

If it is RAK,
it must be
unique.

Our proprietary technical products include
luminous tiles (emit light in the dark),
antimicrobial tiles (inhibit bacteria growth),
exquisite tile design using the latest digital printing
technology and custom-made designs by the
water jet technology.

Trust through
creativity

Directors' Report for the year ended 31 December 2011

Dear Shareholders,

The directors are pleased to present their report on the activities of the company together with the audited financial statements and auditors' report thereon for the year ended 31 December 2011.

Review of Business

The plant capacity was available in excess of 90 percent of installed capacity during 2011. However, supply was primarily dedicated 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 – 2.5 MW in excess of group company requirement.

Operating result

The operational results of the company for the year ended 2011 as follows:

Particulars	Taka in millions	
	2011	2010
Sales (net of taxes)	239.30	182.68
Gross profit	84.44	41.48
Net profit after tax	40.96	16.39
Depreciation	29.97	29.48

Sales and net profit after tax growth was 31 percent and 150 percent, respectively compare to year 2010.

Dividend

The Board of Directors of the company has recommended cash dividend at the rate of 20 percent for the year 2011. 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.

Post statement of financial position events

No material events occurring after statement of financial position 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, company shareholders, investors, bankers & employees for their continuous commitment, cooperation, confidence and support in attaining company objectives.

On behalf of the Board of Director

Dr. Khater Massaad
Chairman

Dhaka, Bangladesh
Dated: 2 February 2012

Auditors' Report

To the Shareholders of
RAK Power Pvt. Ltd.

We have audited the accompanying financial statements of RAK POWER PVT. LTD., which comprise the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management of RAK POWER PVT. LTD. is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating

the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements, prepared in accordance with Bangladesh Financial Reporting Standard (BFRS), give a true and fair view of the financial position as at 31 December 2011 and its financial performance and its cash flows for the year ended and comply with the Companies Act 1994 and other applicable laws and regulations.

We also report that:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books; and
- 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, 2 February 2012

K. M. Hasan & Co.


K. M. Hasan & Co.
Chartered Accountants

Statement of Financial Position as at 31 December 2011

Amounts in Taka

Particulars	Notes	As at	
		31 Dec 2011	31 Dec 2010
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	291,118,283	320,272,727
Capital work-in-progress	4	–	621,919
Non-current receivables	5	5,873,150	5,314,450
Other non-current assets	6	9,630,933	14,446,401
		306,622,366	340,655,497
Current assets			
Inventories	7	39,984,699	39,883,615
Trade and other receivables	8	23,553,343	6,754,448
Advance income tax	9	3,806,904	3,315,321
Cash and cash equivalents	10	2,962,335	1,667,702
		70,307,281	49,621,086
Total assets		376,929,647	390,276,583
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	205,000,000	205,000,000
Retained earnings		42,038,155	21,578,633
		247,038,155	226,578,633
Non-current liabilities			
Borrowings	12	–	73,788,480
		–	73,788,480
Current liabilities			
Borrowings—current portion	12	77,360,268	28,454,673
Trade and other payables	13	9,291,172	40,276,103
Provision for expenses	14	5,350,923	8,231,513
Provision for employee benefit	15	138,234	–
Provision for corporate tax	16	3,535,905	3,115,080
Deferred tax liabilities	17	33,986,990	9,832,101
		129,691,492	89,909,470
Total equity and liabilities		376,929,647	390,276,583
Significant Accounting Policies & Notes Being Part of Accounts	1-2		


for RAK Power Pvt. Ltd.


Director


Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 2 February 2012


K.M. Hasan & Co.
Chartered Accountants

Statement of Comprehensive Income for the year ended 31 December 2011

Particulars	Notes	Amounts in Taka	
		Year ended 31 Dec 2011	Year ended 31 Dec 2010
Sales	18	239,295,253	182,684,113
Less: Cost of goods sold	19	154,858,879	141,205,615
Gross profit		84,437,374	41,478,498
Operating expenses			
Less: Administrative expenses	20	6,505,363	4,051,301
Operating profit		77,931,012	37,427,197
Less: Financial expenses	21	12,437,266	18,803,564
		65,493,746	18,623,633
Add: Other income	22	41,490	7,595,302
Net profit before tax for the period		65,535,236	26,218,935
Current tax expenses		420,825	-
Deferred tax expenses		24,154,889	9,832,101
		24,575,714	9,832,101
Net profit after tax transferred to retained earning		40,959,522	16,386,834
Earnings per share for the year	2.24	19.98	8.31
Significant Accounting Policies & Notes Being Part of Accounts	1-2		

for RAK Power Pvt. Ltd.


Director


Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 2 February 2012


K.M. Hasan & Co.
Chartered Accountants

Statement of Changes in Equity for the year ended 31 December 2011

Amounts in Taka

Particulars	Share capital	Share money deposit	Retained earnings	Total
Balance as at 01 January 2011	205,000,000	-	21,578,633	226,578,633
Net profit after tax for the year	-	-	40,959,522	40,959,522
Dividend payment-2010	-	-	(20,500,000)	(20,500,000)
Balance as at 31 December 2011	205,000,000	-	42,038,155	247,038,155
Balance as at 01 January 2010	10,000	180,496,200	5,191,799	185,698,000
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

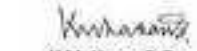

Director

for RAK Power Pvt. Ltd.


Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 2 February 2012.


K.M. Hasan & Co.
Chartered Accountants

Statement of Cash Flows for the year ended 31 December 2011

Particulars	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Cash Flow from Operating Activities		
Cash From Operations		
Cash received from customer and others	220,538,848	204,992,537
Cash paid to customer and others	(162,382,894)	(114,974,043)
Financial expenses	(15,816,991)	(15,580,625)
Payment of Corporate Income Tax	(291,583)	(796,868)
Net Cash Flow from operating activities	42,027,380	73,641,001
Cash Flow From Investing Activities		
Acquisition of property plant and equipment	(815,249)	(5,645,992)
(increase) / decrease in work in progress	621,919	1,476,798
(increase) / decrease in other non-current assets	4,815,468	4,815,464
Net Cash from/(used in) investing activities	4,622,138	(353,730)
Cash Flow From Financing Activities		
Dividend payment	(20,500,000)	-
Payment of term loan	(24,854,885)	(100,453,306)
Increase in paid up capital	-	24,493,800
Net cash from financing activities	(45,354,885)	(75,959,506)
Increase/(Decrease) in Cash and Cash Equivalents	1,294,633	(2,672,235)
Opening Cash and Cash Equivalents	1,667,702	4,339,937
Closing Cash and Cash Equivalents	2,962,335	1,667,702

for RAK Power Pvt. Ltd.



Director



Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 2 February 2012



K.M. Hasan & Co.
Chartered Accountants

Notes to the financial statements for the year ended 31 December 2011

1. The company and its activities

RAK Power Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 30 June 2005 as a private company limited by shares with an authorized capital of BDT 1,000,000,000 divided into 10,000,000 ordinary shares of BDT 100 each. The paid up capital stands at BDT 205,000,000 as on 31 December 2011. The company has gone into operation from 01 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 : Dhansu, P.S: Sreepur, Dist : Gazipur.

The main objects of the company is to set-up power utilities, own and operate power-generating plants, transmission system and distribution system and to sell the generated electric power to any legal entity or any designated franchise area within Bangladesh, and generate electricity based on different available types of fuels such as gaseous, liquid and solid fuels, hydro potential and any other natural resources such as solar, wind, tidal and waste materials.

2. 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.

2.1 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.

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. Cost represents the purchase 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 capitalised 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.

2.3 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 2011 (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.

2.4 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 capitalised also include applicable borrowing cost incurred to acquire specific assets considering the requirements of BAS-23: "Borrowing Costs".

2.5 Intangible assets

An intangible assets shall only be recognised 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 amortised equally within a number of years based on the tenure of accrual of benefits.

2.6 Accounts receivable

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

2.7 Valuation of inventories

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

2.8 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from sale of electricity is recognised 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".

2.9 Borrowing cost

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

2.10 Creditors and accruals

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

2.11 Foreign currency transaction

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 the date. Exchange rate differences are charged off as revenue expenditure to statement of comprehensive income in compliance with the provisions of BAS-21/IAS-21-The effect of changes in foreign exchange rates.

Notes to the financial statements for the year ended 31 December 2011 (Contd...)

2.12 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.

2.13 Statement of cash flows

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

2.14 Current and Deferred Taxation

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

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, 2010 and 2011 was charged of the year ended 31 December 2011. Provision for income tax of the year 2010 was re-stated as deferred tax liabilities in the current year charged to statement of comprehensive income.

2.15 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 Pharmaceutical's Pvt. Ltd	Fellow Subsidiary
RAK Security & Services (Pvt.) Ltd	Fellow Associate
Engr. Md. Maqsoodul Karim	Key Management Personnel
S.A.K. Easamuzzaman	Key Management Personnel
Md. Amir Hossain	Key Management Personnel

b) Transaction with related parties:

Amounts in Taka

Nature of transaction	Parent Company	Key Management personnel	Other Related parties
Purchase of goods/services	251,737	-	1,020,026
Sale of goods/services	199,138,599	-	7,589,344
Genet rental	5,478,261	-	-
Interest on borrowing	12,182,504	-	-
Outstanding receivables	18,260,805	-	508,873
Outstanding payables	6,083,824	-	79,332
Dividend payment	11,685,000	-	-
Borrowing	74,782,229	-	-

2.16 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 the following fees.

Nature of Meeting	Amounts in Taka
Executive Meeting	25,000
Board Meeting	7,000

Notes to the financial statements for the year ended 31 December 2011 (Contd...)

2.17 Transaction in foreign currency

Nature of transaction	Amounts in Taka
CF value of imported spare parts	7,350,347

2.18 Trade Receivable

Particulars	Amounts in Taka
Debt outstanding for a period exceeding six months	nil
Other receivables	21,294,413

2.19 Contingent liabilities and commitments

Nature of transaction	Amounts in Taka
Letter of Guarantee	14,144,250

2.20 Amount paid to auditors

Nature of transaction	Amounts in Taka
Audit fee	25,000
Taxation matters	40,000
Company law matter	17,790
Employee benefit schemes	90,000

2.21 Capacity utilisation

(MWH)		(KWH)		Annual utilisation	Over/under utilisation
Licensed Capacity	Installed capacity	Standard capacity @ 85%	Actual utilisation for 2011		
10MW	9 M.W	67,014,000	30,879,890	76%	(24%)

2.22 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.

2.23 Employees' benefit

i) Provident Fund

The company operates a recognised contributory provident fund for eligible employees with effect from 01-01-2011 and is administered by a duly constituted independent Trust and equal contribution @ 10 percent of basic salary is made by both the employees and employer (the Company).

ii) Gratuity

The company operates a gratuity scheme for its employees with effect from 01-01-2011. Each employee who has completed three years of service is eligible to one month's basic pay as gratuity for each completed year of service.

2.24 Earnings Per Share

Particulars	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Calculation of earning per share (EPS) is as under:		
Net profit after tax	40,959,522	16,386,834
Number of ordinary shares	2,050,000	2,050,000
Weighted number of ordinary shares outstanding	2,050,000	1,972,570
Earnings per share (EPS) for the year	19.98	8.31



In view of a challenging business reality, we focused on growing the consumer's spending on tiles and flooring as a proportion of the spending on interiors, and then focused on growing the proportion of consumer tile spending on RAK products over competing alternatives.

Even though it was a challenging 2011 for most sectors and companies, we sustained our marketing focus through distinctive initiatives:

- We continued to offer the widest tile range in Bangladesh; towards the close of 2011, we possessed a repertoire of more than 1,000 active tile variants (ceramic and porcelain).
- We addressed a wide size range that catered to consumer preferences from homes to offices to hotels - from 20x30 cm to 60x60 cm including décor, border and cladding tiles.
- We recognised a secular trend towards value-added tiles; we introduced the largest variety of gres porcellanito across several variants (salt and pepper, soluble salt, glazed porcelain, polished porcelain, double charge, MDR, double charge with soluble salt, granite, dry glaze and twin press, among others) and finishes (rustic, antique, modern, cotto, stone, brick and marbo, among others). We launched 48 new models in the red body category and 30 new variants in gres porcellanito tiles.
- We recognised that an increasing number of consumers desire to buy all their bathroom supplies from a single destination. In view of this, we manufactured the largest range of sanitaryware products (more than 40 models) across Bangladesh, widening choice. We launched the 'Metropolitan' and 'Infinity' sanitaryware ranges during 2011.

Notes to the financial statements for the year ended 31 December 2011 (Contd...)

