Amounts in Taka	
											Royalty payable***	
RAK Power Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	634,595,990	3,130,434	-	143,360,952	-	-	-	-
RAK Security & Services Pvt. Ltd	Subsidiary	Unsecured	Nil	Previous year	368,394,504	5,008,696	-	68,037,289	-	40,999,800	-	-
RAK Ceramics RISC, UAE	Parent	Unsecured	Nil	Current year	49,689,349	-	-	6,538,753	-	1,980,000	-	-
				Previous year	44,189,683	-	-	9,009,969	-	4,950,000	-	-
				Current year	35,103,940	-	-	26,153,293	-	-	517,802,531	-
				Previous year	4,313,568	-	-	24,198,217	-	-	478,068,907	-
Ceramin FZ LLC	Fellow subsidiary	Secured	Nil	Current year	731,490,860	-	-	-	-	-	-	-
				Previous year	659,475,040	-	-	-	-	-	-	-
RAK Ceramics (India) Pvt. Ltd.	Fellow subsidiary	Secured	Nil	Current year	19,836,319	-	-	-	-	-	-	-
				Previous year	706,935	-	-	-	-	-	-	-
Kludi RAK LLC	Fellow subsidiary	Secured	Nil	Current year	16,429,073	-	-	310,933	-	-	-	-
				Previous year	-	-	-	-	-	-	-	-
RAK Paints Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	-	-	-	-	-	-	-	-
				Previous year	14,250	-	-	-	-	-	-	-
Kea Printing & Packaging Industries	Other related party	Unsecured	Nil	Current year	151,020,362	-	-	18,955,813	-	-	-	-
				Previous year	106,789,265	-	-	14,733,285	-	-	-	-
Palli Properties Pte. Ltd (*)	Other related party	Unsecured	Nil	Current year	17,311,973	-	-	6,012,500	-	-	-	-
				Previous year	13,087,923	-	-	944,528	-	-	-	-
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	3,313,624	-	-	164,780	-	-	-	-
				Previous year	1,581,556	-	-	-	-	-	-	-
Masram Agro Ltd.(**)	Other related party	Unsecured	Nil	Current year	209,743,750	-	-	209,743,750	-	-	-	-
				Previous year	41,187,010	-	-	3,937,685	-	-	-	-
Speedway International Pvt. Ltd	Other related party	Unsecured	Nil	Current year	29,621,260	-	-	9,278,768	-	-	-	-
				Previous year	738,100	-	-	-	-	-	-	-
Global Business Associates Ltd.	Other related party	Unsecured	Nil	Current year	-	-	-	6,414	-	-	-	-
Pelikan Plastic & Packing Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	7,843,174	-	-	-	-	-	-	-
				Previous year	-	-	-	-	-	-	-	-
Mohammed Trading	Other related party	Secured by Guaranteed Cheque	Nil	Current year	-	2,704,294,712	1,268,687,036	-	-	-	-	-
				Previous year	-	2,842,370,536	893,742,803	-	-	-	-	-
S.A.K Ekramuzzaman (***)	Key Management Personnel	Unsecured	Nil	Current year	5,638,224	-	-	107,330,974	25,249,397	-	-	-
				Previous year	406,035,342	-	-	109,693,757	28,399,776	-	-	-
Sadhan Kumar Dey	Key Management Personnel	Unsecured	Nil	Current year	-	-	-	-	11,200,174	-	-	-
				Previous year	-	-	-	-	9,690,207	-	-	-

* Transaction represents purchase of 0.35 acres of land at Bhutulia, Gazipur under Dhanua Mouja at a total cost of BDT. 6,012,500 excluding registration and other expenses from Palli Properties Pte. Limited as approved by the shareholders of the company in Extra Ordinary General Meeting held on August 4, 2022. The land registered in the name of the Company but no payment has been made until at reporting date. Therefore, said amount showing as payable against purchase of land (Note-21).

** Transaction represents purchase of 11.32 acres of land at Bhutulia, Gazipur under Dhanua and Gazipur Mouja at a total cost of BDT. 209,743,750 excluding registration and other expenses from Masram Agro Ltd. as approved by the shareholders of the company in Extra Ordinary General Meeting held on August 4, 2022. The land registered in the name of the Company dated August 14, 2022 but no payment has been made until at reporting date. Therefore, said amount is showing as payable against purchase of land (Note-21).

*** Purchase includes 21.73 acres of land at Bhutulia, Gazipur under Dhanua and Gazipur Mouja at a total cost of BDT. 402,090,100 excluding registration and other expenses from S.A.K Ekramuzzaman as approved by the shareholders of the company in Extra Ordinary General Meeting held on August 4, 2022. Out of total payable BDT. 402,090,100 an amount of BDT. 313,696,175 has been paid to Mr. S.A.K. Ekramuzzaman and balance BDT. 88,393,925 is showing as payable against purchase of land (Note -21).

**** The figures are included tax and VAT.

37.1 The Group has decided to purchase of 33.91 acres of land at Bhutulia, Gazipur under Dhanua and Gazipur Mouja at a total cost of BDT. 627.34 million excluding registration and other expenses from Mr. SAK Ekramuzzaman [Managing Director of RAK Ceramics (Bangladesh) Limited] and others in its Board of Directors meeting dated June 13, 2022 and subsequent approval of the shareholders of the company in Extra Ordinary General Meeting held on August 4, 2022. Out of total 33.91 acres of land 33.40 acres has been registered in the name of the Company and balance land is under process of registration. The land was proposed to be utilized for greenfield expansion of tiles plant with an additional production capacity of 15,000 sqm of tiles per day, has been decided in the Board of Directors meeting as mentioned above. The total cost of the project was estimated BDT. 9,025 Million.

The Group has also decided to establish a new faucets plant with production capacity of 1,500 pcs per day on the above land in the Board of Directors meeting held on July 20, 2022. The total cost of the project estimated BDT. 950 Million.

To comply the BSEC notification no. BSEC/CMRRCD/2009-193/10/Admin/118 dated March 22, 2021 shareholders of the company in its 23rd Annual General Meeting dated March 31,2022 approved an agenda to enter into contract for supply of goods and materials to Mohammed Trading (Owner of Mohammed Trading is Managing Director of RAK Ceramics (Bangladesh) Limited) equivalent to 10% (Ten percent) or above of the revenue for the immediate financial year.

37.2 Paid to Directors

During the year, provision was made as MD's remuneration for Taka. 25,249,397.

37.3 During the year, Board meeting fees of Taka 360,000 was paid to the board members for attending the Board meetings.

38 Segment reporting

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

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

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

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

2023

	Business Segments				
	Ceramic & sanitary ware	Power	Security and Services	Inter segment	Entity total
	Taka	Taka	Taka	Taka	Taka
Revenue - external customers	7,768,935,743	-	50,386,598	-	7,819,322,342
Revenue - inter segment	-	634,595,990	50,906,553	(685,502,543)	-
Total segment revenue	7,768,935,743	634,595,990	101,293,151	(685,502,543)	7,819,322,342
Cost of sales- external customer	(5,185,657,619)	(608,730,166)	(72,619,871)	-	(5,867,007,657)
Cost of sales- inter segment	(634,595,990)	(4,347,638)	-	638,943,628	-
Total segment cost of sales	(5,820,253,609)	(613,077,804)	(72,619,871)	638,943,628	(5,867,007,657)
Gross profit	1,948,682,134	21,518,186	28,673,280	-	1,952,314,685
Dividend income	1,980,000	20,000	-	(2,000,000)	-
Rental income	3,130,434	-	-	(3,130,434)	-
Financial income	29,560,029	1,297,056	47,635	-	30,904,720
Financial expenses	(70,837,468)	(271,041)	(106,135)	-	(71,214,645)
Depreciation	(435,383,439)	(19,700,423)	(180,312)	-	(455,264,174)
Other operating expenses	(675,563,529)	9,387,174	(22,113,482)	49,689,349	(638,600,491)
Segment profit before tax	801,568,159	12,250,952	6,320,986	-	818,140,095
Income tax expense	(248,597,967)	(7,237,916)	(2,634,220)	-	(258,470,104)
Deferred tax	55,270,280	3,437,492	10,244	-	58,718,016
Profit for the year					618,388,007

2022

	Business Segments				
	Ceramic & sanitary ware	Power	Security and Services	Inter segment	Entity total
	Taka	Taka	Taka	Taka	Taka
Revenue - external customers	7,411,921,531	-	41,543,963	-	7,453,465,494
Revenue - inter segment	-	368,394,504	46,185,148	(414,579,652)	-
Total segment revenue	7,411,921,531	368,394,504	87,729,111	(414,579,652)	7,453,465,494
Cost of sales- external customer	(5,097,718,230)	(321,097,366)	(64,728,873)	-	(5,483,544,470)
Cost of sales- inter segment	(368,394,504)	(7,004,161)	-	375,398,665	-
Total segment cost of sales	(5,466,112,734)	(328,101,527)	(64,728,873)	375,398,665	(5,483,544,470)
Gross profit	1,945,808,797	40,292,977	23,000,238	-	1,969,921,024
Dividend income	45,949,800	50,000	100	(45,999,800)	100
Rental income	5,008,696	-	-	(5,008,696)	-
Financial income	47,920,629	957,025	34,561	-	48,912,215
Financial expenses	(108,789,150)	(458,736)	(26,618)	-	(109,274,503)
Depreciation	(413,916,131)	(28,416,724)	(193,802)	-	(442,526,657)
Other operating expenses	(620,402,456)	18,415,896	(19,586,435)	44,189,683	(577,383,312)
Segment profit before tax	901,580,185	30,840,438	3,228,044	-	889,648,867
Income tax expense	(236,522,849)	(12,325,560)	(985,390)	-	(249,833,799)
Deferred tax	26,283,573	5,564,115	(77,142)	-	31,770,546
Profit for the year					671,585,615

	2023 Taka	2022 Taka
39 Calculation of Earnings per share (EPS)		
Calculation of earnings per share (EPS) is as under:		
(a) Profit attributable to equity holders of the Company	618,387,966	671,585,497
(b) No. of ordinary equity shares	427,968,701	427,968,701
(c) Weighted average no. of equity shares outstanding (Note 39.1)	427,968,701	427,968,701
Earnings per share (EPS) for the year (a÷c)	1.44	1.57
Diluted earnings per share for the year (a÷c)	1.44	1.57

39
Calculation of Earnings per share (EPS)

Calculation of earnings per share (EPS) is as under:

(a) Profit attributable to equity holders of the Company

(b) No. of ordinary equity shares

(c) Weighted average no. of equity shares outstanding (Note 39.1)

Earnings per share (EPS) for the year (a÷c)

Diluted earnings per share for the year (a÷c)

39.1
Weighted average number of ordinary shares

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

Outstanding shares

	2023	2022
Outstanding shares	427,968,701	427,968,701
	427,968,701	427,968,701

39.2
Diluted earning per share

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

39.3
Reason of deviation of earnings per share:

Sales are increased by 4.91% from BDT. 7,453.47 MN to BDT. 7,819.32 MN but gross profit margin has been reduced to 24.97% from 26.43% due to increase of cost of goods sold (COGS) by 6.99%. COGS has been increased for non-availability of adequate gas, increase in gas price, electricity price, significant volatility of foreign currency market as well as depreciation of reporting currency which caused increase of all input raw material price and shipping freight. Therefore, earning per share is also decreased from BDT. 1.57 to 1.44.

40
Calculation of Net assets value per share

(a) Net assets value (Note 14, 15 & 16)

(b) Weighted average no. of equity shares outstanding (Note 39.1)

Net assets value per share (a÷b)

41
Calculation of Net operating cash flow per share

(a) Net Cash flows from operating activities (Note 42)

(b) Weighted average no. of equity shares outstanding (Note 39.1)

Net operating cash flow per share (a÷b)

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

Sales are increased by 4.91% from BDT. 7,453.47 MN to BDT. 7,819.32 MN. However, collection has not been increased proportionately. Vendor payment was more compared to collection due to settlement of multiple import bills during the year. Moreover, due to the significant devaluation of reporting currency, increase of imported raw material price and freight charge, import related payment was more compared to previous year. Gas and electricity payment are also increased due to the price hike of gas which caused net operating cash flow per share decreased from BDT 1.45 to BDT. 0.75.

	2023	2022
(a) Net assets value (Note 14, 15 & 16)	7,827,571,654	7,637,152,389
(b) Weighted average no. of equity shares outstanding (Note 39.1)	427,968,701	427,968,701
Net assets value per share (a÷b)	18.29	17.85
(a) Net Cash flows from operating activities (Note 42)	319,849,833	619,417,650
(b) Weighted average no. of equity shares outstanding (Note 39.1)	427,968,701	427,968,701
Net operating cash flow per share (a÷b)	0.75	1.45

42 Reconciliation of operating cash flow:

Cash flows from operating activities

	2023 Taka	2022 Taka
Profit before taxation	818,140,095	889,648,867
Adjustment for:		
Depreciation	471,267,291	451,537,879
Amortization	5,209,342	1,349,813
Adjustment relating to assets	3,004,624	-
Advance rent adjustment	(16,752,840)	(5,630,000)
Loss on assets retirement	898,786	1,872,725
Foreign exchange loss	27,378,063	79,489,878
Finance expenses	43,836,582	29,784,625
Finance income	(30,904,720)	(48,912,214)
Other income	-	(100)
	1,322,077,223	1,399,141,474
Increase/decrease in trade and other receivables	(956,622,554)	(303,028,603)
Increase/decrease in inventories	(174,702,894)	(414,773,888)
Increase/decrease in trade and other payables	295,499,536	164,788,577
Cash generated from operating activities	486,251,311	846,127,561
Interest received from bank deposit	11,541,793	7,642,696
Income tax paid	(177,967,531)	(234,352,607)
Net cash (used in)/from operating activities	319,825,573	619,417,650

43 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 482,993,132 (31 Dec 2022: Tk 545,206,680). 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 480,919,493 (31 Dec 2022: Tk 330,070,678) and letter of guarantee of Tk 144,009,928 (31 Dec 2022: Tk 145,690,514).

The company issued one corporate guarantee of BDT. 70 Million (SCB) in favour of subsidiary company to avail loan from banks. Outstanding loan against the said corporate guarantee are nil at 31 Dec 2023. Therefore no credit loss allowances is expected.

44 Events after the reporting period

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

The Board of Directors of RAK Ceramics (Bangladesh) Limited, in its meeting held on 29 January 2024, has unanimously recommended cash dividend @ 10% of the paid up capital of the company for the year ended 31 December 2023 equivalent to BDT. 427,968,701 to be distributed as cash dividend among shareholders, which is more than 30% of the current year profit. The dividend is subject to final approval by the shareholders at the forthcoming 25th Annual General Meeting of the Company which will be held on 19 March 2024.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of RAK Ceramics (Bangladesh) Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RAK Ceramics (Bangladesh) Ltd. (the Company) which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give true and fair view, in all material respects, of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's

responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters (KAM)

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements for the year ended 31 December 2023. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

SL	Key Audit Matter	How our audit addressed the key audit matter
1	Revenue recognition (Refer to note 3.16 and 26 to these Financial Statements)	
	<p>The Company recognizes revenue when control of the goods is transferred to the customer at an amount that reflects the net consideration which the Company expects to receive from customers. In determining the sales price, the Company considers the effect of commission, bonus, incentive and discount (variable consideration).</p> <p>The terms of sales agreements, including the timing of transfer of control, based on the terms of relevant contract and nature of commission, bonus, incentive and discount arrangements, create complexities that requires judgement in determining sales revenues.</p> <p>Considering the above factors and the risk associated with revenue recognition, we have determined the same to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ol style="list-style-type: none"> 1. We read the Company's revenue recognition policy and assessed its compliance in terms of IFRS 15 'Revenue from contracts with customers'; 2. Performed sample tests of individual sales transactions and traced to sales invoices, sales orders and other related documents. In respect of the samples selected, we tested recognition of revenue based on underlying sales invoices, sales orders and other related documents; 3. We selected a sample of invoices on which rebates and discounts were given and obtained the commission, bonus, and incentive and discount schemes approved by the management. We noted the accounting of rebates and discounts by the Company for the selected sample; 4. Selected samples of sales transactions made pre and post year end, agreed the date of transfer of control for the selected sample by testing underlying documents including customers confirmation; and 5. Assessed the relevant disclosures made within the financial statements.

SL	Key Audit Matter	How our audit addressed the key audit matter
2	Tax and regulatory matters (Refer to note 3.22 and 45 to these Financial Statements)	
	<p>The Company has several pending corporate tax assessments and legal proceedings with Government revenue authorities related to claims for tax, VAT and custom duty. The pending cases expose the Company to significant litigation and similar risks arising from many disputes and regulatory proceedings. Such matters are subject to many uncertainties, and the outcomes may not be appropriate to predict.</p> <p>These uncertainties inherently may affect the amount and timing of potential cash outflows with respect to tax provisions and contingent liabilities related to tax, VAT and custom duty.</p> <p>As listed entity, the Company also has to maintain compliance requirements of the Bangladesh Securities and Exchange Commission.</p>	<p>Our audit procedures included the following:</p> <ol style="list-style-type: none"> 1. We obtained an understanding, evaluated the design and tested operational effectiveness of the Company's key control on tax provision and contingencies. 2. We enquired to those charged with governance to obtain their view on the status of all significant litigations and regulatory matters; 3. We enquired of the Company's internal legal counsel for all significant litigations and regulatory matters and inspected internal notes and report. We also received formal confirmation from external counsel; 4. We assessed the methodologies on which provision and contingencies are based and recalculated the provision and tested the completeness and accuracy of the underlying information; and 5. We also assessed the disclosures on the Company's provisions and contingent liabilities.
3	Credit risks and impairment on trade receivables (Refer to note 3.10, 3.15 and 38.1(b) to these Financial Statements)	
	<p>The amount of trade receivables covers 22% (2022:15%) of total current assets. The global and national volatile economic situation has positioned many business organizations in the financial stress and as a result, the risks of being default in payment of debts by the stressed customers increases significantly.</p> <p>The significant amount of trade receivables of the Company is attributable to a single customer which is also a related party as disclosed in note 39 to the financial statements to the Company. Being the related party, there may be financial transactions that lack in the criteria of arm's length transaction.</p> <p>Significant amount of judgment is to be applied to determine the risk of default by the customers over the expected life of trade receivables which may have material impact on trade receivables and as a result, there is risk of error in determining the allowance for impairment on trade receivables.</p> <p>Considering the above factors and the risk associated with the determination of impairment allowance on trade receivables, we have determined the same to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ol style="list-style-type: none"> 1. We tested the receivable balances compared those with the results obtained from external confirmations. 2. We inspected the arrangements, security documents, credibility assessments and correspondences with parties concerned to assess the recoverability of significant long outstanding receivables; 3. We enquired of the Company's internal legal counsel for all significant litigations and regulatory matters and inspected internal notes and report. We also received formal confirmation from external counsel; 4. We reviewed the calculation of impairment allowance on trade receivables as per IFRS 9; and 5. We also assessed the disclosures on the trade receivables as per IFRS 9.
4	Property, plant and equipment (Refer to notes 3.1 and 4 to these financial statements).	
	<p>The property, plant and equipment balance comprises 22% (2022: 22%) of total assets. This amounts to BDT 3,495 million (2022: BDT 3,129 million) as shown in note 4.</p> <p>Judgement is exercised in determining the useful lives and when assessing whether there are any indicators of impairment exist and when performing impairment assessments where indicators have been identified.</p> <p>Based on the value of the property, plant and equipment as well as the judgements involved in determining useful lives, this has been identified as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ol style="list-style-type: none"> 1. Obtained the useful lives and confirmed that this was reviewed and considered in the year under review; 2. We have reviewed the judgments and methodology applied by management including the nature of underlying costs capitalized, determination of realizable value of the assets retired from active use, technical assessment conducted in assessing the useful life of assets; 3. Assessed whether indicators of impairment existed at 31 December 2023 based on our knowledge of the business and the industry; and 4. Assessed the relevant disclosures made within the financial statements.

Other information included in the Company's 31 December 2023 Annual Report

Other information consists of the information included in the Company's 31 December 2023 Annual Report other than the financial statements and our auditor's report thereon. We obtained Director's Report, Management Discussion and Analysis, five years financial information, and Corporate Governance report prior to the date of our auditor's report, and we expect to obtain the remaining reports of the Annual Report after the date of our auditor's report. Management is responsible for the other information.

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

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

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

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

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

that we identify during our audit.

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

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

A. Qasem & Co.

Chartered Accountants
RJSC Registration No.: 2-PC7202

Mohammad Motaleb Hossain FCA

Partner

Enrolment Number: 0950
DVC: 2401290950AS920399

29 January 2024

Report on other legal and regulatory requirements

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

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

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 Taka	2022 Taka
Assets			
Property, plant and equipment	4	3,494,769,670	3,129,340,729
Investment property	5	502,790,328	503,012,247
Right-of-use assets	6	68,634,007	25,127,649
Intangible assets	7	3,491,418	318,408
Capital work-in-progress	8	354,303,418	155,705,038
Investment in subsidiaries	9	360,379,950	360,379,950
Total non-current assets		4,784,368,791	4,173,884,021
Inventories	10	3,509,130,676	3,349,411,095
Trade and other receivables	11	2,466,314,901	1,514,282,434
Advances, deposits and prepayments	12	389,409,872	262,364,051
Advance income tax	13	3,884,663,002	3,718,480,370
Cash and cash equivalents	14	811,406,902	1,215,933,702
Total current assets		11,060,925,353	10,060,471,652
Total assets		15,845,294,144	14,234,355,673
Equity			
Share capital	15	4,279,687,010	4,279,687,010
Share premium	16	1,473,647,979	1,473,647,979
Retained earnings	17	2,118,252,846	1,937,981,076
Total equity		7,871,587,835	7,691,316,065
Liabilities			
Deferred tax liability	18	37,937,610	93,207,890
Borrowings	20	363,894,419	-
Lease liability	21	40,581,537	13,155,601
Total non-current liabilities		442,413,566	106,363,491
Borrowings	20	733,617,407	372,805,792
Lease liability	21	11,242,827	5,427,646
Trade and other payables	22	2,117,089,559	1,597,231,694
Unclaimed dividend payable	23	8,122,499	11,901,967
Accrued expenses	24	276,691,344	313,377,878
Provision for income tax	25	4,384,529,107	4,135,931,140
Total current liabilities		7,531,292,743	6,436,676,117
Total liabilities		7,973,706,309	6,543,039,608
Total equity and liabilities		15,845,294,144	14,234,355,673

The accompanying notes are an integral part of these financial statements

As per our report of same date

A. Qasem & Co.

Chartered Accountants
RJSC Registration No.: 2-PC7202

Mohammad Motaleb Hossain FCA

Partner

Enrolment Number: 0950
DVC: 2401290950AS920399
29 January 2024

Abdallah Massaad
Chairman

SAK Ekramuzzaman
Managing Director

Pramod Kumar Chand
Director

Sadhan Kumar Dey
Chief Financial Officer

Muhammad Shahidul Islam FCS
Company Secretary

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 Taka	2022 Taka
Sales	26	7,768,935,743	7,411,921,531
Cost of sales	27	(5,820,253,609)	(5,466,112,734)
Gross profit		1,948,682,134	1,945,808,797
Other income	28	5,110,434	50,958,496
Administrative expenses	29	(419,658,510)	(366,112,105)
Impairment loss on trade receivables	29.1	(16,849,229)	(2,926,052)
Marketing and selling expenses	30	(634,360,822)	(620,201,420)
		(1,065,758,127)	(938,281,081)
Profit from operating activities		882,924,007	1,007,527,716
Finance income	31	29,560,028	47,920,629
Finance expenses	32	(70,837,469)	(108,789,151)
Net finance income		(41,277,441)	(60,868,522)
Profit before contribution to workers' profit participation and welfare fund and income tax		841,646,566	946,659,194
Contribution to workers' profit participation and welfare fund		(40,078,408)	(45,079,009)
Profit before income tax		801,568,158	901,580,185
Income tax expense:			
Current tax	33	(248,597,967)	(236,522,849)
Deferred tax	18	55,270,280	26,283,573
		(193,327,687)	(210,239,276)
Profit for the year		608,240,471	691,340,909
Other comprehensive income for the year		-	-
Total comprehensive income for the year		608,240,471	691,340,909
Basic earnings per share (par value Tk 10)	41	1.42	1.62

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

As per our report of same date

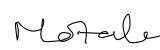
A. Qasem & Co.

Chartered Accountants
RJSC Registration No.: 2-PC7202


Abdallah Massaad
Chairman


SAK Ekramuzzaman
Managing Director


Pramod Kumar Chand
Director


Mohammad Motaleb Hossain FCA
Partner
Enrolment Number: 0950
DVC: 2401290950AS920399

29 January 2024


Sadhan Kumar Dey
Chief Financial Officer


Muhammad Shahidul Islam FCS
Company Secretary

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital Taka	Share premium Taka	Retained earnings Taka	Total Taka
	(Note 15)	(Note 16)	(Note 17)	
Balance as at 1 January 2022	4,279,687,010	1,473,647,979	1,781,601,043	7,534,936,032
Total comprehensive income for 2022				
Profit for the year	-	-	691,340,909	691,340,909
Other comprehensive income	-	-	-	-
Transactions with the shareholders				
Cash dividend (2021)	-	-	(534,960,876)	(534,960,876)
Balance as at 31 December 2022	4,279,687,010	1,473,647,979	1,937,981,076	7,691,316,065
Balance as at 1 January 2023	4,279,687,010	1,473,647,979	1,937,981,076	7,691,316,065
Total comprehensive income for 2023				
Profit for the year	-	-	608,240,471	608,240,471
Other comprehensive income	-	-	-	-
Transactions with the shareholders				
Cash dividend (2022)	-	-	(427,968,701)	(427,968,701)
Balance as at 31 December 2023	4,279,687,010	1,473,647,979	2,118,252,846	7,871,587,835

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 Taka	2022 Taka
Cash flows from operating activities		
Cash receipts from customers	6,816,697,030	7,109,900,493
Cash payments to suppliers and employees	(6,319,340,246)	(6,313,116,062)
Cash generated from operating activities	497,356,784	796,784,431
Interest received from bank deposit	10,599,717	6,726,677
Income tax paid (note 13)	(166,182,632)	(219,005,113)
Net cash (used in)/from operating activities (note 44)	341,773,869	584,505,995
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,005,104,660)	(1,045,349,958)
Sale of property, plant and equipment (Note 5.3)	2,131,100	375,000
Interest received from FDR	19,166,557	46,714,403
Income from rental	3,130,434	5,008,696
Intangible assets	(8,345,037)	-
Dividend received	1,980,000	45,949,800
Net cash (used in)/from investing activities	(987,041,606)	(947,302,059)
Cash flows from financing activities		
Finance charges	(38,964,587)	(22,818,476)
Avail/ (repayment) of short term borrowings	349,576,398	(57,602,325)
Avail/ (repayment) of long term borrowings	375,129,637	-
Payment of lease liability	(13,252,342)	(7,110,461)
Dividend paid	(431,748,168)	(534,823,358)
Net cash (used in)/from financing activities	240,740,937	(622,354,620)
Effect of exchange rate changes in cash and cash equivalents	-	1,210,942
Net increase/(decrease) in cash and cash equivalents	(404,526,800)	(983,939,742)
Cash and cash equivalents as at 1 January	1,215,933,702	2,199,873,444
Cash and cash equivalents as at 31 December (Note 14)	811,406,902	1,215,933,702

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

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

1. Reporting entity

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

1.1 Nature of business

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

2. Basis of preparation

2.1 Statement of compliance

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

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

Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on 29 January 2024.

