



versa TILE!

RAK CERAMICS (BANGLADESH) LTD. | ANNUAL REPORT, 2010



Close to you worldwide

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Disclaimer

The disclosures of forward-looking information contained in this annual report are made to enable investors to comprehend the prospects and make informed investment decisions. This report and other statements - written or oral - may contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. Maximum effort has been made to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

However, the entire realization of these forward-looking statements cannot be guaranteed, although the assumptions have been prudent enough to rely upon. The achievement of results is subject to risks, uncertainties and unforeseen events. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

The management does not undertake any obligation to publicly update any forward-looking statement, whether as a result of new information, future event or otherwise.

WERSA

What makes us a pride-enhancing proxy of the world's largest ceramic tile conglomerate? ■ What makes us Bangladesh's largest and most respected ceramic tile and sanitaryware manufacturer? ■ What makes us Bangladesh's first Superbrand in the ceramic tiles space? ■ What makes us the brand of choice among customers? ■ The answer in one word.

ANTILE!



1

We are part of the world's largest ceramic tile conglomerate, RAK Ceramics Co. PSC, headquartered in Ras Al Khaimah, United Arab Emirates (UAE) with a collective annual output of 115 mn sq. metres of ceramic and gres porcellanato tiles with the portfolio comprising over 6,000 designed tile varieties.

2

We enjoy the largest market share for ceramic tiles (over 25 percent) and for sanitaryware (over 65 percent) in Bangladesh.

3

We possess the widest range of ceramic and gres porcellanato tiles with over 1,000 active designs. We also manufacture the largest range of sanitaryware products with an installed capacity of over one mn pieces per year.

4

We enjoy among the highest EBIDTA margins in our peer group; our EBIDTA margin improved 471 basis points to 32.10 percent in 2010.

5

We enjoy one of the fastest growing topline (CAGR growth of 20 percent over the last five years ended 2010) and profitability levels (CAGR growth of 48 percent over the last five years ended 2010) within our sector.

things you must know about
RAK Ceramics (Bangladesh)

Vision

The 'Organisational DNA' of RAK Ceramics has been technology and quality. Astute leadership, a clear vision with regard to product positioning in the global arena and a strong resolve to have the best results driven by a well-conceived strategy has been the hallmark of success.

Mission

'Excellence' is a way of life at RAK Ceramics; it knows no boundaries nor it is a fixed standard. It is a 'state' that is continuously changing and evolving. It pushes us to reach even more challenging standards of performance. As a global leader in the industry, we stand committed in all our endeavours for...

- 'Excellence' through high-quality products and services so as to provide the best value for money
- 'Excellence' in the use of the best technology to create the most innovative products and designs
- 'Excellence' in our role and responsibility by creating in every employee the skills, the will, the 'passion to excel' by benchmarking to still higher levels of performance and creating the future today

Background

- RAK Ceramics (Bangladesh) Limited is a UAE-Bangladesh joint venture company that was incorporated in Bangladesh on 26 November 1998.
- The Company changed its status from private to public company on 10 June 2008.
- The Company got listed on Dhaka and Chittagong Stock Exchanges on 13 June 2010 during the IPO launched under 'book building method' for the first time in Bangladesh, which fetched market capitalisation of Taka 46 bn on the date of listing.

Business

- The Company engaged in the manufacture and marketing of ceramic tiles, bathroom sets and sanitaryware products, commenced commercial

production on 12 November 2000 with capacity of 2.92 mn sq. metres per year.

- Commercial production at its new sanitaryware plant commenced on 10 January 2004 with capacity of 300,000 pieces per year.
- First expansion of the ceramics tiles plant having capacity of 2.56 mn sq. metres per year took place in 2004.
- Second expansion of the ceramics tiles plant having capacity of 2.56 mn sq. metres per year took place in 2007.
- First expansion of sanitaryware plant having capacity of 400,000 pieces per year took place in 2007.
- Second expansion of sanitaryware plant having capacity of 400,000 pieces per year took place in 2010.
- Today, the Company's annual installed tile capacity is 8 mn sq. metres and annual sanitaryware capacity is 1.1 mn pieces.

Portfolio

- The Company produces the widest ceramic tiles range in Bangladesh comprising ceramic wall and floor varieties, décors, listellos, pencils, cappings, borders and corners. Its portfolio comprises more than 1,000 active tile (ceramic and granite) models across a range of sizes (13x13 cm to 60x60 cm).
- The Company also produces a variety of gres porcellanato (porcelain/fully vitrified tiles) across several finishes (salt and pepper, soluble salt, glazed porcelain, polished porcelain, double charge, MDR, double charge with soluble salt, granite, dry glaze and twin press among several other offerings, with finishes across rustic, antique, modern, cotto, stone, brick and marbo, among others).
- The Company's sanitaryware portfolio features more than 40 models comprising wash basins (mounted and pedestal), water closets, bidets, water tanks, bathroom sets, bath tubs, shower trays, bathroom cabinets, kitchen sinks and related

accessories and decorated sets - Karla, Orient, Washington, Amanda, Tampa Symphonic, Venice, Shino, Mistral, Jumeirah, Lara, Cynthia, Windsor, Oasis Symphonic, Mira, Emma, Rosa, Lisbon and Europa etc.

- The Company is adding an average of 1-2 new models of tiles every month and sanitaryware models are tested in research labs and added on quarterly/half yearly basis. During year 2010, 20 models of tiles and 2 models of sanitaryware were added in the product basket.

Certifications

- The Company emerged as the first Bangladeshi company in its industry to be awarded the prestigious ISO 9001: 2008 certification by the internationally-accredited UK-based certification agency BVQI in May 2006. This certification covered the area of design, development, production and supply of ceramic and porcelain floor and wall tiles and sanitaryware.
- The Company complies with ISO 13006:1998 (E), the latest international ceramic tile standard; within Bangladesh, the standard is known as BDS ISO 13006:2006.
- The Company's sanitaryware complies with the quality criteria of BDS 1162:2006. Both tiles and sanitaryware are BSTI-approved.
- The Company received credit rating AA+ rating (high safety) in investment grade for long-term and ST-1 (highest grade) for its short-term financing by Credit Rating Information and Services Limited (CRISL), which is highest in the manufacturing sector in Bangladesh.
- Awarded as 'Superbrand' in 2010, first time in Bangladesh.

Brands

- RAK: Ceramic and gres porcellanato tiles
- RAK : sanitaryware

Brand enhancing institutions/ corporates

- PWD (Public Works Department)
- MES (Military Engineering Services)
- CMMU (Construction Maintenance Management Unit)
- Architects and Consultants
- Builders
- Civil Aviation
- Developers
- Housing Settlement & Directorate
- RAJUK
- Industries
- Special and first class Contractors

Listing




The Company's shares got listed on the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE). As on 31 December 2010, the Company's market capitalisation was Taka 39.56 billion. The public shareholding including institutional is 19.34 percent.

Key financials, 2010

Net revenue growth		EBIDTA growth		Profit after tax growth	
4.43 percent		22.39 percent		86.69 percent	
2009	2010	2009	2010	2009	2010
Taka 3,839.03 mn	Taka 4,009.02 mn	Taka 1,051.44 mn	Taka 1,286.87 mn	Taka 324.88 mn	Taka 606.52 mn
Cash profit growth		EBIDTA margin growth		Net margin growth	
48.04 percent		471 basis points*		667 basis points*	
2009	2010	2009	2010	2009	2010
Taka 669.90 mn	Taka 991.74 mn	27.39 percent	32.10 percent	8.46 percent	15.13 percent
RONW growth (ROE)		242 basis points*			
2009	2010				
13.89 percent	16.31 percent				

* 100 basis points equals one percentage point

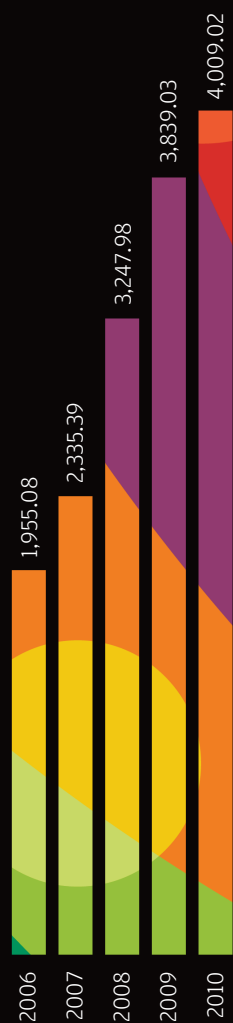
Our performance

Product	Ceramic and GP tiles (mn sq ft)	Décor/border (mn pcs)	Sanitaryware (mn pcs)
			
Production, 2010	72.53	1.08	1.15
Sales, 2010	74.10	1.08	1.16

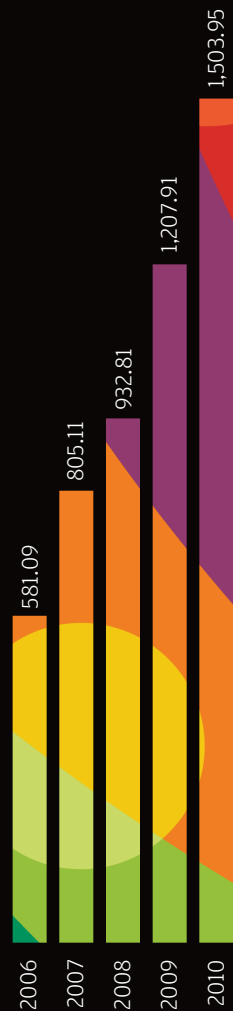


Versatile operations. Vibrant numbers.

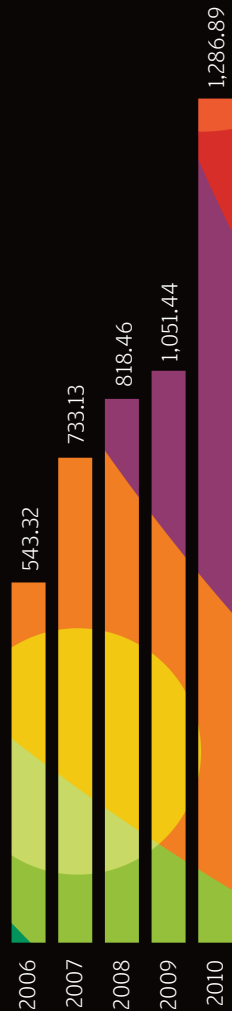
Turnover (net)
(Taka in mn)



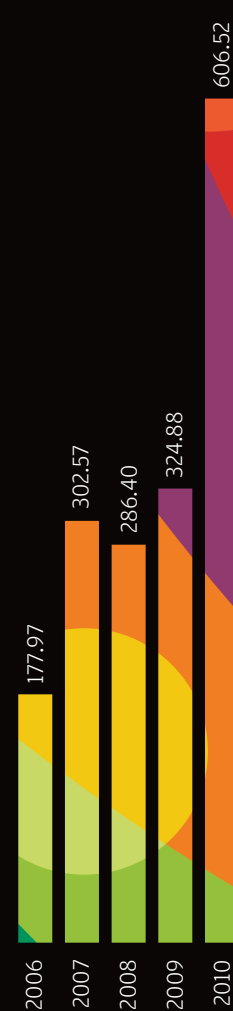
Gross profit
(Taka in mn)



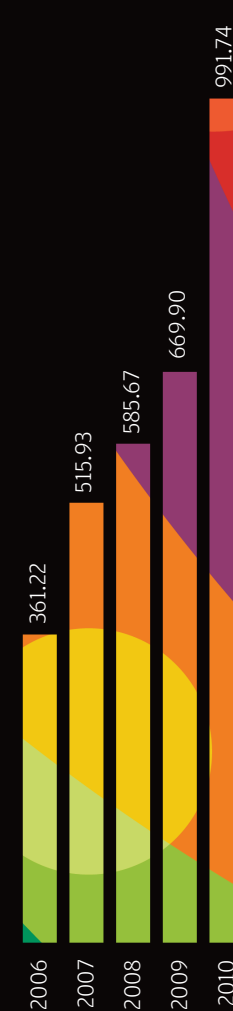
EBIDTA
(Taka in mn)



Post-tax profit
(Taka in mn)



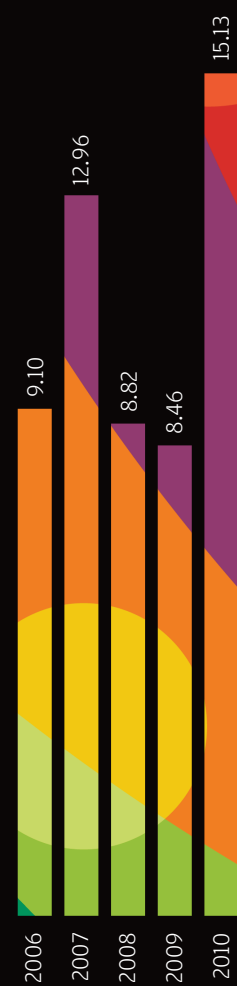
Cash profit
(Taka in mn)



EBIDTA margin
(percent)



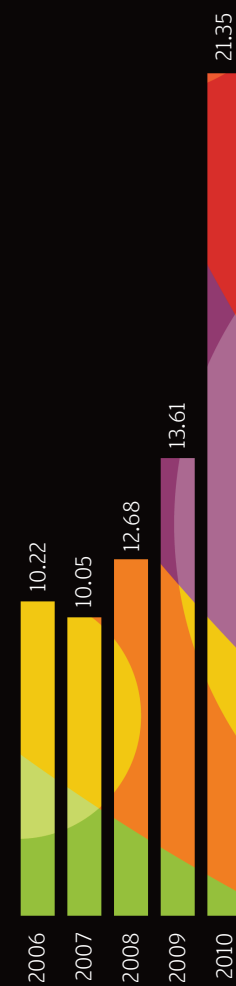
Post-tax profit margin
(percent)



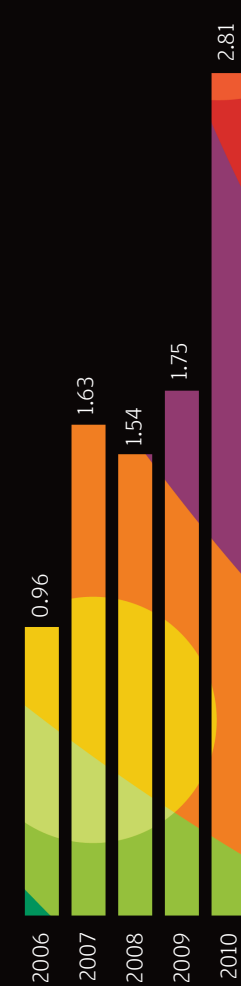
Debt-equity ratio



Book value per share
(Taka)



Earnings per share
(basic)
(Taka)



From the Chairman's desk

Dear Shareholders,

AT RAK CERAMICS (BANGLADESH), BEING VERSATILE IS NOT JUST A COSMETIC PHRASE BUT THE SPIRIT OF OUR ENTERPRISE.

THIS SPIRIT IS MOST VISIBLE IN FOUR THINGS.

ONE, IN THE GROWTH OF OUR NUMBERS.

TWO, IN THE ACTIVE MANAGEMENT OF TODAY AND A PROACTIVE VISION OF TOMMORROW.

THREE, CREATING JOBS FOR BANGLADESHIS.

FOUR, PROVIDING VALUE FOR MONEY AND AFFORDABLE PRODUCTS TO ALL.

We derive pride from the fact that RAK Ceramics (Bangladesh) serves our people's interests by providing them with better spaces to live in and work. The result is over 25 percent market share in ceramic tiles and an over 65 percent share of the sanitaryware space within Bangladesh.

Our versatility - reflected in our ability to not only pick trends ahead of our competition but also the ability to translate these into tangible value for our customers - resulted in record financial growth for our Company in 2010.

Highlights, 2010

- Consolidated turnover reached to Taka 4009.02 mn
- Gross profit increased by 24.51 percent to a record Taka 1,503.95 mn
- EBIDTA grew 22.39 percent to Taka 1,286.89 mn
- EBIDTA margin increased 471 basis points
- Net profit surged 86.69 percent to Taka 606.52 mn

Our corporate strategy and performance is carried elsewhere in this report.

Versatile thinking - the IPO success

It is with pleasure that we announce that in June 2010, the Company got listed on the Dhaka Stock Exchange and the Chittagong Stock Exchange through a primary issue of 34.51 mn equity shares at a premium of Taka 38 (Taka 10 face value per share). The issue price was derived through price discovery process under the book-building method, which was the first of its kind in Bangladesh. We express our gratitude to investors for their overwhelming support reflected in it being over subscribed by 16.56 times.

The result is that we are among the first under the book building method to be listed on the stock exchanges, expected to gradually emerge as an industry benchmark. The IPO proceeds (Taka 1,656.48 mn) was primarily used to repay long-term debt and fund working capital requirements. The result will be an appreciable decline in our gearing and a stable financial structure, which will serve as our foundation for sustainable growth.

Versatile markets - growth opportunities

Bangladesh is one of the fastest growing global economies with a GDP growth of 5.5 percent in 2009-10 that is expected to grow to 6.3 percent in 2010-11. The increase in our GDP growth was a result

of a growth in per capita income - from USD 676 in 2008-09 to USD 750 in 2009-10 (*Source: The Daily Star, 28 May 2010*) - which in percentage terms (around 11 percent) is one of the highest in the world, translating into higher disposable incomes.

Coupled with the country's growing income levels is a consumption under-penetration that is expected to correct. Bangladesh possesses a low per capita ceramic tile consumption of 0.76 sq. metres per annum, compared with 2.4 sq. metres in China, 3.1 sq. metres in Vietnam, 3.5 sq. metres in Brazil and 4.9 sq. metres in Spain. We believe that as income levels rise, this under-penetration will progressively correct, resulting in attractive growth for our Company.

Versatile competence - Bangladesh emerging production hub

Bangladesh enjoys a competitive industrial advantage for various reasons.

- Its low-cost gas availability (*vis-à-vis* costly thermal power used by most countries) accounts for only 23 percent of the tile production cost in Bangladesh compared with 35-40 percent in other countries.
- Its labour cost at 16 percent compares favourably with 25-30 percent in other countries.
- Its generalised system of preferences (GSP) makes it possible to export duty-free.

The result: Bangladesh's ceramic tile exports grew from a mere USD 1 mn in 1991 to a significant USD 35 mn in 2009-10 (*Source: The Independent, 16 April 2010*) and is expected to surge to USD 100 mn over six years (*Source: Bangladesh Ceramic Ware Manufacturers Association*) even as Japan, the UK, Germany, China and other European countries, who dominated the global trade in ceramic products, are yielding advantage on account of rising costs, wages and currency appreciation.

Versatile opportunity - real estate shortage

Bangladesh's housing shortage of about 5 mn units is adding 0.5 mn units in annual demand from urban areas and 3.5 from its rural regions (*Source: World Bank Report, 2009*). Bangladesh also has over 2,100 slums; over 2 mn people in Dhaka either live in slums or without proper shelter. Given this reality, the need for housing upgrades is high.

The Bangladeshi government responded to this reality with a slew of measures:

- It plans to build four satellite townships on the outskirts of Dhaka.
- It plans to engage in the development of 22,800 plots and the construction of 26,000 apartments over three years to reduce pressure on an overpopulated city (*Source: Property-report.com, 7 November 2010*)
- Passed the Real Estate Development and Management Bill, 2009, with adequate consumer safeguards.

The Bangladesh Union Budget, 2009-10, also introduced schemes for the housing and real estate sector, which are expected to strengthen the demand for tiles and sanitaryware:

- The government shall provide accommodation for all by 2021 (Vision 2021). The government revised the National Housing Policy, 1999, to make housing and construction safer, sustainable and streamlined.
- The government hiked supplementary duty on import of tiles from 20 percent to 45 percent to protect domestic manufacturers.
- The government targeted GDP growth of around 10 percent by 2017 and a 40 percent share of the industry from the existing 28 percent.

Versatile company - our corporate blueprint

RAK Ceramics expects to accelerate corporate growth through the following initiatives:

- Outlining a dynamic business development plan with diverse product offerings.
- Creating a prudent balance between the risks we take and the rewards.
- Focusing on growth pockets within Bangladesh.
- Strengthening our competitive edge through service integration and out-of-the-box solutions.
- Investing in capabilities to build a high-performance culture.
- Positioning ourselves as a premium brand committed to innovation.

In view of these realities, we expect to commission a greenfield unit and enhance our tile capacities by 45 percent over two years with related support and approvals.

In doing so, we expect to enhance value in the hands of all those who invest in us, work with us and depend on us.

Sincerely,



Dr. Khater Massaad

Chairman, RAK Ceramics (Bangladesh) Limited

Newlyweds Taaif
and Rubeena greet
the manager at their
nearest home
building store with
“Please show us the
latest in RAK tiles
and sanitaryware!”

At RAK Ceramics (Bangladesh), we are aware that although we manufacture tiles and sanitaryware in the factory, we market trust in our storefronts. This trust has been derived through the following credibility-enhancing initiatives:

Super sourcing: We are the only ceramic tile and sanitaryware manufacturer in Bangladesh to import as high as 90 percent of our raw material needs from the best global suppliers.

Technology: We are the only company in Bangladesh to have invested in the cutting-edge SACMI (Italy) technology leading to the manufacture of world-class products.



CREATED

Quality: We are the only company in our sector in Bangladesh to offer a lifetime warranty on our products. We are the only company in Bangladesh to consistently produce tiles that outperform global benchmarks (water absorption of 0.01 percent compared with the normal benchmark of 0.5 percent, and modulus of rupture of over 700 Newton per metre, against the established 500 Newton per metre).

Choice: We are the only company in Bangladesh to produce over 1,000 model-designs of ceramic tiles (wall and floor) and the widest range of sanitaryware products; our ability to innovate is reflected in the fact that we introduce 2-3 models of products every month. We are also the only Company in Bangladesh to offer the widest tile portfolio starting from the smallest (20x20 cm) to the largest (60x60 cm).

Experience: We are the only company in Bangladesh to provide a world-class consumer experience; we manage over 11,500 sq. ft across exclusive display centres - two in Dhaka and one each in Chittagong and Sylhet - where our trained managers help customers arrive at informed decisions.

Result: We emerged as the fastest-growing tile and sanitaryware manufacturer in Bangladesh with a topline and bottomline CAGR growth of 20 percent and 48 percent respectively over the five years ending 2010.



COMMITTY

In the Gulshan area (Dhaka), friends, neighbours and family members generally begin their conversation with the dealer as *“Oi design-er tile ta dekhaiben jeita Taaif bhai aar Rubeena begum-er bashaye lagano aase!”*



ACCEPT

Service: We are respected for superior post-sales service; we reach our customers anywhere in Bangladesh within 48 hours of an issue being registered.

Value-for-money: We consume natural gas for 100 percent of our operations; this, coupled with the highest level of automation, enables us to optimise production costs and offer our customers world-class value-for-money products.

Research: We are among the few in our peer group to possess a cutting-edge research and development laboratory, which enables us to optimise product and process mix with the objective to reduce costs; moreover, a world-class design unit rolls out contemporary designs.

Availability: We possess a wide and deep dealer network that makes it possible for our products to be available throughout Bangladesh.

Result: While our sales value grew at a CAGR of 20 percent over the five years ending 2010, our marketing and selling costs, as a percentage of turnover, declined to 9.70 percent of the ceramic product segment.

ABILITY

Answering shareholder questions



Mr. S.A.K. Ekramuzzaman, Managing Director, appraises the 2010 performance of the Company and looks into the future with optimism

“Optimised operational performance, enlarged product portfolio and structured cost management initiatives enabled us to report robust growth.”

through effective cost management, reflected in the following:

- Our world-class SACMI technology strengthened our cost arbitrage through the substitution of large-scale manual content with a decline in wastages to the globally-acceptable level of 2.5 percent of total production.
- The proactive consumption of natural gas (100 percent of our needs), which is 20-30 percent cheaper than thermal power; our fuel costs stand at only 7.46 percent of our net sales.
- Our balance sheet strength is reflected in zero long-term debt resulting from the repayment of Taka 724.66 mn; this reduced our interest outflow 77.58 percent to Taka 32.82 mn in 2010 for the ceramic product division.
- Our sales, advertising and marketing costs were capped at 9.70 percent of our net turnover of ceramic products on account of a superior brand.

The result is that we are not only the largest ceramic tile company in Bangladesh, we are also the fastest growing. We are not only the most competitive ceramic tile company in Bangladesh, we also enjoy a 3-5 percent premium price over competitors.

Please tell us a little bit about the success of the IPO.

A. At RAK Ceramics (Bangladesh), our primary equity shares issue in June 2010 had two specific purposes: one, to infuse equity and strengthen our debt-equity ratio to less than 1; two, to attract public investors and shareowners into our growth story. This is what made our IPO credible:

- We exercised the book-building method - the first such instance in Bangladesh - to arrive at a scientific

Were you happy with the performance of the Company in 2010?

A. The year 2010 was historic for RAK Ceramics (Bangladesh). We did not just grow our income, we also strengthened our profitability - a double-play. Consolidated gross profit increased 24.51 percent to Taka 1,503.95 mn, while post-tax profit registered a sharper growth of 86.69 percent to Taka 606.52 mn. A quick analysis indicates that our profitability growth responded quicker to topline growth as a result of our

ability to cap costs and extraordinary interest on IPO proceeds. The results are in our numbers.

What factors have driven the Company's profitability over the years?

A. RAK Ceramics (Bangladesh) is a serious, long-term player offering customers global quality products and services at value-for-money prices. As price leaders, it is our responsibility to ensure product affordability. Much of our profitability increase was achieved

price discovery.

- We retailed our shares at a Taka 38 premium (face value per equity share of Taka 10); on the first day, our shares reported a listing gain of 416.66 percent.
- Our issue generated over 1.5 mn applications, the highest for any primary issue in Bangladesh. The issue was oversubscribed 16.56 times; we collected Taka 27,431.30 mn against a mobilisation target of Taka 1,656.48 mn.

From the IPO proceeds, we cleared our long-term debt and are also utilising the funds for our working capital requirements, loans to subsidiaries and other purposes. In doing so, our utilised working capital bank limits of Taka 1,480 mn are now almost nil, enabling us to save interest on high-cost working capital loans. Our debt-equity ratio also strengthened to 0.02 as on 31 December 2010. In doing so, we feel that we have rightsized our balance sheet for stable and sustainable growth.

What were some of the highlights of the Company's working in 2010?

A. Quite a few actually:

- We introduced over 20 new models of ceramic and gres porcellanato tiles and 2 new models of sanitaryware, which were well-received in the market.
- We achieved production and sales of ceramic and gres porcellanato tiles at 6.74 mn sq metres and 6.88 mn sq. metres respectively.
- We achieved our highest-ever quantum of production and sales of sanitaryware products at 1.15 mn pcs and 1.16 mn pcs respectively.
- We emerged as the only ceramic tile Company in Bangladesh to manufacture 60x60 cm gres porcellanato tiles.

- We diversified our sourcing base to scout for superior low-cost raw material resources.
- We recruited more than 200 new members across all organisational tiers.
- We contributed the highest VAT and supplementary duty of Taka 651.59 mn & 491.91 mn respectively in our sector.
- Capacity utilisation stood at 84 percent and 105 percent for tiles and sanitaryware respectively, with yields at 91 percent and 95 percent for A-grade products compared with the industry average of 84 percent and 85 percent respectively.

Why is the domestic tile industry at the cusp of significant growth?

A. Bangladesh represents a significant opportunity for a number of reasons:

- Bangladesh houses over 2.7 percent of the world's population but accounts for just about 1 percent of the global tile demand. Inclusive economic growth in Bangladesh will be tile-intensive, correcting this mismatch.
- The replacement of old housing stock (temporary shelters or *kuccha* houses) is estimated at 2-3 lac units. The projected growth in disposable incomes from USD 750 in 2009-10 to USD 4,000 by 2030 is expected to drive real estate demand and consequently, the tile and sanitaryware industry.
- Bangladesh is likely to emerge as the world's 30th largest economy by 2030 (USD 1 trillion) with a projected per capita income of USD 4,000 (*Source: Dhaka Chamber of Commerce and Industry's Bangladesh: Strategy for Growth*). This will require an investment of 3-5 percent of GDP in infrastructure, with a trickle-down demand for more tiles and sanitaryware.

How does the Company expect to enhance shareholder value?

A. Our Company judiciously invested in diversified businesses. Today, we hold majority shares in a number of subsidiaries covering pharmaceuticals, paints, mosquito repellants and aerosols, power and security services. So, an investment in the shares of RAK Ceramics (Bangladesh) is a proxy of investing in sectors contributing to Bangladesh's expanding economy. We intend to divest these holdings at an appropriate time to maximise shareholder value.

We reached peak tile capacity utilisation; we plan to commission greenfield capacity of around 10,000 sq. metres per day by 2011 through accruals, which will enhance shareholder value. We entered into discussions with the government to provide natural gas to expand our production capacities. This will help us reinforce our low-cost competitiveness leading to sustainable growth in a world where energy costs are rising.

We have proposed a dividend of 10 percent stock and 15 percent cash within the first year of listing.

What is the outlook for 2011 and beyond?

A. We expect to raise production at our sanitaryware plant by about 20 percent, increase the share of value-added products in our portfolio, cover cost increases with a successful pass-through and grow our turnover by 20 percent in 2011. We are optimistic that this double-play - volume and value - will translate into superior value in the hands of all those who own shares of the Company.

Our success drivers

Capacity: RAK Ceramics (Bangladesh), proactively increased its tiles production capacity at a CAGR of 8 percent from 5.48 mn sq. metres per annum in 2005 to 8.00 mn sq. metres per year in 2010 and sanitaryware from 0.34 mn pieces to 1.1 mn pieces across the same period, in response to growing demand.

Technology: The strength of RAK Ceramics (Bangladesh) lies in the speed with which it has innovated itself to meet market expectations. It has invested significantly and regularly as well, to produce products that would stand out in the market.

For this it had the full backing of the technology providers in the ceramic field who having realised the potential and sincerity of the company, preferentially offered it the best support of technology of the times. RAK Ceramics also offered ample support to distributors to strengthen their position in respective markets.

The Company's tile manufacturing units possess versatile presses, long-range kilns and multi-purpose ball mills. The automated integrated equipment was sourced from world leaders SACMI IMOLA, leading to product consistency (quality,

aesthetics, finish and durability). The sanitaryware unit is equipped with the latest European technology comprising computerised kilns, 12 medium pressure casting plants for the manufacture of wash basins, pedestals, cisterns, lids and other accessories and four high-pressure plants for the production of water closets.

The plant is equipped with latest European machineries comprising:

- Ball mill ■ Kiln ■ Press ■ Glaze line
- Polishing ■ BMP casting
- Robot spraying

Un-interrupted supply of energy:

The Company's subsidiary (RAK Power Pvt. Ltd.) generates power through a 10 MW natural gas-fired power plant that is exclusively consumed by RAK Ceramics and its Group. This ensures availability of cost-effective quality power.

Inventory management: The Company manufactures products against confirmed orders. This strategy has resulted in a finished goods inventory of a comfortable 4 days of turnover equivalent as opposed to the industry average of 30 days.

Manufacturing facilities: The Company's manufacturing facilities are spread across the strategic industrial belt of Gazipur to cater to emerging demand with speed and economy. The tiles and sanitaryware plants spread over 1,42,737 sq. metres.

Value-added products: More than 60 percent of the Company's portfolio comprises value-added gres porcellanato tiles. The average value-addition ranges from Taka 550 per sq. metre to Taka 1,200 per sq. metre, one of the highest realisations within its peer group.

Portfolio: The Company's tile portfolio comprises over 1,000 models, the widest in Bangladesh. It also manufactures a wide range of sanitaryware products (water closets, wash basins and kitchen sinks, among others).

Quality: The Company enjoys several global certifications, which endorse its best practices. The Company is certified by ISO 9001:2000 issued by the BVQI, Watermark license, Standardsmark license (sanitaryware), Setsco and Institut Szkla I Ceramiki, among others.

Output: The Company's tiles and sanitaryware production volumes grew at a CAGR growth of 11 percent and 27 percent respectively over the five years closing 2010. While tile production increased 67.24 percent to 6.74 mn sq metres in 2010, sanitaryware manufacture grew 235 percent to 1.15 mn pcs in 2010.

Research and development: The Company possesses 17 qualified experts engaged with extensive research and development practices across our laboratories on material and design, creating top-quality products. Besides, proactive cost savings is also driven by our R&D team. RAK Ceramics (Bangladesh) also has technical knowhow agreement with the

parent, RAK Ceramics Co. PSC, Ras Al Khaimah, for developing new designs and for other technical support.

Distribution: The Company established a strong presence in cities and rural agglomerations through an extensive strategic dealership network (42 for tiles and 56 for sanitaryware products).