2.25 Segment Reporting

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

2.26 General

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

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

2.26.3 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

Amounts in Taka

Particulars	COST				Rate (%)	DEPRECIATION				Net book value as at 31 Dec 2011
	Balance as at 01 Jan 2011	Additions during the year	Sales/ Disposal	Total as at 31 Dec 2011		Balance as at 01 Jan 2011	Charge during the year	Adjustment during the year	Total as at 31 Dec 2011	
Land	10,304,000	-	-	10,304,000	-	-	-	-	-	10,304,000
Building	18,551,068	644,063	-	19,195,131	20%	7,349,773	3,839,036	-	11,188,799	8,006,332
Plant and machinery										
Main genset	268,615,599	-	-	268,615,599	5%	26,861,560	13,430,780	-	40,292,340	228,323,259
Auxiliary equipments	33,239,892	171,186	-	33,411,078	10%	6,647,978	3,338,255	-	9,986,233	23,424,845
Electrical installation	22,984,145	-	-	22,984,145	20%	8,299,920	4,596,829	-	12,896,749	10,087,396
Gas pipeline	15,434,660	-	-	15,434,660	20%	6,173,864	3,086,932	-	9,260,796	6,173,864
Furniture and fixtures	1,339,416	-	-	1,339,416	10%	267,884	133,942	-	401,826	937,590
Office equipment	591,039	-	-	591,039	20%	236,416	118,208	-	354,624	236,415
Communication equipment	124,786	-	-	124,786	10%	24,957	12,479	-	37,436	87,350
Tools and appliances	4,445	-	-	4,445	20%	1,778	889	-	2,667	1,778
Fire fighting equipments	3,631,012	-	-	3,631,012	20%	1,452,404	726,202	-	2,178,606	1,452,406
Vehicles	3,430,757	-	-	3,430,757	20%	686,153	343,076	-	1,029,229	2,401,528
Total at 31 Dec. 2011	378,250,819	815,249	-	379,066,068		57,978,092	29,969,693	-	87,947,785	291,118,283
Total 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

Allocation of depreciation to:

Administrative expenses	950,780
Cost of goods sold	29,018,913
	29,969,693

4 Capital Work-in-Progress

Particulars	As at 31 Dec 2011	As at 31 Dec 2010
Gas Pipe Line	-	24,543
Building	-	597,376
	-	621,919

5 Non-current receivables

Security Deposit	5,873,150	5,314,450
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Notes to the financial statements for the year ended 31 December 2011 (Contd...)

6 Other non current assets	Amounts in Taka	
	As at 31 Dec 2011	As at 31 Dec 2010
Particulars		
Preliminary expenses (note 6.1)	77,772	116,652
Pre-operating expenses (note 6.2)	9,553,161	14,329,749
	9,630,933	14,446,401
6.1 Preliminary expenses		
Opening Balance	116,652	155,532
Less: Amortisation for the year	38,880	38,880
Closing Balance	77,772	116,652
6.2 Pre operating expenses		
Opening Balance	14,329,749	19,106,333
Less: Amortisation for the year	4,776,588	4,776,584
Closing Balance	9,553,161	14,329,749
7 Inventories		
Stores and consumables spares	39,984,699	39,870,997
Goods-in-transit	-	12,618
	39,984,699	39,883,615
8 Trade and other receivables		
Trade receivables	21,294,413	2,550,297
Advance to suppliers	667,159	667,159
Pre-paid expenses	1,146,564	1,102,731
Other advances	416,773	395,703
Accrued interest	28,434	38,558
	23,553,343	4,754,448
9 Advance income tax		
Advance income tax-paid in cash	2,266,626	2,266,626
AIT against import	1,147,227	878,806
TDS on bank interest	164,051	158,889
Registration	29,000	11,000
	3,606,904	3,315,321

Notes to the financial statements for the year ended 31 December 2011 (Contd...)

10. Cash and cash equivalents			Amounts in Taka	
Particulars		Year ended 31 Dec 2011	Year ended 31 Dec 2010	
Cash in hand		98,734	24,340	
Cash at bank :				
- Current accounts		3,992	3,268	
- Short notice deposit		1,136	22,726	
- Term Deposit		1,638,923	1,617,368	
- Margin HSBC		1,219,550	-	
		2,962,335	1,667,702	
11. Share capital				
Particulars		As at 31 Dec 2011	As at 31 Dec 2010	
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		205,000,000	10,000	
Particulars of shareholdings are as follows:				
Name of shareholder	No. of shares	Value per share		
R A K Ceramics (Bangladesh) Ltd	1,168,500	100	116,850,000	116,850,000
S.A.K. Ekramuzzaman	573,995	100	57,399,500	57,400,000
Syed. A.K Anwaruzzaman	205,000	100	20,500,000	20,500,000
Md. Amir Hossain	102,500	100	10,250,000	10,250,000
Engr. Md. Maqjudul Karim	5	100	500	-
	2,050,000		205,000,000	205,000,000
12. Borrowings				
Particulars		Year ended 31 Dec 2011	Year ended 31 Dec 2010	
Non-current:				
Un Secured				
Term loan		74,782,229	100,000,000	
Current portion of term loan (as per agreed repayment schedule)		(74,782,229)	(26,211,520)	
		-	73,788,480	
Current:				
Secured				
Bank overdrafts		2,606,039	2,243,153	
		2,606,039	2,243,153	
Un Secured				
Current portion of term loan		74,782,229	26,211,520	
		74,782,229	26,211,520	
		77,388,268	28,454,673	
Grand Total		77,388,268	102,243,153	

Notes to the financial statements for the year ended 31 December 2011 (Contd...)

12.1 Borrowings by maturity		Amounts in Taka	
As at 31 Dec 2011	less than 1 year	1-2 years	Total
Bank overdrafts	2,606,039	-	2,606,039
Current portion of term loan	74,782,229	-	74,782,229
	77,388,268	-	77,388,268
As at 31 Dec 2010	less than 1 year	1-2 years	Total
Bank overdrafts	2,243,153	-	2,243,153
Term loan	26,211,520	73,788,480	100,000,000
	28,454,673	73,788,480	102,243,153
13 Trade and other payables			
Particulars		As at 31 Dec 2011	As at 31 Dec 2010
Trade payables		8,957,028	39,232,205
Security deposit of other parties		-	65,142
Income tax and VAT deducted at source		334,144	978,756
		9,291,172	40,276,103
14 Provision for expenses			
Power and gas		4,339,733	4,428,066
Provision for O&M		437,029	364,702
Staff cost		515,411	-
Audit fee		28,750	15,000
Professional charges		23,000	20,000
Interest on loans		-	3,309,725
Telephone & internet		7,000	4,000
		5,350,923	8,231,513
15 Provision for employee benefit			
Contribution during the year		618,779	-
Less: Payment made during the year		480,545	-
		138,234	-
16 Provision for corporate tax			
Financial year 2011		420,825	-
Previous years		3,115,080	3,115,080
		3,535,905	3,115,080
17 Deferred tax liabilities			
Opening balance		9,832,101	-
Add: For the year		24,154,889	9,832,101
Closing Balance		33,986,990	9,832,101


Notes to the financial statements for the year ended 31 December 2011 (Contd...)

		Amounts in Taka	
Particulars	Year ended 31 Dec 2011	Year ended 31 Dec 2010	
18 Sales			
Gross sales	239,296,253	190,906,222	
Less: VAT	-	8,222,109	
Net sales	239,296,253	182,684,113	
Selling electricity to REB is VAT exempted as per SRO 104 ain./2009/512-VAT, Dated-11 June 2009.			
Selling electricity to captive organisations is VAT exempted as per SRO 351 ain./2010/578, Dated-18 October 2010.			
19 Cost of goods sold			
Consumption of gas	57,557,303	54,413,993	
Direct labour (note 19.1)	4,388,081	2,605,497	
Direct expenses:			
Lubricating oil	5,418,421	4,843,938	
Repair & indirect materials (note 19.2)	43,420,279	37,319,071	
Rental for caterpillar Generets	6,300,000	4,725,000	
Depreciation	29,018,913	28,791,749	
Other production expenses (note 19.3)	8,655,882	8,506,367	
	154,858,879	141,205,615	
19.1 Direct labour			
Salary & wages	3,223,290	2,466,847	
Bonus	654,170	41,650	
Gratuity	158,442	-	
Employees contribution to provident fund	170,781	-	
Leave encashment	102,078	-	
Incentive	63,675	97,000	
Group life insurance	15,645	-	
	4,388,081	2,605,497	
19.2 Repair and indirect materials			
Operation & maintenance	30,057,203	33,377,704	
Spare parts	13,363,076	3,941,367	
	43,420,279	37,319,071	
19.3 Other production expenses			
Security & services	967,689	1,159,127	
Insurance	2,265,117	2,245,708	
Amortisation	4,815,468	4,815,464	
Other expenses	607,608	286,068	
	8,655,882	8,506,367	

Notes to the financial statements for the year ended 31 December 2011 (Contd...)

20 Administrative expenses	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Particulars		
Staff cost (note 20.1)	3,131,607	1,824,649
Telephone, postage and supplies	77,583	172,459
Office repairing and maintenance	3,400	35,982
Registration and renewal	609,896	576,290
Legal and professional fees	199,140	235,000
Vehicle repairing and maintenance	579,473	253,097
Rent, rates and taxes	12,341	-
Stationery expenses	72,950	93,984
Meeting fees	32,000	17,000
Depreciation	950,780	688,927
Other expenses	837,192	153,913
	6,506,367	4,051,301
20.1 Staff cost		
Salary & wages	1,920,301	1,450,722
Bonus	567,287	165,825
Gratuity	29,718	-
Employees contribution to provident fund	31,898	-
Leave encashment	23,967	-
Incentive	33,387	-
Group life insurance	2,977	-
Staff welfare expenses	9,710	3,540
Food expenses	484,513	187,514
Travelling & conveyance	27,849	18,048
	3,131,607	1,824,649
21 Financial expenses		
Interest expenses	12,281,536	17,090,836
Bank charges	155,730	1,712,728
	12,437,266	18,803,564
22 Other income		
Interest income	41,490	107,552
Miscellaneous income	-	7,487,750
	41,490	7,595,302

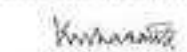
for RAK Power Pvt. Ltd.


Director


Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 2 February 2012


K.M. Hasan & Co.
Chartered Accountants

Directors' Report for the year ended 31 December 2011

Dear Shareholders,

The directors are pleased to present their report on the activities of the company together with the audited financial statements and the auditor's report thereon for the year ended December 31, 2011

Review of business

The Company was able to increase product range at 86 during 2011 compare to 51 in 2010. The sales force increase to over 461 persons during 2011. The Company signed toll manufacturing agreement with Popular Pharmaceuticals to manufacture injectable products and marketing the same in the domestic market.

Operating result

The operational results of the company for the year ended 2011 as follows:

Particulars	Taka in millions	
	2011	2010
Sales (net of taxes)	291.47	129.35
Gross profit/(Loss)	112.44	18.01
Net profit/(loss) after tax	(292.08)	(230.76)
Depreciation	45.94	41.02

Sales for the year 2011 was increased by 125.33 percent compare to the year 2010

Human resources and staff welfare

The Company has initiated Contributory Provident Fund, Gratuity Scheme and Group Insurance policy from the year 2011 onwards.

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.

Post Balance sheet Events

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

Appreciation

The Board of Directors 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, 2 February 2012

Auditors' Report

To the Shareholders of
RAK Pharmaceuticals Pvt. Ltd.

We have audited the accompanying financial statements of RAK PHARMACEUTICALS PVT. LTD., which comprise the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management of RAK PHARMACEUTICALS PVT. LTD. is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

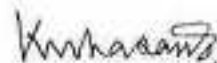
Opinion

In our opinion, the financial statements, prepared in accordance with Bangladesh Financial Reporting Standard (BFRS), give a true and fair view of the financial position as at 31 December 2011 and its financial performance 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:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books;
- the 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, 2 February 2012



K. M. Hasan & Co.
Chartered Accountants

Statement of Financial Position as at 31 December 2011

Amounts in Taka

Particulars	Notes	As at	
		31 Dec 2011	31 Dec 2010
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	673,663,033	696,979,098
Intangible assets	4	112,856,840	103,682,125
Non-current receivables	5	219,090	54,090
Total Non-Current Assets		786,738,963	800,715,313
Current Assets			
Inventories	6	117,141,729	88,283,480
Trade and other receivables	7	69,551,933	31,628,484
Advance corporate income tax	8	8,242,912	3,948,498
Cash and bank balance	9	1,109,218	1,101,630
Total Current Assets		196,045,792	124,962,092
Total Assets		982,784,755	925,677,405
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	10	468,536,500	468,536,500
Share money deposits	11	252,326,000	54,355,912
Retained earnings/(losses)		(554,707,940)	(262,629,426)
Total Capital and Reserves		166,154,560	260,262,986
Non-Current Liabilities			
Borrowings	12	527,707,671	510,668,000
Total Non-Current Liabilities		527,707,671	510,668,000
Current Liabilities			
Trade and other payables	13	28,078,852	9,612,011
Borrowings- current portion	12	151,240,018	106,547,357
Provision for expenses	14	105,984,899	33,136,079
Provision for employee benefits	15	3,618,755	-
Deferred Tax liabilities	16	-	5,450,972
Total Current Liabilities		288,922,524	154,746,419
Total Equity and Liabilities		982,784,755	925,677,405
Significant Accounting policies and Notes forming part of accounts-	1-2		

for RAK Pharmaceuticals Pvt. Ltd.