2.2 Basis of measurement

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

2.3 Functional and presentational currency

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

2.4 Use of estimates and judgements

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

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

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

Note 4	Property, plant & equipment
Note 5	Investment Property
Note 6	Right-of-use assets
Note 18	Deferred tax liability
Note 19	Employees benefit payable
Note 21	Lease liability
Note 25	Provision for income tax

2.5 Reporting period

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

2.6 Going concern

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

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently.

3.1 Property, plant and equipment

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

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

3.2 Depreciation on property, plant, equipment

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

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

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

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

3.3 Investment property

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

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

3.4 Depreciation on investment property

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

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

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

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

3.5 Intangible assets

Expenditure to acquire designs and trade marks for manufacture of ceramic tiles and sanitary ware as well as computer software is capitalised. This is being amortised equally within a period of two to three years depending upon the tenure of accrual of benefits.

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

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

3.6 Capital work-in-progress

Capital work-in-progress represents the cost incurred for acquisition and/or construction of items of property, plant and equipment that are not available for use. Capital work-in-progress is recorded at cost to the extent of expenditure incurred at the date of Statement of Financial Position. The amount of capital work-in-progress is transferred to appropriate asset category and depreciated when the asset is completed and commissioned.

3.7 Financial assets

a) Investment in subsidiaries

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

b) Loans to subsidiaries & associate companies

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

c) Trade & other receivables

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

d) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank including short notice deposits and fixed deposits having maturity of three months or less which are available for use by the Company without any restriction. Bank overdraft that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

3.8 Financial liabilities

a) Trade & other payables

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

b) Borrowings

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

3.9 Inventories

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

3.10 Impairment

Non-derivative financial assets

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

Non-financial assets

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

Calculation of recoverable amount

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

Recognition of impairment

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

Reversal of impairment

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

3.11 Share capital

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

3.12 Employee benefit schemes

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

Defined contribution plan (provident fund)

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

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

Defined benefit plan (gratuity fund)

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

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

Details of employees benefit schemes have been provided in note no. 19.

3.13 Workers' Profit Participation and Welfare Fund

The Company provides 5% of its net profit before tax after charging such expense as Workers' Profit Participation and Welfare Fund in accordance with "The Bangladesh Labour Act 2006 amended in 2018".

3.14 Provisions

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

3.15 IFRS 9 Financial Instruments

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

i. Classification – financial assets

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

ii. Impairment

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

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

· 12-months ECLs: these are ECLs which result from possible default events within the 12 months after the reporting date; and

· Lifetime ECLs: these are ECLs which result from all possible default events over the expected life of a financial instrument.

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

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

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

iii. Hedging

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

Impact of IFRS 9 shown in note no 38.1 (b).

3.16 IFRS 15 Revenue from Contracts with Customers

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

i. Sales of goods

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

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

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

ii. Rendering of services

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

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

iii. Construction contracts

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

3.17 IFRS 16 Leases

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

General impact of application of IFRS 16 Leases

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

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

Impact of the new definition of a lease

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

The company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the company has carried out an implementation project.

Impact on Lessee Accounting

Former operating leases

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

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

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

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

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

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

Former finance leases

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

Impact on Lessor Accounting

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

As required by IFRS 9, an allowance for expected credit loss has been recognized on the finance lease receivables.

3.18 Finance income and expenses

Finance income comprises interest income on funds invested in FDR and Short Notice Deposit (SND) accounts. Interest income is recognised on accrual basis.

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

3.19 Taxation

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

Current tax:

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Provisions for corporate income tax is made following the rate applicable for a publicly-traded company of the same industry. The tax rate 22.5% is used for the reporting period as per Finance Act 2023.

Deferred tax:

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

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

3.20 Foreign currency

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

3.21 Earning per share

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

3.22 Contingencies

3.22.1 Contingent liability

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

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

3.22.2 Contingent asset

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

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

3.23 Statement of cash flows

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

3.24 Duty drawback

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

3.25 Events after the reporting period

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

3.26 Comparatives and reclassification

Comparative information have been disclosed in respect of 2022 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

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

4 Property, plant and equipment 2023

Particulars	C O S T				Rate	D E P R E C I A T I O N				Net book value as at 31 Dec 2023
	Balance as at 01 Jan 2023	Addition during the year	Sale/disposal/transfer during the year	Balance as at 31 Dec 2023		Balance as at 01 Jan 2023	Charged during the year	Adj./Transfer during the year	Balance as at 31 Dec 2023	
Land*	1,014,376,550	212,498,319	-	1,226,874,869	-	-	-	-	1,226,874,869	
Factory building	1,025,698,438	15,265,133	-	1,040,963,571	5%	47,623,428	-	614,045,040	426,918,531	
Office and accommodation building	542,813,592	4,722,302	-	547,535,894	5%	29,587,342	-	262,408,607	285,127,287	
Plant and machinery	5,665,783,045	518,712,169	(383,126,433)	5,801,368,781	10%	312,668,845	(380,286,188)	4,397,560,907	1,403,807,874	
Mobile plant	105,313,467	1,555	-	105,315,022	10%	10,157,768	-	69,309,960	36,005,062	
Electrical installation	216,807,511	-	-	216,807,511	10%	6,340,450	-	202,206,809	14,600,702	
Gas pipeline	59,347,562	1,280,648	-	60,628,210	10%	3,384,809	-	51,691,688	8,936,522	
Furniture and fixtures	45,387,676	1,444,802	-	46,832,478	10-20%	4,950,009	-	35,374,000	11,458,478	
Office equipment	59,900,396	6,970,587	(9,054,625)	57,816,358	10-20%	7,788,730	(6,192,685)	45,620,681	12,195,677	
Communication equipment	16,441,396	2,339,200	-	18,780,596	10-20%	3,225,289	-	13,890,381	4,890,215	
Tools and appliances	14,454,524	8,632,037	-	23,086,561	10%	1,196,402	-	12,338,892	10,747,669	
Vehicles	91,686,396	34,639,528	(3,869,917)	122,456,007	10%	8,238,449	(3,656,284)	69,249,223	53,206,784	
Total	8,858,010,553	806,506,280	(396,050,975)	9,268,465,858		435,161,521	(590,135,157)	5,773,696,188	3,494,769,670	

*Addition of land includes BDT. 6,012,500 for the purchase of 0.35 acres of land at Bhutulia, Gazipur under Dhanua and Gazipur Mouja from Mr. SAK Ekramuzzaman (Managing Director of RAK Ceramics (Bangladesh) Limited) and others as approved in EGM dated August 4, 2022. The land was proposed to be utilized for greenfield expansion of another tiles plant and new faucets plant.

Particulars	C O S T				Rate	D E P R E C I A T I O N				Net book value as at 31 Dec 2022
	Balance as at 01 Jan 2022	Addition during the year	Sale/disposal/transfer during the year	Balance as at 31 Dec 2022		Balance as at 01 Jan 2022	Charged during the year	Adj./Transfer during the year	Balance as at 31 Dec 2022	
Land*	322,675,240	691,701,310	-	1,014,376,550	-	-	-	-	1,014,376,550	
Factory building	1,019,437,751	6,260,687	-	1,025,698,438	5%	48,743,790	-	566,421,612	459,276,826	
Office and accommodation building	534,211,504	8,684,209	(82,121)	542,813,592	5%	29,112,653	-	232,821,265	309,992,327	
Plant and machinery	5,510,720,606	156,574,890	(1,512,451)	5,665,783,045	10%	297,912,966	(123,487)	4,465,178,250	1,200,604,795	
Mobile plant	88,960,482	16,270,864	82,121	105,313,467	10%	7,823,066	-	59,152,192	46,161,275	
Electrical installation	216,807,511	-	-	216,807,511	10%	6,433,656	-	195,866,359	20,941,152	
Gas pipeline	59,347,562	-	-	59,347,562	10%	3,364,810	-	48,306,879	11,040,683	
Furniture and fixtures	41,056,101	4,331,575	-	45,387,676	10%	4,627,762	-	30,423,991	14,963,685	
Office equipment	48,942,125	10,958,271	-	59,900,396	10-20%	38,071,602	-	44,024,636	15,875,760	
Communication equipment	12,384,470	4,056,926	(5,246,399)	16,441,396	10-20%	8,244,838	-	10,665,092	5,776,304	
Tools and appliances	19,700,923	-	(5,246,399)	14,454,524	10%	14,847,920	(4,972,142)	11,142,490	3,312,034	
Vehicles	86,067,208	8,520,025	(2,900,837)	91,686,396	10%	60,825,339	(2,193,791)	64,667,058	27,019,338	
Total	7,960,311,483	907,358,757	(9,659,687)	8,858,010,553		413,694,213	(7,289,420)	5,728,669,824	3,129,340,729	

*Addition of land includes BDT. 677,182,210 for the purchase of 33.05 acres of land at Bhutulia, Gazipur under Dhanua and Gazipur Mouja from Mr. SAK Ekramuzzaman [Managing Director of RAK Ceramics (Bangladesh) Limited] and others as approved in EGM dated August 4, 2022. The land was proposed to be utilized for greenfield expansion of another tiles plant and new faucets plant.

5 Investment Property

2023

Particulars	C O S T				Rate	D E P R E C I A T I O N				Net book value as at 31 Dec 2023
	Balance as at 01 Jan 2023	Addition during the year	Sale/Transfer during the year	Balance as at 31 Dec 2023		Balance as at 01 Jan 2023	Charged during the year	Adj./Transfer during the year	Balance as at 31 Dec 2023	
Land ¹	500,571,750	-	-	500,571,750	-	-	-	-	500,571,750	
Office building ²	4,432,737	-	-	4,432,737	5%	221,918	-	2,214,159	2,218,578	
Total	505,004,487	-	-	505,004,487		221,918	-	2,214,159	502,790,328	

2022

Particulars	C O S T				Rate	D E P R E C I A T I O N				Net book value as at 31 Dec 2022
	Balance as at 01 Jan 2022	Addition during the year	Sale/Transfer during the year	Balance as at 31 Dec 2022		Balance as at 01 Jan 2022	Charged during the year	Adj./Transfer during the year	Balance as at 31 Dec 2022	
Land ¹	500,571,750	-	-	500,571,750	-	-	-	-	500,571,750	
Office building ²	4,432,737	-	-	4,432,737	5%	221,918	-	1,992,240	2,440,497	
Total	505,004,487	-	-	505,004,487		221,918	-	1,992,240	503,012,247	

1. The land 10 khata is situated besides the RAK Tower was acquired in 2012 and presently the asset is under investment property as per IAS 40 considering undetermined future use. The said property are stated at cost as per IAS 16 due to alternate reliable sources of measurement being unavailable.

2. A godown building is situated at above land and presently the asset is under investment property as per IAS 40 considering undetermined future use. The said property is stated at cost as per IAS 16 due to alternate reliable sources of measurement being unavailable.

	2023 Taka	2022 Taka
5.1 Depreciation		
Property, plant and equipment (Note 4)	435,161,521	413,694,213
Investment property (Note 5)	221,918	221,918
	435,383,439	413,916,131
5.2 Allocation of Depreciation		
Cost of sales (Note 27)	392,299,362	376,279,773
Administrative expenses (Note 5.2.1)	34,614,757	30,807,259
Marketing & selling expenses (Note 30)	8,469,320	6,829,099
	435,383,439	413,916,131
5.2.1 Allocation of Administrative Depreciation		
Depreciation on property, plant & equipment (Note 29)	34,392,839	30,585,341
Depreciation on investment property (Note 29)	221,918	221,918
	34,614,757	30,807,259

**5.3 Disposal of property, plant and equipment
2023**

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against insurance claim/sale	Profit/(loss) on disposal
	Taka	Taka	Taka		Taka
Office equipment	6,050,000	6,050,000	-	-	-
Plant and machinery	383,126,433	380,286,188	2,840,246	-	(2,840,246)
Vehicles	3,869,917	3,656,283	213,634	2,131,100	1,917,466
Total	393,046,350	389,992,471	3,053,879	2,131,100	(922,779)

2022

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against insurance claim/sale	Profit/(loss) on disposal
	Taka	Taka	Taka		Taka
Plant and machinery	1,512,451	123,487	1,388,964	-	(1,388,964)
Vehicles	2,900,837	2,193,791	707,046	375,000	(332,046)
Tools and appliances	5,246,399	4,972,142	274,257	-	(274,257)
Total	9,659,687	7,289,420	2,370,267	375,000	(1,995,267)

**6 Right-of-use assets
2023**

Particulars	COST			DEPRECIATION			Net book value as at 31 Dec 2023
	Balance as at 01 Jan 2023	Addition during the year	Retirement/Adj. during the year	Balance as at 31 Dec 2023	Charged during the year	Adjustment during the year	
Display center	48,278,231	29,737,142	(12,469,999)	65,545,374	12,368,026	(12,469,999)	39,876,852
Accommodation Building	1,471,380	759,050	(666,325)	1,564,105	761,925	(666,326)	802,180
Warehouse	1,880,142	28,687,412	-	30,567,554	2,547,296	-	27,954,975
Total	51,629,753	59,183,604	(13,136,324)	97,677,033	15,677,247	(13,136,325)	68,634,007

2022

Particulars	COST			DEPRECIATION			Net book value as at 31 Dec 2022
	Balance as at 01 Jan 2022	Addition during the year	Retirement/Adj. during the year	Balance as at 31 Dec 2022	Charged during the year	Adjustment during the year	
Display center	44,590,469	17,601,130	(13,913,368)	48,278,231	8,215,417	(13,913,368)	22,507,736
Accommodation Building	1,393,850	805,053	(727,523)	1,471,380	730,522	(727,523)	805,054
Warehouse	-	1,880,142	-	1,880,142	65,283	-	1,814,859
Total	45,984,319	20,286,325	(14,640,891)	51,629,753	9,011,222	(14,640,891)	25,127,649

6.1 Allocation of depreciation

	2023 Taka	2022 Taka
Administrative expenses (Note 29)	761,925	730,522
Marketing & selling expenses (Note 30)	14,915,322	8,280,700
	15,677,247	9,011,222

1. Company rented four display centers situated in Dhaka, Chattogram, Sylhet and Mymensingh.
2. Accommodation Buildings was rented for the use of transit employees.
3. Warehouse was rented to store finished goods.

7 Intangible assets
2023

Particulars	COST			AMORTIZATION			Net book value as at 31 Dec 2023
	Balance as at 01 Jan 2023	Addition during the year	Sale/disposal during the year	Balance as at 01 Jan 2023	Amortized during the year	Balance as at 31 Dec 2023	
License	22,692,876	8,345,037	-	22,587,507	4,872,547	27,602,739	3,435,174
Computer Software	11,614,380	-	-	11,401,341	156,795	11,558,136	56,244
Total	34,307,256	8,345,037	-	33,988,848	5,029,342	39,160,875	3,491,418

2022

Particulars	COST			AMORTIZATION			Net book value as at 31 Dec 2022
	Balance as at 01 Jan 2022	Addition during the year	Sale/disposal during the year	Balance as at 01 Jan 2022	Amortized during the year	Balance as at 31 Dec 2022	
License	22,692,876	-	-	22,381,800	205,707	22,587,507	105,369
Computer Software	11,614,380	-	-	10,347,235	1,054,106	11,401,341	213,039
Total	34,307,256	-	-	32,729,035	1,259,813	33,988,848	318,408

8 Capital Work-in-Progress

Balance as at 1 January
Add: Addition during the year (Note-8.1)

Less: Transfer to property, plant & equipment during the year (Note-8.2)

Balance as at 31 December

8.1 Addition during the year

Building
Plant and machinery
Others

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

Building
Plant and machinery
Others

9 Investment in subsidiaries (Note-9.1)

RAK Power Pvt. Ltd
RAK Security & Services Pvt. Ltd

9.1 Details of investments in subsidiaries

Name of subsidiaries	Nature of business	% of holding	Investment/Taka	Investment/Taka
RAK Power Pvt. Ltd	Electricity generation	99.99	341,629,950	341,629,950
RAK Security & Services Pvt. Ltd	Security services provider	99.00	18,750,000	18,750,000

10 Inventories

Raw materials
Less: Provision for slow moving & obsolete inventories

Stores, consumables spares and packing
Less: Write off for stores and spares

Finished goods (net of net realizable value adjustment)*
Less: Provision for slow moving & obsolete inventories

Work-in-process
Goods-in-transit

*Finished goods exclude provision of net realizable value BDT. 29,925,010.

11 Trade and other receivables

Trade receivables (Note-11.1)
Accrued interest (Note-11.2)

	2023 Taka	2022 Taka
Balance as at 1 January	155,705,038	17,713,837
Add: Addition during the year (Note-8.1)	732,036,114	306,335,970
	887,741,152	324,049,807
Less: Transfer to property, plant & equipment during the year (Note-8.2)	533,437,734	168,344,769
Balance as at 31 December	354,303,418	155,705,038
8.1 Addition during the year		
Building	55,158,696	15,264,180
Plant and machinery	657,479,014	273,363,820
Others	19,398,405	17,707,970
	732,036,114	306,335,970
8.2 Items transferred from capital work in progress to property, plant & equipment		
Building	14,549,044	14,944,895
Plant and machinery	509,927,776	138,247,010
Others	8,960,914	15,152,864
	533,437,734	168,344,769
9 Investment in subsidiaries (Note-9.1)		
RAK Power Pvt. Ltd	341,629,950	341,629,950
RAK Security & Services Pvt. Ltd	18,750,000	18,750,000
	360,379,950	360,379,950
9.1 Details of investments in subsidiaries		
RAK Power Pvt. Ltd	341,629,950	341,629,950
RAK Security & Services Pvt. Ltd	18,750,000	18,750,000
10 Inventories		
Raw materials	1,142,336,604	1,616,409,488
Less: Provision for slow moving & obsolete inventories	36,222,885	27,390,319
	1,106,113,719	1,589,019,169
Stores, consumables spares and packing	996,003,692	1,044,456,513
Less: Write off for stores and spares	4,043,075	45,658,898
	991,960,617	998,797,615
Finished goods (net of net realizable value adjustment)*	1,169,745,855	587,936,012
Less: Provision for slow moving & obsolete inventories	13,967,249	10,193,909
	1,155,778,606	577,742,103
Work-in-process	80,280,061	72,294,867
Goods-in-transit	174,997,673	111,557,341
	3,509,130,676	3,349,411,095
11 Trade and other receivables		
Trade receivables (Note-11.1)	2,465,500,084	1,513,261,372
Accrued interest (Note-11.2)	814,817	1,021,062
	2,466,314,901	1,514,282,434

	2023 Taka	2022 Taka
11.1 Trade receivables		
Receivable from dealers	2,482,895,872	1,524,974,423
Receivable from export sales	11,166,492	-
	<u>2,494,062,364</u>	<u>1,524,974,423</u>
Less: Provision of impairment loss on trade receivable:		
Unrelated parties	10,018,340	5,784,870
Related parties	18,543,940	5,928,181
	2,465,500,084	1,513,261,372
11.2 Accrued Interest		
Interest accrued on Fixed deposit receipt	814,817	1,021,062
	<u>814,817</u>	<u>1,021,062</u>
12 Advance, deposits and prepayments		
Advances:		
Purchase of land and others	920,757	18,037,873
Suppliers against materials and services	240,606,363	60,055,423
	<u>241,527,120</u>	<u>78,093,296</u>
Security and other deposit:		
Titas gas	38,569,450	38,569,450
Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
Deposited with income tax authority	88,962,899	79,320,962
Deposited with VAT authority	6,726,946	34,345,289
Display center and others	1,140,000	1,140,000
Other deposits	1,494,626	1,494,626
	<u>138,848,921</u>	<u>156,825,327</u>
Prepayments:		
Showroom, warehouse and office rent	-	15,774,000
Insurance and others	9,033,831	11,671,428
	<u>9,033,831</u>	<u>27,445,428</u>
	389,409,872	262,364,051
13 Advance Income Tax		
Balance as at 1 January	3,718,480,370	3,499,475,257
Add: Paid during the year	166,182,632	219,005,113
Balance as at 31 December (Note -13.1)	3,884,663,002	3,718,480,370
13.1 Year wise closing balance		
Income year		
Year 2023	141,727,632	-
Year 2022	228,460,112	204,005,112
Year 2021	252,801,979	252,801,979
Year 2020	115,584,117	115,584,117
Year 2019	254,675,621	254,675,621
Year 2018	270,464,119	270,464,119
Year 2017	295,460,648	295,460,648
Year 2016	242,216,508	242,216,508

Year 2015	138,288,579	138,288,579
Year 2014	253,701,667	253,701,667
Year 2013	352,440,807	352,440,807
Year 2012	301,027,378	301,027,378
Year 2011	322,755,413	322,755,413
Year 2010	263,692,205	263,692,205
Year 2009	218,086,876	218,086,876
Year 2008	85,378,847	85,378,847
Year 2007	124,813,161	124,813,161
Year 2006 (Unadjusted balance)	23,087,333	23,087,333

	2023 Taka	2022 Taka
	<u>3,884,663,002</u>	<u>3,718,480,370</u>
14 Cash and cash equivalents		
Cash in hand	4,961,556	4,292,943
Cash at banks		
Standard Chartered Bank (current account - 01-6162940-01 - BDT)	-	47,958,692
BRAC Bank (current account - 1530201731248001 - BDT)	3,569,213	7,029,098
Citibank N.A. (current account - G010000200262018 - BDT)	137,044	143,529
Dutch Bangla Bank Ltd. (current account - 117 - 110 - 12733 - BDT)	17,893,225	2,117,282
Eastern Bank Ltd. (Current account - 1041060507936)	-	500,000
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	1,236,309	1,305,563
Standard Chartered Bank (Margin Money account)	165,969,352	8,050,465
Midland Bank Ltd. (Margin Money account)	76,430,054	-
United Commercial Bank Ltd. (SND account - 0831301000000164 BDT)	10,761,772	19,582,657
Al Arafa Islami Bank Ltd. (SND account - 0171220002646 - BDT)	2,563,188	-
South East Bank Ltd. (CD account - 11100008546 - BDT)	18,080	-
Dhaka Bank Ltd. (SND - 102.150.274- BDT)	10,024,467	12,724,019
Dutch Bangla Bank Ltd. (SND account - 117-120-589 - BDT)	16,427,419	58,784,345
Pubali Bank Ltd. (CD account 4709901003543 - BDT)	98,991	-
Prime Bank Ltd. (SND - 2125316004690 - BDT)	2,588,318	5,163,335
Commercial Bank of Ceylon (SND - 2817000777 - BDT)	16,368	36,099,416
Commercial Bank of Ceylon (ERQ - 1806012366 - USD)	207,926	1,167,570
Meghna Bank Ltd. (SND 1112-13500000004 - BDT)	1,983,178	18,037,172
Midland Bank Ltd. (SND 0006-1060000043 - BDT)	177,336,256	281,532,801
Eastern Bank Ltd. (SND account - 1041360507944 - BDT)	16,761,953	76,971,089
Eastern Bank Ltd. (Margin Money account)	7,006,001	685,732
Commercial Bank of Ceylon (Margin Money account)	163,002,596	331,882
	<u>674,031,710</u>	<u>578,184,647</u>
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	1,687,358	1,686,673
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262042 - USD)	3,919,501	3,919,501
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262026 - EURO)	153,606	153,606
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262034 - GBP)	126,599	126,599
	<u>5,887,064</u>	<u>5,886,379</u>

	2023 Taka	2022 Taka
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,828,976	2,832,666
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	1,092,886	1,096,576
SCB (SND - 02-6162940-02 - BDT) - 2012	174,920	176,153
SCB (SND - 02-6162940-03 - BDT) - 2013	320,187	321,365
SCB (SND - 02-6162940-05 - BDT) - 2015	39,314	40,449
SCB (SND - 02-6162940-06 - BDT) - 2016	6,022	7,170
SCB (SND - 02-6162940-07 - BDT) - 2017	-	1,133
SCB (SND - 02-6162940-09 - BDT) - 2019	4,207	6,099,271
SCB (SND - 02-6162940-10 - BDT) - 2020	3,161,688	3,179,172
SCB (SND - 02-6162940-11 - BDT) - 2021	2,974,975	3,070,463
MDB (SND - 0006-1090000460 - BDT) - 2022	5,178,082	-
	15,781,257	16,824,418
Investment in Fixed Deposit Receipt (FDR)		
Midland Bank Ltd.	50,000,000	-
Eastern Bank Ltd.	55,745,315	255,745,315
Dhaka Bank Ltd.	-	300,000,000
Commercial Bank of Ceylon	5,000,000	55,000,000
	110,745,315	610,745,315
	811,406,902	1,215,933,702

15 Share Capital

Authorised

600,000,000 ordinary shares of Tk 10 each

Issued, subscribed, called and paid up

427,968,701 ordinary shares of Tk 10 each

Percentage of shareholding:

	2023		2022	
	%	Taka	%	Taka
RAK Ceramics PJSC, UAE	68.13	2,915,864,310	68.13	2,915,864,310
SAK Ekramuzzaman	3.95	168,958,240	3.95	168,958,240
Other Sponsors	0.00	1,660	0.00	1,660
General Public	27.92	1,194,862,800	27.92	1,194,862,800
	100.00	4,279,687,010	100.00	4,279,687,010

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

Mr. SAK Ekramuzzaman pledged 15,232,353 no of shares out of his total holding of 16,895,824 no of shares.