Human resources: The Company invests in technical and career advancement training. It continually benchmarks training and development standards. The result is one of the lowest employee turnover attrition rates in its industry. The staff strength more than 1500 members in 2010.

RAK Ceramics (Bangladesh) is an investor-driven conglomerate.

... Benefiting

from superior demographics; Bangladesh is one of the world's fastest-growing population pools and one of its youngest. This market is significantly under-penetrated and one of the few across the globe to be reporting consistently high economic growth (GDP growth of 5.5 percent in 2009-10, *Source: The Daily Star, 28 May 2010*)

... Formulating

a consistent growth strategy focused on quality infrastructure

... Investing

in growth through capacity augmentation, synergic diversification and cost optimisation

... Leveraging

our brand of product and service superiority

... Building

on the strength of our subsidiaries and joint venture partners to provide specialised services

... Deepening

our reputation related to sound corporate governance practices as well as credible financial reporting and disclosure standards

... Extending

our industrial excellence to social responsibility

... Responding

to the need to protect lender interests.

... Continuing

to return capital to investors through dividends with a reasonable payout ratio that balances the need of the Company and its investors

Risks and their mitigation

At RAK Ceramics (Bangladesh), risks are adequately estimated, controlled and priced with the objective to enhance shareholder value. Risk is pertinent to virtually all business activities, although in varying degrees and forms. Regardless of the type of risk or the activity that creates it, the fundamental approach in risk management remains the same:

- Ability to translate risk into profit
- Knowledge of the business and of its customers
- Knowledge of when to follow the line and when to deviate from it without increasing risk
- Forward-looking approach to identify where risks may lie
- Honesty of purpose so that alerts are raised as soon as a risk is detected or quantified
- Flexibility in the understanding and management of risk
- Ability to mitigate risks at lowest unavoidable level

Industry risks

Increasing competition can depress realisations, revenues, margins, profits and market share

Management perception

- The ceramic industry in Bangladesh is an emerging sector with significant local demand for differentiated products. Besides, locally produced ceramic products now play a strong role in a country once dominated by imports.
- The Company is an innovation-driven and technology-centric enterprise, translating into value-

for-money products and superior market share.

- The Company focuses on strong research, leading to the development of new and contemporary products.
- The Company, with an established brand and unmatched distribution, represents a threat to new entrants, not the other way around.

Result

The Company captured over 25 percent share of the domestic tiles market and over 65 percent share of the country's sanitaryware sector. This catalysed topline growth to 20 percent CAGR over the five years leading to 2010.

Potential or existing government regulation risks

The Company operates under the Companies Act, 1994, and other related regulations, Income Tax Ordinance 1984, Income Tax Rules 1984, Value Added Tax (VAT) Act, 1991 and Value Added Tax (VAT) Rules, 1991. Abrupt regulatory changes could affect the Company's business.

Management perception

- Unless any policy change negatively and materially affects the industry as a whole, the business of the Company is not expected to be affected significantly.
- Bangladesh's ceramic industry is an emerging sector with considerable local demand for differentiated products.

The health of Bangladesh's real estate sector is directly affected by the prospects of its ancillary industries (including tiles and sanitaryware). Considering the growing real estate shortage in Bangladesh, it is highly unlikely that the government will initiate fiscal measures with an adverse impact.

Result

The Company's tiles production has grown every single year over the last decade – from 4.03 mn sq. metres in 2005 to 6.74 mn sq. metres in 2010, indicating industry robustness and the Company's ability to capitalise on it.

Capital market risks

The Company's shares may not reflect their intrinsic value. Changes in government policy may affect capital market valuations in general and the Company's shares in particular.

Management perception

- The Bangladeshi capital market grew significantly in the last two years, now an attractive emerging market in Asia.

- The government strengthened its securities market through market-friendly policies, a feature that is expected to continue.
- The Company reported a steady earnings growth, reducing chances of any serious valuation mismatch.

Result

The Company's share price listed at a 416.66 percent premium and closed 2010 with a gain of 358.33 percent over its issue price.

Marketing risks

An adverse economy - declining demand and realisations - may affect the Company's performance.

Management perception

- The Bangladeshi government expects to develop four satellite townships on Dhaka outskirts, develop 22,800 plots and construct 26,000 apartments in three years (*Source: Property-report.com, 7 November 2010*).

- A World Bank Report of 2009 indicates that housing shortages in Bangladesh could rise to about 5 mn units (1-1.5 mn units required in urban areas).
- The Company enjoys brand equity owing to its foreign affiliation and is continuously penetrating new markets with new products.

Result

The Company's strong marketing presence enabled it to emerge as the largest tiles and sanitaryware player in Bangladesh.

Technology risks

A newer technology could cause technological obsolescence and impact profitability.

Management perception

- The Company is a subsidiary of RAK Ceramics Co. PSC, UAE. It enjoys access to and deploys the latest technology in its manufacturing facilities.
- The Company adopted the most advanced Italian

technology for the production of tiles and sanitaryware coupled with a cutting-edge testing laboratory.

- The Company continuously upgrades technologies in line with global benchmarks.

Result

The Company's gross block grew at a CAGR of 18 percent over the five years ending 2010; besides, return on gross block improved from 19.56 percent of EBIDTA in 2005 to 27.47 percent of EBIDTA in 2010, reflecting enhanced utilisation and cost-optimisation.

Interest rate risks

Unfavourable interest rate movements caused by volatile money markets and a growing demand for capital could impact the Company's ability to raise cheap funds. A change in the government's monetary policy could increase interest rates.

Management perception

- The Company possesses robust retained earnings of Taka 1,136.41 mn, strong cash and bank balances of, Taka 1,487.66 mn and a comfortable debt-equity ratio of 0.02 as at 31 December 2010.

- The Company works with nearly zero long-term debt. An equity infusion of Taka 1,656.48 mn from its IPO proceeds created comfortable leverage, easing interest outflow and enhancing its ability to raise low-cost debt for prospective needs.

Result

The Company's ability to manage its debt and interest liability strengthened its interest cover from 1.91 times in 2005 to 9.94 times in 2010.

Input sourcing risks

The Company is dependent on imported raw material. Any resource constraints could impact operations and profitability.

Management perception

- The Company continues to import almost over 90 percent (by value) of its raw material requirements and has not faced any threat in this area. It enjoys a diversified procurement base and leverages purchases through its parent company (RAK Ceramics Co. PSC).
- The Company's backward integration scouts and sources alternative resources.
- The Company's qualified research and

development team suggests alternative process combinations and a judicious mix of inputs to absorb price-sourcing risks.

- The Company entered into a power purchase agreement with a Group company (RAK Power Pvt. Ltd.), a 10 MW natural gas-fired power plant engaged in power generation for the exclusive use of RAK Ceramics and its group companies.
- The Company also possesses a captive power backup and water supply system.

Result

The Company's judicious input management practices resulted in declining raw material costs from 33.14 percent of net sales in 2005 to 26.85 percent in 2010. Besides, the Company's strong energy management activities resulted in an overall decline in power consumption as a percentage of net sales from 6.68 percent in 2005 to 4.85 percent in 2010.

Revenue collection risks

The Company may not be able to collect receivables on time, creating a working capital crunch.

Management perception

- As a judicious debt management measure, the Company has a stated 45 days credit policy against bank guarantees.

- The Company's debt collection team follows up on receivables periodically.

Result

The Company's debtor days stood at 19 days on gross sales as on 31 December 2010 as against the standard industry norms of 30 days.

Exchange rate risks

The Company imports a large proportion of its raw material requirements in foreign currency. Unfavourable currency fluctuations could affect profitability.

Management perception

- The Company is confident of cushioning foreign currency and price escalation risks by entering into safe forward contracts allowed as per the forex policy of the Central Bank.
- The Company hedges exchange rate risks through the strategic procurement of raw materials and

consumables as well as the forward booking of foreign currency.

- The parent Company possesses a database of over 2,500 global suppliers dealing with it for more than 15 years. The Company leverages its parent Company's monthly global resource planning exercise, which takes care of resource procurement schedules and currency fluctuation escalations.

Result

On account of adherence to strategic procurement practices, the Company has not suffered any significant loss arising out of unfavourable currency movements.

Management risks

The attrition of key managers or a labour unrest could have an adverse impact on the business.

Management perception

- The Company prioritises the development of human resources through on-the-job, in-house and external training programmes.
- The Company offers competitive remuneration packages across all organisational tiers to encourage ethical standards, professionalism, teamwork and innovation.
- The Company's succession strategy focuses on the development of an alternative leadership pipeline across all activities.
- The Company provides a congenial working

environment and comprehensive facilities as per the laws of the land. The workforce is well-remunerated and most live in areas proximate to the factory or in Company-provided accommodation.

- The Company possesses a compensation policy, which includes leave encashment, life insurance and performance incentives. The Company also has a festival bonus and special bonus policy, which is non-mandatory by law. Retirement benefit includes employee's provident fund and gratuity fund. The company provided 5 percent of profit before tax towards employees profit participation and welfare fund amounting to Taka 50.20 mn for 2010.

Result

Turnover per employee increased from Taka 3.19 mn in 2005 to Taka 3.94 mn in 2010, indicating superior productivity.

Our navigators



Dr. Khater Massaad,

Chairman

Dr. Khater Massaad has played an instrumental role along with H.H. Sheikh Saud Bin Saqr Al Qassimi, The Ruler of Ras Al Khaimah in

founding RAK Ceramics in 1991. Dr. Massaad holds a PhD in Geophysics from the University of Lausanne, Switzerland and an MSc in Mathematics, He is also at the helm of Ras Al Khaimah's recent ambitious initiatives like property developer RAKEEN, infrastructure developer RAKIA and Al Hamra Real Estate Development LLC, among others.

Dr. Massaad was assigned the position of 'Project Manager' for various underground water projects in the UAE and in the Sultanate of Oman. Thereafter, he envisioned a major plan for a ceramic factory in the Emirate of Ras Al Khaimah and established and managed RAK Ceramics.

Under his stewardship, RAK Ceramics Co. PSC was adjudged the 'Company of the Year' by Arabian Business Achievement Award for 2004 and in 2005, RAK Ceramics was awarded the Mohammed Bin Rashid Al Maktoum Business Award for the industry sector. In 2007, he received the prestigious 'fDi Personality of the Year 2007- Middle East' award presented by fDi Magazine, part of the Financial Times group of London. This award was in recognition of Dr. Massaad's diligent and successful effort to

attract foreign investment to Ras Al Khaimah, contributing greatly to the economic growth and development of the Emirate and adding to its attraction as an investment location. He plays a key role in the rapid development of the Emirate as CEO of the RAK Investment Authority (RAKIA) and is also the Executive Chairman of RAKEEN - the land master-planner and developer in real estate and township development in the Emirate and also overseas.



Mr. S.A.K. Ekramuzzaman,
Managing Director

Mr. S.A.K. Ekramuzzaman is one of the local investors in Bangladesh with equity partnership in Ras Al Khaimah companies (RAK),

one of the seven Emirates of the UAE. Besides managing diversified business interests at home, he possesses a number of joint venture projects that are currently operating in Bangladesh with a few waiting commissioning. His business interests involve products ranging from ceramics to shopping malls and many more.

Mr. Ekramuzzaman has equity interest in RAK Ceramics (Bangladesh) Ltd., RAK Power, RAK Securities and Services, RAK Pharmaceuticals Swiss Bangladesh Agro Fisheries, MASRAM Plantation, KEA Printing and Packaging, Green Planet Communications and Better Business Associates Limited, among others.



Mr. Hamad Abdullah al Muttawa, *Director*

Mr. Hamad Abdullah Al Muttawa is the Managing Director of RAK Ceramics Co. PSC, UAE. He is also the Chairman of Commercial

Bank International (CBI), RAK Poultry Farm, RAK Dairy Farm and a Board Member of the RAK Cooperative Society.

Mr. Muttawa graduated in Geography from Alexandria University in Egypt with a high distinction in 1974. He served as a Deputy Minister in the Ministry of Agriculture and Fisheries until 1998. He has served more than 50 years in the Boy Scouts in the UAE and is also associated with institutions for the poor and needy and other old age homes in the UAE.



Mr. Abdallah Massaad,
Director

Mr. Massaad is the Deputy Chief Executive Officer of RAK Ceramics Co. PSC, UAE. He is also a Director in RAK Ceramics PSC local joint

ventures.

Mr. Abdallah is an MBA from the Kaslik University, Lebanon. He has over 17 years of experience in business management and control and international marketing and sales in the GCC focusing on ceramics

and construction material, real estate and trading ventures. He joined RAK Ceramics in 2006 and is currently responsible for RAK Ceramics Group strategic planning and control, policy enhancements and operational and business development. Prior to joining RAK Ceramics, Abdallah worked for seven years as General Manager with International Ceramics Company Sarl. (IMC), Lebanon.



Mr. Manoj Aheeray,
Director

Mr. Manoj Aheeray is the Deputy Chief Financial Officer of RAK Ceramics Group. He has over 16 years of experience in the fields of

Corporate & project Finance, Assurance, M&A activities, IPO, Strategic financial & Taxation systems. He is also holding Directorship responsibilities in RAK Ceramics joint venture companies.

Mr. Manoj is senior member of the RAK Ceramics team which has implemented largest global expansion of tiles manufacturing. He has been involved in structuring & negotiating financing facilities for transactions over USD 500 mn for industrial & economic projects in RAK Ceramics Group. He was instrumental in recent record breaking issue of RAK Ceramics Bangladesh which has opened with USD 0.67 billion market capitalisation on its listing.

His prior experience includes Raymonds, IDBI- VCF project, ACC (now Holcim), ThyssenKrupp; industry leading players in India. He is working with RAK Ceramics from 2003.

Mr. Manoj has Bachelors qualification in UK Restructured syllabi commerce (Banking & Finance) & is Associate Member of the Institute of Chartered Accountant of India (CA), Institute of Cost & Works Accountants of India (CWA), Institute of Cost & Management Accountants of Australia (CMA), Associate member of Institute of Management Accountant, United States (IMA), Institute of Company Secretaries of India (CS-Intermediate) and Certified SAP professional (SAP FICO), ISACA Certified in Risk and Information Systems Control, United States (CRISC).

Mr. Manoj has been speaker on GCC syndication conference/ MEED capital market as well as guest faculty for Eurofinance events.



Mr. Rafique-ul Huq,
Barrister-at-Law,
Independent Director

Mr. Rafique-ul Huq, Barrister-at-Law is one of the senior most lawyers in the Supreme Court of Bangladesh with more than

50 years of rich experience in Bangladesh and abroad. He is currently a member of the International Court of Arbitration of International Chamber of

Commerce, Paris. He is former Attorney General of Bangladesh. Mr. Huq completed MA, LLB from Calcutta University in 1957 & 1958 respectively and enrolled as an advocate in Calcutta High Court in 1960, Barrister-at-Law in 1961 and was called to the Bar from Hon'ble Society of Lincoln's Inn in 1962. He was enrolled as Senior Advocate, Appellate Division of the Supreme Court of Bangladesh in 1975.

He was the Chairman of Bangladesh Bar Council Tribunal and Bar Council Election Tribunal, Chairman of Bar Council of Bangladesh, Delegate of Bangladesh in UN General Assembly meeting in 1990, Member of the Company Law Reforms Committee in Bangladesh, Member of the Committee for improvement of the Stock Exchange Market in Bangladesh and Chairman of the Corporate Laws Committee in Bangladesh. He is also a Member of International Chamber of Commerce, Dhaka Law Asia.

Mr. Huq is involved in many social activities as life member and member of national council of Diabetic Association of Bangladesh, Chairman of Management Committee of BIRDEM Hospital, Chairman of Ahsania Mission Cancer Hospital, Secretary General of Management Board and patron of Dhaka Shishu Hospital, Cabinet Member in the Lions International, District 315, Chairman of Society for Education and Care of Hearing Impaired Children of Bangladesh and Life Member of the Bangladesh National Society for the Blinds.

Our executive management



- 1** *Managing Director*
Mr. S.A.K. Ekramuzzaman
- 2** *Chief Operating Officer*
Mr. Md. Amir Hossain
- 3** *Finance Controller*
Mr. Sangam Lal
- 4** *Deputy General Manager, HR and Admin*
Mr. Mahubur Rahman
- 5** *Deputy General Manager, Purchase*
Mr. Mohammad Jahirull Reza
- 6** *Deputy General Manager, Sales*
Mr. Imtiaz Hussain
- 7** *Production Manager, Sanitaryware*
Mr. Govindaraju Srinivasan
- 8** *Production Manager, Tiles*
Mr. Henry Fernandez
- 9** *Manager, Taxation*
Mr. Mohammed Shamsuddin
- 10** *Company Secretary*
Mr. Muhammad Shahidul Islam ACS
- 11** *Head of Internal Audit*
Mr. Kazi Mottakin Hossain ACA

Management Discussion

Global and Bangladesh Economy

The global recovery is off to a stronger start than anticipated earlier but is proceeding at different speeds in the various regions. Following the deepest global downturn in recent history, economic growth solidified and broadened to advanced economies in the second half of 2009. In 2010, world output is expected to rise by 4 percent. In most advanced economies, the recovery is expected to remain sluggish by past standards, whereas in many emerging and developing economies, activity is expected to be relatively vigorous, largely driven by buoyant internal demand. (Source: *World Economic Outlook, IMF*)

Bangladesh is one of the fastest growing global economies with a GDP growth of 5.8 percent in 2010 that is expected to grow to 6.3 percent in 2011. The increase in Bangladesh GDP growth was a result of a growth in per capita incomes - from USD 676 in 2008-09 to USD 750 in 2009-10 (Source: *The Daily Star, 28 May 2010*) - which in percentage terms (around 11 percent) is one of the highest in the world, translating into higher disposable incomes.

Global Ceramic Tiles Industry and RAK Ceramics

The USD 36 billion world ceramic tiles industry is growing at 6 percent annually. China is the largest ceramic producer accounting for 42.3 percent on 2009 world tiles production, china is also largest consumer of ceramic tiles accounting for 35.8 percent of world tiles consumption.

RAK Ceramics recognised as the world's largest ceramic

tile manufacturer by the Ceramic World Review, the best known and most widely circulated international magazine devoted to ceramic tile and sanitaryware production technologies. RAK Ceramics dominated the rankings of the top 25 ceramic tile manufacturers in 2009 with a total production output of 115 mn sq. metres from 15 manufacturing facilities located in six countries. RAK Ceramics has expanded and increased its production facility even during the current economic slowdown.

RAK Ceramics produces ceramic tiles, sanitaryware and tableware through its worldwide production and distribution facilities which collectively employ a workforce of 15,000 people. RAK Ceramics pointed out that the establishment of production plants in different countries has been a key factor in the company's highly successful globally focused marketing strategy, wherein up to 74 percent of products are exported to over 150 countries.

RAK Ceramics is a USD1 billion global conglomerate in the ceramic industry, offering a product portfolio comprising over 8,000 designs in ceramic tiles, Gres Porcellanato, and several models in sanitaryware.

The company continues to be a global pioneer in the world of ceramics through innovative products such as the RAK SLIM, a new brand of 4.5-millimetre thick tile that sets new industry benchmarks in thickness, strength, cost and ease of use.

Bangladesh Industry

Coupled with the country's growing income levels is a consumption under-penetration that is expected to

correct. Bangladesh possesses a low per capita ceramic tile consumption of 0.76 sq. metres per annum, compared with 2.4 sq. metres in China, 3.1 sq. metres in Vietnam, 3.5 sq. metres in Brazil and 4.9 sq. metres in Spain. We believe that as income levels rise, this under-penetration will progressively correct, resulting in attractive growth for our company.

The result: Bangladesh's ceramic tile exports grew from a mere USD 1 mn in 1991 to a significant USD 35 mn in 2009-10 (Source: *The Independent, 16 April 2010*) and is expected to surge to USD 100 mn over six years (Source: *Bangladesh Ceramic Ware Manufacturers Association*) even as Japan, the UK, Germany, China and European countries, who dominated the global trade in ceramic products, are yielding advantage on account of rising costs, wages and currency appreciation.

Versatile opportunity - real estate shortage

Bangladesh's housing shortage of about 5 mn units is adding 0.5 mn units in annual demand from urban areas and 3.5 from its rural regions (Source: *World Bank Report, 2009*). Bangladesh also has over 2,100 slums; over 2 mn people in Dhaka either live in slums or without proper shelter. Given this reality, the need for housing upgrades is high.

The Bangladeshi government responded to this reality with a slew of measures:

- Plans to build four satellite townships on the outskirts of Dhaka
- It plans to engage in the development of 22,800 plots and the construction of 26,000 apartments over three years to reduce the pressure on an overpopulated city (Source: *Property-report.com, 7 November 2010*)

- Passed the Real Estate Development and Management Bill, 2009, with adequate consumer safeguards
- The government targeted GDP growth of around 10 percent by 2017 and a 40 percent share of the industry from the existing 28 percent.

Industry Optimism

The ceramic sector in Bangladesh is large and rapidly growing as manufacturing ceramic products is a gas-based, labour-intensive and skills-oriented business and the country enjoys a comparative edge as it is a gas-rich and low labour cost economy. The ceramic tile sector has so far pulled in over Taka 1,000 crore investments with around 20 percent annual growth rate. The industry pays an amount of Taka 300 crores annually to the national exchequer as revenue and Taka 100 crore to the utility services, including gas.

Production: In the period from 1984 to 2009, the production of tiles in Bangladesh has increased from 300 sq. metres to around 100,000 sq. metres per day. According to market study, existing factories produced nearly 322 mn sq. feet of tiles in 2007, up from 277 mn sq. feet a year ago. The total tiles production in the country reached 374 mn sq. feet in 2008 and it is estimated to grow at 17 percent in 2009 and 2010 (*Source: The daily Star, 29 October 2009*).

Ceramic tiles growth trend

Year	Percent
2007	16
2008	16
2009	18
2010*	17

*Projected

(*Source: The Daily Star, 29 October 2009*)

Demand and supply: The demand for ceramic floor and wall tiles is growing at the rate of 15 percent per year, while local manufacturers can meet only 80 percent of the total demand (*Source: The Daily Star, 18 October 2010*). The demand will grow further because the ceramic products manufactured by the local manufacturers meet the stringent international standards and prices are competitive.

The supply condition of ceramic products is insufficient in comparison to the demand. But there is optimism on the supply side because with the increasing demand for ceramic products both in domestic and international markets, all local ceramic manufacturers are expanding their plants and operations.

Exports: The ceramic tile exports from Bangladesh reached USD 35 mn in 2009-10, rising from only one mn dollars in 1991 (*Source: The Independent, 16 April 2010*). As per the Ceramic Ware Manufacturers Association (BCWMA), the export of ceramic products is expected to increase to USD 100 mn in the next six years from USD 35 mn now. Assured gas supply to ceramic product manufacturers and various fiscal incentives by the government will help the country become a leader in ceramic tile exports.

Over the last few years the sector has made tremendous growth due to demand from construction, real estate sectors as well as decline in dumping and oversupply. The average industrial growth in the ceramic sector was 17 percent where the RAK Ceramics (Bangladesh) tiles market share is more than 25 percent.

Growth drivers of ceramic tiles industry

Real estate

- **Housing shortage:** Shortage of about 5 mn houses in Bangladesh, with as many as 500,000 houses added annually in urban areas and 3.5 mn added in rural regions.
- **Housing demand:** In Dhaka, the property prices have

escalated by up to 50 percent in the last one year. New formal construction accounts for about 3 percent of all housing projects being built in the country.

- **Government initiatives:** The government plans to develop four satellite townships on the outskirts of Dhaka as well as develop 22,800 plots and construct 26,000 apartments in the next three years.

Further the government's declaration to provide housing for all by 2021 will support the high population growth of the country and the adoption of a more expensive lifestyle will increase the demand for ceramic tiles and sanitaryware.

Tourism

The government is developing a special tourist zone for foreigners to promote tourism which will be implemented in three phases in the next 10 years. Under the plan, 2,200 modern and attractive tourist spots would be developed, which will boost the number of foreign tourists to 40 lakh in the next decade. Asian Development Bank has come forward to provide USD 12 mn for the development of tourism infrastructure.

Hospitality

From 2005-2009, the hospitality industry has received Taka 5,000 crore which went mostly into the development of hotels, motels, resorts, amusement parks and restaurants at popular destinations. This has resulted in the creation of around 500 hotels, 40 resorts and 15 amusement parks at popular tourist destinations across the country.

Airport Development

The government has come up with a plan to build a new airport near Dhaka costing USD 7.2 billion, with two runways and a provision for a third. This airport will be funded by a public-private partnership and would be the connecting link between emerging and developing economies in the East and the West.

Key Financial Analysis

Financial analysis presented on the basis of standalone financials of RAK Ceramics (Bangladesh) Ltd.

Revenue: The Company's standalone financials show the consistent growth in tiles and sanitaryware for the year ended 31 December 2010, which is highlighted below, amply reflecting our 'Versatile' positioning.

(Taka mn)			
Particulars	2010	2009	Change (%)
Net sales	3,859.36	3,822.12	0.97
Gross profit	1,432.87	1,160.31	23.49
EBITDA	1,347.03	875.62	53.84
Net profit	723.96	340.34	112.71

Raw material management

a) **Tiles:** RAK Ceramics (Bangladesh) uses high quality fine clays with low organic content, which is the best in the world. The quality of both the material and the end product is assured by highly developed quality control systems to ensure products surpass stringent specifications of EN standards for ceramic tiles and sanitaryware. The principal raw materials used in the manufacture of ceramic tiles comprise clay, soda, potash, feldspar and silica sand, which are imported from different European countries, UK, China, Malaysia, Indonesia, Thailand and India. The raw material consumption to sales reduced to 26.59 percent compared with 32.74 percent in 2009, reflecting a continuous monitoring of raw material prices and timely procurement at competitive costs to reduce overall production costs.

b) **Glazed material:** Glazes or surface finish material provide colour and design to tiles. These were imported from Italy and Germany, among other countries. The glaze material consumption to sales reduced to 7.71 percent compared with 8.58 percent in 2009.

c) **Fuel:** Manufacturing of ceramic tiles and sanitaryware is energy intensive. The Company has confirmed gas supplies from Government agencies.

Besides, power is also supplied by RAK Power Pvt. Ltd., a group company of RAK, owning a gas-fired 10 MW captive power plant. The gas cost to sales increased marginally to 3.16 percent compared with 3.14 percent in 2009.

d) **Personnel:** Employee related costs increased in 2010 by 16 percent due to annual increment and recruitment of key personnel. The Company has a strength of 986 members during 2010. The employee cost to sales increased 4.70 percent compared with 4.13 percent in 2009. The company provided 5 percent of its profit before tax towards employees profit participation and welfare fund, amounting to Taka 50.20 mn for 2010.

e) **Selling and distribution costs:** The Company distributes its product through dealers only. The Company have 98 dealers for tiles and sanitaryware. The Company also has two owned showrooms at prime locations in Dhaka to disseminate information about its product to consumers and dealers to circumvent undue advantages and unfair practices. In addition to company owned showrooms, dealers have their showrooms nationwide to display the Company's products. Selling and distribution costs to sales decline to 9.7 percent compared with 10.8 percent in 2009

f) **Interest cost:** The Company has repaid debts of Taka 724.66 mn in 2010 to reduce higher interest cost on term and working capital loans. The Company has no outstanding balance of working capital loans and term loans as on 31 December 2010. Moreover, finance charges reduced to Taka 37.05 mn in 2010 compared with Taka 150.90 mn in 2009.

g) **Share capital:** The Company was listed on the stock exchange(s) of Bangladesh via its Initial Public Offering (IPO) under the book building method for allotment of 15 percent of its equity shares of 34.51 mn at an offer price of Taka 48 per share (face value of Taka 10 with a premium of Taka 38 per share). The Company's paid-up share capital increased to Taka 2,300.73 mn.

h) **Reserves and surplus:** The Company's reserves increased to Taka 1,270.35 mn from Taka 684.51 mn in 2009.

i) **Share issue expenses:** The Company wrote-off share issue expenses amounting to Taka 137.73 mn against the share premium, in accordance with Section 57 of the Companies Act, 1994. As a result, the net premium stood at Taka 1,473.64 mn as on 31 December 2010.

j) **Dividend:** The Company proposes a dividend of 10 percent stock and 15 percent cash for year ended 2010.

k) **Loans, limits and utilisation:** The Company enjoyed working capital limits from the bank, as detailed below, as on 31 December 2010:

(Taka mn)			
S. No.	Bank Name	Maximum limits	Utilised limits
1	HSBC Bank	345	-
2	Citi Bank NA	735	-
3	SCB	400	-
	Total	1,480	-

The Company repaid its loan amounting to Taka 724.66 mn during 2010 and Nil outstanding at year end.

l) **Gross block:** The Company's gross block increased to Taka 3,556.23 mn from Taka 3,513.68 mn in 2009 on account of purchase of land, installation of buildings, plant and machinery and procurement of furniture and vehicles, among others.

m) **Depreciation:** The Company follows the straight line method (SLM) in the computation of depreciation.

n) **Debtors:** The outstanding debtors as on 31 December 2010 amounts to Taka 260.74 mn with average credit period standing at 19 days of sales compared with the industry average of 30 days.

o) **Inventory:** The Company believes in maintaining a minimum level of inventory for both raw materials and finished goods and places orders at the right time at competitive prices. The stock of raw material, work-in-progress, stores, goods-in-transit and finished goods amounting to Taka 1,359.55 mn as on 31 December 2010. Raw material holding period stood at 244 days of consumption whereas finished goods holding period is 4 days of net sales.

p) **Cash and bank balance:** The Company's cash balance stood at Taka 1.80 mn and bank balance stood at Taka 1,481.48 mn as on 31 December 2010. Cash and bank balance comprised fixed deposits placed with the bank, margin money against LC opened and balance lying in account for day-to-day requirements, among others.

q) **Loans and advances:** The Company has provided the following loans to its subsidiary companies namely, RAK Pharmaceuticals Pvt. Ltd. and RAK Power Pvt. Ltd. amounting to Taka 500 mn and Taka 100 mn respectively to pay-off its high-cost loan to reduce finance cost.

r) **Sundry creditors:** Sundry creditors increased from Taka 351.42 mn as on 31 December 2009 to Taka 458.54 mn as on 31 December 2010 on account of increased import of raw materials and extended credit period by suppliers.

s) **Margins:** EBITDA for 2010 stood at Taka 1,347.03 mn against Taka 875.62 mn in 2009, demonstrating an increase of 53.84 percent. EBITDA margin improved by

52.34 percent on account of lower production, marketing and selling cost.

t) **Taxes:** The Company got listed on the stock exchange(s) of Bangladesh during the year under review. Being a public listed company, the applicable corporate income tax rate stood at 27.50 percent. However the Company is eligible for tax rebate of 10 percent. Income tax provision amounted to Taka 279.88 mn.

u) **Opportunities and threats:** The future of the ceramics sector depends upon the health of the economy, aspirations and wealth of consumers and demand from the construction and real estate sectors, which reflects an increasing trend in Bangladesh and the Company stands to benefit from this trend. Further, due to the Company's product availability to each category of consumers at competitive prices with the addition of a lifetime warranty, only sectoral slowdowns and heightened competition can slowdown the Company's performance.