Director

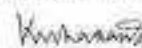
Dhaka, Bangladesh
Dated, 2 February 2012

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Managing Director

Signed in terms of our report of even date annexed



K.M. Hasan & Co.
Chartered Accountants

Statement of Comprehensive Income for the year ended 31 December 2011

Amounts in Taka

Particulars	Notes	Amounts in Taka	
		Year ended 31 Dec 2011	Year ended 31 Dec 2010
Net sales	17	291,466,720	129,347,940
Less: Cost of goods sold	18	179,023,901	111,335,523
Gross profit		112,442,819	18,012,417
Less: Operating expenses			
Administrative expenses	19	51,536,945	45,086,485
Marketing, selling & distribution expenses	20	276,891,711	134,771,682
		328,428,656	179,858,168
Operating profit / (loss)		(215,985,837)	(161,845,751)
Financial expenses	21	87,263,978	64,691,912
		(803,249,815)	(226,337,663)
Other income	22	5,720,329	4,333
Net profit / (loss) before Tax		(297,529,486)	(226,333,330)
Provision for Income Tax:			
Current year		-	5,000
Deferred Tax		(5,450,972)	4,419,820
		(5,450,972)	4,424,820
Net profit / (loss) after Tax		(292,078,514)	(230,758,150)
Earnings per share for the year	2.26	(6.23)	(9.17)
Significant Accounting policies and Notes forming part of accounts	1-2		

for RAK Pharmaceuticals Pvt. Ltd.



Director

Dhaka, Bangladesh
Dated, 2 February 2012.



Managing Director

Signed in terms of our report of even date annexed



K.M. Hasan & Co.
Chartered Accountants



Trust through
reliability

Statement of Cash Flows for the year ended 31 December 2011

Particulars	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection from customers & others	259,257,208	144,924,088
Payment to suppliers and operating expenses	(395,439,288)	(257,070,658)
Payments for corporate income tax		
Current period	(6,294,414)	(1,958,211)
Net cash from operating activities	A	(114,104,781)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(22,860,026)	(223,742,679)
Sale of property, plant and equipment	238,990	2,980,482
(Increase)/decrease in intangible assets	(9,174,715)	(7,297,751)
(Increase)/decrease in capital work in progress	-	170,780,310
(Increase)/decrease in non-current assets	(165,000)	40,000
Net cash used in investing activities	B	(57,239,638)
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance charges	(87,263,978)	(64,491,912)
Interest received	6,391	4,333
Addition of loans	61,732,332	160,053,244
Issuance of new shares	-	440,026,500
Share money deposits	197,970,088	(364,661,359)
Net cash from financing activities	C	170,930,806
Net increase/(Decrease) in Cash & Cash Equivalents	(A+B+C)	(613,612)
Opening cash & cash equivalents	1,101,630	1,515,242
Closing cash & cash equivalents	1,109,218	1,101,630

for RAK Pharmaceuticals Pvt. Ltd.



Director

Dhaka, Bangladesh
Dated, 2 February 2012



Managing Director

Signed in terms of our report of even date annexed



K.M. Hasan & Co.
Chartered Accountants

Statement of Changes in Equity for the year ended 31 December 2011

Amounts in Taka

Particulars	Number of shares	Share capital	Share money deposit	Retained earnings	Total
As at 01 January, 2011	46,853,650	468,536,500	54,355,912	(262,629,426)	260,262,986
Addition during the year	-	-	197,970,088	-	197,970,088
Profit/(loss) for the year	-	-	-	(292,078,514)	(292,078,514)
As at 31 December, 2011	46,853,650	468,536,500	252,326,000	(554,707,940)	166,154,560
As at 01 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	(262,629,426)	260,262,986

For RAK Pharmaceuticals Pvt. Ltd.



Director

Dhaka, Bangladesh
Dated, 2 February 2012



Managing Director

Signed in terms of our report of even date annexed



K.M. Hasan & Co.
Chartered Accountants

Notes to financial statements for the year ended 31 December 2011

1 The company and its activities

RAK Pharmaceuticals Pvt. Ltd. was incorporated in Bangladesh under the Companies Act 1994 on 29 June 2005 as a private company limited by shares with an authorised capital of BDT 500 million divided into 5 million ordinary shares of BDT 100 each. Authorised capital of the company has been increased from BDT 500 million to 1,500 million divided into 150 million ordinary shares of BDT 10 each in the year 2011. The company has gone into operation from 13 July 2009. The paid up capital stands at BDT 468.54 million as on 31 December 2011.

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 VII : Faridpur, P.S: Sreepur, Dist : Gazipur.

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

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 (IAS)/International Financial Reporting Standards (IFRSs), applicable to the company as adopted by the Institute of Chartered Accountants of Bangladesh or 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.

2.1 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, and revenues and expenses during the reported period. Actual results could differ from those estimates.

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 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.

2.3 Depreciation on property, plant and equipment

Depreciation charged on the basis of straight line method. Depreciation continues to be charges on each item of property, plant and equipment until the written down value of such fixed asset is reduce 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 deprecation on various classes of property, plant and equipment are as under:

Category of property, plant and equipment	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 deemed to have an infinite life.

Notes to financial statements for the year ended 31 December 2011 (Contd...)

2.4 Intangible assets/pre operating expenses under IAS 38

An intangible assets shall only be recognised 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 / IAS 38 'Intangible Assets'. Expenditure incurred to acquire, develop designs, brand of the products is capitalised. This is being amortised equally within a period of 15 (fifteen) years based on the tenure of accrual of benefits. Pre operating expenses are also amortised equally in 15 (fifteen) years.

2.5 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.

2.6 Valuation of inventories

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

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

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

b) Finished products

Finished products are stated at lower of cost and net realisable 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 realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

Quantitative details are given in note no. 2.28

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.

2.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from sale of goods is recognised 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.

2.8 Creditors and accruals

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

2.9 Foreign currency transactions

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 to statement of comprehensive income in compliance with the provisions of BAS-21/IAS-21.

2.10 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.

2.11 Statement of cash flows

Statement of cash flows is prepared principally in accordance with BAS- 7 'Statement of Cash Flows' under direct method.

Notes to financial statements for the year ended 31 December 2011 (Contd...)

2.12 Provision for bad debts

Provision has been made @ 7.50 percent as bad debts on outstanding receivables at year end.

2.13 Provision for deferred tax

The company enjoying reduced tax rate vide SRO no. 172-Law/Income Tax/2009 dated 30 June 2009 and incurred losses. As a result company write back Deferred Tax Liabilities which was created for the year 2009 and 2010.

2.14 Borrowing cost

In compliances with the requirement of BAS-23 (Borrowing Cost), borrowing cost 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.

2.15 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 fees Taka 6,900/-

2.16 Employees benefit

a) Provident Fund

The company operates a recognised contributory provident fund for eligible employees with effect from 01-01-2011 and is administered by a duly constituted independent Trust and equal contribution @ 10 percent of basic salary is made by both the employees and employer (the Company).

b) Gratuity

The company operates an funded gratuity scheme for its employees with effect from 01-01-2011. Each employee who has completed three years of service is eligible to one month's last basic pay as gratuity per year of service.

2.17 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 :

Nature of transaction	Amounts in Taka	
	31 Dec 2011	31 Dec 2010
Letter of Guarantee	-	819,143
Letter of Credit	1,211,151	756,072
Total	1,211,151	1,575,215

2.18 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 Power Pvt. Ltd	Fellow Subsidiary
RAK Security & Services (Pvt.) Ltd	Fellow Associate
Syed AK Anwaruzzaman	Key management personnel
S.A.K. Ekramuzzaman	Key management personnel
Md. Amir Hossain	Key management personnel

Notes to financial statements for the year ended 31 December 2011 (Contd...)

b) Transaction with related parties	Amounts in Taka		
	Parent Company	Key Management	Other Related parties
Nature of transaction			
Purchase of goods/services	-	-	12,878,412
Sale of goods/services	-	-	2,124,854
Outstanding receivables	-	-	1,950,108
Outstanding payable	-	-	1,033,019
Loans & advances	500,000,000	-	-
Interest on loans & advances	85,423,393	-	-

2.19 Transaction in foreign currency

Particulars	Amount (BDT)
CIF Value of Import:	
Raw & packing material	86,933,684
Spare parts	908,528
Capital machinery	4,175,328
Total	92,017,540

2.20 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.

2.21 Amount paid to Auditors

Nature of transaction	Amount (BDT)
Audit fee	50,000
Employee benefit schemes	100,000

Figures are excluding VAT

2.22 Trade debtors

Nature of transaction	Amount (BDT)
Debts outstanding for period exceeding six months	13,083,283
Other debts	18,791,450

2.23 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.

2.24 Number of employees

The number of employees engaged for the year who received total remuneration of Taka 36,000 and above was 809, Non of receiving below Taka 3,000 per month.

2.25 Leased assets

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance leases.

Notes to financial statements for the year ended 31 December 2011 (Contd...)

2.26 Earnings per share (EPS)

Particulars	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Earnings attributable to the ordinary shareholders	(292,078,514)	(230,758,150)
Number of ordinary shares	46,853,650	46,853,650
Weighted average number of ordinary shares outstanding	46,853,650	25,153,713
Earning per share (EPS) for the year	(6.23)	(9.17)

Earnings per share (EPS) has been computed by dividing the basic earnings by the weighted average number of ordinary shares outstanding as on 31 December 2011 as per Bangladesh Accounting Standards BAS-33. Moreover, number of shares of 2010 has been restated giving the effects of changes in denomination of shares from Taka 100 each to Taka 10 each.

2.27 Segment reporting as per IAS 14

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

2.28 Quantitative details of opening stock, purchase/ production, consumption/ sales and closing stock of raw & packaging materials and finished goods

Items	Unit	Opening stock	Purchase/Production	Consumption/ Sales	Closing stock
a) Finished goods:					
Tablet	Pcs	10,437,706	49,493,388	47,041,275	12,889,819
Capsule	Pcs	1,850,492	17,820,969	17,809,670	1,861,791
Dry syrup	Pcs	32,561	700,643	617,356	115,848
Topical	Pcs	43,819	104,816	108,760	39,875
Injectable	Pcs	-	183,361	114,379	68,982
b) Raw materials:					
Active	Kg	3,995	29,071	25,474	7,591
Excipient	Kg	11,223	67,557	39,023	39,757
	Pcs	8,001,950	22,500,000	19,301,141	12,100,809
c) Packaging materials:					
Primary	Kg	12,125	23,593	30,474	5,246
	Pcs	366,652	2,140,853	1,535,830	971,685
Secondary	Pcs	1,922,897	15,230,708	11,740,376	5,413,229

2.29 Capacity utilisation-single shift

Production	Unit	Actual Installed Capacity	Utilisation during the year	% of utilisation	Over(Under) utilisation
Tablet	Pcs	173.00	49.49	28.61%	(123.51)
Capsule	Pcs	33.00	17.82	54.00%	(15.18)
Dry syrup	Pcs	14.88	0.70	4.71%	(14.18)
Topical	Pcs	1.12	0.10	8.92%	(1.02)

2.30 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 2011 (Contd...)

3 Property, Plant & Equipment

Amounts in Taka

Particulars	COST				Rate	DEPRECIATION				Written Down value as at 31 Dec 11
	Opening Balance as at 01 Jan 2011	Addition	Sale/ Adjustment	Closing Balance as at 31 Dec 11		Opening Balance as at 01 Jan 2011	Charged for the year	Adjustment	Closing balance as at 31 Dec 11	
Land	21,470,330	-	-	21,470,330	-	-	-	-	-	21,470,330
Factory building	239,743,661	-	-	239,743,661	2.50%	8,178,201	5,993,591	-	14,171,892	225,571,769
General building (Factory)	11,911,880	-	-	11,911,880	2.50%	329,971	297,798	-	627,769	11,284,111
General building (Corporate)	67,067,800	841,376	-	67,909,176	2.50%	2,457,621	1,697,729	-	4,155,350	63,753,826
Plant and machinery	304,017,835	8,546,370	-	310,564,205	6.67%	24,858,675	20,777,643	-	45,636,318	264,927,887
Furniture and fixtures	25,621,823	2,475,348	-	28,097,171	10%	3,267,579	2,707,852	-	6,075,432	22,021,739
Vehicles	20,486,693	2,518,152	-	23,004,845	20%	3,517,586	4,284,952	-	7,802,538	15,202,307
Motor Cycle	3,370,501	8,248,109	140,280	11,471,420	20%	551,464	1,900,134	29,981	2,021,617	9,449,803
Office equipment	10,854,580	2,230,471	91,600	12,995,451	33.33%	3,854,653	4,094,766	22,858	7,996,761	5,056,690
Electrical installation	46,354,737	-	-	46,354,737	10%	6,794,462	4,635,474	-	11,429,936	34,924,801
Total as at December 31, 2011	750,909,810	22,860,028	238,990	773,539,848		53,930,712	48,989,940	52,839	102,973,491	670,566,357
Total as at December 31, 2010	530,147,613	223,742,679	2,980,482	750,909,810		13,188,451	41,019,286	277,025	54,484,762	696,425,048

Allocation of depreciation to:

Manufacturing overhead	32,739,475
Administrative overhead	10,323,486
Marketing & selling overhead	2,926,979
Total	45,989,940

Statement of disposal of property, plant & equipment for the year ended December 31, 2011.