Classification of shareholders by range:

Shareholders' range	Number of shareholders		Number of shares	
	2023	2022	2023	2022
Less than 500 shares	17,330	17,249	4,044,428	4,042,747
501 to 5,000 shares	8,240	8,179	13,216,736	13,158,647
5001 to 10,000 shares	930	926	6,992,412	7,005,165
10,001 to 20,000 shares	483	486	7,020,409	7,117,059
20,001 to 30,000 shares	150	154	3,803,492	3,901,900
30,001 to 40,000 shares	77	76	2,755,017	2,717,389
40,001 to 50,000 shares	64	65	2,996,435	3,061,080
50,001 to 100,000 shares	97	98	6,872,942	6,955,385
100,001 to 1,000,000 shares	81	81	24,739,299	24,464,289
Over 1,000,000 shares	14	15	355,527,531	355,545,040
	27,466	27,329	427,968,701	427,968,701

16 Share premium

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

No. of shares	Share premium (per share)	2023 Taka	2022 Taka
10,000,000	30	300,000,000	300,000,000
34,510,000	38	1,311,380,000	1,311,380,000
		1,611,380,000	1,611,380,000
	Less : Share issue expenses	137,732,021	137,732,021
		1,473,647,979	1,473,647,979

17 Retained earnings (Reserve and surplus)

Balance as on 01 January	1,937,981,076	1,781,601,043
Add : Profit during the year	608,240,471	691,340,909
	2,546,221,547	2,472,941,952
Less: Dividend declared during the year	(427,968,701)	(534,960,876)
Balance as at 31 December	2,118,252,846	1,937,981,076

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

18 Deferred tax liabilities

	2023 Taka	2022 Taka
Balance as at 1 January	93,207,890	119,491,463
Deferred tax (income) / expenses	(55,270,280)	(26,283,573)
Balance as at 31 December	37,937,610	93,207,890

	Carrying amount on the date of statement of financial position	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
As at 31 December 2023			
Property, plant and equipment (Excluding land and others)	2,232,341,354	1,971,861,973	260,479,381
Trade receivable	2,465,500,084	2,494,062,364	(28,562,280)
Inventories	3,509,130,676	3,589,245,821	(80,115,145)
Right of use assets	68,634,007	-	68,634,007
Lease liability	(51,824,364)	-	(51,824,364)
Net taxable temporary difference			168,611,599
Deferred tax liability (applying tax rate 22.50%)			37,937,610
As at 31 December 2022			
Property, plant and equipment (Excluding land and others)	2,076,875,642	1,593,887,954	482,987,688
Trade receivable	1,513,261,372	1,524,974,423	(11,713,051)
Inventories	3,349,411,095	3,412,972,845	(63,561,750)
Right of use assets	25,127,649	-	25,127,649
Lease liability	(18,583,247)	-	(18,583,247)
Net taxable temporary difference			414,257,289
Deferred tax liability (applying tax rate 22.50%)			93,207,890

19 Employees benefits payable

	2023		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	77,391,021	29,118,852	106,509,872
	77,391,021	29,118,852	106,509,872
Less: Payments made to fund during the year	77,391,021	29,118,852	106,509,872
Balance as at 31 December	-	-	-

Forfeited amount of provident fund amounting to BDT. 1,360,781 for the year 2023 has been adjusted with provision and payment.

	2022		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	70,497,430	25,740,087	96,237,517
	70,497,430	25,740,087	96,237,517
Less: Payments made to fund during the year	70,497,430	25,740,087	96,237,517
Balance as at 31 December	-	-	-

Forfeited amount of provident fund amounting to BDT. 333,962 for the year 2022 has been adjusted with provision and payment.

20 Borrowings

Non-current:

Term loan -EBL

Less : Current portion of term loan - EBL

Current:

Overdraft - SCB

Overdraft - EBL

Overdraft - CBC

Overdraft - DBBL

Overdraft - MIBL

Short term borrowings - EBL

Short term borrowings - SCB

Short term borrowings - CBC

Short term borrowings - MIBL

Current portion of term loan - EBL

Balance as at 31 December

20.1 Borrowings by maturity

At 31 December 2023	< 1 year	1-2 years	2-5 years	> 5 years	Total
Overdrafts	70,521,272	-	-	-	70,521,272
Short-term borrowings	651,860,917	-	-	-	651,860,917
Term loan	11,235,218	93,782,409	270,112,010	-	375,129,637
	733,617,407	93,782,409	270,112,010	-	1,097,511,826

At 31 December 2022

	< 1 year	1-2 years	2-5 years	> 5 years	Total
Short-term borrowings	372,805,792	-	-	-	372,805,792
	372,805,792	-	-	-	372,805,792

The company opted for off-shore financing from SCB, EBL & CBC on its outstanding import bills as deferred payment bills under the letter of credits.

20.2 Facilities details (Funded)

Bank	Name of facilities	Limit	Utilisation	Maturity	Repayment	Security - STL	Security - LTL
SCB	Overdraft	50,000,000	6,515,420	Revolving	From company's own source		
	Short term loan	500,000,000	155,307,933	180/360 days from B/L date			
Midland Bank Ltd.	Overdraft	25,000,000	23,606,972	Revolving	From company's own source		
	Short term loan	500,000,000	145,269,407	180/360 days from B/L date			
	Long term loan*	450,000,000	375,129,637	5 years with 1 year moratorium period		1) Hypothecation over stock & book debts on a parri - passu basis with other lenders.	1) Specific charge over plant, machinery and equipment of BMRE projects.
Eastern Bank Ltd.	Overdraft	25,000,000	5,804,881	Revolving	From company's own source		
	Short term loan	425,000,000	280,198,747	180/360 days from B/L date			
Dutch Bangla Bank Ltd.	Overdraft	25,000,000	24,015,000	Revolving	From company's own source		
	Short term loan	90,000,000	-	180/360 days from B/L date			
Commercial Bank of Ceylon	Overdraft	35,000,000	10,578,999	Revolving	From company's own source		
	Short term loan	550,000,000	71,084,830	180/360 days from B/L date			

* The long term loan facility limit approved in Board of Directors meetings dated July 20, 2022 to be utilized for the BMRE project of tiles plant

	2023 Taka	2022 Taka
21 Lease liability		
Non-current:		
Lease liability	51,824,364	18,583,247
Less : Current portion of lease liability	11,242,827	5,427,646
	40,581,537	13,155,601
Current:		
Current portion of lease liability	11,242,827	5,427,646

Lease liability schedule

31 Dec 2023

Particulars	Balance as on 01 January 2023	Addition/ (deletion)	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2023
Display center	15,897,164	13,133,102	9,383,916	2,515,693	6,868,223	22,162,043
Accommodation Building	834,211	759,050	836,842	73,251	763,591	829,670
Warehouse	1,851,872	28,687,412	3,031,583	1,324,951	1,706,633	28,832,651
	18,583,247	42,579,564	13,252,342	3,913,895	9,338,447	51,824,364

31 Dec 2022

Particulars	Balance as on 01 January 2022	Addition/ (deletion)	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2022
Display center	8,959,184	11,971,130	6,203,091	1,169,941	5,033,150	15,897,164
Accommodation Building	755,370	805,053	802,105	75,893	726,212	834,211
Warehouse	-	1,880,142	105,265	76,995	28,270	1,851,872
	9,714,554	14,656,325	7,110,461	1,322,829	5,787,632	18,583,247

	2023 Taka	2022 Taka
22 Trade and other payables		
Trade payables		
Payable to local suppliers	170,443,346	143,348,263
Payable to foreign suppliers	538,720,832	222,739,944
Payable to service provider	290,062,056	146,640,164
Payable to C & F agent and freight forwarder	60,093,953	62,174,471
	1,059,320,187	574,902,842
Other payables		
Tax deducted at source	8,541,045	17,794,613
Tax deducted at source on remuneration (Note-24.1)	6,312,349	7,099,944
Tax deducted at source on incentive and bonus (Note-24)	-	7,263,075
VAT deducted at source	8,514,698	7,332,998
VAT and Supplementary duty payable (Note-22.1)	121,399,684	115,446,800
Royalty and technical know-how fee	517,802,531	478,068,907
Unclaimed share application	20,061,956	20,061,956

	2023 Taka	2022 Taka
Advance from customer against sales	9,997,336	6,681,523
Payable to customer against claim	17,856,960	16,656,209
Provisional liabilities - material & services	38,872,400	44,632,834
Payable to employees	2,642,646	1,534,726
Security deposit payable	1,617,592	1,617,592
Payable against purchase of land (Note : 39)	304,150,175	298,137,675
	1,057,769,372	1,022,328,851
	2,117,089,559	1,597,231,694

22.1 VAT and Supplementary duty (SD) payable

Opening Balance	115,446,800	114,600,709
Add: VAT and Supplementary duty on sales	2,497,326,671	2,457,416,685
Other payable	1,365,249	211,101
	2,614,138,720	2,572,228,495
Less:		
Treasury deposit for SD & VAT purpose	1,625,908,953	1,616,519,480
Rebate of input VAT	866,830,083	840,262,214
	2,492,739,036	2,456,781,694
Balance as at 31 December	121,399,684	115,446,800

23 Unclaimed Dividend Payable

Year	Dividend declared	TDS on dividend	Net dividend	Dividend distributed till 31 Dec 2023	Fund Transferred to CMSF	Undistributed fund (BDT) as on 31 Dec 2023
2010	345,110,250	60,198,297	284,911,953	274,257,528	10,654,425	-
2011	379,621,275	65,382,545	314,238,730	306,565,331	7,673,399	-
2012	417,583,403	27,344,749	390,238,653	386,535,373	3,703,280	-
2013	459,341,744	30,693,245	428,648,499	426,108,408	2,540,090	-
2014	842,126,528	60,654,665	781,471,863	776,464,072	5,007,791	-
2015	842,126,528	61,659,449	780,467,078	776,773,479	3,693,599	-
2016	673,701,222	48,745,089	624,956,133	620,752,883	4,203,250	-
2017	353,693,141	27,276,252	326,416,889	324,757,456	1,659,433	-
2018	389,062,456	29,888,903	359,173,553	357,227,075	1,946,478	-
2019	641,953,052	49,029,624	592,923,428	588,305,450	4,617,978	-
2020	427,968,701	32,747,652	395,221,049	392,412,812	-	2,808,238
2021	534,960,876	39,123,334	495,837,543	492,911,315	-	2,926,228
2022	427,968,701	34,965,753	393,002,948	390,614,915	-	2,388,033
	6,735,217,875	567,709,557	6,167,508,318	6,113,686,096	45,699,723	8,122,499

					2023 Taka	2022 Taka
Year	Dividend declared	TDS on dividend	Net dividend	Dividend distributed till 31 Dec 2022	Fund Transferred to CMSF	Undistributed fund (BDT) as on 31 Dec 2022
2010	345,110,250	60,198,297	284,911,953	274,257,528	10,654,425	-
2011	379,621,275	65,382,545	314,238,730	306,565,331	7,673,399	-
2012	417,583,403	27,344,749	390,238,653	386,535,373	3,703,280	-
2013	459,341,744	30,693,245	428,648,499	426,108,408	2,540,090	-
2014	842,126,528	60,654,665	781,471,863	776,464,072	5,007,791	-
2015	842,126,528	61,659,449	780,467,078	776,773,479	3,693,599	-
2016	673,701,222	48,745,089	624,956,133	620,752,883	4,203,250	-
2017	353,693,141	27,276,252	326,416,889	324,757,456	1,659,433	-
2018	389,062,456	29,888,903	359,173,553	357,227,075	1,946,478	-
2019	641,953,052	49,029,624	592,923,428	586,814,480	-	6,108,948
2020	427,968,701	32,747,652	395,221,049	392,398,879	-	2,822,171
2021	534,960,876	39,123,334	495,837,543	492,866,695	-	2,970,848
	6,307,249,174	532,743,804	5,774,505,371	5,721,521,659	41,081,745	11,901,967
24	Accrued expenses					
	Power and gas				65,621,980	25,438,435
	Staff cost				111,096,105	107,945,701
	Dealer's incentive and bonus				7,491,671	65,367,671
	Audit fees				1,800,000	1,600,000
	Professional charges				3,878,245	399,997
	Interest on loan				8,179,830	7,598,906
	Telephone				440,566	236,848
	Labour bill				1,579,013	2,333,469
	Freight bill				7,310,331	1,750,586
	Business promotion and advertisement				3,327,046	32,591,430
	Hiring heavy equipment				4,139,696	1,660,994
	Others				2,811,405	75,000
	Managing Director's remuneration (Note-24.1)				18,937,048	21,299,832
	Workers profit participation and welfare fund (Note-24.2)				40,078,408	45,079,009
					276,691,344	313,377,878
24.1	Managing Director's remuneration					
	Balance as at 1 January				21,299,832	26,422,103
	Add: Payable to Managing Director for the year (Note 29)				25,249,397	28,399,776
					46,549,229	54,821,879
	Less: Tax deducted at source during the year (Note 22)				6,312,349	7,099,944
	Less: Paid to Managing Director during the year				21,299,832	26,422,103
	Balance as at 31 December				18,937,048	21,299,832
24.2	Workers' Profit Participation and welfare Fund					
	Balance as at 1 January				45,079,009	55,919,793
	Add: Contribution made to the fund during the year				40,078,408	45,079,009
					85,157,417	100,998,802
	Less: Payment made from the fund during the year				45,079,009	55,919,793
	Balance as at 31 December				40,078,408	45,079,009
25	Provision for income tax					
	Balance as at 1 January				4,135,931,140	3,899,408,292
	Add: Provision made during year				248,597,967	236,522,848
	Balance as at 31 December (note 25.1)				4,384,529,107	4,135,931,140

25.1 Year wise closing balance Income year

	2023 Taka	2022 Taka
Year 2023	248,597,967	-
Year 2022	236,522,849	236,522,849
Year 2021	280,200,490	280,200,490
Year 2020	122,316,309	122,316,309
Year 2019	269,804,714	269,804,714
Year 2018	273,027,981	273,027,981
Year 2017	297,112,555	297,112,555
Year 2016	253,189,745	253,189,745
Year 2015	274,419,022	274,419,022
Year 2014	339,893,487	339,893,487
Year 2013	318,166,647	318,166,647
Year 2012	305,056,869	305,056,869
Year 2011	323,149,311	323,149,311
Year 2010	348,965,691	348,965,691
Year 2009	266,823,984	266,823,984
Year 2008	147,117,914	147,117,914
Year 2007	80,163,573	80,163,573
	4,384,529,107	4,135,931,140

26 Sales

	Unit	2023		2022	
		QTY in million	In Taka	QTY in million	In Taka
Local					
Tiles	Sft	93.54	8,084,144,489	101.66	7,774,143,554
Decor/Border	Pcs	0.48	87,482,395	0.54	85,982,392
Sanitary ware	Pcs	1.08	2,559,887,166	1.29	2,763,014,412
			10,731,514,050		10,623,140,358
Less: Supplementary Duty			1,094,378,921		1,068,911,395
			9,637,135,129		9,554,228,963
Less: VAT			1,404,312,999		1,388,716,391
			8,232,822,130		8,165,512,572
Export					
Tiles	Sft	0.19	14,299,969	0.09	5,869,815
			8,247,122,099		8,171,382,387
Less: Discount			1,379,708		13,455,579
Less: Commission, incentive and bonus (note - 26.1)			476,806,648		746,005,277
			7,768,935,743		7,411,921,531

26.1 Commission, incentive and bonus

Dealer's commission	97,904,510	147,306,026
Breakage commission	110,040,584	156,925,639
Incentive and bonus	268,861,554	441,773,612
	476,806,648	746,005,277

	2023 Taka	2022 Taka
27 Cost of sales		
Material consumed:		
Opening inventory as on 01 January	1,589,019,169	1,312,339,347
Add: Purchase during the year	2,528,863,034	3,116,657,647
Less: Closing inventory as on 31 December	1,106,113,719	1,589,019,169
	3,011,768,484	2,839,977,825
Factory overhead:		
Direct labour (note-27.1)	632,295,365	606,764,396
Direct expenses:		
Power and gas	1,416,017,721	721,046,812
Repairs and indirect materials (note-27.2)	772,568,754	776,963,089
Depreciation (note-5.2)	392,299,362	376,279,773
Royalty and technical know-how fees*	66,578,040	70,094,388
Other production overhead (note-27.3)	47,280,748	89,996,995
Provision for slow moving & obsolete inventories (note 10)	12,605,906	4,134,109
Movement in stock	(531,160,771)	(19,144,653)
	5,820,253,609	5,466,112,734
27.1 Direct labour		
Salary & wages	458,399,295	415,670,749
Overtime	18,560,972	31,273,040
Bonus	38,210,836	40,205,900
Temporary labour wages	59,833,262	63,830,005
Gratuity	19,874,165	17,909,034
Employers contribution to provident fund	25,568,302	23,974,351
Leave encashment	3,499,535	11,384,121
Group life insurance	3,250,971	2,095,923
Compensation	391,008	421,273
Staff uniform, safety and welfare expenses	4,707,019	-
	632,295,365	606,764,396
27.2 Repair and indirect materials		
Stores, spares, repair & maintenance	353,256,740	355,660,809
Packing expenses	419,312,014	421,302,280
	772,568,754	776,963,089
27.3 Other production overhead		
Tour and travel expenses	2,951,603	2,566,673
Demurrage and penalty	10,258,401	8,349,282
Insurance	23,682,259	24,584,557
Write off for stores and spares	4,043,075	45,658,898
Hiring charges and transportation	4,356,520	7,423,206
Other expenses	1,988,890	1,414,379
	47,280,748	89,996,995

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

	2023 Taka	2022 Taka
28 Other income		
Dividend income	1,980,000	45,949,800
Rental income	3,130,434	5,008,696
	5,110,434	50,958,496
29 Administrative expenses		
Staff cost (note-29.2)	214,696,153	186,832,438
Annual General Meeting expenses	1,889,312	1,881,291
Telephone and postage	12,577,075	10,128,179
Office repair and maintenance (note-29.3)	13,264,231	7,298,986
Registration and renewal	2,485,908	1,117,145
Security and guard expenses	26,607,617	21,269,098
Electricity, gas and water	5,905,622	5,395,828
Depreciation on property, plant & equipment (note - 5.2.1)	34,392,839	30,585,341
Depreciation on investment property (note - 5.2.1)	221,918	221,918
Depreciation on right of use assets (note - 6.1)	761,925	730,522
Amortization (note-7)	5,029,342	1,259,813
Legal and professional fees	12,442,366	14,445,644
Vehicle repair and maintenance	16,507,898	16,650,364
Rent rate and tax	3,669,475	1,435,688
IT expenses	10,589,150	4,629,673
General service	16,161,610	15,303,154
Loss on retirement of fixed assets (note - 5.3)	922,779	1,995,267
Donation	4,770,084	2,620,836
Others	11,513,809	13,911,144
Managing Director's remuneration (note-29.4)	25,249,397	28,399,776
	419,658,510	366,112,105
29.1 Impairment loss of trade receivable		
Unrelated parties	4,233,470	3,456,569
Related parties	12,615,759	(530,517)
	16,849,229	2,926,052
29.2 Staff cost		
Salary & wages	148,337,322	135,591,955
Bonus	18,607,005	11,285,849
Incentive	1,473,380	777,101
Gratuity	5,710,178	3,722,346
Employers contribution to provident fund	7,696,150	7,083,150
Leave encashment	1,029,472	4,014,630
Group life insurance	941,420	750,678
Canteen and conveyance expenses	20,092,023	16,747,047
Staff uniform, safety and welfare expenses	4,345,098	3,022,618
Travelling expenses	3,886,781	2,157,133
Compensation	80,028	246,184
Medical expenses	879,739	462,296
Accommodation expenses	1,617,557	971,451
	214,696,153	186,832,438

Accommodation expenses includes rent expenses for short term lease for BDT. 156,000 and related government levies wherever applicable. Details of the short term lease is shown in note no 36. No low value item exists at the reporting period.

	2023 Taka	2022 Taka
29.3 Office repair & maintenance		
Repairs office equipment	520,607	1,558,993
Office maintenance	12,743,624	5,739,993
	13,264,231	7,298,986
29.4 This represents provision made @ 3% of net profit before tax.		
30 Marketing & selling expenses		
Staff cost (note-30.1)	133,861,055	117,376,723
Advertisement	29,879,886	47,527,985
Freight and transportation	327,679,484	328,668,292
Compensation to customers	8,539,336	9,386,717
Business promotion	62,709,634	66,882,436
Depreciation on property, plant & equipment (note - 5.2)	8,469,320	6,829,099
Depreciation on right of use assets (note - 6.1)	14,915,322	8,280,700
Showroom, office & house rent	64,756	1,271,536
Sample expenses	28,302,666	20,080,439
Tour, travel and others	19,939,363	13,897,493
	634,360,822	620,201,420
30.1 Staff cost		
Salary & wages	82,090,215	67,327,971
Bonus	5,549,885	6,026,299
Incentive	13,362,569	13,556,819
Gratuity	3,534,509	4,108,706
Employers contribution to provident fund	4,750,668	4,024,233
Leave encashment	638,019	1,186,678
Group life insurance	586,749	390,844
Conveyance and food expenses	21,515,109	11,492,718
Staff uniform, safety and welfare expenses	1,833,332	9,262,455
	133,861,055	117,376,723
30.2 Salary & wages under staff cost (note no. 27.1, 29.2 & 30.1) includes employee contribution to provident fund for BDT.25,568,302, BDT. 7,696,150 & BDT. 4,750,668.		
31 Finance income		
Interest on bank account (SND)	10,599,717	6,726,677
Interest on Fixed deposits	18,960,311	41,193,952
	29,560,028	47,920,629
32 Finance expenses		
Interest expenses against Loan	37,211,584	25,253,627
Interest expenses against lease liability	3,913,895	1,322,829
Bank charges	2,333,927	2,722,817
Foreign exchange loss	27,378,063	79,489,878
	70,837,469	108,789,151
33 Income tax expenses		
Accounting profit (PBT as per Statement of Profit & Loss)	801,568,158	901,580,185
Add: Inadmissible depreciation allowance for separate consideration:		
Accounting Depreciation of Fixed Assets	435,383,439	413,916,131
	1,236,951,597	1,315,496,316
Add: Inadmissible expenses / allowances as per ITO, 1984/ITA, 2023:		
Business promotion expenses	8,980,563	13,737,385
Royalty expenses	-	270,752

	2023 Taka	2022 Taka
Sample expenses	18,093,554	9,754,600
Amortization expenses	5,029,342	1,259,813
Depreciation on Right of Use Assets (ROUA)	15,677,247	9,011,222
Interest on lease liability	3,913,895	1,322,829
Provision for slow moving inventories	12,605,906	4,134,109
NRV Provision on inventories	3,947,488	3,751,662
Impairment loss on trade receivable	16,849,229	2,926,052
	85,097,224	46,168,424
	1,322,048,820	1,361,664,740
Deduct: Tax base depreciation of Fixed Assets (as per 3rd Schedule of ITO,1984/ITA, 2023):	(199,478,598)	(293,219,009)
Admissible expenses as per ITO,1984/ITA, 2023:		
Rent expenses	(17,470,368)	(12,127,538)
Deduct: Dividend income	(1,980,000)	(45,949,800)
Taxable profit	1,103,119,855	1,010,368,393
Applicable tax rate		
On Business income	22.50%	22.50%
On Dividend income	20.00%	20.00%
Tax expenses:		
Business income	248,201,967	227,332,889
Dividend income	396,000	9,189,960
Current tax liability	248,597,967	236,522,849

34 Reconciliation of effective tax rate

	2023		2022	
	%	Taka	%	Taka
Profit before tax		801,568,158		901,580,185
Current tax expenses	31.01%	248,597,967	26.23%	236,522,849
Deferred tax expenses/(income)	-6.90%	(55,270,280)	-2.92%	(26,283,573)
Total tax expenses	24.12%	193,327,688	23.32%	210,239,275
Expected income tax using applicable tax rate	22.50%	180,352,835	22.50%	202,855,542
Tax on non-deductible expenses	8.51%	68,245,132	3.73%	33,667,307
Effective current tax	31.01%	248,597,967	26.23%	236,522,849
Effective deferred tax/(income)	-6.90%	(55,270,280)	-2.92%	(26,283,573)
	24.12%	193,327,688	23.32%	210,239,275

35 Transaction in foreign currency

	2023	2022
CIF value of import:		
Raw materials	2,026,698,449	2,360,752,502
Spare parts	427,671,336	616,715,529
Capital machinery	828,813,442	425,044,093
Expenditure:		
Dividend	277,007,109	346,258,887
	3,560,190,336	3,748,771,011
Earnings:		
FOB value of exports	14,299,969	5,869,815
	14,299,969	5,869,815

36 Short term lease expenses

Nature of the lease	Lease term	Allocation	Rent Payment	Rent Payment
Rented accommodation	<1 year	Admin	156,000	156,000
			156,000	156,000

37 Quantitative details of opening stock, purchase/production, consumption/sales and closing stock of raw materials and finished goods (Refer to Note 27)

Quantity in million

Description	Unit	Opening stock	Purchase/ Production	Sale / Consumption	Closing stock
		Quantity	Quantity	Quantity	Quantity
Raw materials	KG				
Current year		68.08	236.72	257.56	47.24
Previous year		74.10	277.90	283.91	68.08
Finished goods					
Tiles:	Sft				
Ceramics/granite					
Current year		12.92	102.46	93.73	21.66
Previous year		15.72	98.94	101.75	12.92
Decor/border	Pcs				
Current year		0.13	0.45	0.48	0.09
Previous year		0.11	0.55	0.54	0.13
Sanitary ware:					
Sanitary items	Pcs				
Current year		0.21	1.22	1.08	0.35
Previous year		0.16	1.34	1.29	0.21

37.1 Production capacity and actual production are given below: (Refer to Note 27)

2023

Production	Unit	Installed Capacity (million) Annual	Utilisation during the year (million)	% of Utilisation	Over/(Under) Utilisation (million)
Tiles	Sft	111.04	102.46	92%	(8.58)
Sanitary ware	Pcs	1.45	1.22	84%	(0.23)

2022

Production	Unit	Installed Capacity (million) Annual	Utilisation during the year (million)	% of Utilisation	Over/(Under) Utilisation (million)
Tiles	Sft	111.04	98.94	89%	(12.10)
Sanitary ware	Pcs	1.45	1.34	92%	(0.11)

38 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

38.1 Credit risk

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, debtors are grouped according to their risk profile, i.e. their legal status, financial condition etc. Accounts receivable are mainly related to local receivables. The Company's exposure to credit risk on accounts receivables is mainly influenced by the individual payment characteristics of local customers. The Company has established receivable department to minimise credit risk involving collection of local receivables.