Subsidiary/Associates

The Company has the following subsidiaries and associates as on 31 December 2010

Company Name	Holding (%)	Relationship	Investment (mn) Taka	Nature of Business	Present Status
RAK Pharmaceuticals Pvt. Ltd.	55	Subsidiary	312.05	Pharmaceuticals	On production
RAK Power Pvt. Ltd.	57	Subsidiary	116.85	Electricity generation	On production
Classic Porcelain Pvt. Ltd.	51	Subsidiary	5.10	Tableware products	Under commissioning
RAK Food & Beverage Pvt. Ltd.	51	Subsidiary	1.02	Food and beverage products	Under commissioning
RAK Security & Services Pvt. Ltd.	35	Associates	0.35	Security service	On operation
RAK Paints Pvt. Ltd.	40	Associates	20.00	Paints products	Under commissioning
RAK Mosfly (Bangladesh) Pvt. Ltd.	20	Associates	4.44	Pesticides products	Under commissioning

The Company has prepared standalone and Consolidated financial statement including audited Financial statements of its Subsidiaries. Consolidated profit/(loss) of the subsidiaries was amounting to Taka (117.44) mn for 2010

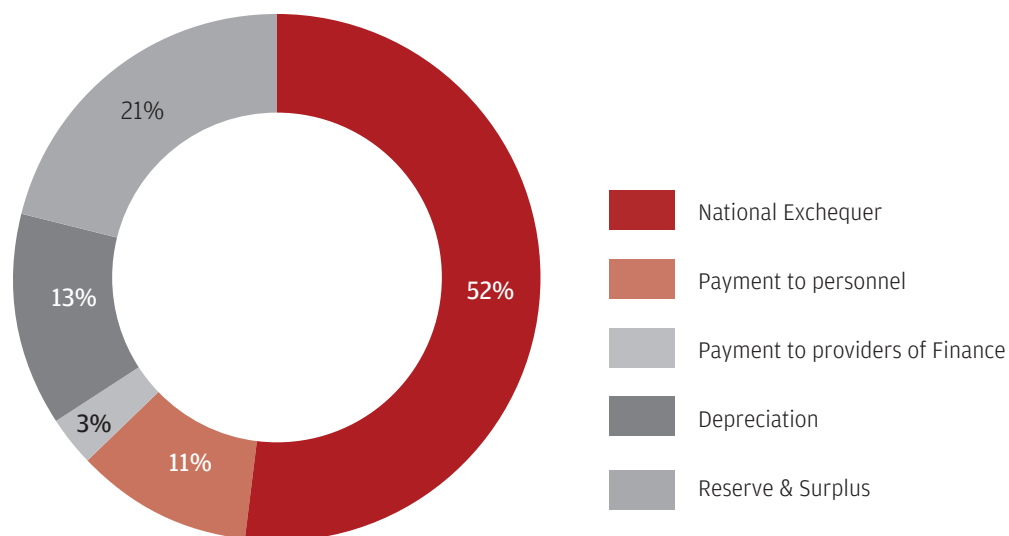
Shareholder value, commitment and philosophy

The Company expects to protect and enhance shareholder value through several initiatives. The comprehensive nature of the Company's financial and business disclosures reflects its increasing transparency.

Value Added Statement

31 December 2010

Particulars	Taka	%
Turnover	5,330,552,312	
Less: Cost of Materials & Service	(2,485,089,400)	
Value Added	2,845,462,912	100
Applications:		
National Exchequer	1,467,304,478	52
Payment to personnel	300,863,564	11
Payment to providers of finance	97,574,871	3
Retained earnings -		
- Depreciation	373,198,890	13
- Reserve & Surplus	606,521,109	21
Total	2,845,462,912	100



Classification of Shareholders by Holding

31 December 2010

No. of Holders	Holdings	Total Holdings (%)
59,382	Less than 500 shares	5.64
8,340	501 to 5,000 shares	4.53
238	5,001 to 10,000 shares	0.75
127	10,001 to 20,000 shares	0.79
33	20,001 to 30,000 shares	0.36
19	30,001 to 40,000 shares	0.28
26	40,001 to 50,000 shares	0.52
25	50,001 to 100,000 shares	0.74
30	100,001 to 1,000,000 shares	3.91
5	Over 1,000,000 shares	82.48
68,225		100.00

Corporate Social Responsibility

The Company engages in several initiatives to contribute to social, cultural and educational development across its various locations, including providing support to schools, sponsorship support to cultural and social activities, training, encouraging talent development and development projects and events. The Company also contributed to the economic development initiatives of the Government and to entrepreneurship development programmes.

A) Customer support

- Inquiries and feedback

RAK Ceramics established systems to provide customer support based on their product features, designs and quality characteristics. Our websites and showrooms especially provide customers with product display, clear information about product and points of contact in their regions for inquiries about our products.

To ensure user confidence for its products, it provides lifetime guarantee and enquiries can be made through our Company website. Average inquiry/complaint resolved in the range of 5-10 in a month, which is addressed in 48 hours time as committed.

B) Employee benefits

RAK Ceramics believe that the success behind the company lies in its employees. The Company is providing employee retirement benefits plans as Provident Fund, Gratuity Fund, Employee Group Insurance and various performance incentives

- Workers profit participation fund

The Company maintains a fund called “Workers Profit Participation Fund” to share a portion of its profits from business among its employees. The fund was designed to create a healthy workplace in which employees can

work with confidence and to support skill development. A part of the fund was especially reserved for the welfare for needy employees and their dependents during the year under review an amount of Taka 50.20 mn was provided towards WPPF and WF.

C) Manufacturing process - environmental accreditation

As a responsible global leader in the ceramic industry, protection and preservation of the environment is a top priority for ceramics.

As a testimony, the Company invested in mechanisms that reduce the adverse impact of its operations and products to natural resources and environment. The Company embarked on high technology to promote energy, water and material conservation.

- Energy efficiency

We recognise the interrelationship between energy and the environment. We promote the efficient use of energy and implement continuous improvement programmes to minimise such use.

RAK Ceramics is committed to contribute, through energy efficiency, cost saving and conservation of natural resources, therefore reducing atmospheric releases associated with energy production and use. It is also our commitment to promote effective and responsible management of energy consumption and to implement and monitor our energy performance and hence obtain an ongoing measure of environmental performance.

High-efficiency burners are utilised in all fired heaters to reduce energy consumption. Our operations ensure the efficiency of fuel burning equipment such as generators, kilns, spray driers, horizontal and vertical

driers, among others, by having them tuned by highly experienced and competent personnel.

- Water conservation

Our operations develop and execute a water management programme consistent with the Company’s strategy for suitable and quality water supply. Ceramics consider various water management options that maybe divided into various groups, making it possible to pinpoint reduction possibilities:

- 1) Monitoring: Water consumption is regularly measured and checked to prevent unnecessary use. We also analyze trends to quickly detect major leaks and repair damages as soon as possible.
- 2) Optimisation: We see that through regular preventive maintenance, equipment and devices that water is running smoothly and is not used in excess.
- 3) Re-use and recycling: We operate wastewater treatment facilities to treat and process wastewater and even domestic wastewater to minimise utilisation of water resources. RAK Ceramics operates effluent treatment plants (ETP) to recycle and re-use the wastewater generated from factories. All process effluents from the factories are collected in concrete tanks through pipe channels. Owing to the recycle and re-use of in-process wastewater, RAK Ceramics saves around 80 m3 of water per day and also reduces water pollution.

D) Third-party opinion

RAK Ceramics (Bangladesh) Ltd has always asked for third-party comments from outside specialists and our stakeholders regarding our activities in order to determine what other actions or reports are required of the Company.

We intend to promote further interactive communications with our stakeholders and incorporate their opinions and requests into the development and implementation of CSR-related policies and measures, working toward the realisation of a sustainable society. We intend to submit many opinions and impressions concerning our activities from now on.

E) Shareholders dialogue

During fiscal 2010, RAK Ceramics converted from a private to a public limited company to share its profits, creating wealth and giving robust returns on investment.

The Company is committed to create value for its entire stakeholder community comprising shareholders, customers, suppliers and the society at large.

F) Social contribution

- Towards society

In addition to its contribution through business, RAK Ceramics aims to contribute to society in various ways through the use of its management resources, including its technology and manpower.

RAK Ceramics will contribute to the enhancement of the quality of life on various levels, from local communities to the global environment, by actively utilising its management resources, including knowledge gained through business activities and human resources, in non-business areas.

- Toward the nation

The Company assumes its social responsibilities towards cyclone victims and gives voluntary funding

through the Prime Minister National Relief Fund.

The Company also contributed towards Supplementary duty, VAT and taxes to the exchequer which is highest in our peer group in Bangladesh.

The subsidiary company of RAK Ceramics, RAK Pharmaceuticals, is engaged in providing medicine products, including biological and non-biological drugs for general and critical diseases. The Company also has a policy for free medicine to help the poor people.

The Company is also planning to organise a tree plantation programme, blood donation camp and arrange for the distribution of free medicines and donations to various charitable contributions.

Directors' Report

Dear members

On behalf of the Board of Directors of RAK Ceramics (Bangladesh) Limited, we have the privilege of welcoming you to the Company's 12th Annual General Meeting and the pleasure of presenting before you the Directors' Report, along with Audited Financial Statements of the Company for the year ended 31 December 2010 and the Auditors' Report thereon for the consideration and approval of our valued shareholders.

Initial Public Offering (IPO)

We would like to take this opportunity to inform you that the Company successfully listed its shares in the stock exchange(s) of Bangladesh through IPO under the Book-Building Method, first of its kind in the country. This event will go down as an important landmark in the history of the Company.

RAK Ceramics (Bangladesh) IPO milestones -

- Ist IPO in Bangladesh under Book Building Method
- Amount Collected 27431.30 mn against Public offering of Taka 1656.48 mn
- Number of Application received by company 1.59 mn
- Listing opening price was Taka 200/- per share
- 15 percent diluted to General Public including Institutional Investors

We take this opportunity to express our profound gratitude to the investors for their overwhelming support and confidence reposed on the Company. RAK Ceramics has by the Grace of the Almighty been able to bring confidence among the stakeholders and common people of the country.

Credit rating

We are pleased to inform you that the Company is not only the market leader of tiles and sanitaryware

products in Bangladesh but also the first manufacturing company in Bangladesh that achieved entity rating AA+ in the long term and ST-1 in the short term in the year 2009. Credit Rating Information and Services Ltd (CRISL) granted this rating having concentrated on the following key rational:

- High quality
- Higher safety
- High credit quality
- Highest certainty of timely payment
- Safety is almost risk free Government short-term obligations etc.

Business review

The Company surged Consolidated net profit after tax Taka 606.52 mn in 2010 against Taka 324.88 mn in previous year with a growth of 86.69 percent.

Financial Results and Appropriations

The Directors are pleased to report the financial results for the year 2010 and recommended the following appropriations:

Particulars	Taka in mn	
	2010	2009
Profit before taxation *	900.76	532.02
Less: Provision for tax	294.24	207.14
Profit after tax	606.52	324.88
Add: Un-appropriated profit brought forward	529.89	853.41
Profit available for distribution	1,136.41	1,178.29
Less: Appropriation of dividend	-	648.40
Un-appropriated profit C/F	1,136.41	529.89

* Profit before tax after non-controlling interest.

Dividend

The Board of Directors of the Company is pleased to recommend dividend @15 percent in cash and 10 percent in stock of the paid up capital of the Company for the year 2010.

Contribution to National Exchequer

Being a responsible corporate citizen, the Company regularly pays its corporate tax in time. We also deposited Excise duty, withholding tax and VAT to government exchequer on time, deducted from employee salary as well as customers and vendors. During the year 2010, RAK Ceramics (Bangladesh) have contributed to National Exchequer total of Taka 1,523.49 mn by way of Corporate Income tax of Taka 174.86 mn, withholding tax from suppliers and service providers of taka 86.11 mn, VAT of Taka 651.59 mn, supplementary duty of Taka 491.91 mn and other duties/taxes of taka 119.02 mn.

Auditors

S.F. Ahmed & Co., Chartered Accountants (A technical assistant firm of Ernst & Young International, Inc of New York, USA in Bangladesh) shall retire in 12th AGM, being eligible, they offered themselves for re-appointment and the Board also recommended to appoint till next AGM. Remuneration of the auditor will be fixed by the Shareholders at this Annual General Meeting.

Parent, subsidiary and associate companies

RAK Ceramics Co. PSC, UAE is the parent Company of RAK Ceramics (Bangladesh) Limited. Ras Al Khaimah (RAK) Ceramics Public Shareholding Company, (RAKC, PSC) is a UAE based leading tiles and sanitaryware manufacturing company. Established in 1989, the Company commenced operations in 1991, at its state-of-

the-art facility in UAE. The Company has a manufacturing capacity of around 225,000 sq metres (2.42 mn sq feet) of tiles and over 8,500 pieces of sanitaryware per day, which is the largest manufacturing capacity at a single location in the world. The Company's total global production capacity reached to 115 mn sq metres (1,237 mn sq feet) per annum largest in the world.

RAK Ceramics (Bangladesh) diversified its business approach by investing in many subsidiaries and associated companies namely RAK Pharmaceuticals Pvt. Ltd, RAK Power Pvt. Ltd, RAK Security & Services Pvt. Ltd, RAK Paints Pvt. Ltd, RAK Food & Beverage Pvt. Ltd, RAK Mosfly (Bangladesh) Pvt. Ltd and Classic Porcelain Pvt. Ltd. The detailed activities and statuses of these subsidiary and associated companies are separately disclosed in annual report.

Human resources and staff welfare

Staff welfare has always been the highest priority at the Company. Recently we established the 'Worker's Profit Participation Fund'. The workforce of the Company has Contributory Provident Fund, Gratuity Scheme and Group Insurance, among others. The Company also ensured the healthy and safe working environment for the employees and workers. The company provided 5 percent of profit before tax towards employees profit participation and welfare fund amounting to Taka 50.20 mn for 2010.

Internal Control

The Board has the ultimate responsibility of establishing effective systems of internal control. To ensure the internal control regarding risk management, financial control and compliance legislation, follow the principle of decentralization. It has been designed to manage the

risk of failure to achieve the objectives of the Company. The Company has established internal audit department and appointed Head of Internal Audit to ensure internal control and compliances in place.

Board of Directors

Names and profiles of the Directors of the Company are shown elsewhere in this report. A statement for each of their involvement in other corporate bodies within the group is disclosed in Annexure 5.

Appointment/reappointment of Directors

In accordance with the Article 94 of the Articles of Association of the Company, Mr. Hamad Abdullah Al Muttawa will retire from his office as Director by rotation in the 12th Annual General Meeting and being eligible, offers himself for re-election in accordance to the terms of Article 96 of the Articles of Association of the Company.

Financial reporting standard:

The Directors, in accordance with SEC's notification No. SEC/CMRRCD/2006-158/Admin/02-08 dated 20 February 2006, confirm following to best of their knowledge:

- a) The financial statements prepared by the management of RAK Ceramics (Bangladesh) Limited, present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- b) Proper books of the Company's accounts have been maintained;
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates, which are based on reasonable and prudent judgment;

d) International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of financial statements;

e) The system of internal control is sound in design and has been effectively implemented and monitored;

f) There is no significant doubt of the Company's ability to continue as a going concern;

g) The significant deviations from last year in the operating results of the Company have been highlighted in the report and reasons thereof have been explained.

h) The key operating and financial data for the last five years is disclosed in Annexure-1.

i) The number of Board Meetings held during the year and attendance by each director is disclosed in Annexure-2.

j) The pattern of shareholding is disclosed in Annexure-3.

k) The Company also complied with all the requirements of Corporate Governance as required by SEC. Accordingly a compliance report is disclosed in Annexure-4.

Directors' responsibilities for financial statements

A statement on Directors' Responsibilities for financial statements is shown elsewhere in the report.

Post balance sheet events

There is no material events occurred after the balance sheet/reporting date, 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 thank Government bodies, its shareholders, investors, bankers & employees for their continuous commitment, cooperation, confidence and support in company objectives.

For and on behalf of the Board of Directors,



(Dr. Khater Massaad)

Chairman

Dhaka, Bangladesh

27 January 2011

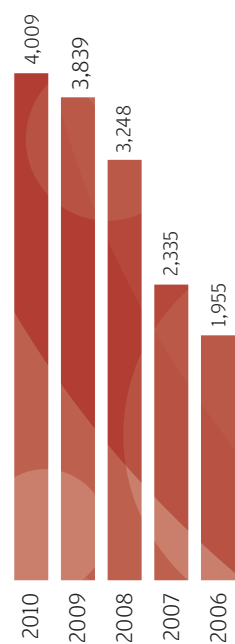
ANNEXURE-1

Key operating and financial data of preceding five years

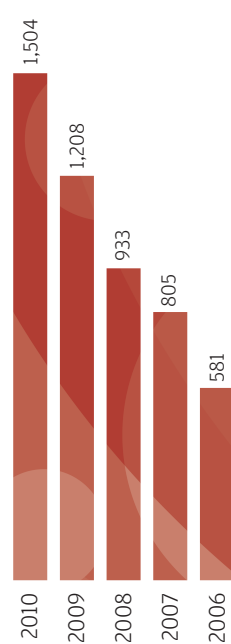
Amounts in Taka

Particulars	2010	2009	2008	2007	2006
Turnover	4,009,021,454	3,839,025,765	3,247,985,878	2,335,391,844	1,955,084,231
Cost of sales	2,505,064,934	2,631,107,917	2,315,174,472	1,530,281,434	1,373,986,480
Gross profit	1,503,956,520	1,207,917,848	932,811,406	805,110,410	581,097,751
Administration expenses	241,668,871	82,800,380	73,707,617	59,105,227	33,433,886
Marketing and Selling expenses	509,086,847	425,856,574	341,821,145	233,010,201	188,129,683
Net profit before financial expenses	753,200,802	699,260,894	517,282,644	512,994,982	359,534,182
Financial expense	97,574,871	185,707,263	141,170,017	85,258,635	81,449,145
Other income	148,471,774	7,160,230	1,907,872	6,782,770	541,758
Net profit before taxation	804,097,705	520,713,861	378,020,499	434,519,117	278,626,795
Tax expenses:	294,245,394	207,143,340	91,619,346	131,944,473	100,656,277
Non Controlling Interest	96,668,798	11,305,618	-	-	-
Net profit after taxation	606,521,109	324,876,139	286,401,153	302,574,644	177,970,518

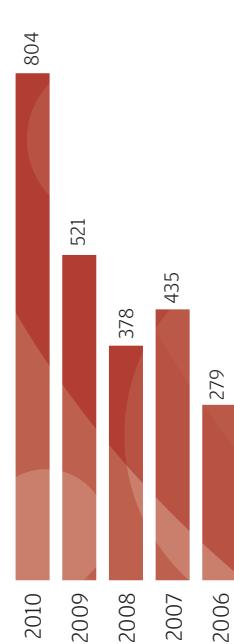
Turnover
(Taka in mn)



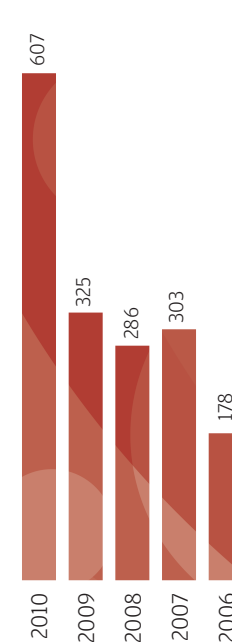
Gross profit
(Taka in mn)



Net profit before taxation
(Taka in mn)



Net profit after taxation
(Taka in mn)



ANNEXURE-2

The number of Board meetings held and the attendance by each director during the year 2010.

Name of Directors	Position	No. of Meeting held while a member	No. of Meeting Attended
Dr. Khater Massaad	Chairman	12	08
Mr. S.A.K. Ekramuzzaman	Managing Director	12	12
Mr. Hamad Abdullah Al Muttawa	Director	12	01
Mr. Abdallah Massaad	Director	12	12
Mr. Manoj Uttamrao Ahire	Director	12	11
Mr. Rafique-ul Huq, Barrister-at-Law (Date of appointment 22.10.2010)	Independent Director	02	02

Directors who could not attend meetings were granted leave of absence by the Board.

ANNEXURE-3

The pattern of Shareholding as on 31 December 2010.

Name	Status/Position	No. of Shares held
(i) Parent/Subsidiary/Associated Companies and other related parties		
RAK Ceramics Co. PSC, UAE	Parent Company	167,007,050
(ii) Directors, Chief Executive Officer, Company Secretary, Chief Financial officer, Head of Internal Audit and their spouses and minor children		
Dr. Khater Massaad	Chairman	10
Mr. S.A.K. Ekramuzzaman	Managing Director	18,556,350
Mr. Hamad Abdullah Al Muttawa	Director	10
Mr. Abdallah Massaad	Director	10
Mr. Manoj Uttamrao Ahire	Director	10
Mr. Rafique-ul Huq, Barrister-at-Law	Independent Director	-
Mr. Md. Amir Hossain	Chief Operating Officer	54,059
Mr. Muhammad Shahidul Islam	Company Secretary	6,000
Mr. Sangam Lal	Finance Controller	-
Mr. Kazi Mottakin Hossain	Head of Internal Audit	-
(iii) Executives		
Mr. Imtiaz Hussain	DGM, Sales	36,000
Mr. Mahbubur Rahman	DGM, HR & Admin	30,000
Mr. Mohammad Jahirull Reza	DGM, Purchase	30,000
Mr. Mohammed Shamsuddin	Manager, Taxation	25,200
Mr. Partho Sharathi Saha	System Analyst	4,500
(iv) Shareholders holding ten percent (10%) or more voting interest in the Company		
RAK Ceramics Co. PSC, UAE		167,007,050

ANNEXURE-4

Status reports on compliance with the conditions imposed by SEC vide notification No. SEC/CMRRCD/ 2006-158/Admin/02-08 dated 20 February 2006.

Condition	Title	Compliance status		Explanation for non-compliance with the condition
		Complied	Not complied	
1.1	Board's size	✓		
1.2	Appointment of Independent Non-shareholder Director	✓		
1.3	Chairman of the Board and Chief Executive Officer be different person	✓		
1.4	Directors' Report include declarations on:			
	a. Fairness of state of the affairs	✓		
	b. Keeping proper books of accounts	✓		
	c. Consistent application of Accounting Policies and preparation of financial statements	✓		
	d. Observance of Bangladesh Accounting Standards (BAS)	✓		
	e. Soundness and efficiency of Internal control	✓		
	f. Ability of RAK Ceramics (Bangladesh) Limited to continue as a going concern	✓		
	g. Significant deviations from last year in operation results	✓		
	h. Presentation of key operation and financial data for last three years	✓		
	i. Declaration of dividend	✓		
	j. Number of Board meeting held during the year and attendance by each Director	✓		
	k. Shareholding pattern	✓		
2.1	Appointment of Chief Financial Officer (CFO) and Company Secretary	✓		Chief Financial Officer of the Company is designated as Finance Controller.
2.2	Requirement as to attendance of CFO and Company Secretary in the Board meeting	✓		
3.0	Formation of Audit Committee	✓		
3.1	i. Number of members of audit Committee	✓		
	ii. Inclusion of non-Shareholder Director in the Audit Committee	✓		
	iii. Fill the casual vacancy in Audit Committee	N/A		
3.2	i. Selection of the Chairman of Audit Committee	✓		
	ii. Qualification of Audit Committee Chairman	✓		
3.3.1	i. Report by the Audit Committee on its activities to the Board of Directors	✓		
	ii. Report to the Board by the Audit Committee on:			
	a. Conflicts of interests	N/A		
	b. Suspected or presumed fraud or irregularity or material defect in the internal control system	N/A		
	c. Suspected infringement of laws, including securities related laws, rules and regulations	N/A		
	d. Any other matter	✓		
3.3.2	Reporting to the SEC by the Audit Committee			No such matter to report on
3.4	Reporting to the shareholders and general investors	✓		

DIRECTORS' REPORT CONTINUED

Condition	Title	Compliance status		Explanation for non-compliance with the condition
		Complied	Not complied	
4.0	Statutory Auditors not to engage in :			
	i. Appraisal or valuation services	✓		
	ii. Financial information systems design and implementation	✓		
	iii. Book keeping or other services related to financial statements	✓		
	iv. Broker-dealer services	✓		
	v. Actuarial services	✓		
	vi. Internal audit services	✓		
	vii. Any other services that the Audit Committee determines	✓		

ANNEXURE-5

Directors' involvement in other organisation within the group

Directors Name	Designation	Name of the Company	Position	Involvement in other organization within the group			
				Shareholding on 01.01.2010		Shareholding on 31.12.2010	
				No. of shares	Amount (Taka mn)	No. of shares	Amount (Taka mn)
Dr. Khater Massaad [Nominee of RAK Ceramics (Bangladesh) Limited]	Chairman	RAK Pharmaceuticals Pvt. Ltd.	Chairman	165055	16.505	2576948	257.694
		RAK Power Pvt. Ltd.	Chairman	57	0.0057	1168500	116.85
		RAK Security and Services Pvt. Ltd.	Chairman	3500	0.35	3500	0.35
		RAK Paints Pvt. Ltd.	Chairman	4000	0.40	200000	20.00
		RAK Food & Beverage Pvt. Ltd.	Chairman	10200	1.02	10200	1.02
		RAK Mosfly (BD) Pvt. Ltd.	Chairman	200	0.02	200	0.02
		Classic Porcelain Pvt. Ltd.	Chairman	51000	5.10	51000	5.10
Mr.S.A.K. Ekramuzzaman	Managing Director	RAK Pharmaceuticals Pvt. Ltd.	Managing Director	90030	9.003	1405608	140.56
		RAK Power Pvt. Ltd.	Managing Director	28	0.0028	574000	57.40
		RAK Security and Services Pvt. Ltd.	Managing Director	5000	0.50	5000	0.50
		RAK Paints Pvt. Ltd.	Managing Director	4000	0.40	200000	20.00
		RAK Food & Beverage Pvt. Ltd.	Managing Director	6800	0.68	6800	0.68
		RAK Mosfly (BD) Pvt. Ltd.	Managing Director	180	0.018	680	0.068
		Classic Porcelain Pvt. Ltd.	Managing Director	34000	3.40	34000	3.40

Corporate Governance Report

Corporate Governance is a system by which companies are directed and controlled. At its most level, it is about how those entrusted with day to day management of a company's affairs are held accountable to shareholders and other providers of finance and whether the organisation has the appropriate corporate structures to underpin accountability.

To assure the spirit of the Corporate Governance with accountability for inspiring confidence of investors, regulators, financier and other stakeholders, RAK Ceramics (Bangladesh) Limited is committed to comply with all the requirements of Corporate Governance as required by the Securities and Exchange Commission (SEC).

Board of Directors

The Board of Directors is juxtaposed between the shareholders and operational management of the organisation. Directors are elected or appointed by the shareholders. The Board of Directors is responsible for operation of the Company for best interest of its shareholders and accountable to the shareholders.

The Board of Directors of RAK Ceramics (Bangladesh) Limited comprised of six members including Chairman and Managing Director, separately. In compliance with the Corporate Governance Guidelines of SEC, the Company appointed an independent director with the Board.

Audit Committee

RAK Ceramics (Bangladesh) Limited established an Audit Committee as a sub-committee of the Board of Directors. The Audit Committee is responsible to the Board of Directors and the duties and responsibilities to internal control, financial reporting and compliance monitoring, among others, of the Audit Committee are clearly set forth in writing by the Board in the Audit Committee Charter. The Audit Committee of RAK

Ceramics (Bangladesh) Limited comprised of three members including an Independent Director.

The Audit Committee assists the Board of Directors in ensuring a good monitoring system within the business. The reporting process of the Audit Committee as follows:

A. Reporting to the Board of Directors

(i) The Audit Committee report on its activities to the Board of Directors.

(ii) The Audit Committee immediately report to the Board of Directors on the following findings, if any:

- (a) Report on conflicts of interests;
- (b) Suspected or presumed fraud or irregularity or material defect in the internal control system;
- (c) Suspected infringement of laws, including securities related laws, rules and regulations; and
- (d) Any other matter which should be disclosed to the Board of Directors immediately.

B. Reporting to the authorities

If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee report such finding to the Commission, upon reporting of such matters to the Board of Directors three times or upon the completion of a period of nine months from the date of the first reporting to the Board of Directors, whichever is earlier.

C. Reporting to the Shareholders and General Investors

Report on activities carried out by the Audit Committee, including any report made to the Board of Directors

during the year, signed by the Chairman of the Audit Committee and disclosed in the annual report of the Company.

Chairman of the Board and Chief Executive

The positions of the Chairman of the Board and the Managing Director of RAK Ceramics (Bangladesh) Limited filled by different individuals. The Chairman of the Company is elected among the directors of the Company. The Board of Directors also clearly defined respective roles and responsibilities of the Chairman and the Managing Director in addition to their roles and responsibilities as per Articles of Association of the Company.

Chief Financial Officer

RAK Ceramics (Bangladesh) Limited has a Chief Financial Officer designated as Finance Controller. He is a qualified Chartered Accountant from India. He is responsible for accounts and finance activities of the Company. The Board of Directors clearly defined respective roles, responsibilities and duties of the Financial Controller. In compliance with the Corporate Governance Guidelines of the Securities and Exchange Commission (SEC), the FC attends meetings of the Board of Directors.

Company Secretary

The Board of Directors of RAK Ceramics (Bangladesh) Limited appointed a Company Secretary and clearly defined his respective roles, responsibilities and duties. Among other functions, the following are the key responsibilities of the Company Secretary:

- Advise and assist the members of the Board with respect to their duties and responsibilities as Directors and compliance with their obligations under the Companies Act, Stock Exchange requirements and

issues on Corporate Governance.

- Act as a channel of communication and information to executive and non-executive directors.
- Ensuring that the Board's decisions are properly implemented and communicated by assisting in the implementation of corporate strategies and policies.
- Ensuring proper compliance with all relevant statutory and regulatory requirements.
- Communicate with the stakeholders of the Company as appropriate so as to ensure that due regards are paid to their interest.

External/Statutory Auditors

The Companies Act, 1994 makes it compulsory for every company to appoint qualified auditors to carry out systematic examination of books and records of the company. They will ascertain, verify and report upon the facts regarding the financial operation and the results of the company. To comply with the Corporate Governance properly; the company not engaged its external/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; and
- (vii) Any other service that the Audit Committee determines.

Statutory auditors are appointed by the shareholders in Annual General Meeting and fix their remuneration thereof.

Internal Audit and Internal Control

Internal audit is often considered one of the “four pillars” of Corporate Governance, the other pillars being the Board of Directors, Management and the External Auditors.

A primary focus area of internal auditing of RAK Ceramics (Bangladesh) Limited, as it relates to Corporate Governance, is in helping the Audit Committee of the Board of Directors perform its responsibilities effectively. This includes reporting critical internal control problems, informing the committee on the material issues or findings, suggesting questions or topics for the Audit Committee's meeting agendas and coordinating carefully with the external Committee receives effective information.

RAK Ceramics (Bangladesh) Limited believe that Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Company. It assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control and governance processes.

In RAK, authority is granted for full, free and unrestricted access to any and all of company records, physical properties and personnel relevant to any function under review. All employees are requested to assist Internal Auditing in fulfilling their staff function. Internal Auditing shall also have free and unrestricted access to the Chairman of the Board of Directors, and the Audit Committee of the Board of Directors.

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management process, system of internal control structure and the quality of performance in carrying out

assigned responsibilities to achieve the organisation's stated goals and objectives. It includes:

- Reviewing the reliability and integrity of financial and operating information and the means to identify measure, classify and report such information.
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports and whether the organisation is in compliance.
- Reviewing the means of safeguarding assets and as appropriate, verifying the existence of such assets
- Reviewing and appraising the economy and efficiency with which resources are employed.
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Reviewing specific operations at the request of the Audit Committee or management, as appropriate
- Monitoring and evaluating the effectiveness of the organisation's risk management system.
- Reviewing the quality of performance of external auditors and the degree of coordination with internal audit
- Review the internal control statement by senior management and the related opinion by the attest auditor for audit planning.

RAK Ceramics (Bangladesh) Limited ensured highest standards in Corporate Good Governance and strict adherence to the requirements of ethical code of conduct, through close monitoring. Through the Code of Ethics all levels of staff have been educated and encouraged to resort to whistle blowing, when they suspect wrong doings by other employees.

Statement on Abridged Responsibility of Corporate Governance

The Companies Act, 1994, requires the Directors to prepare the Financial Statements for each financial year.

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act, 1994, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), Securities and Exchange Commission (SEC) Rules, 1987 and the Listing Regulations of the Dhaka and Chittagong Stock Exchanges.

The financial statements are required by law and International Accounting Standards to present fairly the financial position of the Company and the performance for the period.

In preparing financial statements, the Directors are required to:

- Select suitable accounting policies and then apply to them consistently;
- Make judgments and estimates that are reasonable and prudent;
- Ensure that the financial statements have been prepared in accordance with International Accounting Standards and International Financial Reporting

Standards as adopted by the ICAB;

- Prepare the financial statements on going concern basis unless it is inappropriate to presume that the Company will continue its business

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act, 1994.

Under applicable laws and regulations, the Directors are also responsible for preparing a Directors' Report that complies with the laws and regulations.

In compliance with the requirements of the SEC's Notification, the Directors are also required to declare certain matters in their report which inter alia include:

- The financial statements and other information included in the annual report, fairly present in all material respects, the state of affairs of the Company;
- The preparing of the financial statements. Information has been obtained from the books of accounts, which have been maintained properly as required by the law;
- The preparation of financial statements. The Directors have used appropriate accounting policies, consistently applied and supported by reasonable and prudent

judgments;

- The Directors have the responsibility for ensuring that the financial statements have been prepared in observance of Bangladesh Accounting Standards, Bangladesh financial Reporting Standards, the Companies Act, 1994, the Securities and Exchange Rules, 1987 and all other applicable rules and regulations;
- The Directors have the general responsibilities for taking such measures as is reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- It is the responsibility of the Directors to conduct appropriate inquires and analysis of financial reporting and other relevant indicators which give reasonable assurance as to the Company's ability to continue as going concern;
- To give a report on significant deviation in operating results from last year;
- To present key operating and financial data for at least last three years.