Particulars	Qty	Year of purchase	Original cost	Accumulated depreciation	Net book value	Sale value/ claim receivable	Gain/(Loss)	Mode of disposal
Laptop	1	2011	45,800	10,122	35,678	35,678	-	Lost
Motorcycle	2	2009	73,081	27,171	45,910	45,910	-	Lost
Motorcycle	2	2011	74,309	2,810	71,499	71,499	-	Lost
Mobile Set	1	2011	29,300	937	28,363	-	(28,363)	Lost
Paper Shredder Machine	1	2008	16,500	11,799	4,701	-	(4,701)	Out of service
Total			238,990	52,839	186,151	153,087	(33,064)	

4 Intangible assets:

Particulars	As at 31 Dec 2011	As at 31 Dec 2010
Opening balance	103,682,125	96,384,374
Add: Addition during the year	18,647,693	15,785,273
	120,329,818	112,169,647
Less: Amortised during the year	7,472,978	8,487,522
Closing balance	112,856,840	103,682,125

Notes to financial statements for the year ended 31 December 2011 (Contd...)

5 Non current receivables:	Amounts in Taka	
	As at 31 Dec 2011	As at 31 Dec 2010
Particulars		
Grameen Phone	2,000	2,000
Mymensingh PBS-2	36,090	36,090
Land Phone T & T	16,000	16,000
Director, Burn Unit, DMCH	50,000	-
Director General, DGDP	50,000	-
BWTA	15,000	-
Director, Store & Supply	50,000	-
	219,090	54,090

6 Inventories		
Raw materials	40,762,485	27,251,861
Packaging materials	16,777,915	9,131,208
Stores & consumable materials	2,960,436	2,954,934
Literature & promotional materials	2,958,660	4,760,580
Work in process	5,467,658	7,999,068
Finished goods	47,407,530	36,515,935
Goods in transit	807,065	169,894
	117,141,729	88,283,480

7 Trade & others receivables:		
Trade receivables	31,874,733	10,662,059
Advance to suppliers	2,308,849	2,300,714
Other advances (note- 7.1)	33,084,800	12,335,740
Prepaid expenses	2,283,551	6,329,971
	69,551,933	31,628,484

7.1 Other advances

Value added tax (VAT)	65,889	438,328
House rent	304,000	362,000
VAT on finished goods-inventory	5,008,234	2,816,870
Claim receivable	3,374,604	1,535,000
Other loans and advances	24,332,073	7,183,542
	33,084,800	12,335,740

Notes to financial statements for the year ended 31 December 2011 (Contd...)

8 Advance corporate income tax	Amounts in Taka	
	As at 31 Dec 2011	As at 31 Dec 2010
Particulars		
AIT on import	7,951,733	3,889,098
TDS on interest & others	187,039	59,400
TDS on toll manufacturing (Square)	104,140	-
	8,242,912	3,948,498

9 Cash & bank balance		
Cash in hand	949,880	395,463
Cash at bank:		
Current account	152,535	623,537
Short term deposit	6,803	716
Margin money deposit account	-	81,914
	1,109,218	1,101,630

10 Share capital				
Authorised capital:				
150,000,000 ordinary shares of Taka10 each			1,500,000,000	500,000,000
Issued, subscribed, called and paid up capital:				
4,685,365 ordinary shares of Taka 100 each			-	468,536,500
46,853,650 ordinary shares of Taka 10 each			468,536,500	-
Particulars of share holdings are as follows:				
Name of Shareholders:	No. of Shares	Par share		
RAK Ceramics (BD) Ltd.	25,769,480	10	257,694,800	257,694,800
SAK Ekramuzzaman	14,056,080	10	140,560,800	140,560,800
Syed AK Anwaruzzaman	4,685,360	10	46,853,600	46,853,600
Md. Amir Hossain	2,342,680	10	23,426,800	23,426,800
Late Muzammal Haque	50	10	500	500
	46,853,650		468,536,500	468,536,500

11 Share money deposits:		
RAK Ceramics (BD) Ltd.	151,326,000	54,355,912
SAK Ekramuzzaman	71,000,000	-
Syed AK Anwaruzzaman	30,000,000	-
	252,326,000	54,355,912



A number of people assume that we are engaged in the manufacturing and marketing of tiles and sanitaryware. The reality is that we are engaged in the business of process and product consistency leading to product reliability.

Over the years, we strengthened our consistency through investments in compliance with some of the most demanding international certifications like the ISO 13006:1998 (E) (BDS ISO 13006:2006) in Bangladesh for tile products and BDS 1162:2006 for sanitaryware products. This was done to ensure that when anyone buys a RAK product, a high product quality is guaranteed.

So in a challenging 2011, even as a number of manufacturers slowed their investments, RAK raised its outlay through the following investments:

- ▀ A squaring machine in the value-added tile facility to enhance product quality.
- ▀ A robot spraying machine in the sanitaryware unit to enhance production efficiency and product quality.

This is the result:

- ▀ RAK retained its choice as a preferred brand among private construction and real estate development companies as well as the government organisations namely PWD, MES, CMMU, Civil Aviation, RAJUK, among others.
- ▀ RAK tiles were used in some of the most visible and respected property brands in Bangladesh.
- ▀ RAK Ceramics benchmarked best Grade A output of tiles and sanitaryware resulted in an average realisation and EBITDA margin higher than the market average.

Notes to financial statements for the year ended 31 December 2011 (Contd...)

12 Borrowings		Amounts in Taka	
Particulars	As at 31 Dec 2011	As at 31 Dec 2010	
Non-Current :			
Secured			
Mid Term loan- DDBL	26,381,595	13,138,627	
Mid Term loan- ULC	19,329,166	-	
Current portion of term loan	(18,003,090)	(2,470,627)	
Total non-current borrowings	27,707,671	10,668,000	
Unsecured			
Long term loan	500,000,000	500,000,000	
	500,000,000	500,000,000	
Total non current	527,707,671	510,668,000	
Current			
Secured			
Bank overdraft	120,972,133	93,189,587	
Short term borrowings	12,264,795	10,887,143	
Current portion of term loan	18,003,090	2,470,627	
Total current borrowings	151,240,018	106,547,357	
Total current	151,240,018	106,547,357	
Total borrowings	678,947,689	617,215,357	

Maturity profile of borrowings:

As at 31 December 2011	< 1 year	1-2 years	2-5 years	> 5 years	Total
Bank Overdrafts	120,972,133	-	-	-	120,972,133
Short-term loans	12,264,795	-	-	-	12,264,795
Term loans & others	18,003,090	117,015,506	410,692,165	-	545,710,761
	151,240,018	117,015,506	410,692,165	-	678,947,689

As at 31 December 2010	< 1 year	1-2 years	2-5 years	> 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

13 Trade & other payables:

Particulars	As at 31 Dec 2011	As at 31 Dec 2010
Trade payables	27,716,084	9,047,886
Tax & VAT deducted at source	362,768	564,125
	28,078,852	9,612,011

Notes to financial statements for the year ended 31 December 2011 (Contd...)

14 Provision for expenses and charges		Amounts in Taka	
Particulars	As at 31 Dec 2011	As at 31 Dec 2010	
Payable to personnel	17,421,913	11,854,774	
Electricity	81,000	70,000	
Telephone	120,000	89,500	
Interest	85,521,090	19,451,805	
Audit fees	50,000	25,000	
Professional charges	40,000	-	
Hiring charges	130,000	295,000	
Provision for others expenses	484,441	1,345,000	
Provision for bad debts	2,131,455	-	
Provision for corporate tax	5,000	5,000	
	105,994,899	33,136,079	
15 Provision for employee benefits			
Opening balance	-	-	
Add: Addition during the year	12,633,614	-	
	12,633,614	-	
Less: Payment made during the year	9,014,859	-	
Closing balance	3,618,755	-	
16 Deferred Tax liabilities			
Year 2010	4,419,820	4,419,820	
Year 2009	1,031,152	1,031,152	
	5,450,972	5,450,972	
Opening balance	5,450,972	-	
Add: Provision made for previous year	-	5,450,972	
	5,450,972	5,450,972	
Less: Release during the year	5,450,972	-	
Closing balance	-	5,450,972	
17 Sales			
Particulars	Year ended 31 Dec 2011	Year ended 31 Dec 2010	
Tablets	187,490,868	76,263,408	
Capsules	99,689,670	56,378,170	
Topical	4,359,473	3,194,096	
Dry Syrup	40,266,794	14,854,076	
Injectable	11,992,691	-	
Gross sales	343,799,496	150,690,350	
Less: VAT	52,332,776	21,342,410	
Net sales	291,466,720	129,347,940	

Notes to financial statements for the year ended 31 December 2011 (Contd...)

Particulars	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
18 Cost of Sales		
Raw material consumed	73,332,930	38,865,000
Packing material consumed	27,746,393	11,276,067
Direct labour (note- 18.1)	19,598,878	20,840,772
Direct Expenses		
Power & gas (note- 18.2)	12,712,985	9,605,111
Repairs and indirect material (note- 18.3)	5,617,270	6,267,963
Depreciation	32,739,475	30,392,563
Other production overhead (note- 18.4)	15,636,165	11,153,713
Movement in stock	(8,360,185)	(17,065,666)
Cost of goods sold	179,023,901	111,335,523
18.1 Direct labour		
Salaries & wages	14,320,541	17,775,327
Overtime	941,102	22,407
Bonus	886,088	1,422,136
Cleaning services	2,638,117	1,581,446
Gratuity	340,027	-
Employers contribution to PF	426,549	-
Medical expenses	46,454	39,456
	19,598,878	20,840,772
18.2 Power & gas		
Electricity	10,092,508	7,055,645
Oil & lubricants	2,620,477	2,549,466
	12,712,985	9,605,111
18.3 Repair and Indirect materials		
Repairs & maintenance-factory	5,030,396	5,693,203
Vehicle repair & maintenance	586,874	574,760
	5,617,270	6,267,963
18.4 Other production overhead		
Insurance	2,514,521	1,878,170
Fuel & vehicle maintenance	926,013	536,222
Training & travelling expenses	3,232,151	2,033,388
Lunch subsidies / footing expenses	3,668,395	2,503,671
Other expenses	3,560,114	4,182,262
Contact manufacturing charges	1,734,971	-
	15,636,165	11,153,713

Notes to financial statements for the year ended 31 December 2011 (Contd...)

19 Administrative expenses	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Particulars		
Staff cost (note- 19.1)	22,383,286	17,565,687
Telephone, internet & Fax	1,133,919	1,138,577
Office repair and maintenance (note- 19.2)	7,519,547	4,837,684
Depreciation	10,323,486	9,275,737
Amortisation	7,472,978	8,487,522
Legal & professional fees	274,100	1,287,890
Other expenses	2,396,565	2,371,388
Loss on sale of fixed assets	33,064	122,000
	51,536,945	45,086,485
19.1 Staff cost		
Salaries & wages	19,627,852	16,034,946
Bonus	1,730,275	1,429,778
Medical expenses	277,250	100,963
Gratuity	348,615	-
Employers contribution to PF	394,694	-
Overtime	4,600	-
	22,383,286	17,565,687
19.2 Office repair and maintenance		
Repairs office equipment	2,373,325	2,052,178
Office maintenance	2,722,067	1,314,546
Fees, renewals & holding tax	843,020	368,672
Other expenses	1,581,135	1,102,288
	7,519,547	4,837,684
20 Marketing, Selling & distribution expenses		
Staff cost (note- 20.1)	106,670,175	51,079,620
Field expenses	69,837,305	41,343,575
Physician sample	3,470,285	1,928,932
Business promotional expenses	46,764,108	18,539,307
Freight & transportation	15,939,583	3,329,683
Performance rebates (note- 20.2)	13,019,161	5,844,612
Other expenses	16,132,660	11,354,968
Bad debts	2,131,455	-
Depreciation	2,926,979	1,350,985
	276,891,711	134,771,682

Notes to financial statements for the year ended 31 December 2011 (Contd..)