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

a) Exposure to credit risk

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

	USD	USD	Amounts in Taka	
	As at 31 Dec 2023	As at 31 Dec 2022	As at 31 Dec 2023	As at 31 Dec 2022
Trade receivables				
Customer-Local	-	-	2,454,333,592	1,513,261,372
Customer-Export	97,120	-	11,166,492	-
	97,120	-	2,465,500,084	1,513,261,372
Other receivables				
Accrued Interest			814,817	1,021,062
			814,817	1,021,062
Cash equivalents			806,445,346	1,211,640,758

b) Impact of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IFRS 9 for each class of the financial assets as at 31 Dec 2023.

Financial assets	Note	Classification under IFRS 9	Carrying amount	Carrying amount under IFRS 9	Impairment loss (Refer note-11.1)
Trade receivable-unrelated	11.1	Amortized cost	1,225,375,328	1,215,356,988	10,018,340
Trade receivable-related	11.1	Amortized cost	1,268,687,036	1,250,143,096	18,543,940
Cash at banks	14	Amortized cost	695,700,031	695,700,031	-

i The above table provides information ECLs till date. Impairment provision till Dec 2022 was Tk. 11,713,051 and provision made during the year is Tk. 16,849,229.

ii Trade receivables that were classified at amortised cost.

iii Cash at banks that were classified at amortised cost.

iv Impairment loss allowance has not been considered on other receivables and bank balances because business is confident to recover the full amount from the party.

c) **Ageing of receivables**

The aging of trade receivables as at 31 Dec was:

	Amounts in Taka	
	As at 31 Dec 2023	As at 31 Dec 2022
Not past due	1,472,393,557	1,324,363,838
0-90 days past due	244,051,770	114,918,597
91-180 days past due	379,036,849	41,737,456
181-365 days past due	331,586,654	28,832,733
over 365 days past due	38,431,254	3,408,748
	2,465,500,084	1,513,261,372

38.2 **Liquidity risk**

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

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

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

	As at 31 Dec 2023			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Overdrafts	70,521,272	70,521,272	70,521,272	-
Short term borrowing	651,860,917	651,860,917	651,860,917	-
Long term borrowing	375,129,637	375,129,637	11,235,218	363,894,419
Trade and other payables	2,117,089,559	2,117,089,559	2,117,089,559	-
	3,214,601,384	3,214,601,384	2,850,706,965	363,894,419

	As at 31 Dec 2022			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Short term borrowing	372,805,792	372,805,792	372,805,792	-
Trade and other payables	1,597,231,694	1,597,231,694	1,597,231,694	-
	1,970,037,486	1,970,037,486	1,970,037,486	-

38.3 **Market risk**

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

a) **Currency risk**

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

i) **Exposure to currency risk**

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

	As at 31 Dec 2023				As at 31 Dec 2022			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
Foreign currency denominated assets								
Receivable from customers-Export	-	-	97,120	-	-	-	-	-
Cash at bank	-	-	13,189	-	-	-	24,486	-
	-	-	110,309	-	-	-	24,486	-

	As at 31 Dec 2023				As at 31 Dec 2022			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
Foreign currency denominated liabilities								
Trade and other payables	-	477,466	1,251,964	2,625,224	4,442	238,847	1,124,326	699,445
Short term borrowings (foreign)	-	-	1,610,350	1,052,918	-	-	3,463,724	158,080
Royalty & Technical Fees	-	-	4,707,296	-	-	-	4,659,391	-
	-	477,466	7,569,610	3,678,141	4,442	238,847	9,247,441	857,525
Net exposure	-	(477,466)	(7,459,300)	(3,678,141)	(4,442)	(238,847)	(9,222,955)	(857,525)

The Company has foreign exchange loss of Tk 27,378,063 during the year ended 31 December 2023 (31 December 2022: Exchange loss Tk 79,489,878).

The following significant exchange rates have been applied:

	Exchange rate as at (Average)	
	31 Dec 2023 Taka	31 Dec 2022 Taka
AED	29.8820	27.7608
GBP	140.6124	123.8037
USD	109.7500	101.8017
EURO	122.0317	108.6137

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

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

	As at 31 Dec 2023 Profit or (loss)		As at 31 Dec 2022 Profit or (loss)	
	Strengthening Taka	Weakening Taka	Strengthening Taka	Weakening Taka
At 31 December				
AED (3 percent movement)	-	-	(137)	129
GBP (3 percent movement)	(14,767)	13,907	(7,387)	6,957
USD (3 percent movement)	(230,700)	217,261	(285,246)	268,630
EURO (3 percent movement)	(113,757)	107,130	(26,521)	24,976

* Transaction represents purchase of 0.35 acres of land at Bhutulia, Gazipur under Dhanua Mouja at a total cost of BDT. 6,012,500 excluding registration and other expenses from Palli Properties Pte. Limited as approved by the shareholders of the company in Extra Ordinary General Meeting held on August 4, 2022. The land registered in the name of the Company but no payment has been made until at reporting date. Therefore, said amount showing as payable against purchase of land (Note-22).

** Transaction represents purchase of 11.32 acres of land at Bhutulia, Gazipur under Dhanua and Gazipur Mouja at a total cost of BDT. 209,743,750 excluding registration and other expenses from Masram Agro Ltd. as approved by the shareholders of the company in Extra Ordinary General Meeting held on August 4, 2022. The land registered in the name of the Company dated August 14, 2022 but no payment has been made until at reporting date. Therefore, said amount showing as payable against purchase of land (Note-22).

*** Purchase includes 21.73 acres of land at Bhutulia, Gazipur under Dhanua and Gazipur Mouja at a total cost of BDT. 402,090,100 excluding registration and other expenses from S.A.K Ekramuzzaman as approved by the shareholders of the company in Extra Ordinary General Meeting held on August 4, 2022. Out of Total payable BDT. 402,090,100 an amount of BDT. 313,696,175 has been paid to Mr. S.A.K. Ekramuzzaman and balance BDT. 88,393,925 showing as payable against purchase of land (Note -22).

**** The figures are included tax and VAT.

39.1 The company has decided to purchase of 33.91 acres of land at Bhutulia, Gazipur under Dhanua and Gazipur Mouja at a total cost of BDT. 627.34 million excluding registration and other expenses from Mr. SAK Ekramuzzaman [Managing Director of RAK Ceramics (Bangladesh) Limited] and others in its Board of Directors meeting dated June 13, 2022 and subsequent approval of the shareholders of the company in Extra Ordinary General Meeting held on August 4, 2022. Out of total 33.91 acres of land 33.40 acres has been registered in the name of the Company and balance land is under process of registration. The land was proposed to be utilized for greenfield expansion of tiles plant with an additional production capacity of 15,000 sqm of tiles per day, has been decided in the Board of Directors meeting as mentioned above. The total cost of the project was estimated BDT. 9.025 Million.

The company has also decided to establish a new faucets plant with production capacity of 1,500 pcs per day on the above land in the Board of Directors meeting held on July 20, 2022. The total cost of the project was estimated BDT. 950 Million.

To comply the BSEC notification no. BSEC/CMRRCD/2009-193/10/Admin/118 dated March 22, 2021 shareholders of the company in its 23rd Annual General Meeting dated March 31, 2022 approved an agenda to enter into contract for supply of goods and materials to Mohammed Trading (Owner of Mohammed Trading is Managing Director of RAK Ceramics (Bangladesh) Limited) equivalent to 10% (Ten percent) or above of the revenue for the immediate financial year.

39.2 Paid to Directors

During the year, provision was made as MD's remuneration for Taka. 25,249,397.

39.3 During the year, Board meeting fees of Taka 360,000 was paid to the board members for attending the Board meetings.

40 Number of employees

The number of employees engaged for the period who received total remuneration of Taka 96,000 and above per annum at reporting date was as follows.

	2023	2022
Number of employees	1,797	1,748

None of receiving below Taka 8,000 per month.

41 Calculation of Earnings per share (EPS)

	2023	2022
	Taka	Taka
(a) Net Profit for the year	608,240,471	691,340,909
(b) No. of ordinary equity shares	427,968,701	427,968,701
(c) Weighted average no. of equity shares outstanding (Note 41.1)	427,968,701	427,968,701
Earnings per share (EPS) for the year (a÷c)	1.42	1.62
Diluted earnings per share for the year (a÷c)	1.42	1.62

41.1 Weighted average number of ordinary shares

The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighted factor. The time-weighted factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year.

Outstanding shares	427,968,701	427,968,701
	427,968,701	427,968,701

41.2 Diluted earning per share

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

41.3 Reason of deviation of earnings per share:

Sales are increased by 4.82% from BDT 7,411.92 MN to BDT 7,768.94 MN but gross profit margin has been reduced to 25.08% from 26.25% due to increase of cost of goods sold (COGS) by 6.48%. COGS has been increased for non-availability of adequate gas, increase in gas price, electricity price, significant volatility of foreign currency market as well as depreciation of reporting currency which caused increase of all input raw material price and shipping freight. Therefore, earning per share is also decreased from BDT 1.62 to 1.42.

42 Calculation of Net assets value per share

(a) Net assets value (Note 15, 16 & 17)	7,871,587,835	7,691,316,065
(b) Weighted average no. of equity shares outstanding (Note 41.1)	427,968,701	427,968,701
Net assets value per share (a÷b)	18.39	17.97

43 Calculation of Net operating cash flow per share

(a) Net Cash flows from operating activities (Note 44)	341,773,869	584,505,995
(b) Weighted average no. of equity shares outstanding (Note 41.1)	427,968,701	427,968,701
Net operating cash flow per share (a÷b)	0.80	1.37

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

Sales are increased by 4.82% from BDT. 7,411.92 MN to BDT 7,768.94 MN. However, collection has not been increased proportionately. Vendor payment was more compared to collection due to settlement of multiple import bills in the reporting period. Moreover, due to the significant devaluation of reporting currency, increase of imported raw material price and freight charge, import related payment was more compared to previous year. Gas and electricity payment are also increased due to the price hike of gas which caused net operating cash flow per share decreased from BDT 1.37 to BDT 0.80.

44 Reconciliation of operating cash flow:

	2023	2022
Cash flows from operating activities		
Profit before taxation	801,568,158	901,580,185
Adjustment for:		
Depreciation	451,060,686	422,927,353
Amortization	5,029,342	1,259,813
Adjustment relating to assets	3,004,624	-
Loss on assets retirement	922,779	1,995,267
Advance rent adjustment	(16,604,040)	(5,630,000)
Foreign exchange loss	27,378,063	79,489,878
Finance expenses	43,459,406	29,299,272
Finance income	(29,560,028)	(47,920,629)
Other income	(5,110,434)	(50,958,496)
	1,281,148,555	1,332,042,643
Increase/decrease in trade and other receivable	(952,238,712)	(302,021,038)
Increase/decrease in inventories	(159,719,581)	(403,506,522)
Increase/decrease in trade and other payables	328,166,523	170,269,346
Cash generated from operating activities	497,356,784	796,784,431
Interest received from bank deposit	10,599,717	6,726,677
Income tax paid	(166,182,633)	(219,005,113)
Net cash (used in)/from operating activities	341,773,869	584,505,995

45 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments, VAT claims and customs duty by the authority aggregating to Tk 479,354,333 (31 Dec 2022: Tk 545,206,680) 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 480,919,493 (31 Dec 2022: Tk 297,080,297) and letter of guarantee of Tk 83,572,028 (31 Dec 2022: Tk 81,752,614).

The company issued one corporate guarantee of BDT 70 Million (SCB) in favour of subsidiary company to avail loan from banks. Outstanding loan against the said corporate guarantee are nil at 31 December 2023. Therefore no credit loss allowances is expected.

46 Events after the reporting period

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

The Board of Directors of RAK Ceramics (Bangladesh) Limited, in its meeting held on 29 January 2024, has unanimously recommended cash dividend @ 10% of the paid up capital of the company for the year ended 31 December 2023 equivalent to BDT. 427,968,701 to be distributed as cash dividend among shareholders, which is more than 30% of the current year profit. The dividend is subject to final approval by the shareholders at the forthcoming 25th Annual General Meeting of the Company which will be held on 19 March 2024.



RAK POWER PVT. LTD. REPORTS & FINANCIAL STATEMENTS

Balancing tradition with innovation, we leveraged strategic investments and prudent management to bolster our market position and ensure long-term resilience. From this strong foundation, RAK Power drives growth opportunities while upholding its heritage and values. Committed to excellence, we inspire stakeholder confidence and pave the way for a brighter energy future for Bangladesh.

DIRECTORS' REPORT OF RAK POWER PVT. LTD.

Dear shareholders,

The Board of Directors of RAK Power Pvt. Ltd are pleased to present to this Directors' Report, along with the audited financial statements of the Company for the year ended 31 December 2023, and the Auditors' Report thereon, for your valued consideration, approval and adoption.

The Directors' report has been prepared in compliance with Section 184 of the Companies Act 1994.

Principal activities

The primary purpose of the company is to establish power generating plants and operate transmission and distribution systems to sell the generated electric power (output) to the parent Company, RAK Ceramics (Bangladesh) Limited, to authorized legal entities and/or to designated franchisees, including group companies, within the geographical boundary of Bangladesh. Over its journey of a decade, the company has continually evolved to stay attuned to the needs of customers and contribute meaningfully to the Group. The company remains focused on building sustainable value for all stakeholders, while upholding the values of the parent.

Performance of power generation

The power plant capacity was available in excess of 90% of installed capacity during the year 2023. Total generated power was transmitted to meet the requirements of the parent Company. Presently the power plant installed capacity is 12MW and available capacity is 11.5MW.

Operating results

The operating results of the Company for the year ended 2023 are as follows:

Particulars	(Amount in BDT mn)	
	2023	2022
Sales	634.60	368.39
Gross Profit	21.52	40.29
Net Profit After Tax	8.45	24.08
Earnings Per Share (Absolute BDT)	4.12	11.75
Net Operating Cash Flow Per Share (NOCFPS) (Absolute BDT)	(12.05)	14.95
Net Asset Value (NAV)	281.79	273.34
Net Asset Value per share (Absolute BDT)	137.46	133.33

Reserves and Surplus

In 2023, retained earnings of the Company stood at BDT 76.79 mn against BDT 68.34 mn in 2022.

Dividend

The Board of Directors of RAK Power Pvt. Ltd. has recommend no dividend for the year 2023 considering the forthcoming Capital Expenditure. The company did not paid any dividend of paid-up capital for the year 2022.

Auditors and audit report

M/s. A. Qasem & Co. Chartered Accountants (a member firm of ECOVIS International), shall retire at the 19th Annual General Meeting and, new statutory auditor is required to be appointed for the year 2024. Being a subsidiary of RAK Ceramics (Bangladesh) Ltd. it would be more effective to appoint the same statutory auditor for parents as well as subsidiary. M/s. A. Qasem & Co. Chartered Accountants has given a 'No objection Certificate(NOC)' for appointing another Chartered Accountant firm as the statutory auditor of RAK Power Pvt. Ltd. for the year 2024. The Audit Committee of the Board scrutinized the proposals and recommended to appoint M/s ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL) as the statutory auditor of the Company for the year 2024. The Board of Directors also recommended to appoint M/s ACNABIN, Chartered Accountants as the statutory auditor of the Company for the year 2024. Remuneration of the Auditor will be fixed by the shareholders at the 19th Annual General Meeting.

The statutory auditors of the Company have given reports on the financial statements of the Company for the year ended 31 December 2023. There is no qualification, reservation, adverse remark, comments, observations or disclaimer given by the statutory auditors in their reports.

Post Balance Sheet events

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

Appreciation

The Board would like to take this opportunity to place on record its earnest appreciation to the Government authorities, shareholders, investors, bankers and employees of the company for their continuous commitment, cooperation, confidence and support in enabling the company to attain its objectives.

For and on behalf of the Board of Directors,

(Abdallah Massaad)

Chairman

Date: January 29, 2024

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF RAK POWER PVT. LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RAK Power Pvt. Ltd. (the Company), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994 and other applicable laws and regulations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirement that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

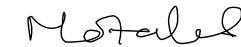
Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, we also report the following:

- i. we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- ii. in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books; and
- iii. the statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

A. Qasem & Co.

Chartered Accountants
RJSC Registration No.: 2-PC7202



Mohammad Motaleb Hossain FCA
Partner
Enrolment Number: 0950
DVC: 2401290950AS205491

29 January 2024

RAK Power Pvt. Ltd.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

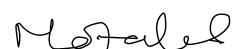
	Notes	31-Dec-23 Taka	31-Dec-22 Taka
Assets			
Property, plant and equipment	4	105,871,227	125,490,812
Capital work-in-progress	5	1,146,824	-
Intangible assets	6	360,000	-
Right-of-use asset	7	2,352,779	-
Investment	8	287,500	287,500
Total non-current assets		110,018,330	125,778,312
Inventories	9	70,142,054	55,158,742
Trade and other receivables	10	143,434,265	68,110,602
Advances, deposits and prepayments	11	33,808,966	33,990,760
Advance income tax	12	293,762,260	355,939,990
Cash and cash equivalents	13	29,130,567	55,493,426
Total current assets		570,278,112	568,693,520
Total assets		680,296,442	694,471,832
Equity and liabilities			
Share capital	14	205,000,000	205,000,000
Retained earnings	15	76,786,217	68,335,689
Total equity		281,786,217	273,335,689
Non-current liabilities			
Deferred tax liability	16	11,589,499	15,026,991
Lease Liability	18	1,931,704	-
Total non-current liabilities		13,521,203	15,026,991
Current Liabilities			
Lease Liability	18	367,425	-
Trade and other payables	19	6,504,664	4,705,437
Accrued expenses	20	74,439,161	33,735,448
Provision for income tax	21	303,677,772	367,668,267
Total current liabilities		384,989,022	406,109,152
Total liabilities		398,510,225	421,136,143
Total equity and liabilities		680,296,442	694,471,832

The accompanying notes are an integral part of these financial statements

As per our report of same date

A. Qasem & Co.

Chartered Accountants
RJSC Firm Registration No.: 2-PC7202



Mohammad Motaleb Hossain FCA

Partner
Enrolment Number: 0950
DVC: 2401290950AS205491

29 January 2024



Vibhuti Bhushan
Managing Director



SAK Ekramuzzaman
Director

RAK Power Pvt. Ltd.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	31-Dec-23 Taka	31-Dec-22 Taka
Sales	22	634,595,990	368,394,504
Cost of sales	23	(613,077,804)	(328,101,527)
Gross profit		21,518,186	40,292,977
Other income	24	37,999	149,999
Administrative expenses	25	(9,718,700)	(10,100,827)
		(9,680,701)	(9,950,828)
Profit from operating activities		11,837,485	30,342,149
Finance income	26	1,297,056	957,025
Finance expenses	27	(271,041)	(458,736)
Net finance income/(expenses)		1,026,015	498,289
Profit before contribution to WPPF		12,863,500	30,840,438
Contribution to WPPF	28	(612,548)	-
Profit before income tax		12,250,952	30,840,438
Income tax expense:			
Current tax	29	(7,237,916)	(12,325,560)
Deferred tax	16	3,437,492	5,564,115
		(3,800,424)	(6,761,445)
Profit for the year		8,450,528	24,078,993
Other comprehensive income for the year		-	-
Total comprehensive income for the year		8,450,528	24,078,993
Basic earnings per share (par value Tk 100)	35	4.12	11.75

The accompanying notes are an integral part of these financial statements

As per our report of same date

A. Qasem & Co.

Chartered Accountants
RJSC Firm Registration No.: 2-PC7202



Mohammad Motaleb Hossain FCA

Partner
Enrolment Number: 0950
DVC: 2401290950AS205491

29 January 2024



Vibhuti Bhushan
Managing Director



SAK Ekramuzzaman
Director

RAK Power Pvt. Ltd.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital Taka	Retained earnings Taka	Total Taka
	(Note-14)	(Note-15)	
Balance as at 01 January 2023	205,000,000	68,335,689	273,335,689
Total comprehensive income for 2023			
Profit for the year	-	8,450,528	8,450,528
Balance as at 31 December 2023	205,000,000	76,786,217	281,786,217
Balance as at 01 January 2022	205,000,000	85,256,696	290,256,696
Total comprehensive income for 2022			
Profit for the year	-	24,078,993	24,078,993
Transactions with the shareholders			
Cash dividend (2021)	-	(41,000,000)	(41,000,000)
Balance as at 31 December 2022	205,000,000	68,335,689	273,335,689

The accompanying notes are an integral part of these financial statements

RAK Power Pvt. Ltd.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	31-Dec-23 Taka	31-Dec-22 Taka
Cash flows from operating activities		
Cash receipts from customers and others	559,290,326	376,098,681
Cash payments to suppliers and employees	(575,826,860)	(333,289,762)
Cash generated from operating activities	(16,536,534)	42,808,919
Interest received from bank deposit (SND)	894,441	881,459
Income tax paid (Note-12)	(9,050,680)	(13,040,655)
Net cash (used in)/from operating activities (Note-38)	(24,692,773)	30,649,723
Cash flows from investing activities		
Acquisition of property, plant and equipment	(87,097)	(515,915)
Sale of property, plant and equipment	6,261	-
Addition of capital work in progress	(1,146,824)	-
Intangible assets	(450,000)	-
Interest received (Term Deposit)	402,615	15,716
Dividend received	20,000	50,000
Net cash (used in)/from investing activities	(1,255,045)	(450,199)
Cash flows from financing activities		
Finance charges	(271,041)	(458,736)
Payment of lease liability	(144,000)	-
Dividend paid	-	(41,000,000)
Net cash (used in)/from financing activities	(415,041)	(41,458,736)
Net increase/(decrease) in cash and cash equivalents	(26,362,859)	(11,259,212)
Cash and cash equivalents as at 1 January	55,493,426	66,752,638
Cash and cash equivalents as at 31 December (Note 13)	29,130,567	55,493,426

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

1. Reporting entity

"RAK Power Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 30 June 2005 as a private company limited by shares with an authorized capital of BDT 1,000,000,000 divided into 10,000,000 ordinary shares of BDT 100 each. The paid up capital stands at BDT 205,000,000 as on 31 December 2023. The company has gone into commercial operation from 01 May 2009.

The registered office of the company is at RAK Tower (8th floor), Jashimuddin Avenue, Plot # 1/A, Sector # 3, Uttara Model Town, Dhaka-1230. The Power Plant is located at Vill : Dhanua, P.S: Sreepur, Dist : Gazipur.

1.1 Nature of business

The main objects of the company is to set-up power utilities, own and operate power-generating plants, transmission system and distribution system and to sell the generated electric power to any legal entity or any designated franchise area within Bangladesh, and generate electricity based on different available types of fuels such as gaseous, liquid and solid fuels, hydro potential and any other natural resources such as solar, wind, tidal and waste materials.

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994 and other applicable laws and regulation.

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

Authorization for issue

These financial statements have been authorized for issue by the Board of Directors of the company on 29 January 2024.

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 realizable 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 judgments

The preparation of these financial statements in conformity with IFRSs requires management to make judgments, 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 recognized in the period in which the estimates are revised and in any future periods affected.

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

Note 4	Property, plant & equipment
Note 7	Right of Use Asset (ROUA)
Note 16	Deferred tax liability
Note 17	Employees benefit payable
Note-18	Lease Liability
Note 21	Provision for income tax

2.5 Reporting period

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

2.6 Going concern

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

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently.

3.1 Property, plant and equipment

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

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

3.2 Depreciation on property, plant, equipment and investment property

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

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

Category of property, plant and equipment	Rate (%)
Factory building	20
Plant and machinery:	
Main Genset	5
Auxiliary equipment	10
Electrical installation	20
Gas pipeline	20
Furniture and fixtures	10
Office equipment	20
Communication equipment	10
Tools and appliances	20
Fire fighting equipment	20
Vehicles	20

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

3.3 Financial assets

a) Investment (in share)

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

b) Trade and other receivables

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

c) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank including short notice deposits and fixed deposits having maturity of three months or less which are available for use by the Company without any restriction. Bank overdraft that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

3.3.1 Financial liabilities

The Company recognizes a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument. The Company derecognizes 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 and other payables

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

3.4 Inventories

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

3.5 Employee benefit schemes

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

Defined contribution plan (provident fund)

Defined contribution plan is a post employment benefit plan under which the Company provides benefits to one or more employees. The recognized 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 recognized as an expense when an employee has rendered services to the Company. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

Defined benefit plan (gratuity fund)

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

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

Details of employees benefit schemes have been provided in note no. 17.

Workers' Profit Participation and Welfare Fund

The Company provides 5% of its net profit before tax after charging such expense as Workers' Profit Participation and Welfare Fund in accordance with "The Bangladesh Labour Act 2006 amended in 2018". (note no. 20.1 & 28).

3.6 Finance income and expenses

Finance income comprises interest income on funds invested in Term Deposit (TD) and Short Notice Deposit (SND) accounts. Interest income is recognized on accrual basis.

Finance expense comprises Bank charges and govt. excise duties. All finance expenses are recognized in the statement of profit or loss and other comprehensive income.

3.7 Taxation

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

Current tax:

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Provisions for corporate income tax is made following the rate applicable for a private limited company of the same industry. The applicable tax rate is 27.5% for the reporting year as per Finance Act-2023.

Deferred tax:

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

A deferred tax asset is recognized 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 utilized. 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 realized.

3.8 Foreign currency

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

3.9 Earning per share

The Company presents basic and diluted (when dilution is applicable) earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company with the weighted average number of ordinary shares outstanding during the 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.

3.10 Contingencies

3.10.1 Contingent liability

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

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

3.11 Statement of cash flows

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

3.12 Provisions

Provisions are recognized 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 IFRS 9 Financial Instruments

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

i. Classification – financial assets

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

ii. Impairment

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

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

· 12-months ECLs: these are ECLs which result from possible default events within the 12 months after the reporting date; and

· Lifetime ECLs: these are ECLs which result from all possible default events over the expected life of a financial instrument.

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

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

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

iii. Hedging

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

Impact of IFRS 9 shown in note no 32.1 (b).

The company analyzed its financial assets and decided not to provide for impairment because the company is confident enough to recover its financial assets.

3.14 IFRS 15 Revenue from Contracts with Customers

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

i. Sales of goods

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

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

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

ii. Rendering of services

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

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

iii. Construction contracts

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

3.15 IFRS 16 Leases

The Company assessed the impact of IFRS 16 and one rental office space for 5 years is considered as right-of-use assets and lease liability at reporting date. All other short term rental for not more than 12 months agreements considered as short-term lease. The tenure of rental agreement for generators is less than 12 months and non-cancellable lease period of factory dormitory space is less than 12 month.

3.16 Events after the reporting period

Events after the reporting period that provide additional information about the Company's position at the reporting date are reflected in the financial statements. Material events after the reporting period that are not adjusting events are disclosed by way of note (note 40).