The Directors confirm that the Directors' Report includes the report on above matters and further confirm that the annual report together with the Financial Statements have been prepared in compliance with the laws, rules and regulatory guidelines.

Report of Audit Committee

RAK Ceramics (Bangladesh) Limited established an Audit Committee as a sub-committee of the Board of Directors. The Audit Committee is responsible to the Board and they 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. The duties and responsibilities of the Audit Committee are clearly set forth in writing by the Board in the Audit Committee Charter.

Composition

In accordance with the currently accepted best practice and Corporate Governance guidelines of SEC, the Audit Committee of RAK Ceramics (Bangladesh) Limited comprised of three members including Independent Director. The Company Secretary is working as Member Secretary of the committee. Following are the members of the audit committee:

1. Mr. Abdallah Massaad, Chairman
2. Mr. Manoj Uttamrao Ahire, Member
3. Mr. Rafique-ul Huq, Barrister-at-Law (Independent Director), Member
4. Mr. Muhammad Shahidul Islam, Member Secretary

Responsibilities

The purpose, authority, duties and responsibilities of the Audit Committee are clearly mentioned in the Audit Committee Charter. To recognize the importance of oversight responsibilities of the Board with special emphasis on ensuring compliance with all applicable legislation and regulation, the prime responsibilities of the Audit Committee, among others, are as follows:

- Review the annual / interim financial statements /

reports with management before filing with external auditors and regulators, consider whether they are complete, consistent with information known to committee members and reflect appropriate accounting principles.

- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing Standards.
- Review the effectiveness of the Company's internal control system over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Review with management and the chief audit executive the charter, activities, staffing and organizational structure of the internal audit function.
- Review the performance of the external auditors and exercise final approval on the appointment or discharge of the auditors.
- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Perform other activities related to this charter as requested by the board of directors.

Committee Meetings

During the year, the Committee held 3 (Three) meetings in which the Committee reviewed issues relating to business operation, human resource, finance and accounts, among other things. Managing Director, Chief Operating Officer, Finance Controller and Head of Internal Audit were the permanent invitees of the meetings. Relevant departmental heads and other

members of the management also attend the meetings as required. The proceedings of the committee meetings are regularly reported to the Board of Directors.

Committee's Report Summary

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

- Laws and regulations relating to business and internal policy and guidelines have been complied with
- Financial Statements for the year ended 31 December 2010 contained full disclosure and these are prepared in accordance with IAS and IFRS as adopted in Bangladesh
- Appropriate Management Information Systems (MIS) are in place and in effect
- Existing risk management procedures are effective and ensure transparency of financial transactions of the Company.
- The Committee considered the recommendations made by the external and internal auditors of the Company in their respective reports.

The findings and recommendations of the Committee were reported to the Board of Directors meeting and the Board of Directors had taken appropriate measures. The minutes of each of the meeting were circulated among the members of the Committee.



(Abdallah Massaad)
Chairman
Audit Committee

Dated: 20 January 2011

Statement of Directors’ Responsibilities for Financial Statements

The Financial Statements are prepared in compliance with the International Accounting Standards (IAS) and/or International Financial Reporting Standards (IFRS) as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) time to time, the requirements of the Companies Act 1994, rules and regulations of Securities and Exchange Commission (SEC), Stock Exchange(s) and other regulatory authorities. There is no deviation from the prescribed accounting standards in their adoption. The accounting policies used in the preparation of the Financial Statements are appropriate and consistent.

Besides, the operation is strictly governed by the defined operation manual which ensures balanced internal check and sound internal control system in the Finance and Accounts Department of the Company.

The Board of Directors and the management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates

and judgments relating to the Financial Statements were made on a prudent and reasonable basis, so as to the Financial Statements reflect a true and fair view that from the substance of transactions and reasonably present the Company's state of affairs. To ensure this, the Company has taken proper and sufficient care in introducing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our Internal Auditors have conducted periodic Audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by the system of internal controls and accounting.

The Financial Statements were audited by M/s. S.F. Ahmed & Co., Chartered Accountants, the external auditors.

The Board Audit Committee of the Company meets periodically with the internal auditors and the external auditor to review the manner in which these auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the external auditor and the internal auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

It is also declared and confirmed that the Company has complied with the ensured compliance by the auditors with the guidelines for the audit of listed companies where mandatory compliance is required. It is further confirmed that all other guidelines have been complied with.

By order of the Board of Directors


(S.A.K. Ekramuzzaman)
Managing Director


(Sangam Lal)
Finance Controller

Financial Section

Auditors' Report

TO THE SHAREHOLDERS OF RAK CERAMICS (BANGLADESH) LTD. ON CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying financial statements of RAK Ceramics (Bangladesh) Ltd. (the Company) and its Group namely, Statement of Financial Position as at 31 December 2010 and the related Statement of Comprehensive Income, Statement of Cash Flows and notes thereto for the year then ended.

Respective responsibilities of management and auditors

The preparation of these financial statements and its Group is the responsibility of the management of the Company in accordance with generally accepted accounting principles and International Accounting Standards/ International Financial Reporting Standards so far adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards/Bangladesh Financial Reporting Standards. Our responsibility is to express an independent opinion on these financial statements based on our audit.

Basis of our audit opinion

We conducted our audit in accordance with International Standards on Auditing as applicable in Bangladesh. Those standards require that we plan and perform the audit to obtain a reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements of the Company and its Group, prepared in accordance with generally accepted accounting principles and International Accounting Standards/ International Financial Reporting Standards so far adopted

by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards/Bangladesh Financial Reporting Standards give a true and fair view of the state of the Company's affairs and its Group as at 31 December 2010 and of the results of their operations and their cash flows for the year then ended and comply with the requirements of Companies Act 1994, Securities and Exchange Rules 1987 and other applicable laws and regulations.

We further report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof
- (b) our examination and checking of relevant financial records, books of account, schedules and details were sufficient to enable us to form an informed and assessed opinion on the authenticity and accuracy of the said financial statements;
- (c) 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
- (d) the said financial statements dealt with by this report are in agreement with the books of account.
- (e) the expenditure incurred and payments made were for the purpose of the Company's and its business for the year.

Dhaka, Bangladesh

Dated, 27 January 2011



S. F. Ahmed & Co.

Chartered Accountants

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF FINANCIAL POSITION (CONSOLIDATED) AS AT 31 DECEMBER 2010

Amounts in Taka

	Notes	As at 31 Dec 2010	As at 31 Dec 2009
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	2,853,388,647	2,956,808,310
Capital work-in-progress	4	45,934,017	176,858,487
Intangible Assets	5	105,134,126	101,245,397
Investment in associate companies	6	24,790,000	8,570,000
Investment in shares	7	5,826,168	-
Non-current receivables	8	44,212,991	49,048,483
Total Non-Current Assets		3,079,285,949	3,292,530,677
Current Assets			
Inventories	9	1,487,724,337	1,246,404,612
Trade and other receivables	10	388,310,742	301,887,181
Advance corporate income tax	11	598,113,423	408,021,297
Cash and bank balances	12	1,487,659,903	429,860,281
Total Current Assets		3,961,808,405	2,386,173,371
Total Assets		7,041,094,354	5,678,704,048
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	13	2,300,735,000	1,855,635,000
Share premium		1,473,647,979	-
Retained earnings		1,136,409,713	669,045,625
Total Capital and Reserves		4,910,792,692	2,524,680,625
Non-controlling interest	14	196,897,286	249,972,111
Total shareholders' funds		5,107,689,978	2,774,652,736
Non-Current Liabilities			
Borrowings	15	10,668,000	683,240,346
Provision for employee benefits	16	7,192,098	8,907,441
Total Non-Current Liabilities		17,860,098	692,147,787
Current Liabilities			
Trade and other payables	17	514,537,531	768,975,939
Borrowings - current portion	15	108,790,510	701,281,999
Provision for expenses	18	159,414,595	44,480,478
Provision for corporate income tax	19	771,823,707	467,837,615
Provision for royalty and technical know-how fees		231,561,612	229,327,494
Deferred tax liabilities	20	129,416,323	-
Total Current Liabilities		1,915,544,278	2,211,903,525
Total Equity and Liabilities		7,041,094,354	5,678,704,048
See annexed notes			

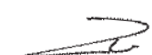
for RAK Ceramics (Bangladesh) Ltd.



Chairman



Company Secretary



Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011



S. F. Ahmed & Co.
Chartered Accountants

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF COMPREHENSIVE INCOME (CONSOLIDATED) FOR THE YEAR ENDED 31 DECEMBER 2010

Amounts in Taka

	Notes	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Sales	21	4,009,021,454	3,839,025,765
Less: Cost of Goods Sold	22	2,505,064,934	2,631,107,917
Gross Profit		1,503,956,520	1,207,917,848
Less: Operating Expenses			
Administrative expenses	23	241,668,871	82,800,380
Marketing and selling expenses	24	509,086,847	425,856,574
		750,755,718	508,656,954
Operating Profit		753,200,802	699,260,894
Financial expenses	25	97,574,871	185,707,263
		655,625,931	513,553,631
Other income	26	148,471,774	7,160,230
Net Profit before Tax		804,097,705	520,713,861
Income tax expense			
Current tax		303,986,092	207,143,340
Deferred tax		(9,740,698)	-
		294,245,394	207,143,340
Net Profit after Tax		509,852,311	313,570,521
Non-controlling interest		96,668,798	11,305,618
Net Profit after Tax and Non-controlling Interest		606,521,109	324,876,139
Earnings per share (EPS) for the year	2.29	2.81	1.75
See annexed notes			

for RAK Ceramics (Bangladesh) Ltd.


Chairman


Company Secretary


Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011


S. F. Ahmed & Co.
Chartered Accountants

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF CASH FLOWS (CONSOLIDATED) FOR THE YEAR ENDED 31 DECEMBER 2010

Amounts in Taka

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Cash Flows from Operating Activities		
Cash received from customers	3,931,390,973	3,851,242,329
Cash paid to suppliers and employees	(2,887,638,360)	(2,262,196,091)
Interest on bank deposit	1,572,557	-
Exchange gain	7,726,506	-
Interest paid on short term borrowings	(22,784,547)	(74,825,704)
Other bank charges	(6,859,564)	(2,088,541)
Payments for corporate income tax		
Current year	(190,092,126)	(107,290,750)
Prior years	-	(66,266,400)
Net cash from operating activities	833,315,439	1,338,574,843
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(273,145,975)	(1,165,338,089)
Sale of property, plant and equipment	2,937,033	29,871,616
(Increase)/Decrease in intangible assets	(15,912,025)	(87,750,794)
(Increase)/Decrease in capital work-in-progress	130,924,470	636,728,804
(Increase)/Decrease in non-current receivables	4,835,492	105,985,521
Investment in associate companies	(16,220,000)	(7,520,000)
Collection from non-controlling interest	43,593,973	112,212,871
Investment in shares	(5,826,168)	-
Net cash used in investing activities	(128,813,201)	(375,810,071)
Cash Flows from Financing Activities		
Interest paid on long term borrowings	(67,930,760)	(108,793,018)
Interest received	130,379,631	7,160,230
Repayment of term loan	(672,572,346)	(213,318,949)
Repayment of short-term loan	(592,491,489)	(328,967,861)
Share premium	1,473,647,979	-
Issue of new shares	445,100,000	558,835,000
Share money deposits	(362,835,631)	(508,122,547)
Net cash from/(used in) financing activities	353,297,384	(593,207,145)
Net Increase in Cash	1,057,799,622	369,557,628
Opening cash and cash equivalents	429,860,281	60,302,653
Closing cash and cash equivalents	1,487,659,903	429,860,281

for RAK Ceramics (Bangladesh) Ltd.


Chairman


Company Secretary


Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011


S. F. Ahmed & Co.
Chartered Accountants

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF CHANGES IN EQUITY (CONSOLIDATED) FOR THE YEAR ENDED 31 DECEMBER 2010

Amounts in Taka

Particulars	Share capital	Share money deposit	Share premium	Retained earnings	Total
Balance at 1 January 2010	1,855,635,000	-	-	669,045,625	2,524,680,625
Issue of shares	445,100,000	-	1,611,380,000	-	2,056,480,000
Net profit after tax for the year	-	-	-	606,521,109	606,521,109
Prior years' adjustment	-	-	-	(139,157,021)	(139,157,021)
Share issue expenses	-	-	(137,732,021)	-	(137,732,021)
Balance at 31 December 2010	2,300,735,000	-	1,473,647,979	1,136,409,713	4,910,792,692
Balance at 1 January 2009	648,400,000	508,122,547	-	995,310,065	2,151,832,612
Addition during the year	-	50,712,453	-	-	50,712,453
Issue of shares	558,835,000	(558,835,000)	-	-	-
Net profit after tax for the year	-	-	-	324,876,139	324,876,139
Distribution of stock dividend	648,400,000	-	-	(648,400,000)	-
Prior years' adjustment	-	-	-	(2,740,579)	(2,740,579)
Balance at 31 December 2009	1,855,635,000	-	-	669,045,625	2,524,680,625

for RAK Ceramics (Bangladesh) Ltd.



Chairman


Company Secretary


Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011


S. F. Ahmed & Co.
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

General

1. The Company and Its Activities

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. It was converted into public limited on 10 June 2008 after observance of required corporate formalities. The Company is engaged in manufacturing and marketing of ceramics tiles, bathroom sets and all types of sanitaryware. It started its commercial production on 12 November 2000. The commercial production of its new sanitaryware plant, expansion unit of ceramics facilities, tiles and sanitary plant was started on 10 January 2004, 1 July 2004 and 1 September 2007 respectively.

The Company and its subsidiary together are called "Group/Consolidated".

2. Significant Accounting Policies

These financial statements have been prepared under historical cost convention in accordance with generally accepted accounting principles as laid down in the International Accounting Standards (IASs)/International Financial Reporting Standards (IFRSs), applicable to the Company so far adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BASs)/Bangladesh Financial Reporting Standards (BFRSs). The disclosures of information made in accordance with the requirements of the Companies Act 1994 and the Statement of Financial Position and Statement of Comprehensive Income have been prepared in accordance with BAS -1/IAS -1 (Presentation of financial statements) on accrual basis following going concern concept.

2.1 Basis of preparation of consolidated financial statements

These financial statements relate to the Company and its subsidiaries. The consolidated financial statements have been prepared on the following basis:

- (i) In respect of subsidiary companies, the financial statements have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and unrealised profits/losses on intra-group transactions as per BAS-27/IAS-27 "Consolidated Financial Statements". The results of subsidiaries are included from the date of acquisition of a controlling interest.
- (ii) Non-controlling interest is the net assets of consolidated subsidiaries consists of the amount of equity attributable to the non-controlling shareholders at the dates on which investments are made by the Company in its subsidiary companies and further movements in their shares in equity, subsequent to the dates of investments.
- (iii) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

2.2 Subsidiaries considered in consolidated financial statements

List of subsidiary companies:

Name of subsidiaries	Nature of business	Country of incorporation	% of ownership	Date of incorporation
RAK Pharmaceuticals Pvt. Ltd.	Pharmaceuticals business	Bangladesh	55	29 June 2005
RAK Power Pvt. Ltd.	Electricity generation	Bangladesh	57	23 June 2005
Classic Porcelain Pvt. Ltd.	Tableware products	Bangladesh	51	19 August 2009
RAK Food & Beverage Pvt. Ltd.	Food and beverage products	Bangladesh	51	19 August 2009

2.3 Use of estimate

In the preparation of these financial statements, management requires information to make judgments, estimate and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from those estimate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

2.4 Investments

a) Investments in associate companies are recorded in equity method IAS-28/BAS-28. Details of such investments are as shown as under:

Name of associates	Nature of business	% of holding	Country of incorporation	Investment/Taka	No. of Share hold
RAK Security & Services Pvt. Ltd.	Security service provider	35	Bangladesh	350,000	3,500
RAK Paints Pvt. Ltd.	Paints products	40	Bangladesh	20,000,000	200,000
RAK Mosfly (Bangladesh) Pvt. Ltd.	Pesticides products	20	Bangladesh	4,440,000	200

b) Investments in subsidiaries has been accounted for as per BFRS-3 'Business Combination'. The investment is eliminated in full against the equity of acquiree measured at fair value at the date of acquisition. Investment, loans & advance to subsidiaries are shown as under:

Name of subsidiaries	Equity %	No. of share hold	Investment/Taka	Share of profit/(loss) (Taka)	Loan given (Taka)	Interest charged (Taka)	Security status
RAK Pharmaceuticals Pvt. Ltd.	55	2,576,948	312,050,712	(126,916,848)	500,000,000	19,300,375	No collateral
RAK Power Pvt. Ltd.	57	1,168,500	116,850,000	9,340,495	100,000,000	3,399,725	No collateral
Classic Porcelain Pvt. Ltd.	51	51,000	5,100,000	396,547	-	-	-
RAK Food & Beverage Pvt. Ltd.	51	10,200	1,020,000	(265,230)	-	-	-

2.5 Capital work-in-progress

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. None of interest included under capital work in progress in year ended 31 December 2010.

2.6 Intangible assets

Expenditure to acquire designs development, brand, trade marks and various licenses cost for manufacturing of ceramic tiles, sanitaryware and pharmaceutical products is capitalised. This is being amortised equally within a period of fifteen years depending upon the tenure of accrual of benefits.

2.7 Accounts receivable

Accounts receivable has been stated at its original invoiced amount after deducting credit balances those have legally enforceable right to set off or are intended either to be settled.

2.8 Employee retirement benefits

The Company, for its permanent employees, operates a scheme of contributory provident fund. The provident fund is administered by a Board of Trustees and is funded by contributions from the employees equally matched by the Company at predetermined rates. The contributions are invested separately from the Company's assets.

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

2.9 Revenue recognition

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

2.10 Borrowing costs

In compliance with the requirement of BAS-23 (Borrowing costs), borrowing costs relating to operational period of long term loans, short term loans and overdraft facilities was charged to revenue account as an expense as incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

2.11 Property, plant and equipment

Property, plant and equipment are stated in attached Statement of Financial Position at cost less accumulated depreciation in accordance with BAS-16/IAS-16. 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.

Upon disposal of items of property, plant and equipment, the cost of those assets and their related accumulated depreciation are eliminated up to the date of disposal and any gains or losses therefrom are reported in the statement of comprehensive income of that year.

2.12 Depreciation on property, plant and equipment

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

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

Category of property, plant and equipment	Rate (%)
Factory building	2.5-5
General building	2.5-20
Head Office building	2.5-5
Plant and machinery	5- 6.67
Mobile plant	10
Electrical installation	10-20
Gas pipeline	10-20
Furniture, fixtures and fittings	10
Office equipment	10-33.33
Communication equipment	10
Fire fighting equipment	20
Tools and appliances	10
Vehicles	10-20

Land is not depreciated as it deemed to have an infinite life and all the land are free-hold including subsidiaries. Buildings belongs on free-hold land.

2.13 Taxation

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. Provision for corporate income tax is made following the tax rate applicable for a publicly-traded company.

Deferred tax:

The Company has adopted deferred tax accounting policy as required in BAS-12/IAS-12 (Income taxes). Accordingly deferred tax assets/liabilities is accounted for on all temporary timing differences arising from the tax base of the assets and liabilities and their carrying value for financial reporting purpose.

2.14 Valuation of inventories

Inventories are stated at lower of cost and net realisable value in compliance with the requirements of para 9 of BAS-2/IAS-2 (Inventories).

Raw materials and consumable spare parts :

Raw materials and consumable spare parts are stated at weighted average cost.

Inventories are tested for obsolesces and impairment at end of the year. Corresponding provisions are being made in the books of account, if required.

Work-in-process:

Work-in-process is stated at cost to complete the respective product. Cost comprises cost of raw materials, wages and other overheads upto the stage of completion.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

Finished products:

Finished products are stated at lower of cost and net realisable value. Cost comprises cost of raw materials, wages and other direct costs those contribute in transforming raw materials into finished products. Cost is calculated using the weighted average method. Net realisable value is arrived at after deducting cost to sell from selling prices of various items.

2.15 Impairment

The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each Statement of Financial Position date. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value at appropriate discount rates.

2.16 Contingent liabilities and commitments

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A Provision is made based on a reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation and in respect of which a reliable estimate can be made. Provision is not discounted and is determined based on best estimate required to settle the obligation at the year end date. Contingent assets are not recognised or disclosed in these financial statements.

Details are given in note no. 2.27.

2.17 Share issue expenses

Expenses incurred for issue of shares through initial public offering were accounted for as prepaid expenses. During the year, the entire amount of said expenses has been adjusted against share premium account.

2.18 Share premium account

The amount received against share premium has been utilised in writing off the share issue expenses in line with the provision of section 57 of Companies Act 1994.

2.19 Lease assets

The Company has no leased assets and as such no payments were made thereagainst during the year 2010.

2.20 Statement of Cash Flows

Statement of Cash Flows are prepared under direct method in accordance with BAS-7/IAS-7 (Statement of cash flows) as required by the Securities and Exchange Rules 1987.

2.21 Creditors and accruals

Liabilities are recorded at the level of estimated amount payable in settlement.

2.22 Foreign currency translation

Foreign currency transactions are recorded in BDT at applicable rates of exchange ruling at the dates of transactions in accordance with BAS-21/IAS-21 (The effects of changes in foreign exchange rates). Exchange difference at the Statement of financial position date are charged / credited to Statement of comprehensive income.

2.23 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances, term deposits, etc which are available for use by the Company without any restrictions. There is no significant risk of change in value of the same.

2.24 Term loan from HSBC

This loan has been availed for financing capital machinery imported through that bank. Loan covenants, inter alia, cover the following:

Maximum tenor : 5 years including 12 months moratorium from the date of drawdown of principal amount.

Repayment : Amount outstanding will be repaid in 16 equal quarterly installments.

The above term loan (entire) has been repaid during the year 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

2.25 Term loan from Standard Chartered Bank

The loan has been availed for financing capital machinery imported through that bank. Loan covenants, inter alia, cover the following:

Maximum tenor : 5 years including 12 months moratorium from the date of drawdown of principal amount.

Repayment : Amount outstanding will be repaid in 16 equal quarterly installments.

The above term loan (entire) has been repaid during the year 2010.

2.26 Related party disclosure under IAS-24

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

Name of related party	Relationship
RAK Pharmaceuticals Pvt. Ltd.	Subsidiary
RAK Power Pvt. Ltd.	Subsidiary
Classic Porcelain Pvt. Ltd.	Subsidiary
RAK Food & Beverage Pvt. Ltd.	Subsidiary
RAK Security & Services Pvt. Ltd.	Associates
RAK Paints Pvt. Ltd...	Associates
RAK Mosfly (Bangladesh) Pvt. Ltd.	Associates
Kea Printing and Packaging Industries	Other related party
Palli Properties Pte. Ltd.	Other related party
Sky Bird Travel Agents Pvt. Ltd.	Other related party
Green Planet Communications Pvt. Ltd.	Other related party
Speedway International Pvt. Ltd.	Other related party
Mohammed Foods and Allieds Ltd.	Other related party
Global Business Associates (P) Ltd.	Other related party
Mohammed Trading	Other related party
Mr. S.A.K. Ekramuzzaman	Key management personnel
Mr. Md. Amir Hossain	Key management personnel

b) Transaction with related parties:

Amounts in Taka

Nature of transactions	Subsidiary	Associate	Key management	Other related party
Purchase of goods/services	153,020,594	27,603,843	-	232,415,062
Sale of goods/services	4,824,966	60,848	-	1,685,226,409
Outstanding receivable	36,002,093	7,650	-	178,432,761
Outstanding payable	-	1,339,525	-	32,212,222
Remuneration	-	-	52,702,350	-
Loan	600,000,000	-	-	-
Interest receivable	22,700,100	-	-	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

2.27 Contingent liabilities and commitments

Amounts in Taka

	As at 31 Dec 2010	As at 31 Dec 2009
Letters of guarantee	38,694,777	286,691,657
Letters of credit	230,987,287	434,812,768
VAT	85,065,817	63,605,827
Income tax	33,176,448	143,283,078
	387,924,329	928,393,330

Out of the above, an amount of Taka. 5,960,715 was paid under protest against VAT demand and Taka 17,010,127 was paid as advance income tax against the said income tax demand.

2.28 Segment reporting

Details of product-wise segment reporting as required by BFRS-8 (Operating segments) are shown in Annexure - I.

2.29 Earning per share (EPS)

Amounts in Taka

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Calculation of earnings per share (EPS) is as under:		
Net profit after tax	606,521,109	324,876,139
Number of ordinary shares	230,073,500	185,563,500
Weighted average number of ordinary shares outstanding	215,731,226	185,563,500
Earnings per share (EPS) for the year	2.81	1.75

2.30 Events after the reporting period

No events, adjusting or non-adjusting occurred after the date of Statement of Financial Position which require adjustment or disclosure.

2.31 Others

2.31.1 These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

2.31.2 Figures in these notes and annexed financial statements have been rounded off to the nearest Taka.

2.31.3 Previous year's figures have been regrouped and/or rearranged wherever considered necessary for the purpose of current year's presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

3. Property, Plant and Equipment

Amounts in Taka

Particulars	COST				Rate	DEPRECIATION				Net book value At 31 Dec 2010
	Balance as at 01 Jan 2010	Additions	Sale/ Disposal/ Adjustment	Total as at 31 Dec 2010		To 01 Jan 2010	Charge for the year	Adjustment	Total to 31 Dec 2010	
Land	194,381,142	20,187,300	-	214,568,442		-	-	-	-	214,568,442
Factory building	608,949,831	55,152,306	-	664,102,137	2.5-5	114,242,409	29,860,879	-	144,103,288	519,998,849
Factory office building	53,894,621	11,155,171	-	65,049,792	2.5-20	18,842,488	2,854,651	-	21,697,139	43,352,653
Head office building	167,080,240	3,635,105	-	170,715,345	2.5-5	13,386,352	6,681,126	-	20,067,478	150,647,867
Plant and machinery	2,928,047,069	151,189,867	-	3,079,236,936	5-6.67	1,163,092,528	279,293,685	-	1,442,386,213	1,636,850,723
Mobile plant	87,848,314	1,101,762	-	88,950,076	10	28,021,726	8,865,186	-	36,886,912	52,063,164
Electrical installation	211,935,531	4,048,262	-	215,983,793	10-20	67,044,095	23,590,106	-	90,634,201	125,349,592
Gas pipeline	42,550,307	-	-	42,550,307	10-20	23,893,048	4,988,290	-	28,881,338	13,668,969
Furniture and fixtures	44,901,362	3,415,819	(820,000)	47,497,181	10	8,445,427	4,619,398	(306,980)	12,757,845	34,739,336
Office equipment	22,406,534	5,641,708	(84,000)	27,964,242	10-33.33	6,659,506	4,558,733	(24,500)	11,193,739	16,770,503
Communication equipment	1,865,898	1,218,506	-	3,084,404	10	1,095,596	214,632	-	1,310,228	1,774,176
Tools and appliances	6,371,471	69,565	-	6,441,036	10	1,866,547	633,008	-	2,499,555	3,941,481
Vehicles	42,474,446	16,330,604	(3,182,988)	55,622,062	10-20	11,490,675	6,312,994	(388,761)	17,414,908	38,207,154
Fire fighting equipments	3,631,012	-	-	3,631,012	20	1,449,071	726,202	-	2,175,273	1,455,739
Total at 31 Dec 2010	4,416,337,777	273,145,975	(4,086,988)	4,685,396,764		1,459,529,467	373,198,890	(720,241)	1,832,008,116	2,853,388,647
Total at 31 Dec 2009	3,329,732,468	1,164,434,089	(77,828,780)	4,416,337,777		1,161,908,379	341,062,648	(43,441,560)	1,459,529,467	2,956,808,310

Allocation of depreciation to:

Administrative overhead	347,703,631
Manufacturing overhead	24,144,273
Selling overhead	1,350,986
	373,198,890

Details of disposal of property, plant and equipment for the year ended 31 December 2010:

Particulars	Year of purchase	Original cost	Accumulated depreciation	Net book value	Sale value	Loss
Motor cycle	2001	82,500	69,323	13,177	7,500	(5,677)
Motor cycle	2006	120,006	42,413	77,593	74,500	(3,093)
Motor car	2007	1,323,482	277,025	1,046,457	1,046,457	-
Motor car	2007	1,657,000	-	1,657,000	1,535,000	(122,000)
Furniture and fixtures	2008	355,000	103,542	251,458	93,576	(157,882)
Computer and accessories	2008	84,000	24,500	59,500	30,000	(29,500)
Interior decoration	2008	465,000	203,438	261,562	150,000	(111,562)
Total		4,086,988	720,241	3,366,747	2,937,033	(429,714)

4. Capital Work-in-Progress

Amounts in Taka

	As at 31 Dec 2010	As at 31 Dec 2009
Heavy equipment and machinery	43,297,670	113,664,824
Building	2,636,347	63,193,663
	45,934,017	176,858,487

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)**5. Intangible Assets**

Amounts in Taka

	As at 31 Dec 2010	As at 31 Dec 2009
Opening balance	101,245,397	13,494,603
Add: Additions during the year	15,912,025	100,977,264
	117,157,422	114,471,867
Less: Adjustment during the year	-	5,797,998
Less: Amortisation during the year	12,023,296	7,428,472
Closing balance	105,134,126	101,245,397

6. Investment in Associate Companies

RAK Security & Services Pvt. Ltd.	350,000	1,050,000
RAK Paints Pvt. Ltd.	20,000,000	7,500,000
RAK Mosfly (Bangladesh) Pvt. Ltd.	4,440,000	20,000
	24,790,000	8,570,000

7. Investment in Shares

Investment in Shares	5,826,168	-
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The above amount represents investment made by the subsidiary company, Classic Porcelain Pvt. Ltd., in the shares of listed companies are recorded as cost price. Details are shown in Annexure - II.

8. Non-Current Receivable

Deposits (note 8.1)	22,510,444	22,237,520
Preliminary expenses	996,436	1,035,316
Pre-operating expenses	14,745,396	19,485,796
Share issue expenses	-	4,829,136
Deposit with Customs and VAT against disputed demand	5,960,715	1,460,715
	44,212,991	49,048,483

8.1 Deposits

Titas gas	18,659,050	18,753,140
Mymensing Palli Bidyut Samity-2	1,991,090	1,955,000
House rent	1,192,304	1,380,380
Others	668,000	149,000
	22,510,444	22,237,520

9. Inventories

Raw materials	712,864,941	517,740,121
Stores and consumables spares	644,866,914	582,374,702
Finished goods	77,800,875	104,634,061
Work-in-process	31,149,661	34,331,614
Goods-in-transit	21,041,946	7,324,114
	1,487,724,337	1,246,404,612

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)**10. Trade and Other Receivable**

Amounts in Taka

	As at 31 Dec 2010	As at 31 Dec 2009
Trade receivable (*)	273,953,970	142,711,578
Advance to suppliers	24,885,199	81,016,957
Prepaid expenses	28,076,167	39,672,789
Other advances (note 10.1)	61,395,406	38,485,857
	388,310,742	301,887,181

(*) All the receivables are considered as realisable and secured.