20.1 Staff cost	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Particulars		
Salaries & wages	95,688,869	48,216,130
Overtime	24,321	760
Bonus	4,760,826	2,826,449
Incentive	559,553	-
Gratuity	2,306,033	-
Employers contribution to PF	3,038,009	-
Fooding expenses	251,011	19,073
Medical Expenses	41,553	17,208
	106,670,175	51,079,620
20.2 Performance Rebates		
Commission	-	191,736
Discount	12,990,887	-
Distribution margin expenses	28,274	5,652,876
	13,019,161	5,844,612
21 Financial expenses		
Bank charges	163,221	915,402
Interest charges	83,741,970	63,504,397
Foreign exchange loss	3,358,787	72,113
	87,263,978	64,491,912
22 Other income		
Interest income	6,391	4,333
Toll charges	5,713,938	-
	5,720,329	4,333

for RAK Pharmaceuticals Pvt. Ltd.



Director

Dhaka, Bangladesh
Dated, 2 February 2012



Managing Director

Directors' Report for the year ended 31 December 2011

Dear Shareholders,

The Board of Directors of the company takes the opportunity to welcome you all to the 4th Annual General Meeting (AGM) and is pleased to place before you the Annual report containing the audited financial statements and the auditor's report thereon for the year ended 31 December, 2011 for your kind consideration and approval.

Pre operating Expenditure

Pre operating expenditure incurred during the year under review as follows:

Particulars	Amount in BDT
Administrative expenses	82,209
Financial expenses	350
Total cost	82,559

None of business activities undertaken during the year under review.

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.

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, 2 February 2012

Auditors' Report

To the Shareholders of RAK Food & Beverage Private Limited

We have audited the accompanying financial statements of RAK FOOD & BEVERAGE PRIVATE LIMITED, which comprise the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management of RAK FOOD & BEVERAGE PRIVATE LIMITED is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


Opinion

In our opinion, the financial statements, prepared in accordance with Bangladesh Financial Reporting Standard (BFRS), give a true and fair view of the financial position as at 31 December 2011 and its financial performance 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:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books;
- the 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, 2 February 2012



K. M. Hasan & Co.
Chartered Accountants

Statement of financial position as at 31 December 2011

Particulars	Notes	Amounts in Taka	
		As at 31 Dec 2011	As at 31 Dec 2010
ASSETS			
Non-Current Assets			
Non-current receivables	2	203,451	203,451
Total Non-Current Assets		203,451	203,451
Current assets			
Cash and cash equivalents	3	104,958	178,017
Total Current Assets		104,958	178,017
Total assets		308,409	381,468
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	4	2,000,000	2,000,000
Retained earnings (losses)		(1,730,091)	(1,647,532)
Total capital and reserves		269,909	352,468
Current liabilities			
Trade and other payables	5	38,500	24,000
Provision for taxation		-	5,000
Total current liabilities		38,500	29,000
Total equity and liabilities		308,409	381,468
Significant Accounting policies and Notes forming part of accounts	1		

for RAK Food & Beverage Pvt. Ltd.



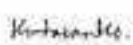
Director

Dhaka, Bangladesh
Dated, 7 February 2012.



Managing Director

Signed in terms of our report of even date annexed


K.M. Hasan & Co.
Chartered Accountants

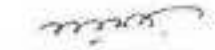
Statement of Comprehensive Income for the year ended 31 December 2010

Particulars	Notes	Amounts in Taka	
		Year ended 31 Dec 2011	Year ended 31 Dec 2010
Turnover		-	-
Operating and administrative expenses			
Administrative expenses	6	82,209	215,114
Loss on sales of fixed assets		-	298,945
		82,209	514,059
Operating profit/(loss)		(82,209)	(514,059)
Financial expenses		350	1,000
Net profit/(loss) before tax		(82,559)	(515,059)
Provision for tax		-	(5,000)
Net profit/(loss) after tax for the year		(82,559)	(520,059)
Transferred to Retained earnings			
Earning Per Share for the year	1.5	(4.13)	(26.00)
Significant Accounting policies and Notes forming part 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, 2 February 2012


K.M. Hasan & Co.
Chartered Accountants

Statement of Cash Flows for the year ended 31 December 2011

Particulars	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit(Loss) before tax for the year	(82,559)	(515,059)
Adjustments		
Depreciation	-	104,179
Increase/(Decrease) trade & other payables	14,500	(234,577)
Loss on sale of fixed asset	-	298,945
Provision for income tax	(5,000)	(5,000)
	9,500	163,547
Net cash flow from operating activities	A	(73,059)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of Fixed Assets	-	273,577
Net cash in investing activities	B	273,577
CASH FLOW FROM FINANCING ACTIVITIES		
Cash received/(paid) from issuance of share/stock	-	(3,445)
Net cash paid by financing activities	C	(3,445)
Net increase/(Decrease) in cash & cash equivalents (A+B+C)	(73,059)	(81,380)
Opening cash & cash equivalents	178,017	259,397
Closing cash & cash equivalents	104,958	178,017

Statement of changes in equity for the year ended 31 December 2011

Particulars	Amounts in Taka		
	Share capital	Retained earnings	Total
Balance as at 01 January, 2011	2,000,000	(1,647,532)	352,468
Profit/(Loss) for the year	-	(82,559)	(82,559)
Balance as at 31 December, 2011	2,000,000	(1,730,091)	269,909
Balance as at 01 January, 2010	2,000,000	(1,127,473)	872,527
Profit/(Loss) for the year	-	(520,059)	(520,059)
Balance as at 31 December, 2010	2,000,000	(1,647,532)	352,468

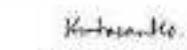
for RAK Food & Beverage Pvt. Ltd.


Director

Dhaka, Bangladesh
Dated, 2 February 2012


Managing Director

Signed in terms of our report of even date annexed


K.M. Hasan & Co.
Chartered Accountants

A
technology
bank.

RAK Ceramics made a forward-looking investment in the latest technology to manufacture internationally benchmarked products matching current fashions and trends at affordable prices.

Trust through
robustness

Significant accounting policies and notes to financial statements

for the year ended 31 December 2011

1. The Company and its Activities

RAK FOOD & BEVERAGE PRIVATE LIMITED was incorporated in Bangladesh under the Companies Act 1994 on 19 August, 2008 as a private company limited by shares with an authorised capital of BDT 20,00,00,000 divided into 20,00,000 ordinary shares of BDT 100 each. The paid up capital stands at BDT 20,00,000 as on 31 December 2011. 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.

1.1 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 so far adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BAS) / Bangladesh Financial Reporting Standards (BFRSs).

The disclosure of information has been made in accordance with the requirement of the above mentioned standards and in compliance with The 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).

1.2 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.

1.3 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.

1.4 Provision for Taxation

No Business activities under taken during the year hence no tax/provision was made.

1.5 Basic Earning per share (EPS)

Earning per share (EPS) has been calculated in accordance as per Bangladesh Accounting Standards (BAS) 33. This has been calculated by dividing the basic earning by the number of ordinary shares outstanding during the year.

Particulars	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Earning for the year attributable to shareholders (Net profit after tax)	(82,559)	(520,059)
Number of shares outstanding during the year	20,000	20,000
Basic Earning Per Share	(4.13)	(26.00)

1.6 Others

- These notes form an integral part of these annexed financial statements and accordingly are to be read in conjunction therewith.
- Figure 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 year financial.

2 Non-current receivables

Amounts in Taka

Particulars	As at 31 Dec 2011	As at 31 Dec 2010
Company formation expenses	195,046	195,046
Trade license	7,105	7,105
Tin certificate	1,300	1,300
	203,451	203,451

Significant accounting policies and notes to financial statements

for the year ended 31 December 2011

			Amounts in Taka	
Particulars			As at 31 Dec 2011	As at 31 Dec 2010
3 Cash and cash equivalents				
Cash in hand			5,537	1,903
Cash at bank (Current Account-HSBC)			99,421	176,115
			104,958	178,017
4 Share capital				
Authorised capital:				
2,000,000 ordinary shares of Taka100 each			200,000,000	200,000,000
Issued, subscribed, called and paid up capital:				
20,000 equity shares of Taka 100 each			2,000,000	2,000,000
	No. of Shares			
	31 Dec 2011	31 Dec 2010	Value Per share	
Name of shareholders				
RAK Ceramics (Bangladesh) Ltd	10,200	10,200	100	1,020,000
S.A.K Eorammuzzaman	7,800	6,800	100	780,000
S. Peruma Reddy	-	1,000	100	-
Md. Amir Hossain	1,000	1,000	100	100,000
Abul Hasnat Md. Zakir	-	1,000	100	-
Engr. Syeed Ahmed	1,000	-	100	100,000
	20,000	20,000		2,000,000
5 Trade & other payables				
Trade creditors			38,500	24,000
			38,500	24,000
6 Administrative expenses				
			Amounts in Taka	
Particulars			Year ended 31 Dec 2011	Year ended 31 Dec 2010
Meeting fees			-	1,000
Audit fees			10,000	18,000
Legal & professional fees			-	31,935
Rent, rates & taxes			72,209	-
Tour and travelling			-	60,000
Depreciation			-	104,179
			82,209	215,114



Director

for RAK Food & Beverage Pvt. Ltd.

Dhaka, Bangladesh
Dated, 2 February 2012.



Managing Director
Signed in terms of our report of even date annexed

K.M. Hasan & Co.
K.M. Hasan & Co.
Chartered Accountants

CLASSIC PORCELAIN PVT. LIMITED

Directors' Report for the year ended 31 December 2011

Dear Shareholders,

The Board of Directors of the company takes the opportunity to welcome you all to the 3rd Annual General Meeting (AGM) of the shareholders and is pleased to place before you the Annual report containing the audited financial statements and the auditor's report thereon for the year ended 31 December 2011 for your kind consideration and approval.

Pre operating Expenditure

Pre operating expenditure incurred during the year under review as follows:

Particulars	Amount in BDT
Administrative expenses	1,22,579
Financial expenses	-
Total cost	1,22,579

None of business activities undertaken during the year under review.

Investment

The company invested funds in quoted share held for trading (HFT). Investment in different securities are valued at cost or market value which is lower. The profit/ (loss) on share recognised in books as and when these are sold.

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.

Post Balance sheet Events

No materials 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

Dhaka, Bangladesh
Dated, 2 February 2012


Dr. Khater Massaad
Chairman

Auditors' Report

To the Shareholders of
Classic Porcelain Pvt. Limited

We have audited the accompanying financial statements of CLASSIC PORCELAIN PVT. LIMITED., which comprise the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management of CLASSIC PORCELAIN PVT. LIMITED is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating

the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements, prepared in accordance with Bangladesh Financial Reporting Standard (BFRS), give a true and fair view of the financial position as at 31 December 2011 and its financial performance 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:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books;
- the 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, 2 February 2012


K. M. Hasan & Co.
Chartered Accountants

Statement of Financial Position As at 31 December 2011

Amounts in Taka

Particulars	Notes	As at 31 Dec 2011	As at 31 Dec 2010
ASSETS			
Non-Current Assets			
Investment	2	3,176,995	5,826,168
Preliminary expenses	3	676,333	676,333
Pre-operating expenses	4	415,647	415,647
Total Non-current assets		4,268,975	6,918,148
Current assets			
Loan and advances	5	2,550,000	2,550,000
Advance income tax		7,755	6,553
Cash and cash equivalents	6	1,239,346	1,429,653
Total current assets		3,797,101	3,986,206
Total assets		8,066,076	10,904,354
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	10,000,000	10,000,000
Retained earnings		(1,981,824)	777,543
Total capital and reserves		8,018,176	10,777,543
Current liabilities			
Trade and other payables	8	47,900	31,488
Provision for income tax		-	95,323
Total Current liabilities		47,900	126,811
Total equity and liabilities		8,066,076	10,904,354
Significant Accounting policies and Notes forming part of accounts	1		


for Classic Porcelain Pvt. Ltd.


Director


Managing Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 2 February 2012


K. M. Hasan & Co.
Chartered Accountants

Statement of Comprehensive Income

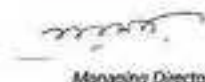
Particulars	Notes	Amounts in Taka	
		Year ended 31 Dec 2011	Period ended 31 Dec 2010
Turnover			
Operating and administrative expenses	9	122,579	-
Operating Profit/(Loss)		(122,579)	-
Add: Profit/(Loss) on sale of shares	10	(2,636,788)	872,866
Net Profit/(Loss) before tax		(2,759,367)	872,866
Provision for tax		-	(95,323)
Net Profit/(Loss) after tax for the year		(2,759,367)	777,543
Transferred to Retained earnings			
Earning Per Share for the year	11	(27.59)	7.78
Significant Accounting policies and Notes forming part of accounts	1		

for Classic Porcelain Pvt. Ltd.