3.17 Comparatives and reclassification

Comparative information have been disclosed in respect of 2022 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

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

4 Property, plant and equipment 31-Dec-23

Particulars	C O S T			D E P R E C I A T I O N			Net book value as at 31 Dec 2023
	Balance as at 01 Jan 2023	Addition during the year	Sale/disposal transfer during the year	Balance as at 01 Jan 2023	Charged during the year	Adjustment during the year	
Land	11,294,000	-	-	11,294,000	-	-	11,294,000
Factory building	19,573,131	-	-	19,573,131	58,661	-	19,573,130
Plant and machinery							
Main Genset	327,547,703	-	-	327,547,703	18,618,850	-	234,453,455
Auxiliary equipment	33,597,157	-	-	33,597,157	7,647	-	33,597,157
Electrical installation	25,822,636	-	-	25,822,636	-	-	25,822,635
Gas pipeline	21,166,492	-	-	21,166,492	693,352	-	20,500,377
Furniture and fixtures	1,869,734	9,247	37,222	1,841,759	84,726	37,221	1,514,259
Office equipment	2,208,316	77,850	266,300	2,019,866	235,292	260,040	1,537,446
Communication equipment	124,786	-	-	124,786	-	-	124,785
Tools and appliance	4,445	-	-	4,445	-	-	4,444
Fire fighting equipment	3,631,012	-	-	3,631,012	-	-	3,631,011
Vehicles	2,111,917	-	-	2,111,917	1,893	-	2,104,978
Total	448,951,329	87,097	303,522	448,734,904	19,700,421	297,261	342,863,677
							105,871,227

Amount in Taka

4 Property, plant and equipment
31-Dec-22

Amount in Taka

Particulars	C O S T			D E P R E C I A T I O N				Net book value as at 31 Dec 2022	
	Balance as at 01 Jan 2022	Addition during the year	Sale/disposal transfer during the year	Balance as at 31 Dec 2022	Rate	Balance as at 01 Jan 2022	Charged during the year		Adjustment during the year
Land	11,294,000	-	-	11,294,000	0%	-	-	-	11,294,000
Factory building	19,573,131	-	-	19,573,131	20%	19,438,869	75,600	-	19,514,469
Plant and machinery									
Main Genset	327,547,703	-	-	327,547,703	5%	188,501,982	27,332,623	-	215,834,605
Auxiliary equipment	33,597,157	-	-	33,597,157	10%	33,570,902	18,608	-	33,589,510
Electrical installation	25,822,636	-	-	25,822,636	20%	25,822,635	-	-	25,822,635
Gas pipeline	21,166,492	-	-	21,166,492	20%	19,113,673	693,352	-	19,807,025
Furniture and fixtures	2,042,992	130,060	303,318	1,869,734	10%	1,679,817	90,255	303,318	1,466,754
Office equipment	1,942,021	376,395	110,100	2,208,316	20%	1,466,636	205,658	110,100	1,562,194
Communication equipment	124,786	-	-	124,786	10%	124,785	-	-	124,785
Tools and appliance	4,445	-	-	4,445	20%	4,444	-	-	4,444
Fire fighting equipment	3,631,012	-	-	3,631,012	20%	3,631,011	-	-	3,631,011
Vehicles	2,300,531	9,460	198,074	2,111,917	20%	2,300,530	628	198,073	2,103,085
Total	449,046,906	515,915	611,492	448,951,329		295,655,284	28,416,724	611,491	323,460,517

4.1 Depreciation charged on the basis of the purpose of use

Cost of sales
Administrative expenses

	31-Dec-23 Taka	31-Dec-22 Taka
Cost of sales	19,378,510	28,120,183
Administrative expenses	321,911	296,541
Total	19,700,421	28,416,724

4.2 Disposal of property, plant and equipment
2023

Amount in Taka

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against Sale	Profit /(loss) on disposal
Office equipment	266,300	260,040	6,260	16,260	10,000
Furniture & Fixture	37,222	37,221	1	8,000	7,999
Total	303,522	297,261	6,261	24,260	17,999

2022

Amount in Taka

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against Sale	Profit /(loss) on disposal
Furniture & Fixture	303,318	303,318	-	-	-
Vehicle	198,074	198,073	1	100,000	99,999
Office Equipment	110,100	110,100	-	-	-
Total	611,492	611,491	1	100,000	99,999

5 Capital Work-in-Progress

Balance as at 1 January
Add: Addition during the year (Note 5.1)
Balance as at 31 December

	31-Dec-23 Taka	31-Dec-22 Taka
Balance as at 1 January	-	-
Add: Addition during the year (Note 5.1)	1,146,824	-
Balance as at 31 December	1,146,824	-

5.1 Addition during the year

Factory building

Factory building	1,146,824	-
Total	1,146,824	-

6 Intangible Assets
31-Dec-23

Particulars	C O S T			AMORTIZATION			Net book value as at 31 Dec 2023			
	Balance as at 01 Jan 2023	Addition during the year	Sale/disposal transfer during the year	Balance as at 31 Dec 2023	Rate	Balance as at 01 Jan 2023		Charged during the year	Adjustment during the year	Balance as at 31 Dec 2023
VAT Software	-	450,000	-	450,000	20%	-	90,000	-	90,000	360,000
Total	-	450,000	-	450,000		-	90,000	-	90,000	360,000

* VAT Software purchased and installed in 2023.

7 Right-of-use assets
31-Dec-22

Particulars	C O S T			DEPRECIATION			Net book value as at 31 Dec 2023			
	Balance as at 01 Jan 2023	Addition during the year	Sale/disposal transfer during the year	Balance as at 31 Dec 2023	Rate	Balance as at 01 Jan 2023		Charged during the year	Adjustment during the year	Balance as at 31 Dec 2023
Office building	-	2,476,609	-	2,476,609		-	123,830	-	123,830	2,352,779
Total	-	2,476,609	-	2,476,609		-	123,830	-	123,830	2,352,779

* Office Building agreement starts from October 1, 2023 and effective for 5 years.

8	Investment Investment to RAK Security & Services Pvt. Ltd	287,500	287,500
9	Inventories Stores, spares and consumables	70,142,054	55,158,742
10	Trade and other receivables Trade receivable Receivable from sales	143,360,952	68,037,289
	Other receivable Interest accrued on FDR	73,313	73,313
11	Advances, deposits and prepayments Advances: Suppliers against VAT Software	-	225,000
	Security and other deposit: Titas gas transmission & distribution co. ltd. Office rent	33,263,600	33,263,600
	Prepayments: Insurance and others	486,766	502,160
12	Advance income tax Balance as at 1 January Add: Paid during the year Less: Adjustment for the year	355,939,990	342,899,335
12.1	Year wise advance income tax Income year Year 2023 Year 2022 Year 2021 Year 2020 Year 2019 Year 2018 Year 2017 Year 2016 Year 2015 Year 2014 Year 2013 Year 2012	293,762,260	355,939,990

	31-Dec-23 Taka	31-Dec-22 Taka
	287,500	287,500
	287,500	287,500
	287,500	287,500
	70,142,054	55,158,742
	70,142,054	55,158,742
	143,360,952	68,037,289
	143,360,952	68,037,289
	73,313	73,313
	73,313	73,313
	143,434,265	68,110,602
	-	225,000
	-	225,000
	33,263,600	33,263,600
	58,600	-
	33,322,200	33,263,600
	486,766	502,160
	486,766	502,160
	33,808,966	33,990,760
	355,939,990	342,899,335
	9,050,680	13,040,655
	(71,228,410)	-
	293,762,260	355,939,990
	293,762,260	355,939,990
	5,698,242	-
	12,380,208	9,227,770
	18,579,113	18,579,113
	13,713,864	13,713,864
	24,813,160	24,813,160
	42,098,983	41,898,983
	41,290,654	41,290,654
	44,944,216	44,944,216
	45,242,248	45,242,248
	-	37,992,335
	37,210,247	37,210,247
	-	33,236,075

	31-Dec-23 Taka	31-Dec-22 Taka		
Year 2011	5,945,904	5,945,904		
Year 2010	1,840,421	1,840,421		
Year 2009	5,000	5,000		
	293,762,260	355,939,990		
13 Cash and cash equivalents				
Cash in hand	217,043	97,093		
Cash at banks	217,043	97,093		
Pubali Bank Ltd (CD - 4709901003539 - BDT)	48,990	-		
Pubali Bank Ltd. (SND - 47091012000483 - BDT)	49,358	-		
Standard Chartered Bank (CD - 01-3767272-01 - BDT)	65,194	50,012		
Dutch Bangla Bank Ltd. (CD 117.110.23474 - BDT)	1,655	1,310		
Standard Chartered Bank (SND -02-3767272-01 - BDT)	127,553	376,147		
Standard Chartered Bank (Margin Money Account-BDT)	-	3,319,200		
Dutch Bangla Bank Ltd. (SND account - 117.120.2550 - BDT)	2,858,060	2,436,774		
Midland Bank (SND Account 0006-1070000015 - BDT)	10,389,591	42,131,942		
Eastern Bank Limited (CD Account-1132040363287-BDT)	946,583	687,158		
Al Arafah Islami Bank Ltd. (SND - 0171220002657 BDT)	8,032,750	-		
	22,519,734	49,002,543		
Investment in Term Deposits (TD)				
Eastern Bank Ltd. (TD-BDT)	6,393,790	6,393,790		
	6,393,790	6,393,790		
	29,130,567	55,493,426		
14 Share Capital				
Authorised				
10,000,000 ordinary shares of Tk 100 each	1,000,000,000	1,000,000,000		
Issued, subscribed, called and paid up				
2,050,000 ordinary shares of Tk 100 each	205,000,000	205,000,000		
Percentage of shareholdings :				
	31-Dec-23		31-Dec-22	
	%	Taka	%	Taka
RAK Ceramics (Bangladesh) Limited	99.9995	204,999,000	99.9996	204,999,000
RAK Security and Services (Pvt.) Ltd.	0.0005	1,000	0.0005	1,000
	100.0000	205,000,000	100.0000	205,000,000
Classification of shareholders by range:				
Shareholder's range	Number of shareholders		Number of shares	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Less than 500 shares	1	1	10	10
Over 500 shares	1	1	2,049,990	2,049,990
	2	2	2,050,000	2,050,000
15 Retained earnings				
Balance as on 01 January	68,335,689	85,256,696		
Add : Profit during the year	8,450,528	24,078,993		
Less: Dividend declared during the year	-	(41,000,000)		
Balance as at 31 December	76,786,217	68,335,689		

Detail movement for retained earnings are shown in statement of changes in equity.

16 Deferred tax liabilities		
Balance as at 1 January	15,026,991	20,591,106
Deferred tax (income) / expenses	(3,437,492)	(5,564,115)
Balance as at 31 December	11,589,499	15,026,991

Carrying amount	Tax base	Taxable/(deductible) temporary difference
Taka	Taka	Taka

As at 31 December 2023

Property, plant and equipment (Excluding land)	94,577,227	52,487,246	42,089,981
Right of use assets	2,352,779	-	2,352,779
Lease liability	(2,299,129)	-	(2,299,129)
Net taxable temporary difference			42,143,631
Deferred tax liability (applying tax rate 27.50%)			11,589,499

As at 31 December 2022

Property, plant and equipment (Excluding land)	114,196,812	59,553,210	54,643,602
Net taxable temporary difference			54,643,602
Deferred tax liability (applying tax rate 27.5%)			15,026,991

17 Employees benefits payable

	31-Dec-23		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	1,663,992	731,604	2,395,596
	1,663,992	731,604	2,395,596
Less: Payments made to fund during the year	1,663,992	731,604	2,395,596
Balance as at 31 December	-	-	-

	31-Dec-22		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	1,429,750	622,170	2,051,920
	1,429,750	622,170	2,051,920
Less: Payments made to fund during the year	1,429,750	622,170	2,051,920
Balance as at 31 December	-	-	-

18 Lease liability

Non-current:

Lease liability	2,299,129	-
Less : Current portion of lease liability	367,425	-
	1,931,704	-

	31-Dec-23 Taka	31-Dec-22 Taka
Current:		
Current portion of lease liability	367,425	-

Lease liability schedule

Particulars	Balance as on 01 Jan 2023	Addition/ (deletion)	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 Dec 2023
Office Building	-	2,385,409	144,000	57,720	86,280	2,299,129
	-	2,385,409	144,000	57,720	86,280	2,299,129

	31-Dec-23 Taka	31-Dec-22 Taka
19 Trade and other payables		
Trade payables		
Payable to local suppliers	326,796	717,286
Payable to service provider	4,405,410	2,386,921
	4,732,206	3,104,207
Other payables		
Tax deducted at source	201,325	184,868
VAT deducted at source	825,746	1,096,685
VAT payable (Note 19.1)	745,387	319,677
	1,772,458	1,601,230
	6,504,664	4,705,437

19.1 VAT payable		
Balance as at 1 January	319,677	2,838,235
Add: VAT on sales	95,189,399	55,259,176
	95,509,076	58,097,411
Less: Treasury deposit for VAT purpose	14,446,731	17,313,017
Less: Input VAT Credit	80,316,958	40,464,717
Balance as at 31 December	745,387	319,677

20 Accrued expenses		
Power and gas	49,814,123	20,272,477
Staff cost	3,648,621	2,604,282
Audit fees	130,000	130,000
Taxation matter	32,500	35,500
Operation and maintenance	20,201,368	10,693,189
Workers profit participation & welfare fund (note 20.1)	612,548	-
	74,439,161	33,735,448

20.1 Workers profit participation & welfare fund		
Balance as at 1 January	-	-
Add: Contribution made to the fund during the year	612,548	-
	612,548	-
Less: Payment made from the fund during the year	-	-
Balance as at 31 December	612,548	-

21 Provision for income tax		
Balance as at 1 January	367,668,267	355,342,707
Add: Provision made for the year	7,237,916	12,325,560
Less: Adjustment for the year	(71,228,411)	-
Balance as at 31 December (note 21.1)	303,677,772	367,668,267

21.1 Year wise closing balance

Income year

	31-Dec-23 Taka	31-Dec-22 Taka
Year 2023	7,237,916	-
Year 2022	12,325,560	12,325,560
Year 2021	20,204,964	20,204,964
Year 2020	14,698,046	14,698,046
Year 2019	26,615,589	26,615,589
Year 2018	42,125,554	42,125,554
Year 2017	41,210,074	41,210,074
Year 2016	45,393,782	45,393,782
Year 2015	45,242,248	45,242,248
Year 2014	-	37,992,335
Year 2013	44,169,714	44,169,714
Year 2012	-	33,236,076
Year 2011	3,535,904	3,535,904
Year 2010	913,421	913,421
Year 2009	5,000	5,000
	303,677,772	367,668,267

22 Sales

	31-Dec-23		31-Dec-22	
	Quantity in million kwh	Amount Taka	Quantity in million kwh	Amount Taka
Local	47.88	729,785,389	48.34	423,653,680
Electricity		95,189,399		55,259,176
Less: VAT		634,595,990		368,394,504

22.1 Quantitative details of opening stock, purchase, consumption and closing stock of raw materials and finished goods.

Raw Materials (Natural Gas)	Natural Gas consumption quantity in million cubic meter (M ³)	
	31-Dec-23	31-Dec-22
Opening stock	-	-
Purchase	17.71	14.69
Consumption	17.71	14.69
Closing stock	-	-

Finish Goods (Electricity)	Electricity Generation and sales in million Kilo Watt Hour (KWH)	
	31-Dec-23	31-Dec-22
Opening stock	-	-
Production / Generation	47.88	48.34
Consumption	47.88	48.34
Closing stock	-	-

22.2	Capacity vs. Utilization	UOM	Production capacity and actual production (Electricity, MW, KWH & Percentages)	
			31-Dec-23	31-Dec-22
			Installed Capacity	MW
Available Capacity	MW	11.50	11.50	
Generation Capacity @ 85%	MN KWH	85.63	85.63	
Utilisation	MN KWH	47.88	48.34	
% of Utilisation	%	56%	56%	
Over/(Under) Utilization	MN KWH	(37.75)	(37.29)	
"Over/(Under) Utilization %"	%	(44%)	(44%)	

		31-Dec-23 Taka	31-Dec-22 Taka
23	Cost of sales		
	Cost of electricity generation		
	Consumption of natural gas	474,306,025	222,682,155
	Factory overhead:		
	Direct labour (note-23.1)	13,712,451	11,372,803
	Direct expenses:		
	Lubricating oil	9,100,650	7,183,105
	Repair and indirect materials (note-23.2)	90,314,161	50,451,384
	Depreciation on property, plant and equipment (Note-4.1)	19,378,510	28,120,183
	Other production expenses (note 23.3)	6,266,007	8,291,897
		613,077,804	328,101,527
23.1	Direct labour		
	Salary and wages	10,670,145	8,779,774
	Bonus	992,006	857,962
	Performance bonus	558,736	42,498
	Gratuity	557,536	458,521
	Employers contribution to provident fund	631,920	526,778
	Leave encashment	89,788	645,633
	Group life insurance	69,182	61,637
	Cleaning service	143,138	-
		13,712,451	11,372,803
23.2	Repair and indirect materials		
	Operation and maintenance	71,317,194	44,191,125
	Spare parts-cat genset	17,462,057	4,999,987
	Water and chemicals	1,480,410	1,169,272
	Diesel	54,500	91,000
		90,314,161	50,451,384
23.3	Other production overhead		
	Security and services	1,493,520	1,333,599
	Insurance	915,731	1,068,403
	Rent, rates and taxes	3,614,242	5,760,000
	Other expenses	242,514	129,895
		6,266,007	8,291,897

Rent, rates and taxes includes rental expenses for short term lease for BDT. 3,130,434 excluding VAT and related government levies wherever applicable. Details of the short term lease is shown in note no. 31.

		31-Dec-23 Taka	31-Dec-22 Taka
24	Other income		
	Dividend income	20,000	50,000
	Profit on sale of fixed assets	17,999	99,999
		37,999	149,999
25	Administrative expenses		
	Staff cost (note-25.1)	6,832,353	7,154,355
	Telephone and postage	224,255	249,835
	Office repair and maintenance	129,437	99,602
	Registration and renewal	236,054	224,905
	Security and guard expenses	156,220	178,944
	Electricity, gas and water	162,289	164,823
	Depreciation on property, plant and equipment (Note-4.1)	321,913	296,542
	Amortization (Note 6)	90,000	-
	Depreciation on right-of-use assets (Note-7)	123,830	-
	Legal and professional fees	189,150	445,010
	Vehicle repair and maintenance	580,483	407,076
	Rent, rate and tax	485,520	518,400
	CSR expenses	20,000	-
	Software service charge	90,000	-
	Meeting expenses	37,000	60,000
	Others	40,196	301,335
		9,718,700	10,100,827
25.1	Staff cost		
	Salary and wages	4,726,404	5,442,185
	Bonus	557,377	516,721
	Performance bonus	335,184	-
	Gratuity	174,068	163,647
	Employers contribution to provident fund	200,076	188,098
	Leave encashment	104,007	219,061
	Group life insurance	36,696	33,862
	Staff welfare expenses	19,990	41,600
	Travelling expenses	28,700	57,138
	Special allowances	360,000	100,000
	Fooding expenses	289,851	392,043
		6,832,353	7,154,355
26	Finance income		
	Interest on Short Notice Deposit (SND)	894,441	881,459
	Interest on Term Deposit (TD)	402,615	75,566
		1,297,056	957,025
27	Finance expenses		
	Interest expenses	31	68
	Interest on lease liability	57,720	-
	Bank charges	213,290	458,668
		271,041	458,736

	31-Dec-23 Taka	31-Dec-22 Taka
28 Contribution to workers profit participation and welfare fund (WPPF)	612,548	-
	612,548	-
29 Income tax expenses		
Accounting profit (PBT as per Statement of Profit or Loss)	12,250,952	30,840,438
Add: Inadmissible depreciation allowance for separate consideration: Accounting Depreciation of Fixed Assets (Note - 4)	19,700,421	28,416,724
	31,951,373	59,257,162
Add: Inadmissible expenses / allowance as per TTO-1984 /ITA-2023: Amortization Expenses (Note - 6)	90,000	-
Depreciation on Right of Use Assets (ROUA) (Note - 7)	123,830	-
Interest on Lease Liability (Note - 18)	57,720	-
	271,550	-
	32,222,923	59,257,162
Deduct: Tax base depreciation of Fixed Assets	(5,753,774)	(14,423,307)
Admissible expenses as per ITO-1984 / ITA-2023		
Rent expenses	(144,000)	-
Deduct: Dividend income	(20,000)	(50,000)
Taxable profit	26,305,149	44,783,855
Applicable tax rate		
On Business income	27.50%	27.50%
On Dividend income	20.00%	20.00%
Tax expenses:		
Business income	7,233,916	12,315,560
Dividend income	4,000	10,000
Current tax liability	7,237,916	12,325,560

29.1 Reconciliation of effective tax rate

	31-Dec-23		31-Dec-22	
	%	Taka	%	Taka
Profit before tax		12,250,952		30,840,438
Current tax expenses	59.08%	7,237,916	39.97%	12,325,560
Deferred tax expenses	-28.06%	(3,437,492)	-18.04%	(5,564,115)
Total tax expenses	31.02%	3,800,424	21.92%	6,761,445
Applicable tax rate	27.50%	3,369,012	27.50%	8,481,120
Tax on non-deductible expenses	31.58%	3,868,904	12.47%	3,844,440
Effective current tax	59.08%	7,237,916	39.97%	12,325,560
Effective deferred tax	-28.06%	(3,437,492)	-18.04%	(5,564,115)
	31.02%	3,800,424	21.92%	6,761,445

30 Transaction in foreign currency CIF value of import:

	31-Dec-23 Taka	31-Dec-22 Taka
Spare parts	36,484,581	21,309,055
	36,484,581	21,309,055

31 Short term lease expenses (2023)

Particulars	Lease term	Rent Tk./ MW per month	Capacity per generator	Number of generator	Rental/ Taka
Caterpillar Generator	<1 year	43,478	1.0 MW	3	1,565,217
MWM Generator	<1 year	65,217	1.5 MW	2	1,565,217
					3,130,434

Short term lease expenses (2022)

Particulars	Lease term	Rent Tk./ MW per month	Capacity per generator	Number of generator	Rental/ Taka
Caterpillar Generator	<1 year	69,565	1.0 MW	3	2,504,348
MWM Generator	<1 year	104,348	1.5 MW	2	2,504,348
					5,008,696

32 Financial risk management

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

- ▶ Credit risk
- ▶ Liquidity risk
- ▶ Market risk

32.1 Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, debtors are grouped according to their risk profile, i.e. their legal status, financial condition etc. Accounts receivable are mainly related to local receivables. The Company's exposure to credit risk on accounts receivables is mainly influenced by the individual payment characteristics of local customers. The Company has established receivable department to minimise credit risk involving collection of local receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

a) Exposure to credit risk

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

	Amount in Taka	
	31 Dec 2023	31 Dec 2022
Trade receivables		
Customer-Local	143,360,952	68,037,289
	143,360,952	68,037,289
Other receivables		
Accrued Interest	73,313	73,313
	73,313	73,313
Cash equivalents	28,913,524	55,396,333
	28,913,524	55,396,333

b) Impact of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the financial assets as at 31 December 2023.

Financial assets	Note	Classification under IFRS 9	Carrying amount	Carrying amount under IFRS 9	Impairment
Trade and other receivable	10	Amortized cost	143,434,265	143,434,265	-
Cash at banks	13	Amortized cost	22,519,734	22,519,734	-

- i Trade and other receivables and due from related parties are classified at amortised cost. The Company's receivables is with internal customer and therefore, no impairment provision on those receivables are required.
- ii Cash and cash equivalents are classified at amortised cost.
- iii Management is confident to recover all of its recoverable and cash and cash equivalent. Therefore, no impairment provision is required.

c) Ageing of receivables

	Amount in Taka	
	31-Dec-23	31-Dec-22
Not past due	53,004,667	36,667,355
0-90 days past due	90,356,285	31,369,934
	143,360,952	68,037,289

32.2 Liquidity risk

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

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

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

	As at 31-Dec-2023			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Trade and other payables	6,504,664	6,504,664	6,504,664	-
	6,504,664	6,504,664	6,504,664	-
	As at 31-Dec-2022			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Trade and other payables	4,705,437	4,705,437	4,705,437	-
	4,705,437	4,705,437	4,705,437	-

32.3 Market risk

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

a) 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.

Interest rate profile

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

	Amount in Taka	
	31-Dec-23	31-Dec-22
Fixed rate instruments		
Financial assets		
Investment in FDR	6,393,790	6,393,790
Cash at banks	22,519,734	49,002,543

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

	Amount in Taka		Amount in Taka	
	As at 31-Dec-23		As at 31-Dec-22	
	Carrying amount	Fair value	Carrying amount	Fair value
Held to maturity assets				
Investment in FDR	6,393,790	6,393,790	6,393,790	6,393,790
Loans and receivables				
Trade receivables	143,360,952	143,360,952	68,037,289	68,037,289
Other receivables	73,313	73,313	73,313	73,313
Cash equivalents	28,913,524	28,913,524	55,396,333	55,396,333
Available for sales financial assets				
Liabilities carried at amortised cost				
Trade and other payables	6,504,664	6,504,664	4,705,437	4,705,437

Accounting classification and fair value as at 31 December 2023 in respect of the separate financial statements does not vary significantly from the consolidated one.

Interest rates used for determining amortised cost

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

	31-Dec-23	31-Dec-22
	Investment in FDR	2.50%-6.35%

33 Related party disclosures under IAS-24

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

Name of related party	Relationship	Security/ Guarantee status	Bad debts Status	year		Purchase of goods/ services	Sale of goods/ services	Outstanding receivables	Outstanding payable	Dividend Payment	Dividend Income
				Current year	Previous year						
RAK Ceramics (Bangladesh) Limited	Parent Company	Unsecured	Nil	3,130,434	634,595,990	143,360,952	-	-	-	-	-
				5,008,696	368,394,504	68,037,289	-	-	40,999,800	-	-
RAK Security & Services Pvt. Ltd	Fellow Subsidiary	Unsecured	Nil	1,217,204	-	-	-	71,645	-	-	20,000
				1,995,465	-	-	-	123,797	-	-	-

Amounts in Taka

33.1 Paid to Directors

During the year, Board meeting fees of Taka 37,000 was paid to the Directors, in year 2022 it was Taka 60,000.

34 Number of employees

The number of employees engaged for the year who received total remuneration of Taka 96,000 and above per annum at reporting date was as follows;

Number of employees

None of receiving below Taka 8,000 per month.