10.1 Other advances

Taxes and duties (VAT and SD current account balance)	28,766,074	25,675,695
Employee advance and imprest account	9,335,880	7,311,505
Current account with RAK Ceramics Co. PSC, UAE	-	1,455,000
Claim receivable	7,316,829	3,841,550
Accrued interest	8,793,080	-
Others	7,183,543	202,107
	61,395,406	38,485,857

11. Advance Corporate Income Tax

On		
- Import	201,027,578	147,627,922
- Export	370,259	341,445
- Supply	119,221	119,221
- Interest on bank deposit	16,511,433	3,262,709
- Rental income	205,435	-
- Registration	140,000	-
- Paid in cash	379,739,497	256,670,000
	598,113,423	408,021,297

12. Cash and Bank Balances

Cash in hand	2,237,176	6,726,256
Bank balances in		
Current account	105,149,742	12,131,778
Short-term deposit account	94,198,029	1,315,912
Export retention account	3,062,790	2,058,722
Margin money deposit account	81,914	1,574,220
PPO escrow account	-	401,465,742
Foreign currency account-for IPO refund	9,126,602	-
Fixed deposit	1,273,803,650	4,587,651
	1,487,659,903	429,860,281

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

13. Share Capital

Amounts in Taka

	As at 31 Dec 2010	As at 31 Dec 2009
Authorised capital		
300,000,000 ordinary shares of Taka 10 each	3,000,000,000	3,000,000,000
Issued, subscribed and paid up capital		
230,073,500/185,563,500 ordinary shares of Taka 10 each	2,300,735,000	1,855,635,000
Particulars of shareholdings are as follows		
Name of shareholder		
RAK Ceramics Co. PSC, UAE	1,670,070,500	1,670,070,500
Mr. S.A.K. Ekramuzzaman	185,563,500	185,563,500
H.H. Sheikh Saud Bin Saqr Al Qassimi	200	200
Mr. Sheikh Omer Bin Saqr Al Qassimi	200	200
Mr. Sheikh Ahmad Bin Humaid al Qassimi	200	200
Mr. Hamad Abdulla Al Muttawa	100	100
Dr. Khater Massaad	100	100
Mr. Abdallah Massaad	100	100
Mr. Manoj Uttamrao Ahire	100	100
Institutional investors	160,270,000	-
Employees	8,750,000	-
General public	276,080,000	-
	2,300,735,000	1,855,635,000

14. Non-controlling interest

Equity	293,566,084	261,277,729
Share of losses	(96,668,798)	(11,305,618)
	196,897,286	249,972,111

15. Borrowings

Non-current:		
Term loan	13,138,627	994,373,523
Current portion of term loan	(2,470,627)	(311,133,177)
	10,668,000	683,240,346
Current:		
Bank overdrafts	95,432,740	62,490,227
Short-term borrowings	10,887,143	327,658,595
Current portion of term loan	2,470,627	311,133,177
	108,790,510	701,281,999
	119,458,510	1,384,522,345

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

15.1 Borrowings by maturity

Amounts in Taka

As at 31 Dec 2010	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total
Bank overdrafts	95,432,740	-	-	-	95,432,740
Short-term loans	10,887,143	-	-	-	10,887,143
Term loans and others	2,470,627	2,795,841	7,872,159	-	13,138,627
	108,790,510	2,795,841	7,872,159	-	119,458,510

As at 31 Dec 2009	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total
Bank overdrafts	62,490,227	-	-	-	62,490,227
Short-term loan	327,658,595	-	-	-	327,658,595
Term loans and others	311,133,177	372,311,628	202,915,972	108,012,746	994,373,523
	701,281,999	372,311,628	202,915,972	108,012,746	1,384,522,345

16. Provision for Employee Benefits

	As at 31 Dec 2010	As at 31 Dec 2009
Opening balance	8,907,441	7,809,980
Add: Addition during the year	19,348,653	17,591,266
Less: Payments made during the year	(21,063,996)	(16,493,805)
Closing balance	7,192,098	8,907,441

This includes provision made for employer's contribution to provident fund, gratuity and leave encashment which is payable within the service life of each employee and/or after his/her retirement as per terms of employment of service.

17. Trade and Other Payables

Trade payable	466,605,660	358,883,824
Income tax and VAT deducted at source	10,702,360	8,728,617
Security deposit and other payable	65,142	1,363,498
Share money deposits (*)	37,164,369	400,000,000
	514,537,531	768,975,939

(*) This represents amount received against share application which remains due for refund as at 31 December 2010.

18. Provision for Expenses

Power and gas	24,484,163	20,515,658
Staff cost	28,858,116	20,746,199
Audit fees	360,000	261,178
Taxation matter	400,000	400,000
Interest on loans	151,430	1,898,320
Telephone	261,118	208,618
Managing Director's remuneration	52,702,350	-
Workers' profit participation and welfare funds	50,192,715	-
Others	2,004,703	450,505
	159,414,595	44,480,478

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

19. Provision for Corporate Income Tax

Amounts in Taka

	As at 31 Dec 2010	As at 31 Dec 2009
Year 2010	303,986,092	-
Year 2009	207,143,340	207,143,340
Year 2008	85,378,847	85,378,847
Year 2007	80,163,573	80,163,573
Year 2006	89,730,898	89,730,898
Year 2005	5,242,907	5,242,907
Year 2004	20,925	20,925
Year 2003	45,563	45,563
Year 2002	111,562	111,562
	771,823,707	467,837,615

20. Deferred tax liabilities

Opening balance	-	-
Add: Provision made for previous years	139,157,021	-
Less: Released during the year	(9,740,698)	-
Closing balance	129,416,323	-

21. Sales

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Gross sales	5,182,080,538	4,765,126,719
Less: SD	491,909,305	298,178,106
Less: Vat	681,149,779	627,922,848
Net sales	4,009,021,454	3,839,025,765

22. Cost of Sales

Raw materials	1,076,284,511	1,266,875,071
Direct labour (note-22.1)	157,103,380	129,989,018
Direct expenses:		
Power and gas	194,261,572	181,008,144
Repairs and indirect materials (note-22.2)	394,340,820	380,581,615
Moulds and punches	31,393,025	34,100,806
Depreciation	347,703,631	211,036,920
Royalty and technical know-how/assistance fees	231,561,612	229,327,494
Other production overhead (note-22.3)	42,401,244	33,373,169
Movement in work-in-process and finished goods	30,015,139	164,815,680
	2,505,064,934	2,631,107,917

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)**22.1 Direct Labour**

Amounts in Taka

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Salary and wages	99,342,886	80,015,755
Overtime	9,111,512	8,051,699
Bonus	11,558,739	10,516,385
Incentive	4,975,342	18,750
Temporary labour wages	9,863,821	7,651,072
Temporary labour for production	12,199,811	13,629,813
Gratuity	3,639,446	5,133,099
Employers contribution to provident fund	2,842,505	3,492,413
Leave encashment	1,182,238	708,736
Group life insurance	766,178	771,297
Medical expenses	39,456	-
Cleaning service factory	802,951	-
Cleaning service production	778,495	-
	157,103,380	129,989,018

22.2 Repair and indirect materials

Stores, Spares, repair & Maintenance	199,373,023	169,902,890
Packing expenses	194,967,797	210,678,725
	394,340,820	380,581,615

22.3 Other production overhead

Travelling & training expenses	3,596,769	-
Hotel fare and expenses for technician	7,802,768	3,612,729
Demurrage	572,072	1,829,162
Insurance	18,509,011	15,659,420
Fuel & Maintenance	9,302,821	9,855,486
Other expenses	2,617,802	2,416,372
	42,401,244	33,373,169

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

23. Administrative Expenses

Amounts in Taka

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Staff cost (note-23.1)	61,294,454	39,070,495
Telephone, postage and supplies	5,353,493	3,556,301
Office repair and maintenance (note-23.2)	12,833,239	7,567,431
Registration and renewal	1,421,891	620,515
Security and guard expenses	4,504,979	4,167,559
Depreciation	24,144,273	7,952,752
Amortisation	12,023,296	3,961,327
Legal and professional fees	3,143,607	1,616,536
Vehicle repair and maintenance	6,377,430	5,871,540
Rent, rate and taxes	2,121,852	2,132,028
Loss on sale of property, plant and equipment	429,715	-
Managing Director's remuneration (note 23.3)	52,702,350	-
Workers' profit participation and welfare funds (note 23.4)	50,192,715	-
Others	5,125,577	6,283,896
	241,668,871	82,800,380

23.1 Staff cost

Salary and wages	43,891,786	28,578,122
Overtime	18,481	13,098
Bonus	4,781,495	3,102,994
Incentive	3,285,912	437,343
Gratuity	1,139,390	1,456,446
Employers contribution to provident fund	1,080,559	967,060
Leave encashment	476,036	307,985
Group life insurance	232,327	181,072
Canteen expenses	927,522	913,499
Staff welfare expenses	748,248	514,404
Hotel, tour, food and air ticket	2,367,093	864,531
Food expenses	1,746,272	1,320,619
Medical expenses	352,377	194,833
Accommodation	201,144	187,236
Meeting fees admin	27,764	-
Travelling and conveyance	18,048	31,253
	61,294,454	39,070,495

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

23.2 Office repair and maintenance

Amounts in Taka

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Repairs office equipment	2,467,160	1,279,426
Electricity, gas and water	2,513,629	1,767,725
Office maintenance	6,964,488	4,520,280
Rent, rates and taxes	468,996	-
Others	418,967	-
	12,833,239	7,567,431

23.3 This represents provision made 5% of net profit after charging such remuneration.

23.4 This represents provision made 5% of net profit after charging such contribution provided as contribution to workers' profit participation and welfare funds in terms of Bangladesh Labour Act 2006.

24. Selling Expenses

Staff cost (note 24.1)	82,465,730	13,313,205
Advertisement	12,957,907	5,205,609
Freight and transportation	105,323,853	100,798,268
Performance rebates (note 24.2)	224,390,772	281,639,127
Business promotion	55,075,896	11,513,419
Depreciation	1,350,986	441,978
Bad debts	5,000,000	-
Travel, entertainment and others	22,521,703	12,944,969
	509,086,847	425,856,574

24.1 Staff cost

Salary and wages	54,939,010	11,138,261
Overtime	760	-
Bonus	3,851,438	982,814
Incentive	411,353	233,975
Gratuity	279,686	499,080
Employers contribution to provident fund	385,437	232,379
Leave encashment	142,663	102,216
Group life insurance	60,210	49,891
Food expenses	110,841	74,589
Medical expenses	17,208	-
Travelling and conveyance	22,267,124	-
	82,465,730	13,313,205

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

24.2 Performance rebates

Amounts in Taka

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Compensation	639,638	1,285,547
Dealers' commission	148,019,891	202,207,342
Breakage commission	75,731,243	60,548,594
Special commission	-	17,597,644
	224,390,772	281,639,127

25. Financial Expenses

Interest expenses	90,715,307	180,857,254
Bank charges	6,859,564	2,088,541
Foreign exchange loss	-	2,761,468
	97,574,871	185,707,263

26. Other Income

Interest income (*)	140,745,268	4,439,412
Profit on sale of property, plant and equipment	-	2,720,818
Foreign exchange gain	7,726,506	-
	148,471,774	7,160,230

(*) Includes an amount of Taka 137,084,616 representing interest on IPO proceeds for the year 2010.

for RAK Ceramics (Bangladesh) Ltd.



Chairman


Company Secretary


Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011


S. F. Ahmed & Co.
Chartered Accountants

DETAILS OF PRODUCT-WISE SEGMENT REPORTING FOR THE YEAR ENDED 31 DECEMBER 2010

ANNEXURE I

Taka in mn

Particulars	Ceramics Product		Other Industries		Services & Others		Total	
	Year 2010	Year 2009	Year 2010	Year 2009	Year 2010	Year 2009	Year 2010	Year 2009
1 Segment Revenue								
External turnover	3,859.36	3,822.12	149.66	16.90	-	-	4,009.02	3,839.02
Intra- segment turnover	-	-	162.37	160.59	-	-	-	-
Net Turnover	3,859.36	3,822.12	312.03	177.49	-	-	4,009.02	3,839.02
2 Segment Result								
Profit before interest and tax	866.54	688.84	(112.83)	11.55	(0.51)	(1.13)	753.20	699.26
Less: Financial expenses	37.05	150.90	60.52	34.81	-	-	97.57	185.71
Add: Other income	-	-	0.04	0.73	148.43	6.43	148.47	7.16
Profit before tax and non-controlling interest	829.49	537.94	(173.31)	(22.53)	147.92	5.30	804.10	520.71
Less: Corporate income tax	279.89	204.03	14.25	3.11	0.10	-	294.24	207.14
Less: Non-controlling interest	-	-	(96.79)	(10.75)	0.13	(0.56)	(96.66)	(11.31)
Profit After Tax and Non-Controlling Interest	549.60	333.91	(90.77)	(14.89)	147.69	5.86	606.52	324.88
3 Other Information								
Segment assets	1,498.10	1,774.41	1,315.95	1,306.98	4,227.04	2,597.31	7,041.09	5,678.70
Segment liabilities	-	-	1,315.95	1,306.98	5,725.14	4,371.72	7,041.09	5,678.70
Capital expenditure	12.21	266.22	230.39	829.77	30.55	68.44	273.15	1,164.43
Depreciation	288.52	286.07	70.50	41.69	14.18	13.30	373.20	341.06
Amortisation of capitalised expenses	-	-	8.49	4.59	3.53	2.84	12.02	7.43

Notes :

- (i) Net turnover is determined after elimination of intra-segment turnover of Taka 162.37 mn (Year 2009: Taka 160.59 mn)
- (ii) As per BFRS-8 (segment reporting), the Company has reported segment information on consolidated basis including business of its subsidiaries.
- (iii) The reportable segments are further described below:
 - Ceramics Product includes Ceramics Tiles and Sanitaryware;
 - Other industries segment includes Pharmaceuticals and Power Business;
 - Business which has no reportable segments during the year, has been grouped under service & other segment.
- (iv) Unallocated corporate assets and liabilities comprise of assets and liabilities not identifiable with reportable segments.

RAK Ceramics (Bangladesh) Ltd.

DETAILS OF INVESTMENT IN SHARE AS AT 31 DECEMBER 2010

ANNEXURE II

Amounts in Taka

Sl.	Portfolio	Date of purchase	Face value	No. of shares	Cost of purchase per share	Purchase value	Brokerage commission	Total purchase value	No. of shares	Closing Price per share	Total market value as at 31 Dec 2010
1	ICB	05.09.10	100	200	5,742.50	1,148,500	5,743	1,154,242	200	4220.00	844,000
2	ULC	06.09.10	100	100	1,825.00	182,500	913	183,413	100	1732.00	173,200
3	BSRM Steel	03.10.10	100	500	2,576.90	1,288,450	6,442	1,294,892	500	2119.00	1,059,500
4	Ambeeppharma	07.10.10	100	2,650	640.00	1,696,000	8,480	1,704,480	2,650	497.20	1,317,580
5	UCBL	07.10.10	100	1,850	145.90	269,915	1,350	271,265	1,850	226.70	419,395
6	Ambeeppharma	11.10.10	100	400	570.00	228,000	1,140	229,140	400	497.20	198,880
7	DESCO	31.10.10	100	100	3,473.00	347,300	1,737	349,036	100	2032.00	203,200
8	UCBL	22.11.10	100	1,150	226.00	259,900	1,300	261,200	1,150	226.70	260,705
9	Uttara Bank	09.12.10	100	125	1,729.71	216,214	1,081	217,295	125	1661.00	207,625
10	NBL	27.12.10	10	200	194.30	38,860	194	39,054	200	191.60	38,320
11	ULC	18.08.10	100	60	2,025.72	121,543	608	122,151	60	1732.00	103,920
	Total					5,797,182	28,986	5,826,168			4,826,325

RAK Ceramics (Bangladesh) Ltd.

AUDITORS' REPORT TO THE SHAREHOLDERS OF RAK CERAMICS (BANGLADESH) LTD.

We have audited the accompanying financial statements of RAK Ceramics (Bangladesh) Ltd. (the Company) namely, Statement of Financial Position as at 31 December 2010 and the related Statement of Comprehensive Income, Statement of Cash Flows and notes thereto for the year then ended.

Respective responsibilities of management and auditors

The preparation of these financial statements is the responsibility of the management of the Company in accordance with generally accepted accounting principles and International Accounting Standards/ International Financial Reporting Standards so far adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards/Bangladesh Financial Reporting Standards. Our responsibility is to express an independent opinion on these financial statements based on our audit.

Basis of our audit opinion

We conducted our audit in accordance with International Standards on Auditing as applicable in Bangladesh. Those standards require that we plan and perform the audit to obtain a reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion


In our opinion, the financial statements prepared in accordance with generally accepted accounting principles and International Accounting Standards/ International Financial Reporting Standards so far adopted by the Institute of Chartered

Accountants of Bangladesh as Bangladesh Accounting Standards/Bangladesh Financial Reporting Standards give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of the results of its operations and its cash flows for the year then ended and comply with the requirements of Companies Act 1994, Securities and Exchange Rules 1987 and other applicable laws and regulations.

We further report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (b) our examination and checking of relevant financial records, books of account, schedules and details were sufficient to enable us to form an informed and assessed opinion on the authenticity and accuracy of the said financial statements;
- (c) 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
- (d) the said financial statements dealt with by this report are in agreement with the books of account.
- (e) the expenditure incurred and payments made were for the purpose of the Company's business for the year.

Dhaka, Bangladesh
Dated, 27 January 2011


S. F. Ahmed & Co.
Chartered Accountants

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

Amounts in Taka

	Notes	As at 31 Dec 2010	As at 31 Dec 2009
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	1,836,136,824	2,096,065,038
Capital work-in-progress	4	45,312,098	3,979,460
Intangible assets	5	1,452,000	4,861,024
Investment in subsidiary companies	6	435,020,712	378,776,412
Investment in associate companies	7	24,790,000	8,570,000
Non-current receivable	8	623,102,619	23,118,832
Total Non-Current Assets		2,965,814,253	2,515,370,766
Current Assets			
Inventories	9	1,359,557,243	1,154,461,923
Trade and other receivable	10	412,350,831	262,298,193
Advance corporate income tax	11	590,843,050	403,512,556
Cash and bank balances	12	1,483,282,901	422,434,275
Total Current Assets		3,846,034,025	2,242,706,947
Total Assets		6,811,848,278	4,758,077,713
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	13	2,300,735,000	1,855,635,000
Share premium		1,473,647,979	-
Retained earnings		1,270,356,082	684,515,807
Total Capital and Reserves		5,044,739,061	2,540,150,807
Non-Current Liabilities			
Borrowings	14	-	210,000,000
Provision for employee benefits	15	7,192,098	8,907,441
Total Non-Current Liabilities		7,192,098	218,907,441
Current Liabilities			
Trade and other payable	16	504,866,852	759,689,302
Borrowings - current portion	14	-	514,663,773
Provision for expenses	17	140,752,101	30,616,361
Provision for corporate income tax	18	758,771,203	464,722,535
Provision for royalty and technical know-how fee		231,561,612	229,327,494
Deferred tax liabilities	19	123,965,351	-
Total Current Liabilities		1,759,917,119	1,999,019,465
Total Equity and Liabilities		6,811,848,278	4,758,077,713
See annexed notes			

for RAK Ceramics (Bangladesh) Ltd.



Chairman


Company Secretary


Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011


S. F. Ahmed & Co.
Chartered Accountants

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

Amounts in Taka

	Notes	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Sales	20	3,859,360,205	3,822,124,890
Less: Cost of Goods Sold	21	2,426,491,047	2,661,805,777
Gross Profit		1,432,869,158	1,160,319,113
Less: Operating Expenses			
Administrative expenses	22	192,017,025	58,859,962
Marketing and selling expenses	23	374,315,163	412,614,644
		566,332,188	471,474,606
Operating Profit		866,536,970	688,844,507
Financial expenses	24	37,050,608	150,897,977
		829,486,362	537,946,530
Other income	25	174,367,932	6,428,050
Net Profit before Tax		1,003,854,294	544,374,580
Income tax expense			
Current tax		294,048,668	204,028,260
Deferred tax		(14,160,518)	-
		279,888,150	204,028,260
Net Profit after Tax		723,966,144	340,346,320
Earnings per share (EPS) for the year	2.34	3.36	1.83
See annexed notes			

for RAK Ceramics (Bangladesh) Ltd.



Chairman


Company Secretary


Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011


S. F. Ahmed & Co.
Chartered Accountants

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

Amounts in Taka

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Cash Flows from Operating Activities		
Cash received from customers	3,744,704,008	3,833,548,447
Cash paid to suppliers and employees	(2,672,906,131)	(2,607,357,569)
Interest on bank deposit	1,388,560	6,428,050
Exchange gain	7,798,619	-
Payment of corporate income tax		
- Current year	(187,330,494)	(103,872,155)
- Prior years	-	(66,266,400)
Net cash from operating activities	893,654,562	1,062,480,373
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(42,757,304)	(334,664,760)
Sale of property, plant and equipment	82,000	27,093,828
(Increase)/Decrease in capital work-in-progress	(41,332,638)	15,372,683
(Increase)/Decrease in intangible assets	(126,751)	8,633,579
(Increase)/Decrease in non-current assets	(599,983,787)	45,526,439
Investment in subsidiary and associate companies	(72,464,300)	(105,640,000)
Net cash used in investing activities	(756,582,780)	(343,678,231)
Cash Flows from Financing Activities		
Finance charges	(37,050,608)	(150,897,977)
Interest received	129,578,877	-
Repayment of term loan	(210,000,000)	(210,000,000)
Repayment of short-term loan	(514,663,773)	(413,586,422)
Share premium	1,473,647,979	-
Issue of new shares	445,100,000	50,712,453
Share money deposits	(362,835,631)	400,000,000
Net cash from/(used in) financing activities	923,776,844	(323,771,946)
Net Increase in Cash	1,060,848,626	395,030,197
Opening cash and cash equivalents	422,434,275	27,404,078
Closing cash and cash equivalents	1,483,282,901	422,434,275

for RAK Ceramics (Bangladesh) Ltd.


Chairman


Company Secretary


Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011


S. F. Ahmed & Co.
Chartered Accountants

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

Amounts in Taka

Particulars	Share capital	Share money deposit	Share premium	Retained earnings	Total
Balance as at 1 January 2010	1,855,635,000	-	-	684,515,807	2,540,150,807
Issue of shares	445,100,000	-	1,611,380,000	-	2,056,480,000
Net profit after tax for the year	-	-	-	723,966,144	723,966,144
Prior years' adjustment for deferred tax liabilities	-	-	-	(138,125,869)	(138,125,869)
Share issue expenses (note 2.14)	-	-	(137,732,021)	-	(137,732,021)
Balance as at 31 December 2010	2,300,735,000	-	1,473,647,979	1,270,356,082	5,044,739,061
Balance as at 1 January 2009	648,400,000	508,122,547	-	995,310,065	2,151,832,612
Addition during the year	-	50,712,453	-	-	50,712,453
Issue of shares	558,835,000	(558,835,000)	-	-	-
Net profit after tax for the year	-	-	-	340,346,320	340,346,320
Stock dividend	648,400,000	-	-	(648,400,000)	-
Adjustment relating to prior years	-	-	-	(2,740,578)	(2,740,578)
Balance as at 31 December 2009	1,855,635,000	-	-	684,515,807	2,540,150,807

for RAK Ceramics (Bangladesh) Ltd.


Chairman


Company Secretary


Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011


S. F. Ahmed & Co.
Chartered Accountants

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

General

1. The Company and Its Activities

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. It was converted into public limited on 10 June 2008 after observance of required corporate formalities. The Company is engaged in manufacturing and marketing of ceramics tiles, bathroom sets and all types of sanitaryware. It started its commercial production on 12 November 2000. The commercial production of its new sanitaryware plant, expansion unit of ceramics facilities, tiles and sanitary plant was started on 10 January 2004, 1 July 2004 and 1 September 2007 respectively.

2. Significant Accounting Policies

These financial statements have been prepared under historical cost convention in accordance with generally accepted accounting principles as laid down in the International Accounting Standards (IASs)/International Financial Reporting Standards (IFRSs), applicable to the Company so far adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BASs)/Bangladesh Financial Reporting Standards (BFRSs). The disclosures of information made in accordance with the requirements of the Companies Act 1994 and the Statement of Financial Position and Statement of Comprehensive Income have been prepared in accordance with BAS -1/IAS -1 (Presentation of financial statements) on accrual basis following going concern concept.

In the preparation of these financial statements, management requires information to make judgment, estimate and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from those estimate.

2.1 Investments

Investments in subsidiary and associate companies are recorded at cost. The investments are as under:

Name of subsidiaries and associates	Nature of business	% of holding	Country of incorporation	Investment/Taka
RAK Pharmaceuticals Pvt. Ltd.	Pharmaceuticals business	55	Bangladesh	312,050,712
RAK Power Pvt. Ltd.	Electricity generation	57	Bangladesh	116,850,000
Classic Porcelain Pvt. Ltd.	Tableware products	51	Bangladesh	5,100,000
RAK Food & Beverage Pvt. Ltd.	Food and beverage products	51	Bangladesh	1,020,000
RAK Security & Services Pvt. Ltd.	Security service provider	35	Bangladesh	350,000
RAK Paints Pvt. Ltd.	Paints products	40	Bangladesh	20,000,000
RAK Mosfly (Bangladesh) Pvt. Ltd.	Pesticides products	20	Bangladesh	4,440,000

2.2 Property, plant and equipment

Property, plant and equipment are stated in attached Statement of Financial Position at cost less accumulated depreciation in accordance with BAS-16/IAS-16. 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.

Upon disposal of items of property, plant and equipment, the cost of those assets and their related accumulated depreciation are eliminated up to the date of disposal and any gains or losses therefrom are reported in the income statement of that year.

2.3 Depreciation on property, plant and equipment

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

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

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

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

2.4 Capital work-in-progress

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.

2.5 Intangible assets

Expenditure to acquire designs and trade marks for manufacture of ceramic tiles and sanitaryware is capitalised. This is being amortised equally within a period of two to three years depending upon the tenure of accrual of benefits.

2.6 Accounts receivable

Accounts receivable has been stated at its original invoiced amount after deducting credit balances those have legally enforceable right to set off or are intended either to be settled.

2.7 Valuation of inventories

Inventories are stated at lower of cost and net realisable value in compliance with the requirements of Para 9 of BAS-2/IAS-2 "Inventories".

Raw materials and consumable spare parts:

Raw materials and consumable spare parts are stated at weighted average cost.

Inventories are tested for obsolesces and impairment at end of the year. Corresponding provisions are being made in the books of account, if required.

Work-in-process:

Work-in-process is stated at cost to complete the respective product. Cost comprises cost of raw materials, wages and other overheads up to the stage of completion.

Finished products:

Finished products are stated at lower of cost and net realisable value. Cost comprises cost of raw materials, wages and other direct costs those contribute in transforming raw materials into finished products. Cost is calculated using the weighted average method. Net realisable value is arrived at after deducting cost to sell from selling prices of various items.

Quantitative details are given in note no. 2.31.

2.8 Employee benefits plan

The Company, for its permanent employees, operates a scheme of contributory provident fund. The provident fund is administered by a Board of Trustees and is funded by contributions from the employees equally matched by the Company at predetermined rates. The contributions are invested separately from the Company's assets.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

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

2.9 Revenue recognition

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

2.10 Borrowing costs

In compliance with the requirement of BAS-23 (Borrowing costs), borrowing costs relating to operational period of long term loans, short term loans and overdraft facilities was charged to revenue account as an expense as incurred.

2.11 Impairment

The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each Statement of Financial Position date. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value at appropriate discount rates.

2.12 Taxation

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. Provision for corporate income tax is made following the tax rate applicable for a publicly-traded company.

Deferred tax:

The Company has adopted deferred tax accounting policy as required in BAS-12/IAS-12 "Income taxes". Accordingly deferred tax assets/liabilities is accounted for on all temporary timing differences arising from the tax base of the assets and liabilities and their carrying value for financial reporting purpose.

2.13 Contingent liabilities

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A Provision is made based on a reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation and in respect of which a reliable estimate can be made. Provision is not discounted and is determined based on best estimate required to settle the obligation at the year end date. Contingent assets are not recognised or disclosed in these financial statements.

Details are given in note no. 2.27.

2.14 Share issue expenses

Expenses incurred for issue of shares through initial public offering was accounted for as prepaid expenses. During the year, the entire amount of said expenses has been adjusted against share premium account.

2.15 Share premium account

The amount received against share premium has been utilised in writing off the share issue expenses in line with the provision of section 57 of Companies Act 1994.

2.16 Leased assets

The Company has no leased assets and as such no payments were made there against during the year 2010.

2.17 Statement of cash flows

Statement of Cash Flows are prepared under direct method in accordance with BAS-7/IAS-7 "Statement of cash flows" as required by the Securities and Exchange Rules 1987.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

2.18 Creditors and accruals

Liabilities are recorded at the level of estimated amount payable in settlement.

2.19 Foreign currency transactions

Foreign currency transactions are recorded in BDT at applicable rates of exchange ruling at the dates of transactions in accordance with BAS-21/IAS-21 (The effects of changes in foreign exchange rates). Exchange difference at the statement of financial position date are charged / credited to Statement of comprehensive income.

2.20 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances, term deposits, etc which are available for use by the Company . There is no significant risk of change in value of the same.

2.21 Term loan from HSBC

This loan has been availed for financing capital machinery imported through that bank. Loan covenants, inter alia, cover the following:

Maximum tenor : 5 years including 12 months moratorium from the date of drawdown of principal amount.

Repayment : Amount outstanding will be repaid in 16 equal quarterly installments.

The above term loan (entire) has been repaid during the year 2010.

2.22 Term loan from Standard Chartered Bank

The loan has been availed for financing capital machinery imported through that bank. Loan covenants, inter alia, cover the following:

Maximum tenor : 5 years including 12 months moratorium from the date of drawdown of principal amount.

Repayment : Amount outstanding will be repaid in 16 equal quarterly installments.

The above term loan (entire) has been repaid during the year 2010.

2.23 Provision for royalty

Royalty has been calculated @ 6% of net sales in terms of technical know-how and technical assistance agreement dated 9 May 1999.

2.24 Transaction in foreign currency

Particulars	Amounts in Taka
CIF value of import:	
Raw materials	1,053,068,540
Spare parts	133,799,517
Capital machinery	14,364,626
Expenditure :	
Royalty	206,394,744
Earnings in foreign currency :	
FOB value of exports	7,367,770

2.25 Trade debtors

Particulars	Amounts in Taka
Debts outstanding for a period exceeding six months	338,889
Other debts	260,402,725
Total	260,741,614

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

2.26 Amount paid to auditors

Particulars	Amounts in Taka
Audit fee	209,000
Total	209,000

2.27 Contingent liabilities and commitments

Particulars	Amounts in Taka
Letters of guarantee	24,950,934
Letters of credit	228,879,889
VAT demand pending assessment	85,065,817
Income tax	33,176,448
Total	372,073,088

Out of the above, an amount of Taka 5,960,715 was paid under protest against VAT demand and Taka 17,010,127 was paid as advance income tax against the said income tax demand.

2.28 Related party disclosure under IAS-24

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

Name of related party	Relationship
RAK Pharmaceuticals Pvt. Ltd.	Subsidiary
RAK Power Pvt. Ltd.	Subsidiary
Classic Porcelain Pvt. Ltd.	Subsidiary
RAK Food & Beverage Pvt. Ltd.	Subsidiary
RAK Security & Services Pvt. Ltd.	Associates
RAK Paints Pvt. Ltd.	Associates
RAK Mosfly (Bangladesh) Pvt. Ltd.	Associates
Kea Printing and Packaging Industries	Other related party
Palli Properties Pte. Ltd.	Other related party
Sky Bird Travel Agents Pvt. Ltd.	Other related party
Green Planet Communications Pvt. Ltd.	Other related party
Speedway International Pvt. Ltd.	Other related party
Mohammed Foods and Allied Ltd.	Other related party
Global Business Associates (P) Ltd.	Other related party
Mohammed Trading	Other related party
Mr. S.A.K. Ekramuzzaman	Key Management Personnel
Mr. Md. Amir Hossain	Key Management Personnel

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

b) Transaction with related parties:

Amounts in Taka

Nature of transactions	Subsidiary company	Associate company	Key management	Other related party
Purchase of goods/services	153,020,594	27,603,843	-	232,415,062
Sale of goods/services	4,824,966	60,848	-	1,685,226,409
Outstanding receivables	36,002,093	7,650	-	178,432,761
Outstanding payable	-	1,339,525	-	32,212,222
Remuneration	-	-	52,702,350	-
Loan	600,000,000	-	-	-
Interest receivable	22,700,100	-	-	-

2.29 Events after the reporting period

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

2.30 Paid to Directors

During the year Board meeting fees of Taka 3,500 was paid to the board members for attending the Board meetings.

2.31 Quantitative details of opening stock, purchases/ production, consumption/ sales and closing stock of raw materials and finished goods:

Quantity in Million

Item	Unit	Opening stock	Purchase/ production	Consumption/ sales	Closing stock
Raw materials:	Kg				
Current year		152.09	192.19	163.70	180.58
For the year 2009		156.82	159.65	164.38	152.09
Finished goods:					
Tiles - ceramics/granite	Sft				
Current year		2.03	72.53	74.10	0.46
For the year 2009		6.60	76.94	81.51	2.03
Décor/Border	Pcs				
Current year		0.10	1.08	1.08	0.10
For the year 2009		0.10	1.12	1.12	0.10
Sanitaryware:					
Sanitary items	Pcs				
Current year		0.06	1.15	1.16	0.05
For the year 2009		0.08	0.95	0.98	0.05

2.32 Capacity utilisation

Production	Unit	Annual Installed Capacity	Utilisation during the year	% of utilisation	Over/(Under) utilisation
		Million	Million		Million
Tiles	Sft	86.40	72.53	84%	(13.87)
Sanitaryware	Pcs	1.10	1.15	104%	0.05

2.33 Number of employees

The number of employees engaged for the year who received a total remuneration of Taka 36,000 and above was 986. None receiving below Taka 3,000 per month.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

2.34 Earnings per share (EPS)

Amounts in Taka

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Calculation of earnings per share (EPS) is as under:		
Earnings attributable to the ordinary shareholders	723,966,144	340,346,320
Number of ordinary shares	230,073,500	185,563,500
Weighted average number of ordinary shares outstanding	215,731,226	185,563,500
Earnings per share (EPS) for the year	3.36	1.83

2.35 Others

2.35.1 These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

2.35.2 Figures in these notes and annexed financial statements have been rounded off to the nearest Taka.

2.35.3 Previous year's figures have been regrouped and/or rearranged wherever considered necessary for the purpose of current year's presentation.