Director

Dhaka, Bangladesh
Dated, 2 February 2012



Managing Director

Signed in terms of our report of even date annexed



K. M. Hasan & Co.
Chartered Accountants

Statement of Cashflows

Particulars	Amounts in Taka	
	Year ended 31 Dec 2011	Period ended 31 Dec 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/(Loss) after tax for the year	(2,759,367)	777,543
Adjustments:		
Share of profit in equity accounted investees	2,649,173	(5,882,352)
Increase/(Decrease) in deposits, advances and other receivables	-	5,100,000
Increase/(Decrease) in other payables and provisions	(78,911)	126,811
Income tax paid	(1,202)	(6554)
Net cash from operating activities	A	135,448
CASH FLOWS FROM INVESTING ACTIVITIES	B	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Share Money Deposit	-	(17,225)
Net cash from financing activities	C	(17,225)
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)	(190,307)	118,223
Cash and cash equivalents at the beginning of the year	1,429,653	1,311,430
Cash and cash equivalents at the end of the year	1,239,346	1,429,653

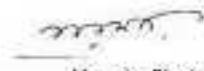
Statement of changes in equity

Particulars	Amounts in Taka		
	Share capital	Retained earnings	Total
Balance as at 01 January, 2011	10,000,000	777,543	10,777,543
Profit/(loss) for the year	-	(2,759,367)	(2,759,367)
Balance as at 31 December, 2011	10,000,000	(1,981,824)	8,018,176
Balance as at 01 October, 2009	10,000,000	-	10,000,000
Profit/(loss) for the period	-	777,543	777,543
Balance as at 31 December, 2010	10,000,000	777,543	10,777,543

for Classic Porcelain Pvt. Ltd.



Director



Managing Director

Signed in terms of our report of even date annexed



K. M. Hasan & Co.
Chartered Accountants

Dhaka, Bangladesh
Date: 2 February 2012

Significant accounting policies and notes to financial statements

for the period ended 31 December 2011

1. The Company and its Activities

CLASSIC PORCELAIN PVT. LIMITED was incorporated in Bangladesh under the Companies Act 1994 on 19th August, 2008 as a private company limited by shares with an authorised capital of BDT 10,000,00,000 divided into 100,00,000 ordinary shares of BDT 100 each. The paid up capital stands at BDT 10,000,000 as on 31 December 2011. The main objects of the company is to import required raw materials & machinery to produce, manufacture, sale and export of 100 percent export oriented all types of porcelain/ceramic-made table ware such as bone china, porcelain white ware, crockery, pottery, handpainted 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.

1.1 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 (IAS)/International Financial Reporting Standards (IFRS), applicable to the company as adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BAS) / Bangladesh Financial Reporting Standards (BFRS).

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), BAS 39/IAS-39 (Financial Instrument) based on accrual basis and other applicable laws and regulations.

1.2 Investment

Quoted shares are considered as investment held for trading (HFT). Investment in different securities are valued at cost or market value which is lower.

1.3 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.

1.4 Basic Earning per share (EPS)

Earning per share (EPS) has been calculated in accordance as per Bangladesh Accounting Standards (BAS) 33. This has been calculated by dividing the basic earning by the number of ordinary shares outstanding during the year.

Particulars	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Earning for the year attributable to shareholders (Net profit after tax)	(2,759,367)	777543
Number of shares outstanding during the year	100,000	100,000
Basic Earning Per Share	(27.59)	7.78

1.5 Others

1. These notes form an integral part of these annexed statement of Financial Statement and accordingly are to be read in conjunction therewith.
2. Figure in these notes and annexed Statement of Financial Position have been round off to the nearest Taka.
3. previous year figures have been regrouped, rearranged and/or restated whenever considered necessary for purpose of current period financial presentation.

Significant accounting policies and notes to financial statements

for the period ended 31 December 2011

2	Investment	Amounts in Taka	
		As at 31 Dec 2011	As at 31 Dec 2010
	Particulars		
	Investment in Shares at cost		
	Opening balance at cost	5,826,168	-
	Add : Purchase at cost	3,467,247	5,826,168
		9,293,415	5,826,168
	Less: Sales at cost	4,289,022	-
	Closing Balance at cost	5,004,393	5,826,168
	Less: Unrealised Loss	1,827,398	-
	Market Value as on 31-12-2011	3,176,995	5,826,168
3	Preliminary expenses		
	Company Formation	668,033	668,033
	Trade License	5,300	5,300
	TIN Certificate	3,000	3,000
		676,333	676,333
4	Pre-operating expenses		
	Salary and Allowance	330,000	330,000
	Conveyance	770	770
	Stamp Expenses	20,350	20,350
	Office Expenses	3,700	3,700
	Board Meeting Fees	1,000	1,000
	Legal and Professional fees	22,260	22,260
	Audit Fees	13,000	13,000
	RISC Expenses	3,330	3,330
	Bank Charge	2,537	2,537
	Miscellaneous Expenses	18,700	18,700
		415,647	415,647
5	Loan and advances		
	Loan and advances	2,550,000	2,550,000
		2,550,000	2,550,000
6	Cash & cash equivalents		
	Cash in Hand	22,189	12,982
	Margin Account	31,363	-
	Current Account-HSBC	1,185,794	1,416,671
		1,239,346	1,429,653

Significant accounting policies and notes to financial statements

for the period ended 31 December 2011

7 Share capital				Amounts in Taka	
Particulars			As at	As at	
			31 Dec 2011	31 Dec 2010	
Authorised capital:					
10,000,000 ordinary shares of Taka100 each			1,000,000,000	1,000,000,000	
Issued, subscribed, called and paid up capital:					
100,000 equity shares of Taka 100 each			10,000,000	10,000,000	
	No. of Shares		Value Per share		
	31 Dec 2011	31 Dec 2010			
Name of shareholders					
RAK Ceramics (Bangladesh) Ltd.	31,000	31,000	100	5,100,000	5,100,000
S.A.K. Uqramuzzaman	39,000	34,000	100	3,900,000	3,400,000
S. Peruma Reddy	-	5,000	100	-	500,000
Mohd. Amir Hossain	5,000	5,000	100	500,000	500,000
Engr. Syeed Ahmed	5,000	5,000	100	500,000	500,000
	100,000	100,000		10,000,000	10,000,000
8 Trade & other payables					
Trade creditors			47,900	31,488	
			47,900	31,488	
9 Administrative expenses				Amounts in Taka	
Particulars			Year ended	Period ended	
			31 Dec 2011	31 Dec 2010	
Bank Charge			2,062	-	
Rent, Rates & Taxes			89,497	-	
Printing & Stationery			120	-	
Professional Fees			30,900	-	
			122,579	-	
10 Profit/(loss) on sale of shares					
Profit on sale of Shares			-	876,592	
Income from Share Business			9,770	-	
Less: Loss on Share Business			(2,649,596)	(66,263)	
Net Income from share business			(2,639,826)	810,329	
Dividend Income			3,000	3,000	
Interest Income			38	59,537	
			(2,636,788)	872,866	

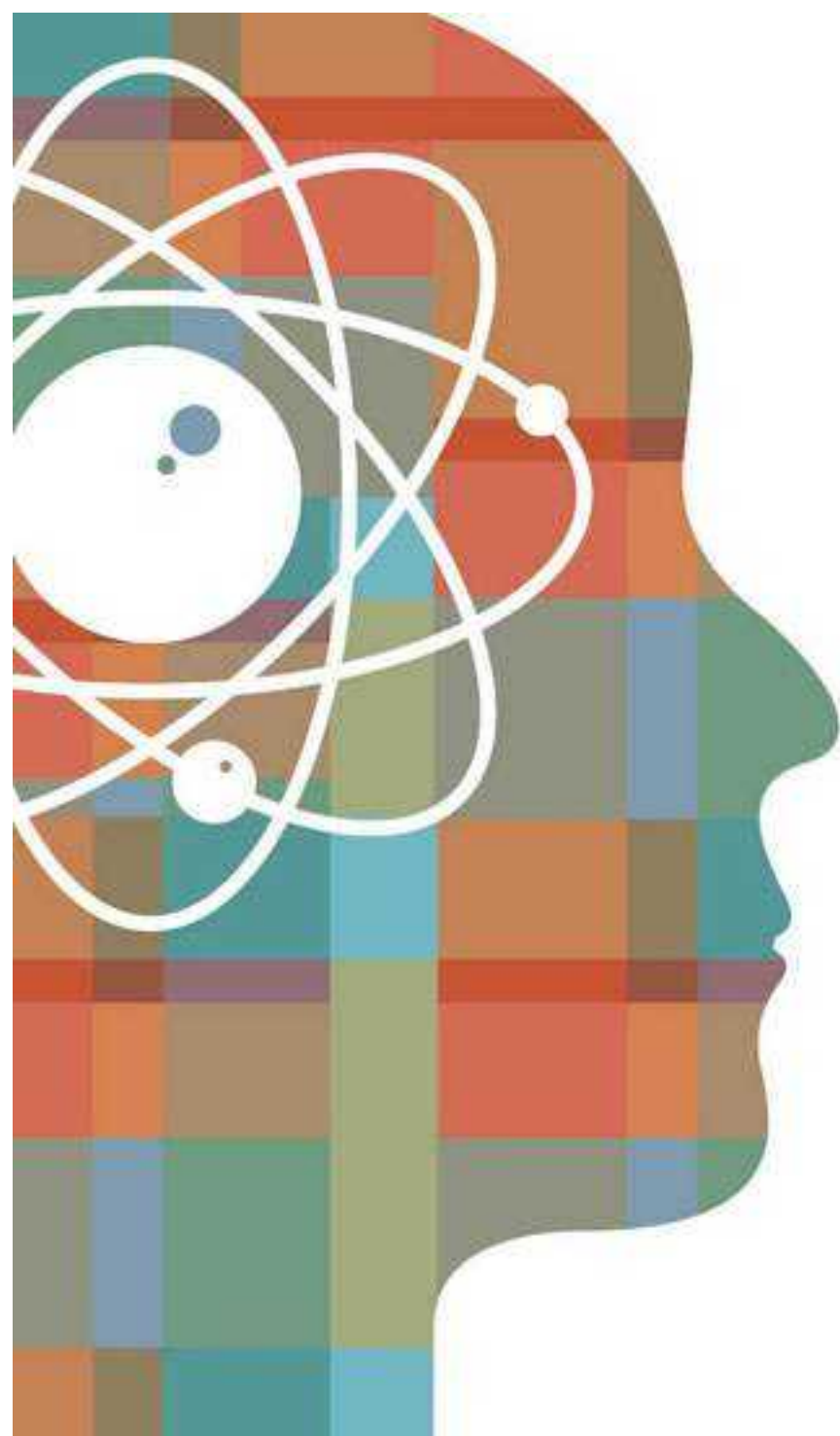
for Classic Porcelain Pvt. Ltd.


Director

Dhaka, Bangladesh
Dated, 7 February 2012


Managing Director
Signed in terms of our report of even date annexed

K.M. Hasan & Co.
Chartered Accountants



A number of people assume that quality is in the product. At RAK Ceramics, we believe that quality is in the mindset.

Over the years, our differentiated mindset was reflected in an overriding commitment to invest in the best technologies with the objective of manufacturing high quality at the lowest cost. We undertook the following relevant initiatives:

- Invested in a fully integrated and automated tile manufacturing unit from SACMI (Italy), among the world's best tile technology providers
- Invested in five presses, making it possible to simultaneously produce five different tile sizes
- Invested in multiple printing machines comprising the gang-of-colour 'Roto' printing and 'FlexO' machines for high-end digital printing
- Invested in a sanitaryware manufacturing unit equipped with the latest technology comprising computerised kilns and sophisticated casting machines (medium and high pressure)

In 2011, we strengthened our operational capability through investments which saves cost, increases volume and ultimately improves the bottomline:

- Invested in BMP machines in the sanitaryware unit; shifted Asian toilets to the medium pressure casting machines to improve quality, releasing equipment to increase water closet volumes
- Invested in a robot spraying machine, increasing productivity and product quality

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 Private Limited	Classic Porcelain Private Limited
Name of the holding company	RAK Ceramics (Bangladesh) Limited	RAK Ceramics (Bangladesh) Limited	RAK Ceramics (Bangladesh) Limited	RAK Ceramics (Bangladesh) Limited
Holding Company's Interest	25,769,480 ordinary shares of Taka 10 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	December 31,2011	December 31,2011	December 31,2011	December 31,2011
Net aggregate amount of the subsidiary company's profits/(losses) dealt with in the holding Company's accounts	NIL	11.69 mio	NIL	NIL
For the subsidiary's aforesaid financial year	NIL	NIL	NIL	NIL
For the previous financial years since it became subsidiary	NIL	11.69 mio	NIL	NIL
Net aggregate amount of the subsidiary company's profits/(losses) not dealt with in the holding Company's accounts	(305.09) mio	23.96 mio	(0.88) mio	(1.01) mio
For the subsidiary's aforesaid financial year	(160.64) mio	23.35 mio	(0.04) mio	(1.41) mio
For the previous financial years since it became subsidiary	(144.45) mio	0.61 mio	(0.84) mio	0.40 mio
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


Managing Director

Dhaka, Bangladesh
Dated, 2 February 2012

for RAK Ceramics (Bangladesh) Ltd.