35 Calculation of Earnings per share (EPS)

(a) Net Profit for the year

(b) No. of ordinary equity shares

(c) Weighted average no. of equity shares outstanding (Note 30.1)

Earnings per share (EPS) for the year (a÷c)

Diluted earnings per share for the year (a÷c)

35.1 Weighted average number of ordinary shares

The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighted factor. The time-weighted factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year.

Outstanding shares

35.2 Diluted earning per share

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

35.3 Reason of deviation of earnings per share:

Reason for decreasing of EPS is gas price hike and low gas pressure which causes per KWH gas consumption higher.

36 Calculation of Net assets value per share

(a) Net assets value (Note 14 & 15)

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

Net assets value per share (a÷b)

37 Calculation of Net operating cash flow per share

(a) Net Cash flows from operating activities (Note 38)

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

Net operating cash flow per share (a÷b)

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

Net operating cash flow per share decreased due to increase of account receivable.

38 Reconciliation of operating cash flow:

Cash flows from operating activities

Profit before taxation

Adjustment for:

Depreciation & Amortization

Finance expenses

Finance income

Other income

Operating profit before working capital changes

Increase/decrease in trade and other receivable

Increase/decrease in inventories

Increase/decrease in trade and other payables

Cash generated from operating activities

Interest received from bank deposit

Income tax paid

Net cash (used in)/from operating activities

	31-Dec-23 Person	31-Dec-22 Person
Number of employees	25	21
None of receiving below Taka 8,000 per month.		
	31-Dec-23 Taka	31-Dec-22 Taka
(a) Net Profit for the year	8,450,528	24,078,993
(b) No. of ordinary equity shares	2,050,000	2,050,000
(c) Weighted average no. of equity shares outstanding (Note 30.1)	2,050,000	2,050,000
Earnings per share (EPS) for the year (a÷c)	4.12	11.75
Diluted earnings per share for the year (a÷c)	4.12	11.75
35.1 Weighted average number of ordinary shares		
Outstanding shares	2,050,000	2,050,000
	2,050,000	2,050,000
35.2 Diluted earning per share		
No diluted earnings per share is required to be calculated for the year as there was no scope for dilution during the year.		
35.3 Reason of deviation of earnings per share:		
Reason for decreasing of EPS is gas price hike and low gas pressure which causes per KWH gas consumption higher.		
36 Calculation of Net assets value per share		
(a) Net assets value (Note 14 & 15)	281,786,217	273,335,689
(b) Weighted average no. of equity shares outstanding (Note 35.1)	2,050,000	2,050,000
Net assets value per share (a÷b)	137.46	133.33
37 Calculation of Net operating cash flow per share		
(a) Net Cash flows from operating activities (Note 38)	(24,692,773)	30,649,723
(b) Weighted average no. of equity shares outstanding (Note 35.1)	2,050,000	2,050,000
Net operating cash flow per share (a÷b)	(12.05)	14.95
37.1 Reason of deviation of net operating cash flow per share:		
Net operating cash flow per share decreased due to increase of account receivable.		
38 Reconciliation of operating cash flow:		
Cash flows from operating activities		
Profit before taxation	12,250,952	30,840,438
Adjustment for:		
Depreciation & Amortization	19,700,421	28,416,724
Finance expenses	271,041	458,736
Finance income	(1,297,056)	(957,025)
Other income	(37,999)	(149,999)
Operating profit before working capital changes	30,887,359	58,608,874
Increase/decrease in trade and other receivable	(75,141,869)	5,562,521
Increase/decrease in inventories	(14,983,312)	(11,267,364)
Increase/decrease in trade and other payables	42,701,288	(10,095,112)
Cash generated from operating activities	(16,536,534)	42,808,919
Interest received from bank deposit	894,441	881,459
Income tax paid	(9,050,680)	(13,040,655)
Net cash (used in)/from operating activities	(24,692,773)	30,649,723

39 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessment by the by the authority aggregating to Tk. 3,638,799. (31 Dec 2022 : Tk. Nil) 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 letter of guarantee of Tk. 60,437,900. (31 Dec 2022: Tk. 63,937,900 and letter of credit Tk. Nil (31 Dec 2022 : Tk. 32,990,381)

40 Events after the reporting period

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

The Board of Directors of RAK Power Pvt. Ltd. has decided in its meeting held on 29 January 2024 not to recommend any dividend for the year ended 31 December 2023 considering the forthcoming Capital Expenditure. The Board of Director fixed the date of Annual General Meeting (AGM) on 19 March 2024.



RAK SECURITY AND SERVICES (PVT.) LTD.

REPORTS & FINANCIAL STATEMENTS

As the parent company, RAK Ceramics (Bangladesh) Limited, increased its stake from 35% to a commanding 99%, solidifying RAK Security as a subsidiary. This move, approved by both companies' shareholders and authorities, reflects the parent company's confidence in RAK Security's growth potential and its strategic interest in expanding its security services within Bangladesh.

DIRECTORS' REPORT OF RAK SECURITY AND SERVICES (PVT.) LTD.

Dear shareholders,

The Board of Directors of RAK Security and Services (Pvt.) Ltd is pleased to present this Directors' Report, along with the audited financial statements of the Company for the year ended 31 December 2023, and the Auditors' Report thereon, for your valued consideration, approval and adoption.

The Directors' report has been prepared in compliance with Section 184 of the Companies Act 1994.

Principal activities

The principal activities of the company comprises the business of security guarding and facilities management that include cleaning services; termite, pest control and fumigation services; fire security services; and setting-up manpower technical training institutes for developing skilled workers for various fields, including construction and other public works. The company also provide pre-employment background verification and immigration and visa documentation verification services, among others.

Review of business

The company reported revenue of BDT 101.29 mn in 2023, against BDT 87.73 mn in 2022. Due to the revised and responsive business strategy taken by the management, income from labour services increasing by 15.46%, as compared to 2022. The Company's net profit after tax stood at BDT 3.69 mn, against BDT 2.16 mn in 2022.

Operating results

The operating results of the company for the year ended 2023 are as follows:

Particulars	(Amount in BDT mn)	
	2023	2022
Sales	101.29	87.73
Gross profit	28.67	23.00
Net profit after tax	3.69	2.16
Earnings Per Share (Absolute BDT)	369.70	216.55
Net Operating Cash Flow Per Share (NOCFPS) (Absolute BDT)	(31.02)	(64.67)
Net Asset Value (NAV)	29.58	27.88
Net Asset Value per share (Absolute BDT)	2,958.05	2,788.34

Reserves and Surplus

In 2023, retained earnings of the Company stood at BDT 28.58 mn against BDT 26.88mn in 2022.

Dividend

The Board of Directors of RAK Security and Services is pleased to recommend cash dividend @200% in cash of the

paid-up capital of the Company for the year 2023. While recommending the dividend, the Board has considered the operational performance, business results, assets as at that date, and working capital requirements for the future. The Company paid cash dividend @200% of paid-up capital for the year 2022.

Auditors and audit report

M/s. A. Qasem & Co. Chartered Accountants (a member firm of ECOVIS International), shall retire at the 17th Annual General Meeting and, new statutory auditor is required to be appointed for the year 2024. Being a subsidiary of RAK Ceramics (Bangladesh) Ltd. it would be more effective to appoint the same statutory auditor for parents as well as subsidiary. M/s. A. Qasem & Co. Chartered Accountants has given a 'No objection Certificate(NOC)' for appointing another Chartered Accountant firm as the statutory auditor of RAK Security and Services (Pvt.) Ltd. for the year 2024. The Audit Committee of the Board scrutinized the proposals and recommended to appoint M/s ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL) as the statutory auditor of the Company for the year 2024. The Board of Directors also recommended to appoint M/s ACNABIN, Chartered Accountants as the statutory auditor of the Company for the year 2024. Remuneration of the Auditor will be fixed by the shareholders at the 17th Annual General Meeting.

The statutory auditors of the Company have given reports on the financial statements of the Company for the year ended 31 December 2023. There is no qualification, reservation, adverse remark, comments, observations or disclaimer given by the statutory auditors in their reports.

Post Balance Sheet events

There were no material events or developments that have occurred after the balance sheet/reporting date, the non-disclosure of which could affect the ability of the users of these financial statements to make an appropriate evaluation.

Appreciation

The Board would like to take this opportunity to place on record its heartfelt appreciation to the Government authorities, shareholders, investors, bankers and employees for their continuous commitment, cooperation, confidence and support in enabling the company to attain its objectives.

For and on behalf of the Board of Directors,



(Abdallah Massaad)

Chairman

Date: January 29, 2024

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of RAK Security and Services (Pvt.) Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RAK Security and Services (Pvt.) Ltd. (the Company), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994 and other applicable laws and regulations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirement that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

underlying transactions and events in a manner that gives a true and fair view.

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

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, we also report the following:

A. Qasem & Co.

Chartered Accountants
RJSC Firm Registration No.: 2-PC7202

Mohammad Motaleb Hossain FCA
Partner
Enrolment Number: 0950
DVC: 2401290950AS196988

Dhaka, 29 January 2024

- we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books; and
- the statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

RAK Security and Services (Pvt.) Ltd.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	31-Dec-23 Taka	31-Dec-22 Taka
Assets			
Property, plant and equipment	4	3,159,330	3,005,498
Intangible assets	5	267,534	357,534
Right-of-use assets	6	3,838,743	-
Investment	7	1,275	1,275
Deferred tax asset	8	186,421	176,177
Total non-current assets		7,453,303	3,540,484
Trade and other receivables	9	21,212,544	19,352,070
Advance, deposit and prepayment	10	2,757,573	2,853,817
Advance income tax	11	28,454,531	25,720,311
Cash and cash equivalents	12	1,461,868	4,347,161
Total current assets		53,886,516	52,273,359
Total Assets		61,339,819	55,813,843
Equity and liabilities			
Equity			
Share capital	13	1,000,000	1,000,000
Retained earnings		28,580,458	26,883,448
Total equity		29,580,458	27,883,448
Non-current liabilities			
Lease liability	15	3,151,728	-
Total non-current liability		3,151,728	-
Current liabilities			
Trade & other payables	14	1,734,072	1,516,495
Lease liability	15	599,482	-
Provision for expenses	16	5,290,313	8,064,354
Provision for income tax	17	20,983,766	18,349,546
Total current liabilities		28,607,633	27,930,395
Total liabilities		31,759,361	27,930,395
Total equity and liabilities		61,339,819	55,813,843

The accompanying notes are an integral part of these financial statements

As per our report of same date

A. Qasem & Co.

Chartered Accountants
RJSC Firm Registration No.: 2-PC7202

Mohammad Motaleb Hossain FCA
Partner
Enrolment Number: 0950
DVC: 2401290950AS196988
Dhaka, 29 January 2024

Pramod Kumar Chand
Managing Director

SAK Ekramuzzaman
Director

RAK Security and Services (Pvt.) Ltd.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	31-Dec-23 Taka	31-Dec-22 Taka
Sales	19	101,293,151	87,729,111
Cost of service	20	(72,619,871)	(64,728,873)
Gross profit		28,673,280	23,000,238
Other income	21	5,994	22,643
Administrative expenses	22	(17,679,581)	(16,081,903)
Impairment loss on trade receivable	22.1	(105,074)	(2,600)
Marketing expenses	23	(4,515,133)	(3,718,277)
		(22,293,794)	(19,780,137)
Profit from operating activities		6,379,486	3,220,101
Finance income	24	47,635	34,561
Finance expenses	25	(106,135)	(26,618)
Net finance income/(expenses)		(58,500)	7,943
Profit before income tax		6,320,986	3,228,044
Income tax	26	(2,634,220)	(985,390)
Deferred tax	8	10,244	(77,142)
		(2,623,976)	(1,062,532)
Profit for the year		3,697,010	2,165,511
Other comprehensive income for the year		-	-
Total comprehensive income for the year		3,697,010	2,165,511
Basic earnings per share (par value Tk 100)	31	369.70	216.55

The accompanying notes are an integral part of these financial statements

As per our report of same date

A. Qasem & Co.

Chartered Accountants
RJSC Firm Registration No.: 2-PC7202



Mohammad Motaleb Hossain FCA

Partner
Enrolment Number: 0950
DVC: 2401290950AS196988

Dhaka, 29 January 2024



Pramod Kumar Chand
Managing Director



SAK Ekramuzzaman
Director

RAK Security and Services (Pvt.) Ltd.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share Capital	Retained Earnings	Total
	Taka	Taka	Taka
	(Note-13)		
Balance as at 01 January 2023	1,000,000	26,883,448	27,883,448
Total comprehensive income for 2023			
Profit for the year	-	3,697,010	3,697,010
Other comprehensive income	-	-	-
Transaction with the shareholders			
Cash dividend (2022)	-	(2,000,000)	(2,000,000)
Balance as at 31 December 2023	1,000,000	28,580,458	29,580,458
Balance as at 01 January 2022	1,000,000	29,717,937	30,717,937
Total comprehensive income for 2022			
Profit for the year	-	2,165,511	2,165,511
Other comprehensive income	-	-	-
Transaction with the shareholders			
Cash dividend (2021)	-	(5,000,000)	(5,000,000)
Balance as at 31 December 2022	1,000,000	26,883,448	27,883,448

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	31-Dec-23 Taka	31-Dec-22 Taka
Cash flow from operating activities		
Cash received from customer and others	99,432,677	83,560,723
Cash paid to suppliers and employees	(97,056,328)	(81,935,206)
Cash generated from operating activities	2,376,349	1,625,518
Interest received from Bank	47,635	34,561
Payment of corporate income tax (Note-11)	(2,734,220)	(2,306,839)
Net cash (used in)/from operating activities	(310,235)	(646,760)
Cash flow from investing activities		
Acquisition of fixed assets (Note-4)	(334,150)	(30,700)
Sale of fixed assets	6,000	22,560
Dividend received	-	100
Net cash (used in)/from investing activities	(328,150)	(8,040)
Cash flow from financing activities		
Finance charge	(11,960)	(26,618)
Payment of lease liability	(234,947)	-
Dividend payment	(2,000,000)	(5,000,000)
Net cash (used in)/from financing activities	(2,246,907)	(5,026,618)
Net increase/(decrease) in cash and cash equivalents	(2,885,293)	(5,681,420)
Cash and cash equivalents as at 01 January	4,347,161	10,028,581
Cash and cash equivalents as at 31 December	1,461,868	4,347,161

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

1. Introduction

RAK Security and Services (Pvt.) Limited is a Private Company Limited by shares incorporated in Bangladesh on 21 December 2006 under the Companies Act XVIII of 1994. The registered office of the company is situated at RAK Tower (8th Floor), Plot No. 1/A, Jasimuddin Avenue, Sector No. 03, Uttara, Dhaka 1230.

1.1 Nature of Business

The main objects of the company is to carry on the business of security guarding, cleaning services, termite and pest control services, fumigation services and setting up manpower technical training establishments for creation of skilled workers in various fields of construction and public works. Pre-employment back ground verification and immigration & Visa documents verification services, fire safety services etc.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994 and other applicable laws and regulations.

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

Authorisation for issue

These financial statements have been authorized for issue by the Board of Directors of the Company on 29 January 2024.

2.2 Basis of measurement

These financial statements have been prepared on historical cost basis.

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 judgments

The preparation of these financial statements in conformity with IFRSs requires management to make judgments, 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 recognized 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 judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are stated in the following notes:

Note 4	Property, plant and equipment
Note 8	Deferred tax asset/liability
Note 15	Lease liability
Note 17	Provision for income tax
Note 18	Employees benefit payable

2.5 Reporting year

The financial period of the Company covers one year from 1 January to 31 December each year 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

3.1 Property, plant and equipment (PPE)

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

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

Category	Rate
Furniture & fixtures	10%
Tools & appliances	20%
Vehicles	20%
Office Equipment	10%

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

3.2 Intangible assets

Expenditure to acquire computer software (VAT) is capitalised. This is being amortised equally within a period of five years depending upon the tenure of accrual of benefits.

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

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

3.3 Advances, deposits and prepayments

Advances are initially measured at cost. After initial recognition, advances are carried at cost less deductions, adjustments or charges to other account heads.

Deposits are measured at payment value.

Pre-payments are initially measured at cost. After initial recognition, pre-payments are carried at cost less charges to Statement of Profit or Loss and other Comprehensive Income.

3.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash at bank which are available for use by the Company without any restriction. There is an insignificant risk of changes in value of these current assets.

3.5 Employees' benefit schemes

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

Defined Contribution Plan (Provident Fund)

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

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

Defined Benefit Plan (Gratuity Fund)

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plants 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 years.

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 year of more than six months, salary of minimum 30 days, or salary of 45 days or 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 year of employment.

3.6 IFRS 9 Financial Instruments

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

i. Classification – financial assets

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

ii. Impairment

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

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

· 12-month ECLs: these are ECLs which result from possible default events within the 12 months after the reporting date; and

· Lifetime ECLs: these are ECLs which result from all possible default events over the expected life of a financial instrument.

ii. Impairment

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

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

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

ii. Hedging

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

Impact of IFRS 9 shown in note no 28.1 (b).

3.7 IFRS 15 Revenue from Contracts with Customers

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

Rendering of services

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

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

3.8 IFRS 16 Leases

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

General impact of application of IFRS 16 Leases

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

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

Impact of the new definition of a lease

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

The company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the company has carried out an implementation project.

Impact on Lessee Accounting

Former operating leases

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

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

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

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

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

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

Former finance leases

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

Impact on Lessor Accounting

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

3.9 Provision for taxation

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

Corporate tax

Corporate income tax provision made at the rate of 30% on profit before tax or 0.6% of revenue or tax deduction at source whichever is higher as per section 163 (2) of ITO 1984 and Finance Act-2023.

Deferred tax

Deferred tax has been recognised in accordance with International Accounting Standard (IAS) 12. Deferred tax is provided using the liability method for temporary difference 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.

3.10 Earnings per share (EPS)

The Company calculates Earning per Share (EPS) in accordance with IAS 33: Earning per Share, which has been shown on the face of Statement of Profit or Loss and Other Comprehensive Income, and the computation of EPS is stated in related note.

3.10.1 Figures in these notes and annexed financial statements have been rounded off to the nearest Taka.

3.10.2 Previous year's figures have been regrouped and/or rearranged wherever considered necessary for the purpose of current year's presentation.

4 Property, plant and equipment
31-Dec-2023

Amount in Taka

Particulars	C O S T			D E P R E C I A T I O N					Net book value as at 31 Dec 2023	
	Balance as at 01 Jan 2023	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2023	Rate	Balance as at 01 Jan 2023	Charged during the year	Adjustment during the year		Balance as at 31 Dec 2023
Land	2,309,220	-	-	2,309,220	-	-	-	-	-	2,309,220
Furniture & fixtures	895,319	334,150	14,750	1,214,719	10%	621,986	70,849	14,744	678,091	536,628
Office equipment	1,600,080	-	-	1,600,080	10%	1,177,145	109,463	-	1,286,608	313,472
Tools & appliances	126,255	-	-	126,255	20%	126,248	-	-	126,248	7
Vehicles	2,389,725	-	-	2,389,725	20%	2,389,722	-	-	2,389,722	3
Total	7,320,599	334,150	14,750	7,639,999		4,315,101	180,312	14,744	4,480,669	3,159,330

4.1 Disposal of fixed assets

Name of Assets	Cost	Accumulated depreciation	Book value	Receipts against sale	Gain/(Loss)
Furniture & fixtures	14,750	14,744	6	6,000	5,994
Total:	14,750	14,744	6	6,000	5,994

31-Dec-2022

Amount in Taka

Particulars	C O S T			D E P R E C I A T I O N					Net book value as at 31 Dec 2022	
	Balance as at 01 Jan 2022	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2022	Rate	Balance as at 01 Jan 2022	Charged during the year	Adjustment during the year		Balance as at 31 Dec 2022
Land	2,309,220	-	-	2,309,220	-	-	-	-	-	2,309,220
Furniture & fixtures	951,379	13,200	69,260	895,319	10%	621,435	69,800	69,249	621,986	273,333
Office equipment	1,829,700	17,500	247,120	1,600,080	10%	1,300,935	123,324	247,114	1,177,145	422,935
Tools & appliances	126,255	-	-	126,255	20%	125,570	678	-	126,248	7
Vehicles	2,389,725	-	-	2,389,725	20%	2,389,722	-	-	2,389,722	3
Total	7,606,279	30,700	316,380	7,320,599		4,437,662	193,802	316,363	4,315,101	3,005,498

4.1 Disposal of fixed assets

Name of Assets	Cost	Accumulated depreciation	Book value	Receipts against sale	Gain/(Loss)
Furniture & fixtures	69,260	69,249	11	18,560	18,549
Office equipment	247,120	247,114	6	4,000	3,994
Total:	316,380	316,363	17	22,560	22,543

5 Intangible assets
31-Dec-2023

Particulars	COST		AMORTIZATION		Net book value as at 31 Dec 2023
	Balance as at 01 Jan 2023	Addition during the year	Balance as at 01 Jan 2023	Amortized during the year	
Computer Software (VAT)	450,000	-	92,466	90,000	267,534
Total	450,000	-	92,466	90,000	267,534

31-Dec-2022

Particulars	COST		AMORTIZATION		Net book value as at 31 Dec 2022
	Balance as at 01 Jan 2022	Addition during the year	Balance as at 01 Jan 2022	Amortized during the year	
Computer Software (VAT)	450,000	-	2,466	90,000	357,534
Total	450,000	-	2,466	90,000	357,534

6 Right-of-use assets
31-Dec-2023

Particulars	COST		DEPRECIATION			Net book value as at 31 Dec 2023
	Balance as at 01 Jan 2023	Addition during the year	Balance as at 01 Jan 2023	Charged during the year	Adjustment during the year	
Office building	-	4,040,783	-	202,039	-	3,838,743
Total	-	4,040,783	-	202,039	-	3,838,743

7. **Investment**
Investment in RAK Power Pvt. Ltd.
8. **Deferred tax asset**
Balance as at 1 January
Deferred tax income/(expenses)
Balance as at 31 December

- As at 31 December 2023**
Property, plant & equipment (excluding land)
Trade receivables
Right of use assets
Lease liability
- Deferred tax asset (applying tax rate 30.00%)
- As at 31 December 2022**
Property, plant & equipment (excluding land)
Trade receivables
- Deferred tax asset (applying tax rate 30.00%)

9. **Trade and other Receivables**
Trade receivables
- Less: Provision of impairment loss on trade receivable:
Related parties
Unrelated parties
10. **Advance, deposit and prepayment**
Imprest to employee
Advance to suppliers
Security deposit
VAT deposit
Insurance and others

	31 Dec 2023 Taka	31 Dec 2022 Taka
	1,275	1,275
	1,275	1,275
	176,177	253,319
	10,244	(77,142)
	186,421	176,177

Carrying amount on the date of statement of financial position Taka	Tax base Taka	Taxable/(deductible) temporary difference Taka
850,110	1,083,185	(233,075)
21,212,544	21,688,405	(475,861)
3,838,743	-	3,838,743
(3,751,210)	-	(3,751,210)
		(621,403)
		(186,421)
696,278	912,749	(216,471)
19,352,070	19,722,857	(370,787)
		(587,258)
		(176,177)
21,688,405	21,688,405	19,722,857
	21,688,405	19,722,857
148,918	148,918	116,324
326,943	326,943	254,463
	21,212,544	19,352,070
	31 Dec 2023 Taka	31 Dec 2022 Taka
299,500	299,500	354,500
12,901	12,901	3,000
172,000	172,000	172,000
2,030,039	2,030,039	2,123,789
243,133	243,133	200,528
	2,757,573	2,853,817

	31 Dec 2023 Taka	31 Dec 2022 Taka
11. Advance income tax		
Balance as at 01 January	25,720,311	23,413,472
Add: Paid during the year	2,734,220	2,306,839
Balance as at 31 December	28,454,531	25,720,311
11.1 Year wise closing balance		
Year - 2023	2,634,220	-
Year - 2022	2,306,839	2,306,839
Year - 2021	2,299,603	2,299,603
Year - 2020	1,452,103	1,452,103
Year - 2019	1,386,968	1,386,968
Year - 2018	2,075,180	1,975,180
Year - 2017	7,767,254	7,767,254
Year - 2016	4,215,121	4,215,121
Year - 2015	4,317,243	4,317,243
	28,454,531	25,720,311
12. Cash and cash equivalents		
Cash in hand	470,351	550,064
Cash at banks		
DBBL (current account 117.110.4311)	726,442	105,500
DBBL (SND account 117.120.311)	83,894	3,353,991
Dhaka Bank Ltd. (current account 204.100.19318)	181,181	337,606
	1,461,868	4,347,161
13. Share capital		
Authorized capital:		
1,000,000 Ordinary shares of Tk. 100 each	100,000,000	100,000,000
Issued, subscribed, called and paid up capital:		
10,000 Ordinary shares of Tk. 100 each	1,000,000	1,000,000
Particulars of share-holdings are as follows:		
Name of shareholders:	No. of shares	Value per share
RAK Ceramics (Bangladesh) Ltd.	9,900	100
RAK Power Pvt. Ltd	100	100
Total	10,000	
	1,000,000	1,000,000
14. Trade and other payables		
Advance from customers	1,156,562	982,157
Payable to employee	494,603	458,222
Tax deducted at source	59,500	60,000
VAT deducted at source	23,406	16,116
	1,734,072	1,516,495
15. Lease liability		
Non-current		
Lease liability	3,751,210	-
Less: Current portion of lease liability	599,482	-
	3,151,728	-
Current		
Current portion of lease liability	599,482	-
Lease liability schedule		

Particulars	Balance as on Jan 01, 2023	Addition	Payment	Interest expenses	Decrease in lease liability	Closing balance as on Dec 31, 2023
Office Building	-	3,891,983	234,947	94,175	140,772	3,751,210
	-	3,891,983	234,947	94,175	140,772	3,751,210

	31 Dec 2023 Taka	31 Dec 2022 Taka
16. Provision for expenses		
Staff cost	4,143,909	6,363,378
Audit fees	110,000	110,000
Legal and professional charges	25,000	25,000
Utilities bill	23,000	13,800
Temporary labour	988,404	1,552,176
	5,290,313	8,064,354
17. Provision for income tax		
Balance as at 01 January	18,349,546	17,364,156
Add: Provision made during the year	2,634,220	985,390
Balance as at 31 December	20,983,766	18,349,546
15.1 Year wise closing balance		
Year 2023	2,634,220	-
Year 2022	985,390	985,390
Year 2021	443,191	443,191
Year 2018	1,202,131	1,202,131
Year 2017	7,767,254	7,767,254
Year 2016	4,215,122	4,215,122
Year 2015	3,736,458	3,736,458
	20,983,766	18,349,546

	31 December 2023		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 01 January	-	-	-
Add: Provision made during the year	4,677,317	1,766,399	6,443,716
	4,677,317	1,766,399	6,443,716
Less: Payment made during the year	4,677,317	1,766,399	6,443,716
Balance as at 31 December	-	-	-

Forfeited amount of provident fund amounting to BDT. 152,171 for the year 2023 has been adjusted with provision and payment.