3. Property, Plant and Equipment

Particulars	COST				Rate	DEPRECIATION				Net book value At 31 Dec 2010
	Balance as at 01 Jan 2010	Additions	Sale/ Disposal/ Adjustment	Total as at 31 Dec 2010		To 01 Jan 2010	Charge for the year	Adjustment	Total to 31 Dec 2010	
Land	162,606,811	20,187,300	-	182,794,111		-	-	-	-	182,794,111
Factory building	403,123,997	2,683,411	-	405,807,408	5%	108,418,140	20,157,071	-	128,575,211	277,232,197
Factory office building	51,131,556	2,006,355	-	53,137,911	5%	18,810,315	2,556,853	-	21,367,168	31,770,744
Head office building	100,012,440	3,635,105	-	103,647,545	5%	12,605,426	5,004,431	-	17,609,857	86,037,688
Plant and machinery	2,498,251,963	8,351,539	-	2,506,603,502	10%	1,144,810,092	245,845,685	-	1,390,655,777	1,115,947,725
Mobile plant	54,608,422	1,101,762	-	55,710,184	10%	24,697,737	5,541,197	-	30,238,934	25,471,250
Electrical installation	146,644,911	-	-	146,644,911	10%	61,097,930	14,441,889	-	75,539,819	71,105,092
Gas pipeline	27,115,647	-	-	27,115,647	10%	20,806,116	1,901,358	-	22,707,474	4,408,173
Furniture and fixtures	20,351,442	184,500	-	20,535,942	10%	7,112,591	2,009,792	-	9,122,383	11,413,559
Office equipment	14,618,459	1,900,164	-	16,518,623	10%	5,544,704	1,547,766	-	7,092,470	9,426,153
Communication equipment	1,741,112	1,218,506	-	2,959,618	10%	1,083,117	202,154	-	1,285,271	1,674,347
Tools and appliances	6,367,026	69,565	-	6,436,591	10%	1,865,658	632,119	-	2,497,777	3,938,814
Vehicles	27,107,550	1,419,097	(202,506)	28,324,141	10%	10,764,473	2,754,432	(111,736)	13,407,169	14,916,972
Total at 31 Dec 2010	3,513,681,336	42,757,304	(202,506)	3,556,236,134		1,417,616,299	302,594,747	(111,736)	1,720,099,310	1,836,136,824
Total at 31 Dec 2009	3,256,776,387	334,664,760	(77,759,811)	3,513,681,336		1,161,794,729	299,263,130	(43,441,560)	1,417,616,299	2,096,065,038

Allocation of depreciation to:

Administrative overhead	14,075,427
Manufacturing overhead	288,519,320
	<u>302,594,747</u>

Details of disposal of property, plant and equipment for the year ended 31 December 2010:

Amounts in Taka

Particulars	Year of purchase	Original cost	Accumulated depreciation	Net book value	Sale value	Loss
Motor cycle	2001	82,500	69,323	13,177	7,500	(5,677)
Motor cycle	2006	120,006	42,413	77,593	74,500	(3,093)
Total		202,506	111,736	90,770	82,000	(8,770)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

4. Capital Work-in-Progress

Amounts in Taka

	As at 31 Dec 2010	As at 31 Dec 2009
Heavy equipment and machinery	43,273,127	1,687,390
Building	2,038,971	2,292,070
	45,312,098	3,979,460

5. Intangible Assets

Opening balance	4,861,024	13,494,603
Add: Addition during the year	126,751	-
	4,987,775	13,494,603
Less: Adjustment made during the year	-	5,797,997
Less: Amortised during the year	3,535,775	2,835,582
Closing balance	1,452,000	4,861,024

The above amount represents costs of various licenses which are being amortised over 2-3 years from the date of their expenses.

6. Investment in Subsidiary Companies

RAK Pharmaceuticals Pvt. Ltd.	312,050,712	256,050,712
RAK Power Pvt. Ltd.	116,850,000	116,605,700
Classic Porcelain Pvt. Ltd.	5,100,000	5,100,000
RAK Food and Beverage Pvt. Ltd.	1,020,000	1,020,000
	435,020,712	378,776,412

7. Investment in Associate Companies

RAK Security & Services Pvt. Ltd.	350,000	1,050,000
RAK Paints Pvt. Ltd.	20,000,000	7,500,000
RAK Mosfly (Bangladesh) Pvt. Ltd.	4,440,000	20,000
	24,790,000	8,570,000

8. Non-Current Receivable

Deposits (note 8.1)	17,141,904	16,828,980
Share issue expenses	-	4,829,137
Loan to subsidiary companies (note 8.2)	600,000,000	-
Deposited with Customs and VAT against disputed demand	5,960,715	1,460,715
	623,102,619	23,118,832

8.1 Deposits

Titas gas	13,344,600	13,344,600
Mymensing Palli Bidyut Samity-2	1,955,000	1,955,000
House rent	1,192,304	1,380,380
Others	650,000	149,000
	17,141,904	16,828,980

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

8.2 Loan to subsidiary companies

Amounts in Taka

	As at 31 Dec 2010	As at 31 Dec 2009
RAK Pharmaceuticals Pvt Ltd. (note 8.2.1)	500,000,000	-
RAK Power Pvt Ltd. (note 8.2.2)	100,000,000	-
	600,000,000	-
8.2.1 RAK Pharmaceuticals Pvt Ltd.	500,000,000	-
This loan has been given by the Company to its subsidiary company, RAK Pharmaceuticals Pvt Ltd. bearing interest at the rate of prevailing bank loan which will be repaid within six years and five months with one year and eight months moratorium period in equal quarterly installment.		
8.2.2 RAK Power Pvt Ltd.	100,000,000	-
This loan has been given by the Company to its subsidiary company, RAK Power Pvt Ltd. bearing interest at the rate of prevailing bank loan which will be repaid within two years and four months with ten months moratorium period in equal monthly installment.		

9. Inventories

Raw materials	685,613,083	501,455,114
Stores and consumables spares	588,649,194	534,861,131
Finished goods	41,284,940	80,763,133
Work-in-process	23,150,593	30,753,204
Goods-in-transit	20,859,433	6,629,341
	1,359,557,243	1,154,461,923

10. Trade and Other Receivable

Trade receivable	260,741,614	159,672,103
Advance to suppliers	55,736,987	36,352,424
Prepaid expenses	20,643,465	38,556,041
Others (note 10.1)	75,228,765	27,717,625
	412,350,831	262,298,193

10.1 Others

Taxes and duties (VAT and SD current account balance)	25,115,173	19,278,318
Employee advance and imprest account	8,973,880	3,142,757
Current account with RAK Ceramics Co. PSC, UAE	-	1,455,000
Claim receivable	5,743,271	3,841,550
Accrued interest	31,493,180	-
Rent receivable	3,903,261	-
	75,228,765	27,717,625

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

11. Advance Corporate Income Tax

Amounts in Taka

	As at 31 Dec 2010	As at 31 Dec 2009
On		
- Import	196,259,674	144,934,599
- Export	370,259	341,444
- Supplies	119,221	119,221
- Interest on bank deposit	16,286,590	3,117,292
- Rental income	205,435	-
- Registration	129,000	-
- Paid in cash	377,472,871	255,000,000
	590,843,050	403,512,556

12. Cash and Bank Balances

Cash in hand	1,802,488	6,105,068
Bank balances in		
- Current account	102,930,151	6,880,237
- Short-term deposit account	94,174,587	1,014,825
- Export retention account	3,062,790	2,058,722
- Margin money deposit account	-	1,156,320
- PPO escrow account	-	401,465,742
- Foreign currency account-for IPO refund	9,126,603	-
- Fixed deposit	1,272,186,282	3,753,361
	1,483,282,901	422,434,275

13. Share Capital

Authorised capital				
300,000,000 ordinary shares of Taka 10 each			3,000,000,000	3,000,000,000
Issued, subscribed, called and paid up capital				
230,073,500/185,563,500 ordinary shares of Taka 10 each			2,300,735,000	1,855,635,000
Particulars of shareholdings are as follows				
Name of shareholder	No. of shares	Face Value		
RAK Ceramics Co. PSC, UAE	167,007,050	10	1,670,070,500	1,670,070,500
Mr. S.A.K. Ekramuzzaman	18,556,350	10	185,563,500	185,563,500
H.H. Sheikh Saud Bin Saqr Al Qassimi	20	10	200	200
Mr. Sheikh Omer Bin Saqr Al Qassimi	20	10	200	200
Mr. Sheikh Ahmad Bin Humaid al Qassimi	20	10	200	200
Mr. Hamad Abdulla Al Muttawa	10	10	100	100
Dr. Khater Massaad	10	10	100	100
Mr. Abdallah Massaad	10	10	100	100
Mr. Manoj Uttamrao Ahire	10	10	100	100
Eligible Institutional Investor	16,027,000	10	160,270,000	-
Employees	875,000	10	8,750,000	-
General public	27,608,000	10	276,080,000	-
	230,073,500		2,300,735,000	1,855,635,000

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

14. Borrowings

Amounts in Taka

	As at 31 Dec 2010	As at 31 Dec 2009
Non-current:		
- Term loan	-	420,000,000
- Current portion of term loan	-	(210,000,000)
	-	210,000,000
Current:		
- Bank overdrafts	-	10,870,209
- Short-term borrowings	-	293,793,564
- Current portion of term loan	-	210,000,000
	-	514,663,773
	-	724,663,773

14.1 Borrowings by maturity

As at 31 Dec 2010	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total
Bank overdrafts	-	-	-	-	-
Short-term loans	-	-	-	-	-
Term loans and others	-	-	-	-	-

As at 31 Dec 2009	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total
Bank overdrafts	10,870,209	-	-	-	10,870,209
Short-term loan	293,793,564	-	-	-	293,793,564
Term loans and others	210,000,000	210,000,000	-	-	420,000,000
	514,663,773	210,000,000	-	-	724,663,773

15. Provision for Employee Benefits

	As at 31 Dec 2010	As at 31 Dec 2009
Opening balance	8,907,441	7,809,980
Add: Addition during the year	19,348,653	17,591,266
Less: Payments made during the year	(21,063,996)	(16,493,805)
Closing balance	7,192,098	8,907,441

This includes provision made for employer's contribution to provident fund, gratuity and leave encashment which is payable within the service life of each employee and/or after his/her retirement as per terms of employment of service

16. Trade and other Payable

Trade payables	458,543,005	351,425,872
Income tax and VAT deducted at source	9,159,478	8,263,430
Share money deposits (*)	37,164,369	400,000,000
	504,866,852	759,689,302

(*) This represents the amount received against share application which were in the process of being refunded as at 31 December 2010.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

17. Provision for Expenses

Amounts in Taka

	As at 31 Dec 2010	As at 31 Dec 2009
Power and gas	19,986,077	15,471,492
Staff cost	17,003,341	14,377,251
Audit fees	300,000	200,000
Taxation matter	400,000	400,000
Telephone	167,618	167,618
Managing Director's remuneration	52,702,350	-
Workers' profit participation and welfare funds	50,192,715	-
	140,752,101	30,616,361

18. Provision for Corporate Income Tax

Year 2010	294,048,668	-
Year 2009	204,028,260	204,028,260
Year 2008	85,378,847	85,378,847
Year 2007	80,163,573	80,163,573
Year 2006	89,730,898	89,730,898
Year 2005	5,242,907	5,242,907
Year 2004	20,925	20,925
Year 2003	45,563	45,563
Year 2002	111,562	111,562
	758,771,203	464,722,535

19. Deferred Tax Liabilities

Opening balance	-	-
Add: Provision made for previous years	138,125,869	-
Less: Released during the year	(14,160,518)	-
Closing balance	123,965,351	-

20. Sales (net)

				Year ended 31 Dec 2010	Year ended 31 Dec 2009
	Gross sales	SD	VAT	Net sales	Net sales
Local	4,995,487,000	491,909,305	651,585,260	3,851,992,435	3,816,144,244
Export	7,367,770	-	-	7,367,770	5,980,646
Total	5,002,854,770	491,909,305	651,585,260	3,859,360,205	3,822,124,890

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

21. Cost of Sales

Amounts in Taka

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Raw materials	1,026,143,444	1,251,432,199
Direct labour (note 21.1)	136,262,608	122,834,097
Direct expenses:		
Power and gas	287,769,334	287,041,350
Repairs and indirect materials (note 21.2)	358,241,536	350,034,643
Moulds and punches	31,393,025	34,100,802
Depreciation	288,519,320	176,030,747
Royalty and technical know-how/assistance fees	231,561,612	229,327,493
Other production overhead (note 21.3)	19,519,363	18,739,429
Movement in work-in-process and finished goods	47,080,805	192,265,017
	2,426,491,047	2,661,805,777

21.1 Direct labour

Salary and wages	81,567,559	73,967,855
Overtime	9,089,105	8,048,130
Bonus	10,136,603	10,129,685
Incentive	4,975,342	18,750
Temporary labour wages	9,863,821	7,306,768
Temporary labour for production	12,199,811	13,257,365
Gratuity	3,639,446	5,133,099
Employers contribution to provident fund	2,842,505	3,492,413
Leave encashment	1,182,238	708,736
Group life insurance	766,178	771,297
	136,262,608	122,834,097

21.2 Repair and indirect materials

Stores, Spares, repair and maintenance	163,273,739	139,355,918
Packing expenses	194,967,797	210,678,725
	358,241,536	350,034,643

21.3 Other production overhead

Hotel fare and expenses for technician	3,610,084	3,058,402
Demurrage	572,072	1,106,253
Insurance	14,364,856	13,572,285
Other expenses	972,351	1,002,489
	19,519,363	18,739,429

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

22. Administrative Expenses

Amounts in Taka

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Staff cost (note 22.1)	41,903,118	31,076,393
Telephone, postage and supplies	3,948,473	2,774,830
Office repair and maintenance (note 22.2)	7,959,573	5,911,141
Registration and renewal	845,601	351,754
Security and guard expenses	4,504,979	4,167,558
Depreciation	14,075,427	1,487,733
Amortisation	3,535,775	2,835,582
Legal and professional fees	1,570,782	1,307,218
Vehicle repair and maintenance	6,124,333	5,563,315
Rent, rate and tax	2,121,852	1,839,028
Loss on sale of fixed assets	8,770	-
Managing Director's remuneration (note 22.3)	52,702,350	-
Workers' profit participation and welfare funds (note 22.4)	50,192,715	-
Others	2,523,277	1,545,410
	192,017,025	58,859,962

22.1 Staff cost

Salary and wages	26,405,118	21,530,664
Overtime	18,481	13,098
Bonus	3,185,892	2,263,116
Incentive	3,285,912	437,343
Gratuity	1,139,390	1,456,446
Employers contribution to provident fund	1,080,559	967,060
Leave encashment	476,036	307,985
Group life insurance	232,327	181,072
Canteen expenses	927,522	913,500
Staff welfare expenses	745,708	514,404
Hotel, tour, food and air ticket	2,367,093	864,531
Food expenses	1,558,758	1,245,105
Medical expenses	251,414	194,833
Accommodation	201,144	187,236
Meeting fees	27,764	-
	41,903,118	31,076,393

22.2 Office repair and maintenance

Repairs office equipment	521,892	541,618
Electricity, gas and water	2,513,629	1,767,725
Office maintenance	4,924,052	3,601,798
	7,959,573	5,911,141

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

22.3 This represents provision made @ 5% of net profit after charging such remuneration.

22.4 This represents provision made for contribution to workers' profit participation and welfare funds @ 5% of net profit after charging such contribution in terms of Bangladesh Labour Act 2006.

23. Selling Expenses

Amounts in Taka

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Staff cost (note 23.1)	9,118,986	7,828,477
Advertisement	12,957,907	5,205,609
Freight and transportation	101,994,170	100,798,268
Performance rebates (note 23.2)	218,546,160	280,503,492
Business promotion	15,531,208	7,959,826
Bad debts	5,000,000	-
Travel, entertainment and others	11,166,732	10,318,972
	374,315,163	412,614,644

23.1 Staff cost

Salary and wages	6,722,880	5,840,223
Bonus	1,024,989	796,124
Incentive	411,353	233,975
Gratuity	279,686	499,080
Employers contribution to provident fund	385,437	232,379
Leave encashment	142,663	102,216
Group life insurance	60,210	49,891
Food expenses	91,768	74,589
	9,118,986	7,828,477

23.2 Performance rebates

Compensation	639,638	1,285,547
Dealers' commission	142,175,279	201,071,707
Breakage commission	75,731,243	60,548,594
Special commission	-	17,597,644
	218,546,160	280,503,492

RAK Ceramics (Bangladesh) Ltd.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

24. Financial Expenses

Amounts in Taka

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Interest expenses	32,820,174	146,450,223
Bank charges	4,230,434	1,686,286
Foreign exchange loss	-	2,761,468
	37,050,608	150,897,977

25. Other Income

Interest income	162,460,617	3,707,232
Foreign exchange gain	7,798,619	-
Rental income from generators	4,108,696	-
Profit on sale of property, plant and equipment	-	2,720,818
	174,367,932	6,428,050

for RAK Ceramics (Bangladesh) Ltd.


Chairman


Company Secretary


Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011


S. F. Ahmed & Co.
Chartered Accountants

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Dear Shareholders,

The directors are pleased to present their report on the activities of the company together with the audited financial statements for the year ended 31 December 2010

Review of Business

The company was able to operate the captive power plant successfully with the output in excess of 90% of installed capacity, during 2010. However, supply was limited to the requirement of parent company 'RAK Ceramics (Bangladesh) Ltd. and other group companies. The company supplied power to Rural Electrification Board (REB) to the extent of 1.5 - 2.0 Mwh in excess of group company requirement during year 2010.

Operating result:

The operational results of the company for the year ended 2010 as follows:

Particulars	Taka in mn	
	2010	2009
Sales (net of taxes)	182.68	161.00
Gross profit	41.48	44.13
Net profit after tax	16.39	5.19
Depreciation	29.48	28.50
Income tax	9.83	3.11

Dividend

The Board of Directors of the company has recommended cash dividend at the rate of 10% for the year 2010. While recommending the dividend, the Board of Directors has taken into consideration the business result, the assets as at that date and the fund requirement for future development and expansion.

Auditors

M/S. K.M. Hasan & Co., Chartered Accountants will retire in ensuing AGM and having the eligibility for re-appointment, offer themselves for re-appointment as auditors of the company till the conclusion of the next AGM.

Business plan for 2011

In 2011, the company is looking forward to get good results from the current investment and working force. Project may be expanded by participation in Independent Power Producers (IPP) power plants to supply to national grid.

Post Balance sheet Events

No material events occurring after balance sheet date came to our notice which could affect the values in the financial statements.

Appreciation:

The Board would like to take this opportunity to thank Government bodies, its shareholders, investors, bankers & employees for their continuous commitment, cooperation, confidence and support in company objectives.

On behalf of the Board of Director



Dr. Khater Massaad
Chairman

Dhaka, Bangladesh

Dated, 27 January 2011

RAK Power Pvt. Ltd.

AUDITORS' REPORT TO THE SHAREHOLDERS OF RAK POWER PVT. LTD.

We have audited the accompanying statement of financial position of RAK Power Pvt. Ltd. as at 31 December 2010 and related statement of comprehensive income, statement of cash flows and statement of changes in equity along with explanatory notes for the year then ended. The preparation of these financial statements is the responsibility of the company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.


We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standard (BAS), give a true and fair view of the state of the affairs of RAK Power Pvt. Ltd. as at 31 December 2010 and of the results of its operations and its cash flows for the year then ended and comply with the companies Act, 1994 and other applicable laws and regulations.

We also report that:

- a) 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;
- b) 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
- c) the company's statement of financial position and statement of comprehensive income dealt with by this report are in agreement with the books of account maintained by the company.

Dhaka, Bangladesh
Dated, 27 January 2011



K. M. Hasan & Co.
Chartered Accountants

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

Amounts in Taka

	Notes	As at 31 Dec 2010	As at 31 Dec 2009
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	320,272,727	343,107,412
Capital work-in-progress	5	621,919	2,098,717
Non-current receivables	6	5,314,450	5,314,450
Other non current assets	7	14,446,401	19,261,865
Total Non-Current Assets		340,655,497	369,782,444
Current Assets			
Inventories	8	39,883,615	40,285,990
Trade and other receivables	9	4,754,448	3,473,291
Advance income tax	10	3,315,321	2,518,453
Cash and cash equivalents	11	1,667,702	4,339,937
Total Current Assets		49,621,086	50,617,671
Total Assets		390,276,583	420,400,115
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	12	205,000,000	10,000
Share money deposits	13	-	180,496,200
Retained earnings		21,578,633	5,191,799
Total Capital and Reserves		226,578,633	185,697,999
Non-Current Liabilities			
Borrowings	14	73,788,480	123,786,765
Total Non-Current Liabilities		73,788,480	123,786,765
Current Liabilities			
Borrowings - current portion	14	28,454,673	78,909,694
Trade and other payables	15	40,276,103	21,721,622
Provision for expenses	16	8,231,513	7,168,955
Provision for corporate tax	17	12,947,181	3,115,080
Total Current Liabilities		89,909,470	110,915,351
Total Equity and Liabilities		390,276,583	420,400,115
Contingent liabilities and commitments	3.18	14,276,026	12,924,700
Significant Accounting Policies & Notes Being Part of Accounts	1-3		

(The annexed notes form an integral part of these financial statements)
for RAK Power Pvt. Ltd.




Director



Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011



K.M. Hasan & Co.
Chartered Accountants

RAK Power Pvt. Ltd.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

Amounts in Taka

	Notes	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Sales	18	182,684,113	161,007,988
Less: Cost of generation of electricity	19	141,205,615	116,875,352
Gross profit		41,478,498	44,132,636
Operating expenses			
Less: Administrative expenses	20	4,051,301	3,337,034
Operating profit		37,427,197	40,795,602
Less: Financial expenses	21	18,803,564	33,166,840
		18,623,633	7,628,762
Add: Other income	22	7,595,302	678,117
Net profit before tax		26,218,935	8,306,879
Less: Provision for taxation		9,832,101	3,115,080
Net profit after tax		16,386,834	5,191,799
Earnings per share for the year	3.22	8.31	2.93

(The annexed notes form an integral part of these financial statements)
for RAK Power Pvt. Ltd.



Director



Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011


K.M. Hasan & Co.
Chartered Accountants


RAK Power Pvt. Ltd.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

Amounts in Taka

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Cash flow from operating activities		
Cash received from customer and others	204,992,537	169,195,467
Cash paid to customer and others	(130,554,668)	(154,342,867)
Payment of Corporate Income Tax	(796,868)	(724,968)
Net Cash Flow From Operating Activities	73,641,001	14,127,632
Cash flow from investing activities		
Acquisition of fixed assets	(6,645,992)	(354,855,021)
Increase in work in progress	1,476,798	341,073,906
Increase in non-current receivable	-	(888,182)
Increase in other non-current assets	4,815,464	8,543,362
Net Cash used in Investing Activities	(353,730)	(6,125,935)
Cash flow from financing activities		
Payment of term loan	(100,453,306)	(49,002,991)
Increase in Paid up capital	24,493,800	14,999,000
Net cash used in financing activities	(75,959,506)	(34,003,991)
Increase/(Decrease) in Cash and Cash Equivalents	(2,672,235)	(26,002,294)
Opening Cash and Cash Equivalents	4,339,937	30,342,231
Closing Cash and Cash Equivalents	1,667,702	4,339,937

for RAK Power Pvt. Ltd.


Director


Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011


K.M. Hasan & Co.
Chartered Accountants

RAK Power Pvt. Ltd.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

Amounts in Taka

Particulars	Share capital	Share money deposit	Retained earnings	Total
Balance as at 1 January 2010	10,000	180,496,200	5,191,799	185,697,999
Addition during the year	204,990,000	24,493,800	-	229,483,800
Adjustment during the year	-	(204,990,000)	-	(204,990,000)
Net profit after tax for the year		-	16,386,834	16,386,834
Balance as at 31 December 2010	205,000,000	-	21,578,633	226,578,633
Balance as at 1 January 2009	10,000	165,497,200	-	165,507,200
Addition during the year	-	14,999,000	-	14,999,000
Net profit after tax for the year	-	-	5,191,799	5,191,799
Balance as at 31 December 2009	10,000	180,496,200	5,191,799	185,697,999

for RAK Power Pvt. Ltd.



Director



Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011



K.M. Hasan & Co.
Chartered Accountants

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1 Legal status

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 at 31 December 2010. The company has gone into operation from 1 May 2009.

The registered office of the company is at House # 5, Road # 1/A Sector # 4, Uttara, Dhaka- 1230. The Power Plant is located at Vill : Dhanua, P.S: Sreepur, Dist : Gazipur.

2 Principal activities

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

3 Significant accounting policies

The financial statements have been prepared on a going concern concept under historical cost convention in accordance with generally accepted accounting principles as laid down in the International Accounting Standards (IASs)/International Financial Reporting Standards (IFRSs), applicable to the company as adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BASs) / Bangladesh Financial Reporting Standards (BFRSs).

The disclosures of information have been made in accordance with the requirements of the above mentioned standards and in compliance with Companies Act 1994 and the Statement of financial position and Statement of comprehensive income have been prepared according to BAS- 1 / IAS- 1 (Presentation of Financial Statement) based on accrual basis and other applicable laws and regulations.

3.1 Risk and uncertainties for use of estimates in preparation of financial statements

The preparation of financial statements in conformity with the Bangladesh Accounting Standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and revenues and expenses during the reported period. Actual results could differ from those estimates. Estimates are used for accounting of certain items such as provision for doubtful accounts, depreciation, taxes, reserves and contingencies.

3.2 Property, plant and equipment

Property, plant and equipment are stated in attached Statement of financial position at cost less accumulated depreciation in accordance with BAS-16/IAS-16. Cost represents the purchases price of the assets and other cost incurred to bring the assets to their existing location and condition.

Subsequent expenditure for 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 to the related property, plant and equipment.

All other expenditure for maintenance of property, plant and equipment are charged to Statement of comprehensive income.

Upon disposal of items of property, plant and equipment, the cost of those assets and their related accumulated depreciation are adjusted up to the date of disposal and any gain or loss thereof is reported in the statement of comprehensive income of that year.

3.3 Depreciation on fixed assets

Depreciation on fixed assets is charged on straight line method and over the estimated useful life.

Depreciation of assets is charged as and when the assets is available for use and depreciation is provided for the period in use of the assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

Rates of depreciation on various classes of assets are as under:

Category of fixed asset	Estimated Useful Life in years	Rate (%)
Building for Plant	5	20
Plant and machinery		
- Main Genset	20	5
- Auxiliary Equipments	10	10
Electrical installation	5	20
Gas Pipeline	5	20
Furniture and fixtures & fittings	10	10
Office equipment	5	20
Communication Equipment	10	10
Tools and appliances	5	20
Vehicles	5	20
Fire Fighting Equipments	5	20

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

3.4 Capital work-in-progress

Capital work-in-progress is recorded at cost to the extent of expenditure incurred at the Statement of financial position date. The amount of capital work-in-progress is transferred to appropriate asset category and depreciated when the asset is completed and commissioned. Expenses capitalized also include applicable borrowing cost incurred to acquire specific assets considering the requirements of BAS 23 "Borrowing Cost".

3.5 Intangible assets

An intangible assets shall only be recognized if it is probable that future economic benefits that are attributable to the assets will flow to the company and the cost of the assets can be measured reliably in accordance with BAS-38 "Intangible Assets". This is being amortized equally within a number of years based on the tenure of accrual of benefits.

3.6 Accounts receivable

Accounts receivable are recognized at invoice amount which is the fair value of the consideration given in return.

3.7 Valuation of inventories

Inventories are stated at lower of cost and net realizable value in compliance with the requirements of paras 21 and 25 of BAS-2/IAS-2 "Inventory".

3.8 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from sale of electricity is recognized when the electricity is transmitted from delivery point (metering point, which is situated inside the power station) to customers. The revenue and the cost incurred to effect the transaction can be measured reliably in compliance with the requirements of BAS-18 "Revenue".

3.9 Borrowing costs

In compliance with the requirement of BAS-23."Borrowing Costs", Borrowing costs relating to operational period on long term loans, short term loans and overdraft facilities was charged to revenue account as an expenses as incurred.

3.10 Creditors and accruals

Liabilities are recorded at the level of cost/estimated amount payable in settlement.

3.11 Foreign currency translation

Foreign currency transactions are recorded in BDT at the applicable rates of exchange ruling at the transaction date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

The monetary assets and liabilities, if any, denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchanges ruling at the date. Exchange rate differences are charged off as revenue expenditure to income statement in compliance with the provisions of BAS- 21/IAS-21-The effect of changes in foreign exchange rates.

3.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at banks, term deposits, etc which are available for use by the Company without any restrictions. There is no significant risk of change in value of the same.

3.13 Statements of Cash flows

Statement of Cash flows is prepared principally in accordance with BAS-7 "Statement of Cashflows" and the cash flow from operating activities has been prepared under direct method.

3.14 Current & Deferred Taxation

The company has operating profit during the year as such provision for corporate tax @ 37.5% made for the current year.

Further there is no such timing difference between profit as per Income Tax Ordinance and accounting profit as per Financial Statements, hence no Deferred Tax Liabilities / Assets calculated as per IAS-12 / BAS 12 "Income Tax" for the year ended 31 December 2010.

3.15 Related party disclosure under IAS-24

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

Name of related party	Relationship
RAK Ceramics (Bangladesh) Ltd.	Parent Company
RAK Pharmaceuticals Pvt. Ltd.	Fellow Subsidiary
RAK Security & Services Pvt. Ltd.	Fellow Associate
Key Management Personnel	
-Mr. S.A.K. Ekramuzzaman	Managing Director
-Mr. Md. Amir Hossain	Director

b) Transaction with related parties:

Nature of transaction	Holding company	Key Management Personnel & their relative	Other Enterprises over which key mngt. Personnel's have significant influence	Total (Taka)
Purchase of goods/services	4,824,966	-	940,007	5,764,973
Sale of goods/services	153,020,594	-	9,350,210	162,370,804
Outstanding receivables	-	-	367,568	367,568
Outstanding payable	36,002,093	-	71,956	39,473,774
Interest Payable	3,399,725	-	-	-
Borrowings	100,000,000	-	-	-

3.16 Payment to directors

During the year no amount was paid by the Company for compensating any member of the board including the Managing Director for rendering services except following fees for Board Meeting.

Nature of Meeting	Amounts in Taka
Board Meeting	4,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)**3.17 Transaction in foreign currency**

Nature of transaction	Amounts in Taka
Spare parts	11,306,823

3.18 Contingent liabilities and commitments

Nature of transaction	Amounts in Taka
Letter of Guarantee	12,924,700
Letter of Credit	1,351,326

3.19 Amount paid to auditors

Nature of transaction	Amounts in Taka
Audit fee	15,000
Taxation matters	20,000

3.20 Capacity utilization

(MWH)		(KWH)			
Licensed Capacity	Installed capacity	Standard capacity @ 85%	Actual utilization for 2010	Annual utilization	Over/(under) utilization
10MW	9 M.W	67,014,000	44,451,275	66%	(34%)

3.21 Number of employees

The number of employees engaged for the period who received a total remuneration of Taka 36,000 and above was 17. None is receiving below Taka 3,000 per month.

3.22 Earnings Per Share

Amounts in Taka

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Net profit available to earning per share as per Statement of Comprehensive income	16,386,834	5,191,799
No. of equity share	2,050,000	100
Weighted number of equity share*	1,972,570	1,772,398
Nominal value per share	100	100
Earnings per share for the year	8.31	2.93

* Including Share Money Deposits

3.23 Segment Reporting

As there is a single business and geographical segment within which the company operates as such no segment reporting is felt necessary.