Director


Company Secretary

Company Information

Board of Directors

Chairman

Dr. Khater Massaad

Managing Director

Mr. S.A.K. Ekramuzzaman

Directors

Mr. Hamed 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

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

Member Secretary

Mr. Muhammad Shahidul Islam ACS

Finance Controller

CA Sangam Lal

Head of Internal Audit

Mr. Zakir Hossain FCA

Statutory Auditor

S.F. Ahmed & Co., Chartered Accountants

(A technical assistant firm of Earnest & 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

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





RAK Ceramics (Bangladesh) Ltd.

NOTICE OF THE 13th ANNUAL GENERAL MEETING

Notice is hereby given that the 13th Annual General Meeting of RAK Ceramics (Bangladesh) Limited will be held on Sunday, 15 April 2012 at 11.30 a.m. at Bashundhara Convention Center, Block # C, Umme Kulsum Road, Bashundhara R/A, Dhaka- 1229, Bangladesh to transact the following businesses:

AGENDA:

Ordinary Business:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31 December 2011 together with the reports of the Auditor and the Directors.
2. To declare Dividend for the year ended 31 December 2011.
3. To elect/re-elect Director(s) of the Company.
4. To appoint Auditors for the year 2012 and fix their remuneration.

Special Business

5. To approve the remittance of Technical Know-how and Technical Assistance fees for the year 2010.
6. To approve issuance of corporate guarantee covering credit facilities of RAK Paints Pvt. Ltd. from HSBC for an amount of BDT 145 million.
7. To approve loan to RAK Paints Pvt. Ltd. to the extent of BDT 100 million for working capital finance.
8. To approve entering into a subordinate agreement with HSBC for BDT 150 million in order to support RAK Pharmaceuticals Pvt. Ltd. to maintain the debt equity ratio required for working capital facility from HSBC.
9. To transact any other business of the Company with the permission of the Chair.

By order of the Board of Directors

Muhammad Shahidul Islam ACS

Company Secretary

Dhaka, Bangladesh

13 February 2012

Notes:

1. The 'Record Date' in lieu of Book Closure shall be 16 February 2012.
2. The Members whose name will appear in the Share Register of the Company or in the Depository Register on the 'Record Date' will be entitled to attend the meeting and receive the dividend.
3. The Board unanimously recommended cash dividend @ 15% and stock dividend @ 10%.
4. Members may please note that pursuant to SEC Order No. SEC/CMRRCD/2009-193/104/Admin dated 27 July 2011 Rahman Rahman Haq (RRH), Chartered Accountants (a member firm of KPMG International in Bangladesh) has been recommended by the Board of Directors to be appointed as new Statutory Auditors of RAK Ceramics (Bangladesh) Limited for the year 2012 subject to approval of the Shareholders.
5. A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote in his/her behalf (such proxy shall be a shareholder of the Company). The Proxy Form, duly filled and stamped, must be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.
6. Admission to the meeting will be strictly on production of the attendance slip attached with the Annual Report.
7. Members are requested to submit to the Registered Office of the Company on or before 7 April 2012, their written option to receive dividend in the form enclosed with the Annual Report. If the Members fail to submit such option within the stipulated time, the dividend will be paid off as deemed appropriate by the Company.
8. In case of non-receipt of the Annual Report of the Company sent through courier, Members may collect the same from the Registered Office of the Company within 12 April 2012. No additional Annual Report will be distributed in the AGM venue.

Members may please note that no gift or benefit in cash or kind shall be given at the Annual General Meeting.



RAK Ceramics (Bangladesh) Ltd.

NOTICE OF THE EXTRA-ORDINARY GENERAL MEETING

Notice is hereby given that an Extra-Ordinary General Meeting of the members of RAK Ceramics (Bangladesh) Limited will be held on Sunday 15 April 2012 at 11:00 a.m. at Bashundhara Convention Center, Block # C, Umme Kulsum Road, Bashundhara R/A, Dhaka- 1229, Bangladesh to transact the following businesses and, if deemed fit, to adopt the following resolutions as special resolutions as proposed by the Board of Directors:

AGENDA:

- To increase the Authorized Share Capital of the Company from BDT 3,000 million to BDT 6,000 million.

Proposed Special Resolution:

"RESOLVED that the authorised capital of the Company be increased from BDT 3,000 million to BDT 6,000 million."

- To consider amendment of the Capital Clause of the Memorandum of Association and Articles of Association of the Company to reflect the increase in the authorised capital of the Company.

Proposed Special Resolution:

"RESOLVED that the Clause V of the Memorandum of Association of the Company and Article 5 of the Articles of Association of the Company is hereby amended as proposed below."

- Amendment of "Clause V" appearing in the Memorandum of Association of the Company:

Existing	Proposed
The Authorized Share Capital of the Company is Taka 3,000,000,000 (Three Thousand Million) divided into 300,000,000 (Three Hundred Million) ordinary shares of Taka. 10/- each with the rights, privileges and conditions attached thereto as provided by the regulations of the company for the time being with power to increase and reduce the capital of the company and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special right, privileges or conditions as may be determined by or in accordance with the Articles of the company and to vary, modify or abrogate any such right, privileges or conditions, in such manner as may for the time being be provided by the Articles of Association of the Company.	The Authorized Share Capital of the Company is Taka 6,000,000,000/- (Six Thousand Million) divided into 600,000,000 (Six Hundred Million) ordinary shares of Taka. 10/- (Ten) each with rights, privileges and conditions attached thereto as provided by the regulations of the company for the time being with power to increase and reduce the capital of the company and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special right, privileges or conditions as may be determined by or in accordance with the Articles of the company and to vary, modify or abrogate any such right, privileges or conditions, in such manner as may for the time being be provided by the Articles of Association of the Company.

- Amendment of "Article 5" appearing in the Articles of Association of the Company:

Existing	Proposed
The Authorized Share Capital of the Company is Taka Three Thousand Million (Taka 3,000,000,000) divided into Three Hundred Million (300,000,000) ordinary shares of Taka. 10/- each with powers to increase or reduce the capital for the time being to divide them into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights privileges or conditions as may be determined by or in accordance with the regulations of the Company and vary, modify or abrogate any such rights, privileges or conditions, in such manner as may from time to time be provided by the regulations of the Company and consolidate or subdivide the shares and issue shares of higher or lower Company.	The Authorized Share Capital of the Company is Taka 6,000,000,000/- (Six Thousand Million) divided into 600,000,000 (Six Hundred Million) ordinary shares of Taka. 10/- (Ten) each with powers to increase or reduce capital for the time being to divide them into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions, in such manner as may from time to time be provided by regulations of the Company and to consolidate or sub-divide the shares and issue shares of higher or lower Company.

All members are requested to attend the meeting on the date, time and place as mentioned above.

By order of the Board of Directors

Muhammad Shahidul Islam ACS
Company Secretary

Dhaka, Bangladesh
Date: 13 February 2012

Notes:

- The "Record Date" in lieu of Book Closure shall be 16 February 2012.
- The Members whose name will appear in the Share Register of the Company or in the Depository Register on the "Record Date" will be entitled to attend and vote in the meeting.
- A member entitled to attend and vote at the Extraordinary General Meeting may appoint a proxy to attend and vote in his/her behalf (such proxy shall be a shareholder of the Company). The Proxy Form, duly filled and stamped, must be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.
- Admission to the meeting will be strictly on production of the attendance slip.
- In case of non-receipt of the Notice of the Company sent through courier, Members may collect the same from the Registered Office of the Company within 12 April 2012.

Members may please note that no gift or benefit in cash or kind shall be given at the Extraordinary General Meeting.



RAK Ceramics (Bangladesh) Ltd.

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

Option for Receiving Dividend

We
of

being a member of RAK Ceramics (Bangladesh) Limited, do hereby exercise my/our option to receive dividend in the following manner (please tick (✓) in the applicable box):

- a. In the form of Dividend Warrant
- b. Through online transfer to my/our bank account recorded with the Company

Information of the Member(s):

BO ID No.

Mobile number:

.....
(Signature Verified by)

.....
Signature of the Member(s)

.....
Authorised Signatory of the Company

Notes:

1. The form duly completed must be deposited at the Registered Office of the Company on or before 7 April 2012.
2. Signature of the Member(s) must be in accordance with the Specimen Signature recorded with the Company.
3. Number of shares, Bank Account detail and address shall be considered final as provided by CDBL on Record Date i.e. 16 February 2012.
4. Applicable service charge, if any, shall be borne by the Member(s) in case of payment of dividend through online transfer to the Member(s) Bank Account as per SEC notification.



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 Extra-Ordinary General Meeting (EGM) and the 13th Annual General Meeting (AGM) of the Company to be held on 15 April 2012 at 11.00 am and 11.30 am respectively at Bashundhara Convention Center, Block # C, Umme Kulsum Road, Bashundhara R/A, Dhaka-1229, Bangladesh and at any adjournment thereof.
As witness my/our hand this Day of 2012.

_____ (Signature of Proxy)	<div style="border: 1px solid black; padding: 5px; width: 50px; margin: 0 auto;"> Revenue Stamp </div>	_____ (Signature of Member)
BO ID No. <input type="text"/>		BO ID No. <input type="text"/>
		No. of Shares held:

- Notes:**
1. A member entitled to attend and vote in the EGM and AGM may appoint a Proxy to attend and vote on his/her behalf.
 2. The Proxy Form, duly filled and stamped must be deposited at the Registered Office of the Company, not later than 48 (Forty Eight) 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.
 4. As per Article of Association of the Company, no person shall act as a proxy unless he himself is a shareholder of the Company.

 (Authorised 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

(We do hereby record my/our attendance at the Extra-Ordinary General Meeting (EGM) and 13th Annual General Meeting (AGM) of the Company being held on 15 April 2012 at 11.00 am and 11.30 am respectively at Bashundhara Convention Center, Block # C, Umme Kulsum Road, Bashundhara R/A, Dhaka - 1229, Bangladesh.

Name of the Member(s)/Proxy:

BO ID No.

No. of shares held:

 Signature of member(s)/Proxy

Note: Please present this attendance slip at the registration counter on or before 11.00 a.m./11:30 a.m, on the EGM/AGM date.

Respect
and
recognition.

RAK Ceramics received awards for Best Published Accounts and Corporate Governance Disclosures from the Institute of Chartered Accountants of Bangladesh (ICAB) and South Asian Federation of Accountants (SAFA). RAK Ceramics won the CMO Asia's Best Brand and Best Employee Awards 2011.

Trust through
visibility



In the business of buying home building products, 50 percent of the battle lies in being present at the right place at the right time. At RAK Ceramics, we focused on making our products accessible to customers, leading inevitably to higher offtake.

We achieved a pan-Bangladesh footprint through an extensive dealership network (36 for tiles and 63 for sanitaryware products) in cities and rural agglomerations as well as proactive investments in three exclusive display centres.