	31 December 2022		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 01 January	-	-	-
Add: Provision made during the year	3,934,252	1,667,088	5,601,340
	3,934,252	1,667,088	5,601,340
Less: Payment made during the year	3,934,252	1,667,088	5,601,340
Balance as at 31 December	-	-	-

Forfeited amount of provident fund amounting to BDT. 499,506 for the year 2022 has been adjusted with provision and payment.

	31 Dec 2023 Taka	31 Dec 2022 Taka
19. Sales		
Gross receipts from services	111,891,962	96,967,823
Less: Value added tax (VAT)	10,598,811	9,238,712
	101,293,151	87,729,111
20. Cost of service		
Direct wages (Note-20.1)	68,531,571	60,146,922
Security Training expenses (Note-20.2)	230,920	257,140
Other direct expenses (Note-20.3)	1,677,360	2,095,686
Verification expenses (Note-20.4)	2,180,020	2,229,125
	72,619,871	64,728,873
20.1 Direct wages		
Salary and wages	50,156,034	43,598,090
Overtime	11,387,567	10,589,188
Bonus	3,642,131	3,209,528
Employer's contribution to provident fund	1,691,178	1,172,441
Gratuity	1,356,868	1,262,657
Group Life Insurance	297,793	315,018
	68,531,571	60,146,922
20.2 Security training expenses		
Staff welfare	230,920	257,140
	230,920	257,140
20.3 Other direct expenses		
Uniform expenses	1,056,088	1,123,586
Bicycle expenses	9,000	-
Gardening expenses	612,272	972,100
	1,677,360	2,095,686
20.4 Verification expenses		
Staff cost	1,248,034	1,019,152
Special service allowance	898,905	1,178,235
Mobile bill	33,081	31,738
	2,180,020	2,229,125
21. Other income		
Dividend income	-	100
Gain on sale of assets	5,994	22,543
	5,994	22,643
22. Administrative expenses		
Staff cost (22.2)	11,554,050	10,485,333
Rent, rates and taxes	2,365,252	2,350,911
Telephone and postage	429,374	364,173
Repair and maintenance	1,286,109	1,136,731
Electricity, gas and water	360,475	336,381
Depreciation	180,312	193,802
Amortization	90,000	90,000
Depreciation on right of use assets	202,039	-
Vehicle repair & maintenance	497,971	468,080
Legal and professional fees	548,050	520,250
Other expenses	165,949	136,242
	17,679,581	16,081,903

Rent, rates and taxes includes rent expenses for short term lease for BDT. 1,659,701 and related government levis wherever applicable. Details of the short term lease is shown in note no 27. No low value item exists at the reporting period.

	31 Dec 2023 Taka	31 Dec 2022 Taka
22.1 Impairment loss on trade receivable		
Related parties	32,594	1,040
Unrelated parties	72,480	1,560
	105,074	2,600
New classification of financial assets shown in note 28.1(b).		
22.2 Staff cost		
Salary	8,624,895	8,015,628
Bonus	763,022	729,414
Staff welfare	758,561	526,717
Employer's contribution to provident fund	452,775	432,612
Gratuity	324,586	310,435
Conveyance	623,221	463,920
Group Life Insurance	6,990	6,607
	11,554,050	10,485,333
23. Marketing expenses		
Staff cost (23.1)	2,489,408	2,357,465
Conveyance	643,071	429,661
Telephone and Telex Expenses	15,522	16,521
Promotional expenses	1,367,132	902,630
Advertisement	-	12,000
	4,515,133	3,718,277
23.1 Staff cost		
Salary	2,037,794	1,957,331
Bonus	202,350	190,500
Employer's contribution to provident fund	118,620	112,320
Gratuity fund	84,945	93,996
Group Life Insurance	45,699	3,318
	2,489,408	2,357,465
24. Finance income		
Interest on bank account (SND)	47,635	34,561
	47,635	34,561
25. Financial expenses		
Interest expenses against lease liability	94,175	-
Bank charges	11,960	26,618
	106,135	26,618
26. Income tax expenses		
Accounting profit (PBT as per Statement of Profit & Loss)	6,320,986	3,228,044
Add: Accounting Depreciation of Fixed Assets	180,312	193,802
Add: Amortization expenses	90,000	-
Add: Depreciation on Right of Use Assets (ROUA)	202,039	-
Add: Interest on Lease liability	94,175	-
	6,887,513	3,421,846
Less: Tax base depreciation of Fixed Assets	148,964	137,179
Less: Rent expenses	234,947	-
	6,503,601	3,284,667
Less: Dividend income	-	100
Taxable profit after dividend income	6,503,601	3,284,567

	31 Dec 2023 Taka	31 Dec 2022 Taka
Tax calculation @ 30% on business income	1,951,080	985,370
Tax calculation @ 20% on dividend income	-	20
Tax Payable as per current tax rate	1,951,080	985,390
TAX Deduction at Source	2,634,220	-
Minimum Tax as per ITA 163(5) 0.6% of Gross Receipts	671,352	-
Current Tax Liability whichever is higher ITA Section 163 (2)	2,634,220	985,390

26.1 Reconciliation of effective tax rate

	31 December 2023		31 December 2022	
	%	Taka	%	Taka
Profit before tax		6,320,986		3,228,044
Current tax expenses	42%	2,634,220	31%	985,390
Deferred tax expenses/(income)	0%	(10,244)	2%	77,142
Total tax expenses	42%	2,623,976	33%	1,062,532
Expected income tax using applicable tax rate	30%	1,896,296	30%	968,413
Tax on non-deductible expenses	12%	737,924	1%	16,977
Effective current tax	42%	2,634,220	31%	985,390
Effective deferred tax	0%	(10,244)	2%	77,142
	42%	2,623,976	33%	1,062,532

27. Short term lease expenses

Nature of the lease	Lease term	Allocation	Rent payment	Rent payment
Rented accommodation	<1 year	Admin	1,659,701	1,467,710
			1,659,701	1,467,710

28 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

28.1 Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, debtors are grouped according to their risk profile, i.e. their legal status, financial condition etc. Accounts receivable are mainly related to local receivables. The Company's exposure to credit risk on accounts receivables is mainly influenced by the individual payment characteristics of local customers. The Company has established receivable department to minimise credit risk involving collection of local receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

a) Exposure to credit risk

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

	USD		Amount in Taka	
	As at Dec 31 2023	As at Dec 31 2022	As at Dec 31 2023	As at Dec 31 2022
Trade receivables				
Customer-Local	-	-	21,212,544	19,352,070
	-	-	21,212,544	19,352,070
Cash equivalents	-	-	991,517	3,797,097

b) Impact of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the financial assets as at 31 December 2023.

Financial assets	Note	Classification under IFRS 9	Carrying amount under IFRS 9	Carrying amount under IFRS 9	Impairment
Trade & other receivable-related	9	Amortized cost	6,610,398	6,461,480	148,918
Trade & other receivable-unrelated	9	Amortized cost	15,078,007	14,751,064	326,943
Cash at banks	12	Amortized cost	991,517	991,517	-

- The above table provides information ECLs upto 31 December 2023. Impairment provision upto 31 Dec 2022 was Tk. 370,787 and provision made during the year is Tk. 105,074.
 - Trade and other receivables that are classified at amortised cost.
 - Cash at banks that are classified at amortised cost. Impairment loss allowance has not been considered on bank balance because business is confident to recover the full amount from the bank.
- c) **Aging of receivables**

	Amount in Taka	
	As at Dec 31 2023	As at Dec 31 2022
The aging of trade receivables:		
Current (not due)	9,376,104	8,477,072
Overdue by 0 - 90 days	7,571,417	8,629,334
Overdue by 91 - 180 days	3,705,637	1,756,654
Overdue by 180 - 365 days	263,016	262,185
More than 365 days	296,370	226,826
	21,212,544	19,352,070

28.2 Liquidity risk

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

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

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

	As at December 31, 2023			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Trade and other payables	1,734,072	1,734,072	1,734,072	-
	1,734,072	1,734,072	1,734,072	-
	As at December 31, 2022			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Trade and other payables	1,516,495	1,516,495	1,516,495	-
	1,516,495	1,516,495	1,516,495	-

29. **Related party disclosure under IAS-24**

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

Name of related party	Relationship	Security/ Guarantee status	Bad debts Status	Year	Purchase / Service	Sales of goods / Services	Outstanding Receivables	Dividend Income
RAK Ceramics (Bangladesh) Ltd.	Parent Company	Unsecured	Nil	Current year	-	49,689,349	6,538,753	-
RAK Power Pvt. Ltd.	Fellow Subsidiary	Unsecured	Nil	Previous year	-	44,189,683	9,009,969	-
Mohammed Trading	Other related party	Unsecured	Nil	Current year	-	1,217,204	71,645	-
Kansai Nerolac Paints (BD) Ltd.	Other related Party	Unsecured	Nil	Previous year	-	1,995,465	123,797	100
SAK Consumer Products Ltd.	Other related Party	Unsecured	Nil	Current year	-	1,089,000	108,900	-
Rakeen Development Pvt. Limited	Other related party	Unsecured	Nil	Previous year	-	1,080,000	99,000	-
Star Ceramics Pvt. Limited	Other related party	Unsecured	Nil	Current year	-	10,533,444	1,951,936	-
Kea Printing and Packaging Ind.	Other related party	Unsecured	Nil	Previous year	-	8,743,279	1,701,062	-
				Current year	-	2,232,074	1,265,082	-
				Previous year	-	2,125,331	970,586	-
				Current year	-	63,000	287,447	-
				Previous year	-	30,000	218,147	-
				Current year	-	2,733,429	955,365	-
				Previous year	-	390,000	250,995	-
				Current year	-	763,593	280,428	-
				Previous year	-	763,593	420,420	-

29.1 **Paid to Directors**

During the period, Board meeting fees of Taka 3,600 was paid to the board members for attending the Board meetings.

30. **Number of employees**

The number of employees engaged for the year who received total remuneration of Taka 96,000 and above per annum at reporting date was as follows.

	31 Dec 2023	31 Dec 2022
Number of employees	327	307

None of receiving below Taka 8,000 per month.

31. **Calculation of earnings per share (EPS)**

Calculation of earnings per share (EPS) is as under:

Earnings attributable to the ordinary shareholders

(a) Profit/(Loss) for the year

(b) No. of ordinary equity shares

(c) Weighted average no. of equity shares outstanding (Note 31.1)

Earnings per share (EPS) for the year (a/c)

Diluted earnings per share for the year (a/c)

31.1 **Weighted average number of ordinary shares**

The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighted factor. The time-weighted factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year.

	31 Dec 2023	31 Dec 2022
Outstanding shares	10,000	10,000
	10,000	10,000

31.2 **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 year.

31.3 **Reason of deviation of earnings per share:**

Though there was increase in the revenue of the company as compared to previous year, which resulted increase of earning per share for the year.

32 **Calculation of Net assets value per share**

(a) Net assets value

(b) Weighted average no. of ordinary shares (Note 31.1)

Net assets value per share

33 **Calculation of Net operating cash flow per share**

(a) Net cash flows from operating activities

(b) Weighted average no. of ordinary shares (Note 31.1)

Net operating cash flow per share (a/b)

33.1 **Reason of deviation of net operating cash flow per share:**

The company registered improvement in cash inflows from customers due to enhanced control on customer credit as compared to previous year, which resulted in increase of net operating cash flow per share.

	31 Dec 2023	31 Dec 2022
	Taka	Taka
34 Reconciliation of operating cash flow:		
Cash flows from operating activities		
Profit before taxation	6,320,986	3,228,044
Adjustment for:		
Depreciation & amortization	472,351	283,802
Finance expenses	106,135	26,618
Finance income	(47,635)	(34,561)

	31 Dec 2023	31 Dec 2022
	Taka	Taka
Other income	(5,994)	(22,643)
Operating profit before working capital changes	6,845,843	3,481,260
Increase/decrease in trade and other receivable	(1,860,474)	(4,168,388)
Increase/decrease in trade and other payable	(2,609,020)	2,312,646
Cash generated from operating activities	2,376,349	1,625,518
Interest received from bank deposit	47,635	34,561
Income tax paid	(2,734,220)	(2,306,838)
Net cash (used in)/from operating activities	(310,235)	(646,760)

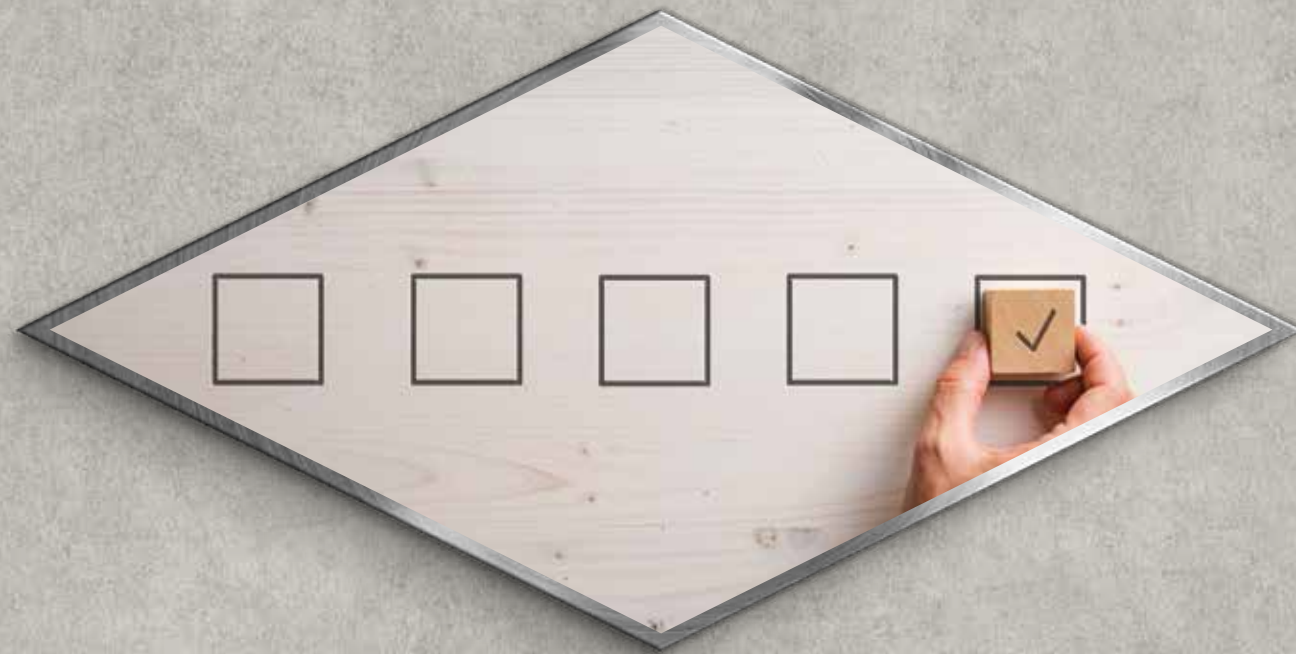
35 Events after the reporting period

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

The Board of Directors of RAK Security and Services (Pvt.) Ltd, in its meeting held on 29 January 2024, has unanimously recommended cash dividend @ 200% of the paid up capital of the company for the year ended 31 December 2023 equivalent to BDT. 20,00,000/= to be distributed as cash dividend among shareholders. The dividend is subject to final approval by the shareholders at the forthcoming Annual General Meeting(AGM) of the Company which will be held on 19 March 2024.

STATEMENT PURSUANT TO SECTION 186(1)(E) OF THE COMPANIES ACT 1994

Name of the subsidiary	RAK Power Pvt. Ltd.	R.A.K. Security and Services (Pvt.) Ltd.
Name of the holding company	RAK Ceramics (Bangladesh) Limited	RAK Ceramics (Bangladesh) Limited
Holding Company's interest	2,049,990 ordinary shares of Tk.100 each fully paid up	9,900 ordinary shares of Tk.100 each fully paid up
Extent of holding	99.99%	99.00%
The 'financial year' of the subsidiary company ended on	December 31, 2023	December 31, 2023
Net aggregate amount of the subsidiary company's profits/(losses) dealt with in the holding company's accounts	Taka 608.75 mn	Taka 26.00 mn
For the subsidiary's aforesaid financial year	Nil	Taka 2.00 mn
For the previous financial years since it became subsidiary	Taka 608.75 mn	Taka 24.00 mn
Net aggregate amount of the subsidiary company's profits/(losses) not dealt with in the holding company's accounts	Taka 119.00	Nil
For the subsidiary's aforesaid financial year	Nil	Nil
For the previous financial years since it became subsidiary	Taka 119.00	Nil
Changes, if any, in the holding company's interest in the subsidiary between the end of the financial year of the subsidiary and that of the holding company	No such changes	No such changes
Material changes, if any, between the end of the financial year of the subsidiary and that of the holding company	No material changes	No material changes



CHECKLIST

We at RAK Ceramics (Bangladesh) uphold the principles of "Embracing heritage, inspiring futures" by adhering to rigorous reporting standards. In this context, our checklist serves as a roadmap, ensuring that our all our financial and non-financial disclosures align seamlessly with industry best practices and regulatory requirements. This commitment to transparency and accountability not only preserves our heritage of integrity but also lines the way for a future where stakeholders can build trust in our steadfast dedication to ethical and responsible stewardship.

ANNUAL REPORT REVIEW CHECKLIST 2023

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	Operating Performance (Income Statement) (2.5 Marks)	
	Total Revenue	
	Operating profit	
	Profit Before Tax	
	Profit after Tax	
	EPS	
	11	
Shareholders Fund		
Property Plant & Equipment		
Net Current Assets		
12	Profitability/Dividends/ Performance and Liquidity Ratios	176-179
	Gross Profit Ratio	
	Earning before interest, Depreciation and Tax	
	Price earning ratio	
	Current Ratios	
	Debt Equity Ratio	
13	Statement of Value Added and Its Distribution	129-131
	Government as Taxes	
	Shareholders as dividend	
	Employees as bonus/remuneration	
	Retained by the entity	
	Market share information of the Company's product/services	
14	Additional Disclosures	70
	Human Resource Accounting	
	Value Creation Process	
	Business Model	

INTEGRATED REPORTING CHECKLIST

	Particulars	Page No.
1.1	Organisational overview and external environment	
	An integrated report should disclose the main activities of the organisation and the environment of which it operates.	11-14
	An integrated report should identify the organisation's mission and vision, and provides essential context by identifying matters such as:	
	The organisation's: culture, ethics and values	15
	ownership and operating structure including size of the organisation, location of its operations)	27
	principal activities and markets	15
	competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, and the intensity of competitive rivalry)	37
	position within the Our Value Creation Process	15
	Key quantitative information	137
	e.g. The number of employees, revenue and number of countries in which the organisation operates highlighting, in particular, significant changes from prior periods	70
	Significant factors affecting the external environment and the organisation's response (include aspects of the legal, commercial, social, environmental and political context that affect the organisation's ability to create value in the short, medium or long term)	91, 100
	Eg:	
	The legitimate needs and interests of key stakeholders	111
	Macro and micro economic conditions, such as economic stability, globalization, and industry trends	141
	Market forces, such as the relative strengths and weaknesses of competitors and customer demand	86
	The speed and effect of technological change	84
	Societal issues, such as population and demographic changes, human rights, health, poverty, collective values and educational systems	-
	Environmental challenges, such as climate change, the loss of ecosystems, and resource shortages as planetary limits are approached	40-51
	The legislative and regulatory environment in which the organisation operates	
The political environment in countries where the organisation operates and other countries that may affect the ability of the organisation to implement its strategy	141	
1.2	Governance	
	An integrated report should show how does the organisation's governance structure support its ability to create value in the short, medium and long term.	59-104
	An integrated report needs to provide an insight about how such matters as the following are linked to its ability to create value:	
	The organisation's leadership structure, including the skills and diversity (e.g., range of backgrounds, gender, competence and experience) of those charged with governance and whether regulatory requirements influence the design of the governance structure	
	•Mandatory and voluntary code of corporate governance adopted by the Company	24
	•Code of ethical conduct adopted by the Company in relation to ethical business	

	Particulars	Page No.
	Specific processes used to make strategic decisions and to establish and monitor the culture of the organisation, including its attitude to risk and mechanisms for addressing integrity and ethical issues	59-104
	Particular actions those charged with governance have taken to influence and monitor the strategic direction of the organisation and its approach to risk management	
	How the organisation's culture, ethics and values are reflected in its use of and effects on the capitals, including its relationships with key stakeholders	
	Whether the organisation is implementing governance practices that exceed legal requirements/ Key Policies	
	The responsibility those charged with governance take for promoting and enabling innovation	
	How remuneration and incentives are linked to value creation in the short, medium and long term, including how they are linked to the organisation's use of and effects on the capitals.	
1.3	Stakeholder Identification/ relationships	66-111
	An integrated report should identify its key stakeholders and provide insight into the nature and quality of the organisation's relationships with its key stakeholders, including how and to what extent the organisation understands, takes into account and responds to their legitimate needs and interest.	
	Stakeholders are the groups or individuals that can reasonably be expected to be significantly affected by an organisation's business activities, outputs or	
	outcomes or whose actions can reasonably be expected to significantly affect the ability of the organisation to create value	
	An entity may disclose the following in their integrated reports in respect of stakeholder relationships:	
	How the company has identified its stakeholders	
	Stakeholder engagement methodology	
	Identification of material matters of stakeholders	
	How the Company has applied such matters.	
	How the stakeholders are engaged in assessing impacts, implications and outlook unrespects of Company's business model.	
	Capitals	
	An integrated report needs to provide insight about the resources and the relationships used and affected by the organisation, which are referred to collectively as the capitals and how the organisation interacts with the capitals to create value over the short, medium and long term	
	An integrated report need to identify the various forms of capitals which are essential for the success of its business operations.	
	Eg:	
	Financial Capital -The pool of funds that is available to the organisation for use in the production of goods or provision of services	
	Manufacturing Capital -Manufactured physical objects that are available to the organisation for use in the production of goods and provision of services	
	Intellectual Capital -Organisational Knowledge based intangibles	
	Human Capital -People's competences, capabilities and experience, and their motivations to innovate.	
	Social and Relationship Capital -The institutions and the relationships within and between communities, groups of stakeholders and other networks and the ability to share information to enhance individual and collective wellbeing	
Natural Capital -All renewable and non-renewable environmental resources and processes that provide goods and services that support the past, current and future prosperity of the organisation.		
Note: However an entity can do its own classification of capitals based on its business activities. An entity needs to ensure that it does not overlook a capital that it uses or affects		

	Particulars	Page No.
1.4	Business Model	80
	An integrated report should describe the organisation's business mode	
	An integrated report need to describe the business model, including key:	
	Inputs	
	Business activities	
	Outputs	
	Outcomes	
	Features that can enhance the effectiveness and readability of the description of the business model include:	
	Explicit identification of the key elements of the business model	
	A simple diagram highlighting key elements, supported by a clear explanation of the relevance of those elements to the organisation	
	Narrative flow that is logical given the particular circumstances of the organisation	
	Identification of critical stakeholder and other (e.g., raw material) dependencies and important factors affecting the external environment	
	•Connection to information covered by other Content Elements, such as strategy, risks and opportunities, and performance (including KPIs and financial considerations, like cost containment and revenues).	
	Inputs	
	An integrated report shows how key inputs relate to the capitals on which the organisation depends, or that provide a source of differentiation for the organisation, to the extent they are material to understanding the robustness and resilience of the business model.	
	Business activities	
	An integrated report describes key business activities. This can include:	
	How the organisation differentiates itself in the market place (e.g., through product differentiation, market segmentation, delivery channels and marketing)	
	How the organisation approaches the need to innovate	
	How the business model has been designed to adapt to change.	
When material, an integrated report discusses the contribution made to the organisation's long term success by initiatives such as process improvement, employee training and relationships management		
Outputs		
An integrated report identifies an organisation's key products and services. There might be other outputs, such as by-products and waste (including emissions), that need to be discussed within the business model disclosure depending on their materiality.		
Outcomes		
An integrated report describes key outcomes, including:		
Both internal outcomes (e.g., employee morale, organisational reputation, revenue and cash flows) and external outcomes (e.g., customer satisfaction, tax payments, brand loyalty, and social and environmental effects)		
Both positive outcomes (i.e., those that result in a net increase in the capitals and thereby create value) and negative outcomes (i.e., those that result in a net decrease in the capitals and thereby diminish value).		
1.5	Performance	64-86
	An integrated report needs to explain the extent to which the organisation has achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?	
	An integrated report should contain qualitative and quantitative information about performance that may include matters such as:	
	Quantitative indicators with respect to targets and risks and opportunities, explaining their significance, their implications, and the methods and assumptions used in compiling them	

	Particulars	Page No.
	The organisation's effects (both positive and negative) on the capitals, including material effects on capitals up and down the Our Value Creation Process	64-86
	The state of key stakeholder relationships and how the organisation has responded to key stakeholders' legitimate needs and interests	
	The linkages between past and current performance, and between current performance and the organisation's outlook.	
	KPIs that combine financial measures with other components (e.g., the ratio of greenhouse gas emissions to sales) or narrative that explains the financial implications of significant effects on other capitals and other causal relationships (e.g., expected revenue growth resulting from efforts to enhance human capital) may be used to demonstrate the connectivity of financial performance with performance regarding other capitals. In some cases, this may also include monetizing certain effects on the capitals (e.g., carbon emissions and water use).	
	Include instances where regulations have a significant effect on performance (e.g., a constraint on revenues as a result of regulatory rate setting) or the organisation's non-compliance with laws or regulations may significantly affect its operations.	
1.6	Risks, opportunities and internal controls	91-102
	An integrated report should explain what are the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them? and effectiveness of the system of internal controls	
	This can include identifying:	
	The specific source of risks and opportunities, which can be internal, external or, commonly, a mix of the two.	
	The organisation's assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effect if it does.	
	The specific steps being taken to mitigate or manage key risks (e.g: Risk Management Framework, Risk Management review process and reporting structure) or to create value from key opportunities, including the identification of the associated strategic objectives, strategies, policies, targets and KPIs.	
	Risk Management Report (Which includes details about risk, root cause, potential impact, response to risk, risk rating)	
Response on the effectiveness of the internal controls and the board's responsibility for the disclosures on internal controls to safeguard stakeholder interest.		
1.7	Strategy and Resource Allocation	104
	An integrated report should describe its strategic direction (Where does the organisation want to go and how does it intend to get there)	
	An integrated report needs to identify:	
	The organisation's short, medium and long term strategic objectives	
	The strategies it has in place, or intends to implement, to achieve those strategic objectives	
	How the entity has positioned in the wider market.	
	How the long term strategies relate to current business model.	
	The resource allocation plans it has to implement its strategy	
	How it will measure achievements and target outcomes for the short, medium and long term.	
	This can include describing:	
	The linkage between the organisation's strategy and resource allocation plans, and the information covered by other Content Elements, including how its strategy and resource allocation plans:	
relate to the organisation's business model, and what changes to that business model might be necessary to implement chosen strategies to provide an understanding of the organisation's ability to adapt to change		
are influenced by/respond to the external environment and the identified risks and opportunities affect the capitals, and the risk management arrangements related to those capitals		