3.24 General

- 3.24.1 These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.
- 3.24.2 Figures in these notes and annexed financial statements have been rounded off to the nearest Taka.
- 3.24.3 Previous year's figures have been regrouped and/or rearranged wherever considered necessary for the purpose of current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)**4 Property, Plant and Equipment**

Amounts in Taka

Particulars	COST				Rate	DEPRECIATION				Net book value
	Balance as at 01 Jan 2010	Additions during the year	Sale/ Disposal/	Total as at 31 Dec 2010		Balance as at 01 Jan 2010	Charge during the year	Adjustment during the year	Total to 31 Dec 2010	At 31 Dec 2010
Land	10,304,000	-	-	10,304,000	-	-	-	-	-	10,304,000
Building	18,197,795	353,273	-	18,551,068	20%	3,639,559	3,710,214	-	7,349,773	11,201,295
Plant and machinery	-	-	-	-	-	-	-	-	-	-
Main genset	268,615,599	-	-	268,615,599	5%	13,430,780	13,430,780	-	26,861,560	241,754,039
Auxiliary equipments	33,239,892	-	-	33,239,892	10%	3,323,989	3,323,989	-	6,647,978	26,591,914
Electrical installation	18,935,883	4,048,262	-	22,984,145	20%	3,787,177	4,512,743	-	8,299,920	14,684,225
Gas pipeline	15,434,660	-	-	15,434,660	20%	3,086,932	3,086,932	-	6,173,864	9,260,796
Furniture and fixtures	1,339,416	-	-	1,339,416	10%	133,942	133,942	-	267,884	1,071,532
Office equipment	591,039	-	-	591,039	20%	118,208	118,208	-	236,416	354,623
Communication equipment	124,786	-	-	124,786	10%	12,478	12,479	-	24,957	99,829
Tools and appliances	4,445	-	-	4,445	20%	889	889	-	1,778	2,667
Fire fighting equipments	3,631,012	-	-	3,631,012	20%	726,202	726,202	-	1,452,404	2,178,608
Vehicles	1,186,300	2,244,457	-	3,430,757	20%	237,260	424,298	-	661,558	2,769,199
Total as at 31 Dec. 2010	371,604,827	6,645,992	-	378,250,819		28,497,416	29,480,676	-	57,978,092	320,272,727
Total as at 31 Dec. 2009	16,761,806	354,911,991	68,970	371,604,827		-	28,497,416	-	28,497,416	343,107,412

Allocation of depreciation to:

Administrative expenses	688,927
Manufacturing expenses	28,791,749
	<u>29,480,676</u>

5 Capital Work-in-Progress

	As at 31 Dec 2010	As at 31 Dec 2009
Heavy equipment and machinery	-	24,462
Electrical Installation	-	1,501,214
Gas Pipe Line	24,543	-
Building	597,376	573,041
	621,919	2,098,717

6 Non-current receivables

Deposit with Titas Gas T & D Ltd.	5,314,450	5,314,450
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7 Other non current assets

Preliminary Expenses (7.1)	116,652	155,532
Pre Operating Expenses (7.2)	14,329,749	19,106,333
	14,446,401	19,261,865

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)**7.1 Preliminary expenses**

Amounts in Taka

	As at 31 Dec 2010	As at 31 Dec 2009
Opening Balance	155,532	194,415
Less. Amortization for the year	38,880	38,883
Closing Balance	116,652	155,532

7.2 Pre operating expenses

Opening Balance	19,106,333	27,610,812
Add. Addition / (Adjustment) for the year	-	(3,727,894)
Less. Amortization for the year	4,776,584	4,776,585
Closing Balance	14,329,749	19,106,333

8 Inventories

Stores and consumables spares	39,870,997	40,272,671
Goods-in-transit	12,618	13,319
	39,883,615	40,285,990

9 Trade and other receivables

Trade receivables	2,550,297	1,218,661
Advance to suppliers	667,159	720,072
Pre-paid expenses	1,102,731	1,116,748
Other advances	395,703	417,810
Accrued interest	38,558	-
	4,754,448	3,473,291

10 Advance income tax

- Paid in cash	2,266,626	1,670,000
- Against Import	878,806	696,463
- BRTA	11,000	-
- TDS on bank interest	158,889	151,990
	3,315,321	2,518,453

11 Cash and cash equivalents

Cash in hand	24,340	86,466
Cash at bank:		
- Current accounts	3,268	-
- Short notice deposits	22,726	3,419,181
- Term Deposits	1,617,368	834,290
	1,667,702	4,339,937

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)**12 Share capital**

Amounts in Taka

			As at 31 Dec 2010	As at 31 Dec 2009
Authorised capital				
10,000,000 ordinary shares of Taka 100 each			1,000,000,000	1,000,000,000
Issued, subscribed, called and paid up capital				
2,050,000 ordinary shares of Taka 100 each (Previous year 100 shares of Taka 100 each)			205,000,000	10,000
Particulars of shareholdings are as follows				
Name of shareholder	No. of shares	Value per share		
RAK Ceramics (Bangladesh) Ltd.	1,168,500	100	116,850,000	5,700
Mr. S.A.K. Ekramuzzaman	574,000	100	57,400,000	2,800
Mr. Syed. A.K Anwaruzzaman	205,000	100	20,500,000	1,000
Mr. Md. Amir Hossain	102,500	100	10,250,000	500
	2,050,000		205,000,000	10,000

13 Share money deposits

RAK Ceramics (Bangladesh) Ltd.	-	116,600,000
Mr. S.A.K. Ekramuzzaman	-	40,897,200
Mr. Syed. A.K Anwaruzzaman	-	22,499,000
Mr. Md. Amir Hossain	-	500,000
	-	180,496,200

14 Borrowings

Non-current:		
Secured		
Term loan	-	189,522,059
Current portion of term loan	-	(65,735,294)
	-	123,786,765
Un Secured		
Term loan	100,000,000	-
Current portion of term loan (as per agreed repayment schedule)	(26,211,520)	-
	73,788,480	-
Total Non-Current Borrowings	73,788,480	123,786,765
Current:		
Secured		
Bank overdrafts	2,243,153	10,965,806
Short term borrowings	-	2,208,594
Current portion of term loan	-	65,735,294
	2,243,153	78,909,694
Un Secured		
Current portion of term loan	26,211,520	-
	26,211,520	-
Total Current Borrowings	28,454,673	78,909,694
Total Borrowings	102,243,153	202,696,459

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)**14.1 Borrowings by maturity**

Amounts in Taka

As at 31 Dec 2010	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total
Bank overdrafts	2,243,153	-	-	-	2,243,153
Current portion of term loan	26,211,520	73,788,480	-	-	100,000,000
	28,454,673	73,788,480	-	-	102,243,153

As at 31 Dec 2009	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total
Bank overdrafts	10,965,806	-	-	-	10,965,806
Short term loans	2,208,594	-	-	-	2,208,594
Current portion of term loan	65,735,294	65,735,294	58,051,471	-	189,522,059
	78,909,694	65,735,294	58,051,471	-	202,696,459

15 Trade and other payables

	As at 31 Dec 2010	As at 31 Dec 2009
Trade payables	39,232,205	20,246,342
Security Deposit of Other Parties	65,142	1,363,498
Income tax and VAT deducted at source	978,756	111,782
	40,276,103	21,721,622

16 Provision for expenses

	As at 31 Dec 2010	As at 31 Dec 2009
Power and gas	4,428,086	4,763,752
Provision for O&M	364,702	237,615
Staff cost	-	237,074
Professional Charges	35,000	35,000
Interest on loans	3,399,725	1,889,514
Telephone	4,000	6,000
	8,231,513	7,168,955

17 Provision for corporate tax

	As at 31 Dec 2010	As at 31 Dec 2009
Financial year 2010	9,832,101	-
Financial year 2009	3,115,080	3,115,080
	12,947,181	3,115,080

18 Sales

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Gross Sales*	190,906,222	169,062,413
Less: VAT	8,222,109	8,054,425
Net Sales	182,684,113	161,007,988

* Including VAT Exempted sale to REB Taka 18,324,117 in the year 2010 (Previous year Nil)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)**19 Cost of generation of electricity**

Amounts in Taka

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Consumption of Gas	54,413,993	45,187,472
Operation & maintenance	37,319,071	28,204,919
Amortization (19.1)	4,815,464	4,815,467
Consumption of Lub oil	4,843,938	3,149,354
Rental for caterpillar Gensets	4,725,000	-
Depreciation	28,791,749	27,995,528
Other production expenses	6,296,400	7,522,612
	141,205,615	116,875,352

19.1 Amortization

Preliminary Expenses	38,880	38,883
Pre-Operating expenses	3,660,134	3,660,134
Operation & Maintenance Mobilization Fees	1,116,450	1,116,450
	4,815,464	4,815,467

20 Administrative expenses

Payment to employees	1,824,649	1,772,152
Telephone, postage and supplies	266,443	139,771
Office repairing and maintenance	35,982	129,800
Registration and renewal	576,290	268,761
Depreciation	688,927	501,888
Legal and professional fees	235,000	100,000
Vehicle repairing and maintenance	253,097	308,226
Rent, rates and taxes	-	5,000
Loss on sale of fixed assets	-	12,000
Other expenses	170,913	99,436
	4,051,301	3,337,034

21 Financial expenses

Interest expenses	17,090,836	32,899,875
Bank charges	1,712,728	266,965
	18,803,564	33,166,840

22 Other income

Interest income	107,552	678,117
Miscellaneous income	7,487,750	-
	7,595,302	678,117

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The directors are pleased to present their report on the activities of the company together with the audited financial statements for the year ended 31 December 2010

Review of Business:

The company was able to increase product range at 51 during 2010 compare to 16 in 2009. The company started its own distribution channel having nine (9) depots at different places in the country. The sales force increase to over 350 persons during 2010. The company signed toll manufacturing agreement with Square Pharmaceuticals and in process to introduce injectable products by toll manufacturing with another pharmaceutical company within year 2011. Term loan taken from parent company 'RAK Ceramics (Bangladesh) Ltd. amounting to Taka 500 mn was utilized for the settlement of term loans taken from banks.

Operating result:

The operational results of the company for the year ended 2010 as follows:

Particulars	Taka in mn	
	2010	2009
Sales (net of taxes)	129.35	16.48
Gross profit/(loss)	18.01	3.47
Net profit/(loss) after tax	(230.76)	(30.84)
Depreciation	41.02	13.19
Deferred tax expenses/liability	4.42	Nil

Auditors:

M/s. K. M. Hasan & Co., Chartered Accountants and statutory Auditors of the company retire at the ensuing Annual General Meeting and have confirmed their eligibility for re-appointment. The Board recommend for their re-appointment till the conclusion of next Annual General Meeting.

Business plan for 2011

During 2011, company is looking forward to achieve a satisfactory growth from current investments. The company is having competent marketing, sales force,, product development and production team to achieve significant growth in days to come. The company is in process to explore export in less or moderately regulated market like Myanmar, Sri Lanka, Sudan etc.

Post Balance sheet Events


No material events occurring after balance sheet date came to our notice which could affect the values in the financial statements.

Appreciation:

The Board would like to take this opportunity to thank Government bodies, its shareholders, investors, bankers & employees for their continuous commitment, cooperation, confidence and support in company objectives.

On behalf of the Board of Directors

Dhaka, Bangladesh
Dated, 27 January 2011


Dr. Khater Massaad
Chairman

RAK Pharmaceuticals Pvt. Ltd.

AUDITORS' REPORT TO THE SHAREHOLDERS OF RAK PHARMACEUTICALS PVT. LTD.

We have audited the accompanying Statement of financial position of RAK Pharmaceuticals Pvt. Ltd. as at 31 December 2010 and the related Statement of comprehensive income, Statement of changes in equity & Statement of cash flows along with explanatory notes for the year then ended. The preparation of these financial statements is the responsibility of the company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards (BAS), gives a true and fair view of the state of the affairs of RAK Pharmaceuticals Pvt. Ltd. as at 31 December 2010 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act, 1994 and other applicable laws and regulations.

We also report that:

- (a) 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;
- (b) 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
- (c) the company's statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account.

Dhaka, Bangladesh
Dated, 27 January 2011




K. M. Hasan & Co.
Chartered Accountants

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

Amounts in Taka

	Notes	As at 31 Dec 2010	As at 31 Dec 2009
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	696,979,098	516,959,162
Intangible assets	5	103,682,125	96,384,374
Capital work-in-progress	6	-	170,780,311
Non current receivables	7	54,090	94,090
Total Non-Current Assets		800,715,313	784,217,937
Current assets			
Inventories	8	88,283,481	51,656,699
Trade and other receivables	9	31,628,484	47,204,632
Advance corporate income tax	10	3,948,498	1,990,287
Cash and bank balance	11	1,101,630	1,515,242
Total Current Assets		124,962,092	102,366,859
Total Assets		925,677,405	886,584,796
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	12	468,536,500	28,510,000
Share money deposits	13	54,355,912	419,017,271
Retained earnings/(losses)		(262,629,425)	(30,840,124)
Total Capital and Reserves		260,262,986	416,687,147
Non Current Liabilities			
Borrowings	14	510,668,000	349,453,581
Total Non Current Liabilities		510,668,000	349,453,581
Current Liabilities			
Trade and other payables	15	9,612,011	6,040,374
Borrowings- current portion	14	106,547,357	107,708,532
Provision for expenses and charges	16	33,136,079	6,695,162
Deferred Tax liabilities	17	5,450,972	-
Total Current Liabilities		154,746,419	120,444,068
Total Equity and Liabilities		925,677,405	886,584,796
Contingent Liabilities and Commitments	3.15	1,575,215	5,711,055
Significant Accounting policies and Notes forming part of accounts	1-3		

(The annexed notes form an integral part of these financial statements)
for RAK Pharmaceuticals Pvt. Ltd.


Director


Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011



K.M. Hasan & Co.
Chartered Accountants

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

Amounts in Taka

	Notes	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Net sales	18	129,347,940	16,485,278
Less: Cost of goods sold	19	111,335,523	13,019,177
Gross profit		18,012,417	3,466,101
Less: Operating expenses			
Administrative expenses	20	45,158,599	19,476,412
Marketing , selling & distribution expenses	21	134,771,682	13,241,929
		179,930,281	32,718,341
Operating profit / (loss)		(161,917,864)	(29,252,239)
Financial expenses	22	64,419,799	1,641,947
		(226,337,663)	(30,894,186)
Other income		4,333	54,063
Net profit / (loss) before tax		(226,333,330)	(30,840,124)
Provision for Income Tax:			
Current year		5,000	-
Deferred Tax		4,419,820	-
		4,424,820	-
Net Profit / (Loss) after Tax		(230,758,150)	(30,840,124)
Earning per share for the year	3.23	(91.74)	(12.26)
Significant Accounting Policies and Notes forming part of accounts	1-3		

(The annexed notes form an integral part of these financial statements)
for RAK Pharmaceuticals Pvt. Ltd.


Director


Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011


K.M. Hasan & Co.
Chartered Accountants

RAK Pharmaceuticals Pvt. Ltd.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

Amounts in Taka

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Cash flows from operating activities		
Collection from customers & others	144,924,088	(1,320,014)
Payment to suppliers and operating expenses	(254,162,289)	(73,856,753)
Payments for corporate income tax and VAT		
- Current period	(1,958,211)	(937,907)
Net cash used in operating activities	(111,196,412)	(76,114,674)
Cash flows from investing activities		
Acquisition of non current assets	(52,962,368)	(474,857,338)
(Increase)/Decrease in intangible assets	(7,297,751)	(96,384,374)
(Increase)/Decrease in capital work in progress	-	280,282,215
(Increase)/Decrease in non-current receivables	40,000	54,005,148
Net cash used in investing activities	(60,220,119)	(236,954,349)
Cash flows from financing activities		
Finance charges	(64,419,799)	(1,641,947)
Interest received	4,333	54,063
Repayment of loans	160,053,244	130,302,603
Issuance of new shares for cash	75,365,141	28,500,000
Share money /advance against capital	-	154,813,201
Net cash from financing activities	171,002,919	312,027,920
Net Increase/(decrease) in Cash & cash equivalents	(413,612)	(1,041,103)
Opening cash & cash equivalents	1,515,242	2,556,344
Closing cash & cash equivalents	1,101,630	1,515,242

for RAK Pharmaceuticals Pvt. Ltd.



Director



Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011



K.M. Hasan & Co.
Chartered Accountants


RAK Pharmaceuticals Pvt. Ltd.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

Amounts in Taka

Particulars	Number of shares	Share capital	Share money deposit	Retained earnings	Total
As at 1 January 2010	285,100	28,510,000	419,017,271	(30,840,124)	416,687,147
Addition during the year	4,400,265	440,026,500	(364,661,359)	-	75,365,141
Profit/(loss) for the year	-	-	-	(230,758,150)	(230,758,150)
Adjustment to Prior years	-	-	-	(1,031,152)	(1,031,152)
As at 31 December 2010	4,685,365	468,536,500	54,355,912	(262,629,425)	260,262,986
As at 1 January 2009	100	10,000	264,204,070	-	264,214,070
Addition during the year	285,000	28,500,000	154,813,201	-	183,313,201
Profit/(loss) for the year	-	-	-	(30,840,124)	(30,840,124)
As at 31 December 2009	285,100	28,510,000	419,017,271	(30,840,124)	416,687,147

for RAK Pharmaceuticals Pvt. Ltd.



Director



Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011



K.M. Hasan & Co.
Chartered Accountants

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1 Legal status

RAK Pharmaceuticals Pvt. Ltd. was incorporated in Bangladesh under the Companies Act 1994 on 29 June 2005 as a private company limited by shares with an authorized capital of BDT 500 million divided into 5 million ordinary shares of BDT 100 each. The company has gone into operation from 15 July 2009. The paid up capital stands at BDT 468.54 million as at 31 December 2010.

The registered office of the company is at RAK Tower (10th Floor), Plot No. 1/A, Jasimuddin Avenue, Sector No. 3, Uttara, Dhaka- 1230. The factory is located at Vill : Faridpur, P.S: Sreepur, Dist : Gazipur.

2 Principal activities

The company owns and operates modern pharmaceutical facility which produces and sells pharmaceuticals drugs and medicines including biological and non- biological drugs.

3 Significant accounting policies

These financial statements have been prepared under historical cost convention in accordance with generally accepted accounting principles as laid down in the International Accounting Standards (IASs)/International Financial Reporting Standards (IFRSs), applicable to the company as adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BASs) / Bangladesh Financial Reporting Standards (BFRSs).

The disclosure of information have been made in accordance with the requirements of the above mentioned standards and in compliance with Companies Act 1994 and the Statement of financial position and Statement of comprehensive income have been prepared according to BAS- 1 / IAS- 1 (Presentation of Financial Statements) based on accrual basis following going concern concept.

3.1 Risk and uncertainties for use of estimates in preparation of financial statements

The preparation of financial statements in conformity with the Bangladesh Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, revenue and expenses during the reported period. Actual results could differ from those estimates.

3.2 Property, plant and equipment

Property, plant and equipment are stated in attached Statement of financial statement at cost less accumulated depreciation in accordance with BAS-16/IAS-16. Cost represents the purchases price of the assets and other cost incurred to bring the assets to their existing location and condition.

Subsequent expenditure for 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 administrative expenses are capitalized by adding to the related property, plant and equipment.

All other expenditure for maintenance of property, plant and equipment are charged to income statement.

Upon disposal of items of property, plant and equipment, the cost of those assets and their related accumulated depreciation are adjusted up to the date of disposal and any gain or loss thereof is reported in the statement of comprehensive income of that year.

3.3 Depreciation on fixed assets

Depreciation on fixed assets is charged on straight line method and over the estimated useful life.

Depreciation of assets is charged as and when the assets is available for use and depreciation is provided for the period in use of the assets.

Rates of depreciation on various classes of assets are as under:

Category of fixed asset	Estimated useful life in years	Depreciation Rate (%)
Factory building	40	2.5
General building	40	2.5
Head office building	40	2.5
Plant and machinery	5 to 15	6.67-20
Electrical installation	10	10
Furniture and fixtures	10	10
Office equipment	3	33.33
Vehicles	5	20

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

3.4 Intangible assets/pre operating expenses

An intangible assets shall only be recognized if it is probable that future economic benefits that are attributable to the assets will flow to the company and the cost of the assets can be measured reliably in accordance with BAS 38 "Intangible Assets". Expenditure incurred to acquire, develop designs, brand of the products is capitalized. This is being amortized equally within a period of 15 (fifteen) years based on the tenure of accrual of benefits. Pre operating expenses are also amortized equally in 15 years.

3.5 Accounts receivable

Accounts receivable has been stated at its original invoiced amount after deducting credit balance that have a legally enforceable right to set off or are intended either to be settled.

3.6 Valuation of inventories

Inventories are stated at lower of cost and net realizable value in compliance with the requirements of paras 21 and 25 of BAS-2/IAS-2 "Inventories".

a) Raw materials, packing, promotional and consumable spare parts

Raw materials, packing, promotional and consumable spare parts are stated at weighted average cost.

b) Finished products

Finished products are stated at lower of cost and net realizable value. Cost comprises cost of raw materials, wages and other direct cost those contribute in transforming raw materials into finished products. Cost is calculated using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

c) Work-in-process

Work-in-process is stated at cost of completion of respective product. Cost comprises cost of raw materials, wages and other related direct cost up to the stage of completion.

d) Goods in transit

Goods in transit is valued at original cost.

3.7 Revenue recognition

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

3.8 Creditors and accruals

Liabilities are recorded at the level of cost/estimated amount payable in settlement.

3.9 Foreign currency translation

Foreign currency transactions are recorded in BDT at the applicable rates of exchange ruling at the transaction date.

The monetary assets and liabilities, if any, denominated in foreign currencies at the Statement of financial position date are translated at the applicable rates of exchanges ruling at that date. Exchange differences are charged off as revenue expenditure to Statement of comprehensive income in compliance with the provisions of BAS-21/IAS-21 (The effects of changes in foreign exchange rates).

3.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at banks, term deposits, etc which are available for use by the company without any restrictions. There is no significant risk of change in value of the same.

3.11 Statement of cash flows

Statement of cash flows is prepared principally in accordance with BAS- 7 "Statement of Cash Flows" and the cash flow from operating activities has been prepared under direct method.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

3.12 Provision for current/deferred tax

This is the second year of operation and the company doesn't have any operating profit. No provision made for current year except minimum tax payable of Taka 5000/-.

Deferred Tax resulting from "Timing difference" between books and taxable profit calculated as per IAS/BAS-12 is accounted using the tax rates and laws that have been enacted or substantively enacted as on Statement of financial position date.

Further the Deferred Tax liabilities pertaining to year 2009 was charged to retained earning and for the year ended 31 December 2010 charged to Statement of comprehensive income.

3.13 Borrowing costs

In compliances with the requirement of BAS-23 (Borrowing Costs), borrowing costs relating to operational period of long term loans, short term loans and overdraft facilities was charged to Statement of comprehensive income as an expense as incurred.

3.14 Paid to directors

During the year no amount was paid by the company for compensating any member of the board including the Managing Director for rendering services except Board meeting amounting to Tk. 7,000/-

3.15 Contingent liabilities and commitments

Contingent liabilities are disclosed in respect of possible obligation that arise from past events but their existence will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company. A provision is made based on reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation and in respect of which a reliable estimate can be made. Provision is not discounted and is determined based on best estimate required to settle the obligation at the period end date. Contingent Assets are not recognised nor disclosed in financial statements. The bifurcation is as under :-

Amounts in Taka

Nature of transaction	31 Dec 2010	31 Dec 2009
Letter of Guarantee	819,143	-
Letter of Credit	756,072	5,711,055
Total	1,575,215	5,711,055

3.16 Related party disclosure under IAS-24

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

Name of related party	Holding	Nature of business	Relationship	Country of incorporation
RAK Ceramics (Bangladesh) Ltd.	55%	Manufacturer of Ceramics & Sanitaryware	Parent Company	Bangladesh
RAK Power Pvt. Ltd.	-	Electricity generation & distribution	Fellow Subsidiary	Bangladesh
RAK Security & Services Pvt. Ltd.	-	Security service provider	Fellow Associate	Bangladesh
Key Management Personnel	30%	1. Mr. S.A.K. Ekramuzzaman	Managing Director	
	5%	2. Mr. Md. Amir Hossain	Director	

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

b) Transaction with related parties:

Amounts in Taka

Nature of transaction	Holding company	Key Management Personnel & their relative	Other Enterprises over which key mngt. Personnel's have significant influence
Purchase of goods/services	-	-	11,575,573
Sale of goods/services	-	-	-
Outstanding receivables	-	-	-
Outstanding payable	-	-	607,595
Borrowings	500,000,000	-	-
Interest on Borrowings	19,300,375	-	-

3.17 Transaction in foreign currency

Amounts in Taka

Nature of transaction	CIF Value
Raw & Packing Material	43,979,470
Spare parts	1,470,150
Capital machinery	1,286,036
Total	46,735,656

3.18 Impairment

The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each Statement of financial statement date. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. In assessing the recoverable amount, the estimate future cash flows are discounted to their present value at appropriate discount rates.

3.19 Amount paid to Auditors

Nature of transaction	Amounts in Taka
Audit fee	25,000
Taxation matters	30,000
Other Matters	-

3.20 Trade debtors

Nature of transaction	Amounts in Taka
Debts outstanding for period exceeding six months	1,203,509
Other Debts	9,458,550

3.21 Events after the reporting period:

No material events occurred after the reporting date, non-disclosure of which could affect the ability of the users of these financial statements to make appropriate evaluation.

3.22 Number of employees

The number of employees engaged for the period who received total remuneration of Taka 36,000 and above was 593. None of receiving below Taka 3,000 per month.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

3.23 Earnings per share (EPS)

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Net profit available to E/S as per Income Statement	(230,758,150)	(30,840,124)
Number of Equity Shares	4,685,365	285,100
Adjusted nos. of Equity share (weighted average)	2,515,371	2,515,371
Nominal Value of per Share	100	100
Earnings per Share for the year	(91.74)	(12.26)

3.24 Segment reporting

As there is single business and geographical segment within which the company operates as such no segment reporting is felt necessary.

3.25 Quantity details of production, sales and closing stock

Product group	Unit	Opening stock	Production	Sales	Closing stock
Tablet	Pcs.	7,746,980	25,189,212	22,498,486	10,437,706
Capsule	Pcs.	2,243,529	9,286,317	9,679,354	1,850,492
Dry syrup	Pcs.	29,965	141,475	138,879	32,561
Topical	Pcs.	-	126,781	82,962	43,819

3.26 Summarized quantity of purchase, issues and stock of raw materials are stated below by their major product group

Raw materials	Unit	Opening stock	Purchases	Consumption	Closing stock
Active	KG	3,760	13,648	13,413	3,995
Excipient	KG	4,681,704	14,024,927	9,793,458	8,913,173

3.27 Summarized quantity of purchase, issues and stock of packaging materials are stated below by their major product group

Packaging materials	Unit	Opening stock	Purchases	Consumption	Closing stock
Primary	Pcs	207,137	1,022,289	718,504	510,922
Secondary	Pcs	889,260	4,342,271	3,440,779	1,790,752

3.28 Capacity utilization-single shift

Production	Unit	Installed Capacity (qty)	Actual production	% of Utilization
Tablet	Pcs	173	25.20	14.57
Capsule	Pcs	33	9.29	28.15
Dry syrup	Pcs	14.88	0.14	0.94
Topical	Pcs	1.12	0.13	11.61

3.29 Others

- These Notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.
- Figures in these notes and annexed financial statements have been rounded off to the nearest Taka.
- Previous period figures have been regrouped, rearranged and/or restated wherever considered necessary for the purpose of current period financial presentation.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

4 Property, Plant & Equipment :

Amounts in Taka

Particulars	Cost				Rate	Depreciation				Net book value
	Opening Balance as at 01 Jan 2010	Addition	Sale/ Adjustment	Closing Balance as at 31 Dec 10		Opening Balance as at 01 Jan 2010	Changed for the year	Adjustment	Closing balance as at 31 Dec 10	At 31 Dec 10
Land	21,470,330	-	-	21,470,330	-	-	-	-	-	21,470,330
Factory building	187,628,039	52,115,622	-	239,743,661	2.50%	2,184,710	5,993,591	-	8,178,301	231,565,360
General building (Factory)	2,763,064	9,148,816	-	11,911,880	2.50%	32,173	297,798	-	329,971	11,581,909
General building (Corporate)	67,067,800	-	-	67,067,800	2.50%	780,926	1,676,695	-	2,457,621	64,610,179
Plant and machinery	161,179,507	142,838,328	-	304,017,835	6.67%	4,851,655	20,017,220	-	24,868,875	279,148,960
Furniture and fixtures	22,390,504	3,231,319	-	25,621,823	10%	988,394	2,379,185	-	3,367,579	22,254,244
Vehicles	12,353,566	11,123,579	2,980,482	20,496,663	20%	1,150,743	2,643,868	277,025	3,517,586	16,979,077
Motor Cycle	1,827,030	1,543,471	-	3,370,501	20%	61,068	490,396	-	551,464	2,819,037
Office equipment	7,113,036	3,741,544	-	10,854,580	33.33%	979,794	2,885,059	-	3,864,853	6,989,727
Electrical installation	46,354,737	-	-	46,354,737	10%	2,158,988	4,635,474	-	6,794,462	39,560,275
Total as at 31 December 2010	530,147,613	223,742,679	2,980,482	750,909,810		13,188,451	41,019,286	277,025	53,930,712	696,979,098
Total as at 31 December 2009	55,290,274	474,857,338	-	530,147,613		-	13,188,451	-	13,188,451	516,959,162

Allocation of depreciation to:

Manufacturing overhead	30,392,563
Administrative overhead	9,275,738
Marketing & selling overhead	1,350,985
Total	41,019,286

Statement of disposal of Fixed Assets for the year ended 31 December 2010.

Particulars	Year of booking	Original cost	Accumulated depreciation	Net book value	Sale value	Gain/(Loss)	Mode of disposal
Vehicles	2007	1,323,482	277,025	1,046,457	1,046,457	-	Sale
Vehicles	2010	1,657,000	-	1,657,000	1,535,000	(122,000)	Stolen & Claim in progress
Total		2,980,482	277,025	2,703,457	2,581,457	(122,000)	

5 Intangible assets:

	As at 31 Dec 2010	As at 31 Dec 2009
Opening balance	96,384,374	54,099,238
Add: Addition during the year	15,785,273	46,878,026
	112,169,647	100,977,264
Less: Amortization	(8,487,522)	(4,592,890)
Closing Balance	103,682,125	96,384,374

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)**6 Capital work in progress:**

Amounts in Taka

	As at 31 Dec 2010	As at 31 Dec 2009
Heavy equipment and machinery	-	60,328,554
Building	-	110,451,757
	-	170,780,311

7 Non current receivables:

Grameen Phone	2,000	2,000
Mymensingh PBS-2	36,090	36,090
BOC Bangladesh Ltd.	-	40,000
Land Phone T & T	16,000	16,000
	54,090	94,090

8 Inventories :

Raw materials	27,251,861	16,285,007
Packaging materials	9,131,208	5,066,062
Stores & consumable materials	2,954,934	1,235,308
Literature & promotional materials	4,260,581	939,530
Work in process	7,999,068	3,578,409
Finished goods	36,515,935	23,870,928
Goods in transit	169,895	681,455
	88,283,481	51,656,699

9 Trade & others receivables :

Trade receivables	10,662,059	559,748
Advance to suppliers	2,300,714	36,294,461
Other advances (9.1)	12,335,740	10,350,423
Prepaid Expenses	6,329,971	-
	31,628,484	47,204,632

9.1 Other advances:

Value added tax (VAT)	438,328	4,334,406
House rent	362,000	-
VAT on finished goods - Inventory	2,816,870	1,645,161
Claim receivable	1,535,000	-
Other Loans and advances	7,183,542	4,370,856
	12,335,740	10,350,423

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

10 Advance corporate income Tax

Amounts in Taka

	As at 31 Dec 2010	As at 31 Dec 2009
AIT on Import	3,889,098	1,955,314
TDS on Interest on Bank Deposits	59,400	34,973
	3,948,498	1,990,287

11 Cash & bank balance

Cash in hand	395,463	527,697
Cash at bank:		
- Current account	623,537	268,558
- Short term deposit account	716	301,086
- Margin money deposit account	81,914	417,900
	1,101,630	1,515,242

12 Share capital

Authorised capital:				
5,000,000 ordinary shares of Tk.100 each			500,000,000	500,000,000
Issued, subscribed, called and paid up capital:				
4,685,365 ordinary shares of Tk.100 each (Previous year 285,100 @ Tk. 100 each)			468,536,500	28,510,000
Particulars of share holdings are as follows:				
Name of Shareholders:	No. of Shares	Per share		
RAK Ceramics (Bangladesh) Ltd.	2,576,948	100	257,694,800	16,505,500
Mr. S.A.K. Ekramuzzaman	1,405,608	100	140,560,800	9,003,000
Mr. Syed AK Anwaruzzaman	468,536	100	46,853,600	1,500,500
Mr. Md. Amir Hossain	234,268	100	23,426,800	1,500,500
(Late) Mr. Muzammal Haque	5	100	500	500
	4,685,365		468,536,500	28,510,000

13 Share money deposits:

RAK Ceramics (Bangladesh) Ltd.	54,355,912	239,545,212
Mr. S.A.K. Ekramuzzaman	-	130,558,858
Mr. Syed AK Anwaruzzaman	-	43,413,201
Mr. Md. Amir Hossain	-	5,000,000
(Late) Mr. Muzammal Haque	-	500,000
	54,355,912	419,017,271

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

14 Borrowings

Amounts in Taka

	As at 31 Dec 2010	As at 31 Dec 2009
Non-Current :		
Secured		
Long term loan	13,138,627	384,851,464
Current portion of term loan	(2,470,627)	(35,397,883)
	10,668,000	349,453,581
Unsecured		
Long term loan	500,000,000	-
	500,000,000	-
Total non current borrowings	510,668,000	349,453,581
Current :		
Secured		
Bank overdraft	93,189,587	40,654,212
Short Term Borrowings	10,887,143	31,656,437
Current portion of term loan	2,470,627	35,397,883
Total Current Borrowings	106,547,357	107,708,532
Total Borrowings	617,215,357	457,162,113

Maturity profile of borrowings

As at 31 December 2010	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total
Bank Overdrafts	93,189,587	-	-	-	93,189,587
Short-term loans	10,887,143	-	-	-	10,887,143
Term loans & others	2,470,627	77,330,913	433,337,087	-	513,138,627
	106,547,357	77,330,913	433,337,087	-	617,215,357

As at 31 December 2009	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total
Bank Overdrafts	40,654,212	-	-	-	40,654,212
Short-term loans	31,656,437	-	-	-	31,656,437
Term loans & others	35,397,883	96,576,334	144,864,501	108,012,746	384,851,464
	107,708,532	96,576,334	144,864,501	108,012,746	457,162,113

15 Trade & other payables:

	As at 31 Dec 2010	As at 31 Dec 2009
Trade payables	9,047,886	5,686,968
Tax & Vat deducted at source	564,125	353,406
	9,612,011	6,040,374

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

16 Provision for expenses and charges :

Amounts in Taka

	As at 31 Dec 2010	As at 31 Dec 2009
Payment to personnel	11,854,774	6,293,378
Electricity	70,000	42,800
Rent	-	46,000
Telephone	89,500	41,000
Interest	19,451,805	8,806
Professional charges	25,000	26,178
Hiring charges	295,000	237,000
Provision for others expenses	1,345,000	-
Provision for corporate tax	5,000	-
	33,136,079	6,695,162

17 Deferred tax liabilities

Year 2010	4,419,820	-
Year 2009	1,031,152	-
	5,450,972	-

18 Sales

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Tablets	76,263,408	11,488,338
Capsules	56,378,170	6,981,246
Topical	3,194,696	735,765
Dry syrup	14,854,076	-
Gross sales	150,690,350	19,205,349
Less: VAT	21,342,410	2,720,071
Net sales	129,347,940	16,485,278

19 Cost of goods sold

Raw material consumed	38,865,000	11,775,071
Packing material consumed	11,276,067	3,667,801
Direct labour	20,840,772	7,169,214
Direct expenses		
Power & gas	9,605,111	6,222,362
Repairs and indirect material	6,267,963	772,396
Depreciation	30,392,563	7,010,643
Other production overhead	11,153,713	3,851,027
Movement in stock	(17,065,666)	(27,449,337)
	111,335,523	13,019,177

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)**20 Administrative expenses**

Amounts in Taka

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Staff cost	17,565,687	5,771,950
Telephone, internet & fax	1,138,577	412,883
Office repair and maintenance	4,837,685	2,186,159
Depreciation	9,275,738	5,735,831
Amortization	8,487,522	4,592,890
Legal & professional fees	1,287,890	209,318
Foreign exchange loss	72,113	-
Others	2,371,388	567,381
Loss on sales of fixed assets	122,000	-
	45,158,599	19,476,412

21 Marketing, selling & distribution expenses

Staff cost	51,079,620	5,449,826
Field expenses	41,343,575	-
Physician sample	1,928,931	-
Business promotional expenses	18,539,307	5,115,149
Freight & transportation	3,329,683	-
Performance rebates	5,844,612	-
Other expenses	11,354,968	2,234,977
Depreciation	1,350,985	441,978
	134,771,682	13,241,929

22 Financial expenses

Bank charges	915,402	134,790
Interest charges	63,504,397	1,507,156
	64,419,799	1,641,947

RAK Food & Beverage Pvt. Ltd.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Dear Shareholders,

The Board of Directors of company takes the opportunity to welcome you all at the 3rd Annual General Meeting (AGM) and is pleased to place before you the Annual report containing the Audited Financial Statements and the auditors report thereon for the year ended 31 December 2010 for your kind consideration and approval.

Project Status

The company was formed in August 2008 and not much business activities started yet. The company is looking forward to initiate some business activities in days to come.

Auditors

M/s. Habib Sarwar & Co., Chartered Accountants, the retiring auditor of the company, having not agreed to continue the office as auditor of the company. The Board of Directors recommended to appoint M/s. K.M. Hasan & Co., Chartered Accountants, as new auditor of the company to hold office from the conclusion of 3rd annual general meeting to the conclusion of the next annual general meeting.

Appreciation:

The Board would like to take this opportunity to thank Government bodies, its shareholders, investors, bankers & employees for their continuous commitment, cooperation, confidence and support in company objectives.

On behalf of the Board Directors



Dr. Khater Massaad
Chairman

Dhaka, Bangladesh

Dated, 27 January 2011

RAK Food & Beverage Pvt. Ltd.

AUDITORS REPORTS TO THE SHAREHOLDERS OF RAK FOOD & BEVERAGE PVT. LTD.

We have audited the accompanying Statement of Financial Position of RAK Food & Beverage Pvt. Ltd. as at 31 December 2010 and the related Statement of Comprehensive Income for the year then ended together with notes thereto as prepared and produced to us by the management of the company for our verification. The preparation of these financial statements is the responsibility of company management while our responsibility is to express an independent opinion of these financial statements based on our audit.


We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material statements. An audit includes examination on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, prepared in accordance with Bangladesh Accounting Standards (BAS), give a true and fair view of the state of the Company's operations as at 31 December 2010 and comply with the applicable laws and regulations.

We also report that:

- A. 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,
- B. In our opinion, the organization as required by law has kept proper books of accounts so far as it appeared from our examination of those books and records.
- C. The financial statements dealt with by the report are in agreement with the books of accounts,

Dhaka, Bangladesh
Dated, 27 January 2011


Habib Sarwar & Co.
Chartered Accountants


RAK Food & Beverage Pvt. Ltd.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

Amounts in Taka

	Notes	As at 31 Dec 2010	As at 31 Dec 2009
ASSETS			
Non-Current Assets			
Fixed Assets	2	-	676,700
Non-Current receivable	3	203,451	203,451
Total Non-Current Assets		203,451	880,151
Current Assets			
Cash and Bank Balance	4	178,017	259,398
Total Current Assets		-	-
Total Assets		381,468	1,139,549
EQUITY AND LIABILITIES			
Capital and Reserves			
Share Capital	5	2,000,000	2,000,000
Share Money Deposits	6	-	3,445
Retained Earnings		(1,647,532)	(1,127,473)
Total Capital and Reserves		352,468	875,973
Current Liabilities			
Trade and other Payables	7	24,000	263,576
Provision for Taxation		5,000	-
Total Current Liabilities		29,000	263,576
Total Equity and Liabilities		381,468	1,139,549
Significant accounting policy & Notes forming parts of accounts	1		


for RAK Food & Beverage Pvt. Ltd.


Director


Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011


Habib Sarwar & Co.
Chartered Accountants

RAK Food & Beverage Pvt. Ltd.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

Amounts in Taka

	Notes	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Operating Expenses			
Administrative expenses	8	215,114	396,611
Loss on sale of Fixed Assets		298,945	-
Financial expenses		1,000	250
		515,059	396,861
Operating Profit/(loss)		(515,059)	(396,861)
Provision for Income Tax		(5,000)	-
Net Profit/(Loss) after tax		(520,059)	(396,861)
Earnings per share (EPS) for the year	1.7	(26.00)	(19.84)
Significant accounting policy & Notes forming parts of accounts	1		

for RAK Food & Beverage Pvt. Ltd.




Director



Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011



Habib Sarwar & Co.
Chartered Accountants

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

Amounts in Taka

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Cash flows from operating activities:		
Received/(Paid) to suppliers/ Others	(76,936)	110,615
Payment to Employees	-	(130,000)
Net cash from operating activities	(76,936)	(19,385)
Cash flows from investing activities:		
Preliminary expenses	-	(39,713)
Net cash used in investing activities	-	(39,713)
Cash flows from financing activities:		
Financial expenses	(1,000)	(250)
Share Money Deposits	(3,445)	-
Net Cash used in financing activities	(4,445)	(250)
Net changes in cash and cash equivalents	(81,381)	(59,348)
Cash and cash equivalents at the beginning of the period	259,398	318,746
Cash and cash equivalents at the end of the period	178,017	259,398

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

Amounts in Taka

Particulars	Share capital	Share Money Deposits	Retained earnings	Total
Balance as at 1 January 2010	2,000,000	3,445	(1,127,473)	875,972
Issue of ordinary shares	-	-	-	-
Receipt / (Paid) during the year	-	(3,445)	-	(3,445)
Profit / (Loss) for the period	-	-	(520,059)	(520,059)
Balance as at 31 December 2010	2,000,000	-	(1,647,532)	352,468
Balance as at 1 January 2009	2,000,000	3,445	(730,612)	1,272,833
Profit / (Loss) for the period	-	-	(396,861)	(396,861)
Balance as at 31 December 2009	2,000,000	3,445	(1,127,473)	875,973

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. Backgrounds and Principal Activity:

RAK FOOD & BEVERAGE PRIVATE LIMITED has been incorporated in Bangladesh under the Companies Act 1994 on 20th August, 2008 as a private company limited by shares with an authorized capital of BDT 200,000,000 divided into 2,000,000 ordinary shares of BDT 100 each. The paid up capital stands at BDT 2,000,000 as at 31 December 2010.

1.1. Principal activities

The main objects of the company is to carry on the business and to act for business on Joint Venture basis to manufacture, produce, sales, import & Export of all types of foods, food products, bottled drinking water and beverages items in Bangladesh and abroad.

1.2 Significant accounting policies

The financial statements have been prepared on a going concern concept under historical cost convention in accordance with generally accepted accounting principles(GAAP) as laid down in the International Accounting Standards (IASs)/International Financial Reporting Standards (IFRSs), applicable to the company as adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BASs) / Bangladesh Financial Reporting Standards (BFRSs).

The disclosures of information have been made in accordance with the requirements of the above mentioned standards and in compliance with Companies Act 1994 and the balance sheet and income statement have been prepared according to BAS- 1 / IAS- 1 (Presentation of Financial Statement), BAS-16/IAS-16 (Property, Plant & Equipments) based on accrual basis and other applicable laws and regulations.

1.3. Fixed Assets and Depreciation:

Assets has been shown at cost less depreciation as per BAS-16 (Property, Plant & Equipments). Depreciation has been charged on straight-line method as per following rate.

Category of Assets	Rate
Fixture & Furniture	10%
Computer and Accessories	10%
Interior Decoration	15%

Upon disposal of items of property, plant and equipment, the cost of those assets and their related accumulated depreciation are adjusted up to the date of disposal and any gain or loss thereof is reported in the income statement of that year.

1.4. Cash and Cash equivalent :

Cash and cash equivalents include cash in hand, cash at banks which are available for use by the Company without any restrictions. There is no significant risk of change in value of the same.

1.5 Payment to directors

During the year no amount was paid by the Company for compensating any member of the board including the Managing Director for rendering services except following fees for Board meeting.

Nature of Meeting	Amounts in Taka
Board Meeting	1,000

1.6 Amount paid to Auditors

During the year the following amount will be paid to the auditor.

Nature of transaction	Amounts in Taka
Audit fee	14,000

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

1.7 Basic Earning per share (EPS)

Earnings per share has been calculated in accordance with BAS-33(Earnings per share) which has been shown on the face of Income Statement. This has been calculated by dividing the basic earnings by the number of ordinary shares outstanding during the year.

Amounts in Taka

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Net Profit for the year attributable to shareholders	(520,059)	(396,861)
Number of share outstanding during the year	20,000	20,000
Basic & Diluted EPS	(26.00)	(19.84)

1.8 Provision for Current/Deferred Taxation

The Company has not done any business, so income tax provision has been made for minimum tax payable as per Income tax ordinance. Further there is no such timing difference between Profit as per Income Tax ordinance and accounting profit as per financial statements, hence no Deferred Tax liabilities / Assets calculated as per IAS/BAS-12 for the year ended Dec 31st '2010.

1.9 Number of Employee

The Company has not done any business hence no salary is over and above specified in Schedule XI of Companies Act.

1.10 Others

- These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.
- Figures in these notes and annexed Statement of financial Position have been round-off to the nearest Taka.
- Previous year figures have been regrouped, rearranged and/or restated wherever considered necessary for purpose of current period financial presentation.

2. Fixed Assets as at 31 December 2010

Amounts in Taka

Assets Category	Cost				Rate	Depreciation				Net book value
	As at 1 January 2010	Addition	Sale/ Disposal	Total at 31 December 2010		As at 1 January 2010	During the year	Adjustment	Total as at 31 December 2010	At 31 Dec 2010
Fixture & Furniture	355,000	-	355,000	-	10%	71,000	32,542	103,542	-	-
Computer and Accessories	84,000	-	84,000	-	10%	16,800	7,700	24,500	-	-
Interior Decoration	465,000	-	465,000	-	15%	139,500	63,938	203,438	-	-
Grand Total	904,000	-	904,000	-		227,300	104,179	331,479	-	-
31 December 2009	904,000	-	-	904,000		113,650	113,650	-	227,300	676,700

Statement of Disposal of Fixed Assets

Particulars	Year of Booking	Original Cost	Accumulated Depreciation	Net Book Value	Sale value	Gain / (Loss)
Fixture & Furniture	2008	355,000	103,542	251,458	93,576	(157,882)
Computer and Accessories	2008	84,000	24,500	59,500	30,000	(29,500)
Interior Decoration	2008	465,000	203,438	261,563	150,000	(111,563)
Total		904,000	331,479	572,521	273,576	(298,945)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 (Contd...)

Amounts in Taka

	As at 31 Dec 2010	As at 31 Dec 2009
3. Non Current Receivable		
Preliminary Expenses		
Company formation Exp.	195,046	195,046
Trade License	7,105	7,105
Tin Certificate	1,300	1,300
	203,451	203,451
4. Cash and Bank Balance		
Cash in Hand	1,903	2,283
Cash at Bank		
- Current Accounts	176,115	257,115
	178,017	259,398
5. Share Capital		
Authorized Capital		
2,000,000 Equity Shares of Tk. 100 each	200,000,000	200,000,000
Issued, Subscribed Capital		
20,000 Equity Shares of Tk. 100 each	2,000,000	2,000,000
Name of Shareholder's		
RAK Ceramics (Bangladesh) Ltd.	1,020,000	1,020,000
Mr. S.A.K Ekramuzzaman	680,000	680,000
Mr. S. Peruma Reddy	100,000	100,000
Mr. Md. Amir Hossain	100,000	100,000
Mr. Abul Hasnat Md. Zaker	100,000	100,000
	2,000,000	2,000,000
6. Share Money Deposits		
Mr. S. Peruma Reddy	-	3,445
	-	3,445
7. Trade and other payables		
Legal and Professional fees		
- Audit Fees	4,000	-
- Other matters	20,000	-
	24,000	-
	Year ended 31 Dec 2010	Year ended 31 Dec 2009
8. Administrative Expenses		
Salary and Allowance	-	130,000
Meeting fees	1,000	-
Office rent	-	144,000
Entertainment	-	220
Office Expenses	-	500
Audit fees	18,000	4,000
Legal and professional fees	31,935	-
Tours and Travelling	60,000	4,241
Depreciation	104,179	113,650
	215,114	396,611

Classic Porcelain Pvt. Ltd.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Dear Shareholders,

The Board of Directors of company takes the opportunity to welcome you all at the 2nd Annual General Meeting (AGM) of the shareholders and is pleased to place before you the Annual report containing the Audited Financial Statements and the auditors report thereon for the period ended 31 December 2010 for your kind consideration and approval.

Project Status

The company was formed in August 2008 and not much business activities started yet except initial paid up capital investment in tradable listed securities amounting to Taka 5,826,168/-. The company is looking forward to initiate some business activities in days to come.

Auditors

M/s. Atik Khaled & Co., Chartered Accountants, the retiring auditor of the company, having not agreed to continue the office as auditor of the company. The Board of Directors recommended to appoint M/s. K.M. Hasan & Co., Chartered Accountants, as new auditor of the company to hold office from the conclusion of 2nd annual general meeting to the conclusion of the next annual general meeting.

Appreciation:

The Board would like to take this opportunity to thank Government bodies, its shareholders, investors, bankers & employees for their continuous commitment, cooperation, confidence and support in company objectives.

On behalf of the Board of Directors



Dhaka, Bangladesh

Dated, 27 January 2011

Dr. Khater Massaad
Chairman

Classic Porcelain Pvt. Ltd.

AUDITORS REPORTS TO THE SHAREHOLDERS OF CLASSIC PORCELAIN PVT. LTD.

We have audited the accompanying Financial Statements of Classic Porcelain Pvt. Ltd. consisting of Statement of Financial Position as at 31 December 2010 and the related Statement of Comprehensive Income, Statement of Cash Flow and Statement of Changes in Equity together with Notes thereto for 15 months period then ended.

The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the Bangladesh Standards on Auditing (BSA). These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates and judgments made by the management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements prepared in accordance with Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of state of Company's affairs as at 31 December 2010 and of the results of its operations for 15 months period then ended and comply with the Companies Act 1994 and other applicable laws and regulations;

We also report that:

- 1) we have obtained all the information and explanations to the best of our knowledge and belief which were necessary for the purpose of our audit and made due verification thereof,
- 2) in our opinion, the Company has maintained the books of accounts as required by law so far as appeared from our examination which were necessary for the purpose of our audit; and
- 3) the Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flow and Statement of Changes in Equity dealt with by the report are in agreement with the books of accounts.

Dhaka, Bangladesh
Dated, 27 January 2011

Atik Khaled & Co.
Atik Khaled & Co.
Chartered Accountants

Classic Porcelain Pvt. Ltd.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

Amounts in Taka

	Notes	As at 31 Dec 2010	As at 30 Sep 2009
ASSETS			
Non-Current Assets			
Investment	2	5,826,168	-
Non-current Receivable	3	1,091,980	1,055,796
Total Non-Current Assets		6,918,148	1,055,796
Current Assets			
Loan and Advances	4	2,550,000	7,650,000
Advance Income tax		6,553	-
Cash and Bank Balance	5	1,429,653	1,311,430
Total Current Assets		3,986,206	8,961,430
Total Assets		10,904,354	10,017,225
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	6	10,000,000	10,000,000
Share Money Deposits	7	-	17,225
Retained Earnings		777,543	-
Total Capital and Reserves		10,777,543	10,017,225
Current Liabilities			
Trade and other payable	8	31,488	-
Provision for Income tax		95,323	-
Total Current Liabilities		126,811	-
Total Equity and Liabilities		10,904,354	10,017,225
Significant accounting policy & notes forming parts of accounts	1		

for Classic Porcelain Pvt. Ltd.



Director



Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011

Atik Khaled & Co.
Atik Khaled & Co.
Chartered Accountants

Classic Porcelain Pvt. Ltd.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2010

Amounts in Taka

	Notes	Period ended 31 Dec 2010	Period ended 30 Sep 2009
Turnover			
Cost of sales		-	
Gross profit		-	-
Less: Operating Expenses			
Administrative expenses		-	-
Finance expenses		-	-
Operating Profit/(loss)		-	-
Other Income	9	872,866	-
Net Profit/(Loss) before tax		872,866	-
Provision for tax		(95,323)	-
Net Profit/(Loss) after tax		777,543	-
Earnings per share (EPS) for the year	10	7.78	-
Significant accounting policy & notes forming parts of accounts	1		

for Classic Porcelain Pvt. Ltd.



Director



Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 27 January 2011


Atik Khaled & Co.
Chartered Accountants

STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED 31 DECEMBER 2010

Amounts in Taka

	Period ended 31 Dec 2010	Period ended 30 Sep 2009
A. Cash flows from operating activities:		
Income Tax Paid	(6,554)	-
Net cash from operating activities	(6,554)	-
B. Cash flows from investing activities:		
Preliminary expenses	-	(676,333)
Pre-Operating expenses	(21,184)	(379,463)
Profit from Sale of Shares	876,592	-
Dividend received	3,000	-
Loss on Sale of Shares	(66,263)	-
Investment in others	(5,809,680)	-
Net cash used in investing activities	(5,017,535)	(1,055,796)
C. Cash flows from financing activities:		
Receipt / (Payment) against Loans & Advances	5,100,000	(7,650,000)
Proceeds from issue of ordinary shares	-	10,000,000
Share Money Deposits	(17,225)	17,225
Interest received	59,537	-
Cash generated from financing activities	5,142,312	2,367,225
D. Net changes in cash and cash equivalents (A+B+C)	118,223	1,311,430
E. Cash and cash equivalents at the beginning of the period (01.10.09)	1,311,430	-
F. Cash and cash equivalents at the end of the period (D+E)	1,429,653	1,311,430

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2010

Amounts in Taka

Particulars	Share capital	Share Money Deposits	Retained earnings	Total
Balance as at 1 October 2009	10,000,000	17,225	-	10,017,225
Receipt/(Paid) during the period	-	(17,225)	-	(17,225)
Profit/(Loss) for the period	-	-	777,543	777,543
Balance as at 31 December 2010	10,000,000	-	777,543	10,777,543
Balance as at 19 August 2008	-	-	-	-
Receipt/(Paid) during the period	10,000,000	17,225	-	10,017,225
Profit/(Loss) for the period	-	-	-	-
Balance as at 30 September 2009	10,000,000	17,225	-	10,017,225

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2010

1 Backgrounds and Principal Activity:

Classic Porcelain Private Limited has been incorporated in Bangladesh under the Companies Act 1994 on 19th August, 2008 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 10,000,000 as at 31 December 2010.

1.1 Principal activities

The main objects of the company is to import required raw materials & machineries to produce, manufacture, sale and export of 100% export oriented all types of porcelain/ceramic-made tableware such as bone china, porcelain white ware, crockery, pottery, hand painted wares, mugs, cup and saucer, plated etc. The company may own interests, participate in any manner in other firms or companies which engage in activities similar to the company's activities within or outside Bangladesh with the right to purchase wholly or partially such firms or companies and join same thereto.

1.2 Significant accounting policies

The financial statements have been prepared on a going concern concept under historical cost convention in accordance with generally accepted accounting principles (GAAP) as laid down in the International Accounting Standards (IASs)/International Financial Reporting Standards (IFRSs), applicable to the company as adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BASs) / Bangladesh Financial Reporting Standards (BFRSs). The disclosures of information have been made in accordance with the requirements of the above mentioned standards and in compliance with Companies Act 1994 and the balance sheet and income statement have been prepared according to BAS- 1 / IAS- 1 (Presentation of Financial Statement), BAS-39/IAS-39 (Financial Instrument) based on accrual basis and other applicable laws and regulations.

1.3 Investment:

Quoted shares are considered as investment held for trading (HFT). Investment in different securities are valued at cost. The profit /(Loss) will be recognized in accounts as and when these are sold.

1.4 Payment to directors

During the year no amount was paid by the Company for compensating any member of the board including the Managing Director for rendering services except Board Meeting fees of Taka 1,000/-.

1.5 Amount paid to Auditors

Nature of transaction	Amount (Taka)
Audit fee	8,000

1.6 Provision for Current/Deferred Taxation

The Company has not done any business activities but it have some income from dividend, interest and sale of shares hence provision for current tax has been made in accordance with the income tax ordinance.

Further there is no such timing difference between Profit as per Income Tax ordinance and accounting profit as per financial statements, hence no Deferred Tax liabilities / Assets calculated as per IAS/BAS-12 for 31 December 2010.

1.7 Number of Employee

The Company has not done any business hence no salary is over and above specified in Schedule XI of Companies Act.

1.8 Others

- These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.
- Figures in these notes and annexed financial statements have been round-off to the nearest Taka.
- Previous year figures have been regrouped, rearranged and/or restated wherever considered necessary for purpose of current period financial presentation.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2010 (Contd...)

Amounts in Taka

	Period ended 31 Dec 2010	Period ended 30 Sep 2009
2. Investments		
Investment in Shares	5,826,168	-
	5,826,168	-
3. Non-current Receivable		
3.1 Preliminary Expenses:		
Company Formation	668,033	668,033
Trade License	5,300	5,300
TIN Certificate	3,000	3,000
	676,333	676,333
3.2 Pre-Operating Expenses		
Salary and Allowance	330,000	330,000
Conveyance	770	270
Stamp Expenses	20,350	20,350
Office Expenses	3,700	3,700
Board Meeting Fees	1,000	-
Legal and Professional fees		
- Audit Fees	13,000	-
- Other Charges	25,590	5,905
Bank Charge	2,537	538
Miscellaneous Expenses	18,700	18,700
	415,647	379,463
Grand Total	1,091,980	1,055,796
4. Loan and Advances		
Masrum Agro Ltd.	2,550,000	7,650,000
	2,550,000	7,650,000
5. Cash and Bank Balance		
Cash in hand	12,982	4,742
Cash at Bank		
- Current Account	1,416,671	1,306,688
	1,429,653	1,311,430
6. Share Capital		
Authorized Capital:		
10,000,000 Ordinary Shares @ Tk. 100 each	1,000,000,000	1,000,000,000
Issued and Paid up capital:		
100,000 Ordinary Shares @ Tk. 100 each	10,000,000	10,000,000
Name of Shareholders		
RAK Ceramics (Bangladesh) Ltd.	5,100,000	5,100,000
Mr. S.A.K Ekramuzzaman	3,400,000	3,400,000
Mr. S. Peruma Reddy	500,000	500,000
Mr. Md. Amir Hossain	500,000	500,000
Mr. Engr. Syyed Ahmed	500,000	500,000
	10,000,000	10,000,000

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2010 (Contd...)

Amounts in Taka

	Period ended 31 Dec 2010	Period ended 30 Sep 2009
7. Share Money Deposits		
Mr. S. Peruma Reddy	-	17,225
	-	17,225
8. Trade and other payable:		
Payable to Green Land Equity	16,488	-
Legal and Professional fees		
- Audit Fees	5,000	-
- Other matters	10,000	-
	31,488	-
9. Other Income		
Profit on sale of Shares	876,592	-
Less: Loss on Sale of Shares	(66,263)	-
Net Income from share business	810,329	-
Dividend Income	3,000	-
Interest income	59,537	-
	872,866	-

	Period ended 31 Dec 2010	Period ended 31 Dec 2009
10. Basic Earning per share (EPS)		
Earnings per share has been calculated in accordance with BAS-33 (Earnings per share) which has been shown on the face of Income Statement. This has been calculated by dividing the basic earnings by the number of ordinary shares outstanding during the year.		
Surplus for the year attributable to shareholders (Net profit after tax)	777,543	-
Number of share outstanding during the year	100,000	-
	7.78	-

STATEMENT PURSUANT TO SECTION 186 (1) (e) OF THE COMPANIES ACT, 1994

Name of the subsidiary	RAK Pharmaceuticals Pvt. Ltd.	RAK Power Pvt. Ltd.	RAK Food & Beverage Pvt. Ltd.	Classic Porcelain Pvt. Ltd.
Name of the holding company	RAK Ceramics (Bangladesh) Ltd.	RAK Ceramics (Bangladesh) Ltd.	RAK Ceramics (Bangladesh) Ltd.	RAK Ceramics (Bangladesh) Ltd.
Holding Company's Interest	2,576,948 ordinary shares of Taka 100 each fully paid up	1,168,500 ordinary shares of Taka 100 each fully paid up	10,200 ordinary shares of Taka 100 each fully paid up	51,000 ordinary shares of Taka 100 each fully paid up
Extent of Holding	55%	57%	51%	51%
The 'financial year' of the subsidiary company ended on	31 December 2010	31 December 2010	31 December 2010	31 December 2010
Net aggregate amount of the subsidiary company's profits/(losses) dealt with in the holding Company's accounts	NIL	NIL	NIL	NIL
For the subsidiary's aforesaid financial year	NIL	NIL	NIL	NIL
For the previous financial years since it became subsidiary	NIL	NIL	NIL	NIL
Net aggregate amount of the subsidiary company's profits/(losses) not dealt with in the holding Company's accounts	(144.45) Taka mio	12.30 Taka mio	(0.84) Taka mio	0.39 Taka mio
For the subsidiary's aforesaid financial year	(127.49) Taka mio	9.34 Taka mio	(0.27) Taka mio	0.39 Taka mio
For the previous financial years since it became subsidiary	(16.96) Taka mio	2.96 Taka mio	(0.57) Taka mio	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	N/A	N/A	N/A	N/A
Material changes ,if any,between the end of the financial year of the subsidiary and that of the holding company	N/A	N/A	N/A	N/A

for RAK Ceramics (Bangladesh) Ltd.


Chairman


Company Secretary


Managing Director

Dhaka, Bangladesh
Dated, 27 January 2011

Company Information

Board of Directors

Chairman

Dr. Khater Massaad

Managing Director

Mr. S.A.K. Ekramuzzaman

Directors

Mr. Hamad Abdullah Al Muttawa

Mr. Abdallah Massaad

Mr. Manoj Uttamrao Ahire

Independent Director

Mr. Rafique-ul Huq, Barrister-at-Law

Company Secretary

Mr. Muhammad Shahidul Islam ACS

Audit Committee

Chairman

Mr. Abdallah Massaad

Members

Mr. Manoj Uttamrao Ahire

Independent Director

Mr. Rafique-ul Huq

Member Secretary

Mr. Muhammad Shahidul Islam ACS

Registered Office

RAK Tower (7th, 8th and 9th floor)

1/A Jasimuddin Avenue

Sector-3, Uttara Model Town

Dhaka-1230

Factory

Dhanua, Sreepur, Gazipur, Bangladesh

Auditor

S.F. Ahmed & Co.

Chartered Accountants

(A technical assistant firm of Ernst & Young

International Inc of New York, USA, in Bangladesh)

House-25, Road-13A, Block-D

Banani, Dhaka-1213

Principal Bankers

HSBC

Standard Chartered Bank

Citibank, N.A.

Credit Rating Agency

Credit Rating Information and Services Limited (CRISL)

Nakshi Homes (4th and 5th floor)

6/1A Segunbagicha

Dhaka-1000

Legal Advisor

Mr. Margub Kabir, Barrister-at-Law

Website

www.rakcerambd.com

Contact

Tel : +88(02)8917393, 8912303

Fax : +88(02)8917096

email: cs@rakcerambd.com



RAK Ceramics (Bangladesh) Ltd.

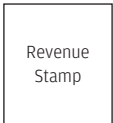
RAK Tower (7th, 8th & 9th floor), 1/A Jasimuddin Avenue, Sector-3, Uttara Model Town, Dhaka-1230.

Proxy Form

I/We
of
being a member of RAK Ceramics (Bangladesh) Limited, do hereby appoint Mr./Ms.
of
as my/our proxy to attend and vote in my/our behalf at the 12th Annual General Meeting of the Company to be held on Sunday, March 20, 2011 at 10.00 am at Golf Garden, Army Golf Club, Airport Road, Dhaka and at any adjournment thereof.

As witness my/our hand this Day of 2011.

.....
(Signature of Proxy)



.....
(Signature of Member)

BO ID No.

BO ID No.

No. of Shares held:

Notes:

1. A member entitled to attend and vote in the AGM may appoint a Proxy to attend and vote in his/her behalf.
2. 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.
3. Signature of the Member(s) must be in accordance with the Specimen Signature recorded with the Company.

.....
(Authorized Signature)

RAK Ceramics (Bangladesh) Limited

.....
(Signature Verified)



RAK Ceramics (Bangladesh) Ltd.

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 12th Annual General Meeting of the Company being held on Sunday, March 20, 2011 at 10.00 am at Golf Garden, Army Golf Club, Airport Road, Dhaka.

Name of the Member(s)/Proxy:

BO ID No.

No. of shares hold:

.....
Signature of member(s)/Proxy

Note: Please present this attendance slip at the registration counter on or before 10:00 a.m. on the AGM date.