	Particulars	Page No.
	What differentiates the organisation to give it competitive advantage and enable it to create value, such as: the role of innovation how the organisation develops and exploits intellectual capital the extent to which environmental and social considerations have been embedded into the organisation's strategy to give it a competitive advantage Key features and findings of stakeholder engagement that were used in formulating its strategy and resource allocation plans.	104
1.8	Outlook An integrated report should explain what challenges and uncertainties is the organisation likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance? The organisation's expectations about the external environment the organisation is likely to face in the short, medium and long term The external environment, and risks and opportunities, with an analysis of how these could affect the achievement of strategic objectives The availability, quality and affordability of capitals the organisation uses or affects (e.g., the continued availability of skilled labour or natural resources), including how key relationships are managed and why they are important to the organisation's ability to create value over time.	144-146 & 97-103
1.9	Basis of preparation and presentation A summary of the significant frameworks and methods used to quantify or evaluate material matters (e.g., the applicable financial reporting standards used for compiling financial information, a company-defined formula for measuring customer satisfaction, or an industry based framework for evaluating risks).	- - -
2.0	Responsibility for an integrated report An acknowledgement of their responsibility to ensure the integrity of the integrated report An acknowledgement that they have applied their collective mind to the preparation and presentation of the integrated report Their opinion or conclusion about whether the integrated report is presented in accordance with the Framework	69-86

CORPORATE GOVERNANCE CHECKLIST

Particular	Page No.
1. BOARD OF DIRECTORS, CHAIRMAN AND CEO	
1.1 Company's policy on appointment of directors disclosed.	
1.2 Adequate representation of non executive directors i.e. one third of the board, subject to a minimum of two	
1.3 At least one independent director on the board and disclosure / affirmation of the board on such director's independence.	
1.4 Chairman to be independent of CEO	
1.5 Responsibilities of the Chairman of the Board appropriately defined and disclosed. Disclosure of independence of Non Executive Directors	
1.6 Existence of a scheme for annual appraisal of the boards performance and disclosure of the same.	
1.7 Disclosure of policy on annual evaluation of the CEO by the Board.	
1.8 Disclosure of policy on training (including details of the continuing training program) of directors and type and nature of training courses organized for directors during the year Existence of a scheme for annual appraisal of the boards performance	151-153
1.9 At least one director having thorough knowledge and expertise in finance and accounting to provide guidance in the matters applicable to accounting and auditing standards to ensure reliable financial reporting.	
1.10 Disclosure of number of meetings of the board and participation of each director (at least 4 meetings are required to be held)	
1.11 Directors issue a report on compliance with best practices on Corporate Governance that is reviewed by the external auditors	
2. VISION / MISSION AND STRATEGY	
2.1 Company's vision / mission statements are approved by the board and disclosed in the annual report.	23
2.2 Identification of business objectives and areas of business focus disclosed	13
2.3 General description of strategies to achieve the company's business objectives	11
3. AUDIT COMMITTEES	
3.1 Appointment and Composition	
3.1.1 Whether the Audit Committee Chairman is an independent Non - Executive Director and Professionally Qualified	
3.1.2 Whether it has specific terms of reference and whether it is empowered to investigate / question employees and retain external counsel	
3.1.3 More than two thirds of the members are to be Non Executive Directors	
3.1.4 All members of the audit committee to be suitably qualified and at least one member to have expert knowledge of finance and accounting.	
3.1.5 Head of internal audit to have direct access to audit committee	
3.1.6 The committee to meet at least four times a year and the number of meetings and attendance by individual members disclosed in the annual report.	147-148
3.2 Objectives & Activities	
3.2.2 Statement on Audit Committee's review to ensure that internal controls are well conceived properly administered and satisfactorily monitored	
3.2.3 Statement to indicate audit committees role in ensuring compliance with Laws, Regulations and timely settlements of Statutory dues	
3.2.4 Statement of Audit committee involvement in the review of the external audit function	
*Ensure effective coordination of external audit function	
*Ensure independence of external auditors	

GLOSSARY

Particular	Page No.
*To review the external auditors findings in order to be satisfied that appropriate action is being taken	147-148
*Review and approve any non-audit work assigned to the external auditor and ensure that such such work does not compromise the independence of the external auditors.	
*Recommend external auditor for appointment/ reappointment	
3.2.5 Statement on Audit committee involvement in selection of appropriate accounting policies that are in line will applicable accounting standards and annual review.	
3.2.6 Statement of Audit Committee involvement in the review and recommend to the board of directors, annual and interim financial releases	
3.2.7 Reliability of the management information used for such computation	91-103
4. INTERNAL CONTROL & RISK MANAGEMENT	
4.1 Statement of Director's responsibility to establish appropriate system of internal control	
4.2 Narrative description of key features of the internal control system and the manner in which the system is monitored by the Board, Audit Committee or Senior Management.	
4.3 Statement that the Director's have reviewed the adequacy of the system of internal controls	
4.4 Disclosure of the identification of risks the company is exposed to both internally & externally	24
4.5 Disclosure of the strategies adopted to manage and mitigate the risks	
5. ETHICS AND COMPLIANCE	
5.1 Disclosure of statement of ethics and values, covering basic principles such as integrity, conflict of interest, compliance with laws and regulations etc.	
5.2 Dissemination / communication of the statement of ethics & business practices to all directors and employees and their acknowledgement of the same	
5.3 Board's statement on its commitment to establishing high level of ethics and compliance within the organization	09
6. REMUNERATION COMMITTEE	149-150
6.1 Disclosure of the charter (role and responsibilities) of the committee	
6.2 Disclosure of the composition of the committee (majority of the committee should be non-executive directors, but should also include some executive directors)	
6.3 Disclosure of key policies with regard to remuneration of directors, senior management and employees	
6.4 Disclosure of number of meetings and work performed	
6.5 Disclosure of Remuneration of directors, chairman, chief executive and senior executives.	70
7. HUMAN CAPITAL	-
7.1 Disclosure of general description of the policies and practices codified and adopted by the company with respect to Human Resource Development and Management, including succession planning, merit based recruitment, performance appraisal system, promotion and reward and motivation, training and development, grievance management and counselling.	
7.2 Organizational Chart	106-111
8. COMMUNICATION TO SHAREHOLDERS & STAKEHOLDERS	
8.1 Disclosure of the Company's policy / strategy to facilitate effective communication with shareholders and other stake holders	
8.2 Disclosure of company's policy on ensuring participation of shareholders in the Annual General Meeting and providing reasonable opportunity for the shareholder participation in the AGM.	51
9. ENVIRONMENTAL AND SOCIAL OBLIGATIONS	74
9.1 Disclosure of general description of the company's policies and practices relating to social and environmental responsibility of the entity	-
9.2 Disclosure of specific activities undertaken by the entity in pursuance of these policies and practices	-

- **Accounts payable** - Accounts payable represents incurred expenses the company expects to pay within one year. It is recorded as part of current liabilities on the balance sheet.
- **Accounts receivable** - Accounts receivable represents uncollected revenues the company expects to receive within one year. It is recorded as part of current assets on the balance sheet.
- **Accrual accounting system** - Under this system, revenues are recorded when earned and expenses are recorded when incurred. Therefore, earned revenues may include sales on credit for which you have yet to receive cash and expenses may include bills that you have not yet paid. This method is used when preparing the income statement and balance sheet.
- **Accumulated depreciation**- The cumulative depreciation of an asset to the date of the current financial year.
- **Accumulated profits**- The amount of past years profit not paid in dividends. Sometimes referred to as retained profit. In contrast, losses from previous years not absorbed by past years profit are accumulated losses.
- **Annual report**- A report published yearly by all publicly-held companies that details the financial condition of the company and includes the balance sheet, income statement, cash flow statement, and other relevant information.
- **Asset revaluation**- The application of an accounting policy choice, whereby the monetary measure of the asset is the amount for which it could be exchanged between knowledgeable, willing parties in an arms-length transaction.
- **Assets** - The value of everything a company uses to conduct business, such as cash, equipment, land, inventories, office equipment, and money owed to the company by customers and clients.
- **Assets** Items of value which the company can trade or use in its business.
- **Balance sheet**- A financial statement that gives a snapshot of a company's financial situation at a particular point in time and lists its different assets, liabilities, and owners' equity.
- **Cash basis of accounting**- A method of accounting where only actual cash inflows and cash outflows are recorded, i.e. when payment is received or made. This method is used when preparing the cash flow statement.
- **Cash flow statement**- A financial statement that records a company's actual cash inflows and cash outflows over a defined period of time. It includes three sections: operating cash flow, investing cash flow, and financing cash flow.
- **Contingent liabilities**- A potential liability dependent on uncertain future events which are beyond the control of the company.
- **Contributed capital**- Money invested in a company by its owners/shareholders. Reported as part of owners' equity on the balance sheet.
- **Corporate social responsibility report**- A report on how the company manages its business processes to produce an overall positive impact
- **Cost of goods sold**- Also known as Cost of Sales, this represents all the expenses directly related to the making and storing of a company's goods, such as raw materials, warehousing, and direct labor costs. Doesn't exist for service companies.
- **Cost of sales**- Also known as Cost of Goods Sold, this represents all the expenses directly related to the making and storing of a company's goods, such as raw materials, warehousing, and direct labor costs. Doesn't exist for service companies.
- **Current assets**- Assets the company plans to convert to cash, sell, or use during the coming year, including cash, accounts receivable, and inventory on hand.
- **Current assets**- Cash and cash equivalents and assets which are expected to be turned into cash in the next year.
- **Current liabilities** - Amounts which the company is obliged to pay to others in the next year.
- **Depreciation** - A method used to account for the diminishing value of an asset over the time it is used and to match profit with the expenses it took to generate that profit. Registered as a non-cash expense.
- **Direct method**- A method of arriving at net operating cash flow by adjusting each item on the income statement from the accrual basis of accounting to the cash basis of accounting.
- **DSE listing rules** - Listing rules govern the admission of companies to the official list of listed companies, quotation of their shares, suspension of those shares from quotation and removal of companies from the official list. The listing rules also govern disclosure and some aspects of a listed company's conduct.
- **EBIT (Earnings before interest and taxes)**- Amount calculated by subtracting cost of goods sold and operating expenses from revenue on the income statement. Also called operating earnings.
- **Emphasis of matter**- A paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial report that, in the auditor's judgement, is of such importance that it is fundamental to users' understanding of the financial report.
- **Employee benefits** - Represent benefits offered to employees of the company and can include short-

term (e.g. salaries and wages), long-term (e.g. long service leave), post-employment benefits (retirement benefits) and termination benefits.

- **Equity** - Total assets less total liabilities; includes share capital, reserves and accumulated profit Expenses, the costs of deriving revenue.
- **Expenses** - Different costs, such as cost of goods sold, operating expenses, and interest expense, incurred during the normal operation of a business.
- **Financing cash flow**- Cash received or paid from borrowing money or paying back investors, creditors, and shareholders. The third part of calculating net cash flow on the cash flow statement.
- **Fixed assets**- Assets that the company does not plan to turn into cash within one year or that would take longer than one year to convert, including property, plants, machinery, and patents.
- **Gross profit**- An item included on the income statement of production companies, calculated by deducting cost of goods sold from revenues/sales generated from those goods. It is used as a rough estimate of the company's profitability.
- **Income statement**- A financial statement that specifies the financial results of a business over a defined period of time and lists the revenue, expenses, and net income of the business. Also referred to as the profit-and-loss statement, or P&L statement.
- **Income tax**- Tax levied by the government for income and part of the expenses deducted from revenues when arriving at net income on the income statement.
- **Indirect method**- A method of arriving at net operating cash flow by adjusting the net income on the income statement for non-cash revenues and expenses. Also called the reconciliation method.
- **Interest expense**- Represents all interest paid by the company for loans it incurred and is part of the expenses deducted from revenues in the process of arriving at net income on the income statement.
- **Investing cash flow**- Cash used for investing in long-term assets, such as equipment or equity securities, and cash received from the sale of such investments. The second part of calculating net cash flow on the cash flow statement.
- **Investor relations**- The section on a company's website under which you can find the company's financial statements.
- Key management personnel Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that company.
- **Liabilities** - Debts a company owes to its creditors and lenders. Liabilities Amounts which the company is obliged to pay to others.
- **Liquidity** - The ease with which assets and liabilities may be converted into cash.

- **Listed company**- A company which is publicly listed on a securities exchange like the Dhaka Stock Exchange.
- **Long-term liabilities**- The flip side of fixed assets, this represents money the company needs to pay back in one or more years. It includes long-term bank loans, mortgages, and bonds.
- **Modified opinion** - The auditor may issue a modified opinion, being a qualified opinion, an adverse opinion or a disclaimer of opinion.
- **Net loss**- The bottom line of the income statement. The negative profit (loss) left after all expenses have been deducted from revenues. If expenses are smaller than revenues than we will refer to it as net profit.
- **Net profit**- The bottom line of the income statement. The profit left after all expenses have been deducted from revenues. If expenses are larger than revenues, then we refer to it as net loss.
- **Operating cash flow**- The first section of the cash flow statement, which includes cash generated by and required for the daily operations of a business.
- **Operating earnings**- earnings left after subtracting the cost of goods sold and operating expenses from a company's revenues on the income statement. Also called EBIT (Earnings Before Interest and Taxes).
- **Operating expenses**- All costs incurred in operating the business that are not directly related to the production and storage of a company's goods. They include administrative salaries, research and development expenses, rents, and marketing costs. These cost are included in the expense section of the income statement.
- **Owners' equity**- Owners' equity equals all assets minus all liabilities and represents the part of the company owned by its shareholders. It generally includes contributed capital and retained earnings.
- **P&L statement** - A financial statement that specifies the financial results of a business over a defined period of time and lists the revenue, expenses, and net income of the business. Also referred to as the income statement or the profit- and-loss statement.
- **Profit margin**- An indicator of profitability. It is calculated by dividing the company's net income by its revenue for the same period. The higher the margin the more profitable a company is.
- Profit Surplus of revenues and other income over expenses.
- **Profit-and-loss statement**- A financial statement that specifies the financial results of a business over a defined period of time and lists the revenue, expenses, and net income of the business. Also referred to as the income statement or the P&L statement.
- Remuneration of directors or executives will typically include all or some of cash salary, shares or share options, superannuation, annual and long service leave.
- Reporting period - The period that the financial

statements cover. This will typically be one year (e.g. the year ended 31st December 2023) but can be shorter or longer in certain circumstances.

- Reserves surpluses arising from (for example) revaluations of certain assets.
- Retained earnings- Money reinvested into the company after all dividends are paid. Reported as part of owners' equity on the balance sheet.
- Revenue earnings arising in the ordinary activities of the company. Fees from the rendering of services are examples of revenue, as is revenue from the sale of goods.
- Revenues- Money generated by the company by selling its products or services to customers, before deducting any expenses. It includes only revenues associated with the company's main operations and is sometimes referred to as sales.

- SEC- Securities and Exchange Commission, a Bangladesh Governmental agency established by the Act to enforce all federal securities laws and protect investors from fraud in the securities markets.
- Share option - A contract that gives the holder of the option the right, but not the obligation, to subscribe to the company's shares at a fixed or determinable price for a specified period of time.
- Share- based payment arrangement - An arrangement between the company and another party (including an employee) that entitles the other party, on satisfying any conditions specific to the arrangement, to shares or share options of the company, or cash or other assets of the company that are based on the price of those shares or share options.
- Sustainability report- A report that provides information about the company's performance towards the goal of sustainable development.

NOTICE OF THE 25TH ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting (AGM) of RAK Ceramics (Bangladesh) Limited will be held on Tuesday, March 19, 2024 at 11:00 am (Bangladesh Time) at Bangabandhu International Conference Centre, Agargaon, Sher-E-Bangla Nagar, Dhaka-1207, Bangladesh. Pursuant to the Bangladesh Securities and Exchange Commission's Directives No. BSEC/CMRRCD/2009-193/08 dated March 10, 2021 and further BSEC Directives No. BSEC/ICAD/SRIC/2024/318/09 dated January 16, 2024; the ensuing 25th AGM of the Company will be conducted through Hybrid System in combination of physical presence of shareholders at the venue of AGM and presence or connection of shareholders by using digital platform or online platform through the following link <https://agmbd.live/RAKCERAMICS2024> to transact the following businesses:

AGENDA

- To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31 December 2023, together with the reports of the Auditor and the Directors.
- To declare dividend for the year ended 31 December 2023.
- To elect/re-elect Director(s) of the Company.
- To appoint the Statutory Auditors of the Company for the year 2024 and fix their remuneration.
- To appoint the Compliance Auditors of the Company for the year 2024 for compliance certification on corporate governance and fix their remuneration.
- To approve of entering into contract for sale or purchase of goods and materials with Mohammed Trading amounting to 10% (ten percent) or above of the revenue for the immediate preceding financial year.



QR code for Digital platform of AGM

Dhaka, Bangladesh
Date: February 25, 2024

Notes:

- The shareholders whose name appeared in the Share/Depository Register as on the 'Record Date' (i.e. February 19, 2024), are eligible to participate in the 25th AGM and receive the dividend.
- The Board unanimously recommended dividend @ 10% in cash of the paid up capital of the Company for the year 2023.
- M/s A. Qasem & Co., Chartered Accountants (an independent member of ECOVIS), were the statutory auditors of the Company for previous three consecutive years including the year 2023 and shall retire at the 25th AGM and are not eligible for re-appointment, as per the Bangladesh Securities and Exchange Commission notification dated 20 June 2018. The Company invited and received proposals from shareholders for appointment of auditors of the Company for the year 2024. The Audit Committee of the Board scrutinized the proposals and recommended to appoint M/s ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL) as the statutory auditors of the Company for the year 2024.
- In order to comply with the BSEC notification No. BSEC/CMRRCD/2009-193/10/Admin/118 dated March 22, 2021; the Board of Directors has recommended to enter into contract for sale or purchase of goods and materials with Mohammed Trading [Owner is Managing Director of RAK Ceramics (Bangladesh) Limited] amounting to 10% (ten percent) or above of the revenue for the immediate preceding financial year subject to approval of the shareholders.
- In order to comply with the BSEC Directives No. BSEC/CMRRCD/2009-193/08 dated March 10, 2021 and further BSEC Directives No. BSEC/ICAD/SRIC/2024/318/09 dated January 16, 2024; the ensuing 25th AGM of the Company will be conducted through Hybrid System in combination of Physical presence of shareholders at the venue of AGM and presence or connection of shareholders by using digital platform or online platform.
- A shareholder entitled to attend and vote at the AGM may appoint a proxy to attend and vote in his/her behalf (such a proxy shall be a shareholder of the Company). The Proxy Form, duly filled, signed and stamped of BDT 20 must be sent through email to the Company at sharedepartment.bgd@rakceramics.com not later than 48 hours before the time fixed for the meeting.
- Shareholders are requested to submit through mail to the Company at sharedepartment.bgd@rakceramics.com on or before March 12, 2024, their written option to receive dividend in the form available in Company's website www.rakceramics.com/bangladesh. If the shareholder fails to submit such option within the stipulated time, the dividend will be paid off as deemed appropriate by the Company.
- The concern stock broker, merchant banker and portfolio manager are requested to submit through mail to the Company at sharedepartment.bgd@rakceramics.com on or before March 12, 2024; the statement along with detail of their margin client or customer who has debit balance or margin loan, who are entitled to receive cash dividend of the Company for the year ended December 31, 2023. The statement should include shareholder's name, BO ID number, client-wise shareholding position, gross dividend receivable, applicable tax rate, net dividend receivable etc. along with the Consolidated Customers' Bank Account number, routing number and contact person.
- The shareholders will be able to submit their questions/comments and vote electronically 24 hours before commencement of the AGM and during the AGM. For logging in to the system, the shareholders need to put their 16 digit Beneficial Owner (BO) ID number and other credential as proof of their identity by visiting the link <https://agmbd.live/RAKCERAMICS2024>
- Shareholders may attend the AGM and cast his/her vote physically has to submit his/her duly filed and signed registration form to the registration counter at the AGM venue prior to the meeting start time of 11:00 am (Bangladesh Time) on 19 March 2024.
- Shareholders are requested to log in to the system prior to the meeting start time of 11:00 am (Bangladesh Time) on 19 March 2024. The webcast will start at 10.45 am on March 19, 2024. Please contact +8801730058055 and +8801730055355 for any technical difficulties in accessing the virtual meeting.
- Detail log in process has been sent through email to respective shareholder's mail ID available in their BO Account maintained with the Depository. The detailed procedures to participate in the virtual meeting along with link are also available in the Company's website www.rakceramics.com/bangladesh
- As per Bangladesh Securities and Exchange Commission's Notification No. BSEC/CMRRCD/2006-158/208/Admin/81 dated 20 June 2018; soft copy of Annual Report of the Company along with Attendance Slip, Proxy Form and the notice will be forwarded to all the shareholders of their respective email address available with us. These will also be available on the Company's website at www.rakceramics.com/bangladesh. The shareholders may also collect the annual report of the Company from the Company's Share Department at Registered Office in person.
- In compliance with the BSEC circular No. SEC/CMRRCD/2009-193/154 dated 24 October 2013 'no benefit in cash or kind, other than in the form of cash dividend or stock dividend, shall be paid to the shareholders' at the 25th AGM of the Company.

By order of the Board of Directors
Sd/-
(Muhammad Shahidul Islam FCS)
Company Secretary

RAK
CERAMICS

RAK Ceramics (Bangladesh) Limited

RAK Tower (7th, 8th & 9th floor), 1/A Jasimuddin Avenue, Sector-3, Uttara Model Town, Dhaka-1230

Proxy Form

I/We
of
.....being a shareholder of RAK Ceramics (Bangladesh) Limited, do hereby appoint Mr./Ms.....of.....as my/our proxy to attend and vote on my/our behalf at the 25th Annual General Meeting (AGM) of RAK Ceramics (Bangladesh) Limited will be held on Tuesday, March 19, 2024 at 11:00 am (Bangladesh Time) at Bangabandhu International Conference Centre, Agargaon, Sher-E-Bangla Nagar, Dhaka-1207, Bangladesh. Pursuant to the Bangladesh Securities and Exchange Commission's Directives No. BSEC/CMRRCD/2009-193/08 dated March 10, 2021 and further BSEC Directives No. BSEC/ICAD/SRIC/2024/318/09 dated January 16, 2024; the ensuing 25th AGM of the Company will be conducted through Hybrid System in combination of physical presence of shareholders at the venue of AGM and presence or connection of shareholders by using digital platform or online platform through the following link <https://agmbd.live/RAKCERAMICS2024> as witness my/our hand this.....day of 2024.

(Signature of Proxy)

Revenue
Stamp of
Tk. 20/-

Signature of the Shareholder (s)

BO ID No. BO ID No.

No. of Shares held: No. of Shares held:

Notes:

- A shareholder entitled to attend and vote in the AGM may appoint a Proxy to attend and vote on his/her behalf.
- The Proxy Form, duly filed and stamped must be deposited at the Registered Office of the Company, not later than 48 hours before the time fixed for the meeting.
- Signature of the shareholder must be in accordance with the Specimen Signature recorded with the Company.
- As per Article of Association of the Company, no person shall act as a proxy unless he himself is a shareholder of the Company.

(Authorized Signature)
RAK Ceramics (Bangladesh) Limited

Signature Verified

RAK
CERAMICS

RAK Ceramics (Bangladesh) Limited

RAK Tower (7th, 8th & 9th floor), 1/A Jasimuddin Avenue, Sector-3, Uttara Model Town, Dhaka-1230.

Attendance Slip

I/We do hereby record my/our attendance at the 25th Annual General Meeting of the Company to be held on March 19, 2024 at 11:00 am (Bangladesh time) at Bangabandhu International Conference Centre, Agargaon, Sher-E-Bangla Nagar, Dhaka-1207, Bangladesh. Pursuant to the Bangladesh Securities and Exchange Commission's Directives No. BSEC/CMRRCD/2009-193/08 dated March 10, 2021 and further BSEC Directives No. BSEC/ICAD/SRIC/2024/318/09 dated January 16, 2024; the ensuing 25th AGM of the Company will be conducted through Hybrid System in combination of physical presence of shareholders at the venue of AGM and presence or connection of shareholders by using digital platform or online platform through the following link <https://agmbd.live/RAKCERAMICS2024>

Name of the Shareholder (s)/Proxy:

BO ID No.

BO ID No.

No. of Shares held by Shareholder: Signature of the Shareholder(s) Proxy

No. of Shares held by Proxy holder:



RAK Ceramics (Bangladesh) Limited

RAK Tower (7th, 8th & 9th floor), 1/A Jasimuddin Avenue, Sector-3, Uttara Model Town, Dhaka-1230.

Option for Receiving Dividend

I/We
.....of.....
.....

being a shareholder of RAK Ceramics (Bangladesh) Limited, do hereby exercise my/our option to receive dividend in the following manner [please tick (√) in the applicable box]:

- a) In the form of Dividend Warrant
- b) Through online transfer to my/our bank account recorded with the Company

Information of the Shareholder (s):

BO ID No.

Mobile number:

.....
Signature Verified by

.....
Signature of the Shareholder (s)

.....
Authorized Signatory of the Company

Notes:

1. The form, duly completed, must be deposited at the Registered Office of the Company on or before March 12, 2024.
2. Signature of the shareholder(s) must be in accordance with the specimen signature recorded with the Company.
3. Number of shares, bank account details and address shall be considered final as provided by CDBL on record date, i.e. February 19, 2024.
4. Applicable service charge, if any, shall be borne by the shareholder(s) in case of payment of dividend through online transfer to the shareholder(s) bank account, as per BSEC notification.

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