In 2011, we reinforced this accessibility through the following initiatives:

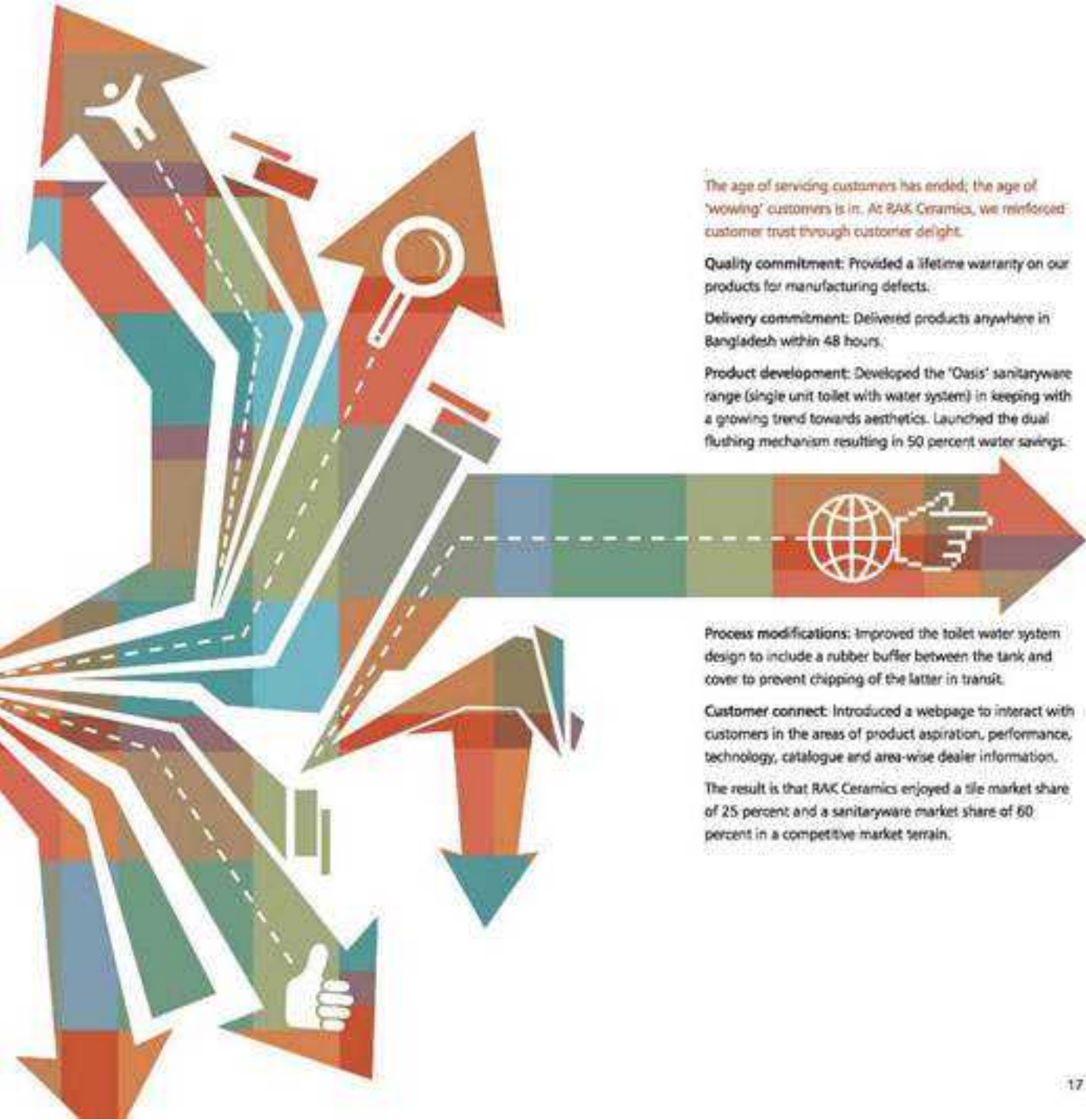
- Added dealers (permanent and provisional) proximate to customers
- Provided incentives to dealers to graduate to run exclusive RAK display centres
- Assisted distributors to showcase our products through display cabinets (wall and floor) and tile stands
- Strengthened recall across fitters and plumbers, who influence customer choice
- Enhanced visibility through advertisements in the print (billboards in high traffic areas) and electronic media (TV commercials)

The result is that our tile sales grew at a 10.87 percent CAGR (five years upto 2011) and sanitaryware revenues accelerated at a 18.13 percent CAGR over the same period, both being higher than the prevailing national average.

Customer
satisfaction.

RAK Ceramics is unparalleled in terms of products and services offered to its customers in Bangladesh.

Trust through
passion



The age of servicing customers has ended; the age of 'wowing' customers is in. At RAK Ceramics, we reinforced customer trust through customer delight.

Quality commitment: Provided a lifetime warranty on our products for manufacturing defects.

Delivery commitment: Delivered products anywhere in Bangladesh within 48 hours.

Product development: Developed the 'Oasis' sanitaryware range (single unit toilet with water system) in keeping with a growing trend towards aesthetics. Launched the dual flushing mechanism resulting in 50 percent water savings.

Process modifications: Improved the toilet water system design to include a rubber buffer between the tank and cover to prevent chipping of the latter in transit.

Customer connect: Introduced a webpage to interact with customers in the areas of product aspiration, performance, technology, catalogue and area-wise dealer information.

The result is that RAK Ceramics enjoyed a tile market share of 25 percent and a sanitaryware market share of 60 percent in a competitive market terrain.

What's inside?

Corporate Identity	Financial highlights	From the Chairman's desk	Q&A with the Managing Director	Managing business uncertainties	Inviting for business
004	006	018	021	024	028
Investing in the Intangible	Our navigators	Our executive management	Management discussion	Statement of Subsidiary Associate	Value Added Statement
029	030	032	033	040	041
Director's Report	Corporate Governance Report	Report of Audit Committee	Statement of Director's Responsibilities for Financial Statements	RAI Ceramics (Bangladesh) Ltd. Consolidated Financial Statements	RAI Ceramics (Bangladesh) Ltd. Standalone Financial Statements
042	049	052	054	055	078
Director's report, Auditor's Report and Financial Statement of Subsidiaries				Statement Pursuant to Section 186(1)(b) of the Companies Act, 1994	Company Information
RAI Power Pvt. Ltd.	RAI Pharmaceuticals Pvt. Ltd.	RAI Food & Beverage Pvt. Ltd.	Classi Position Pvt. Ltd.		
98	114	133	140	148	149

Disclaimer

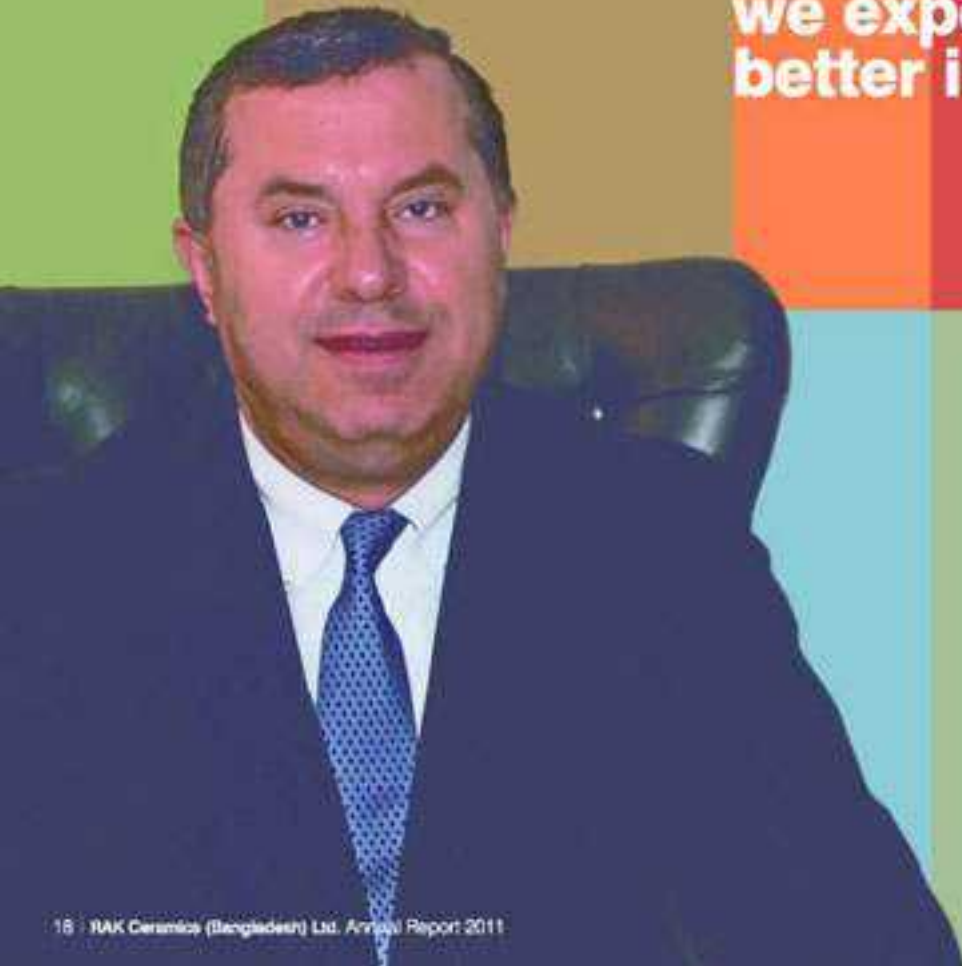
The disclosures of forward-looking information contained in this annual report are made to enable investors to comprehend the property and make informed investment decisions. This report and other statements (written or oral) may contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. Maximum effort has been made to identify such statements by using words such as "anticipate", "estimate", "expect", "project", "intend", "plan", "believe" 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 risk, uncertainties and unforeseen events. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove incorrect, 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 events or otherwise.

From the Chairman's desk

“Our business model was tested in 2011; it is robust and we expect to do better in future.”



Dear Shareholders,

For RAK Ceramics, 2011 was a challenging year on account of an economic slowdown and the need to adapt without impacting growth and profitability.

Economic challenges

Unlike a number of countries, Bangladesh grew in 2010-11. The country reported GDP growth of 6.70 percent in 2010-11 (July to June) against 5.83 percent in 2009-10.

Currency fluctuation: During the last two years, the Taka to the US dollar exchange rate has seen devaluation of 2 percent in 2010, 20 percent in 2011 which affect into increasing fuel and imported raw material costs. This affected RAK with more than 80 percent of its inputs imported from leading global suppliers, resulting in a higher payout for the same imported volumes.

Liquidity: The Government's excessive borrowing pressurised the banking sector; as a result, credit to the private sector declined considerably. Interest rates increased significantly. We hope the current banking liquidity and interest rates will have a limited time bearing on real estate investment and demand for dwelling units and other spaces (commercial and retail)

RAK Ceramics performance

Given this challenging background, RAK Ceramics performance was heartening. The Company continued to do what it had always done – invested in product portfolio, innovation and quality. The result translated visibly into stronger financials:

- The Company grew its revenues by 14.24 percent on a larger base
- The Company strengthened its EBITDA by 8.10 percent to BDT 1,391.13 mn
- Profit after tax increased by 24.80 percent

The road ahead

While the prevailing downturn is likely to be short-term in nature, I am optimistic of medium-term opportunities for a simple reason: Our growth will ride growth in the housing and sanitation sectors, which represent a growing government priority.

Housing: Bangladesh is one of the most densely populated countries; Dhaka, its capital, is probably the fastest-growing city. However, 77 percent of Bangladesh's urban dwellings and over 98 percent of rural dwellings are earthen in nature. The nation needs an estimated 3-5.5 lakh dwelling units a year in addition to constructing about 4 mn new houses annually to meet emerging demand. Dhaka alone requires about 100,000 new dwelling units annually to service its growing population. Since rural Bangladesh (80 percent of the 150 mn population) is growing at 1.8 percent a year, there is an increasing need to migrate to urban centres, which only adds to the housing demand. In the face of this reality, Bangladesh's annual supply is restricted to only 35,000 dwelling units, increasing backlog and promising quality-driven companies like RAK of an assured market.

Sanitation: Bangladesh's sanitation coverage is a poor 53 percent, leaving nearly half of the



The nation needs an estimated 3-5.5 lakh dwelling units a year in addition to a need to constructing about 4 mn new houses annually to meet emerging demand.

country's 150 mn population without sanitation and a consequent exposure to diarrhoea and infectious diseases (according to the Water Supply and Sanitation 2010 report by the World Health Organisation and UNICEF). It is estimated that inadequate sanitation cost Bangladesh an estimated US\$ 4.2 billion annually (Source: Water and Sanitation Program administered by the World Bank).

Encouraging moves

The good news is that the Bangladesh government is attempting to create a regulatory framework to accelerate housing stock supply and improved sanitation.

Housing: The government has targeted accommodation for all by 2021 (Vision 2021). The government revised the National Housing Policy, 1999, to make housing and construction safer, sustainable and streamlined. It plans to build four satellite townships on the Dhaka outskirts.

Sanitation: The government targeted investment in water and sanitation (watsan) - Millennium Development Goal - resulting in 70 percent sanitation coverage by 2015.

Our strategy

RAK Ceramics, strategic blueprint encompasses volume-driven and value-led growth through the following initiatives:

Capacity expansion: RAK expanded its tile capacity three-fold over the last decade and sanitaryware capacity three-fold in six years. Going ahead, as continuous efforts, the Company expects to enhance its existing capacity or commission a greenfield unit for tiles and sanitaryware subject to natural gas availability.

Value-addition: RAK introduced new products across both its product verticals and increased its branding budget in line with new launches.

Message to shareholders

With encouraging financial performance, going forward current circumstances will change to reflect real worth of strong, reliable and long-term focus of our Company through healthy movement of the stock price.

Going ahead, our growth will strengthen, my optimism stemming from an expanded tile capacity and the fact that all our subsidiaries will have either broken even or strengthened our bottomline.

My colleagues on the Board and I express our gratitude to our colleagues and stakeholders for providing a foundation for sure and sustainable growth.

Regards



Dr. Khater Massaad

Chairman, RAK Ceramics (Bangladesh) Limited

RAK the conglomerate. Building trust through building solutions.

RAK Ceramics (Bangladesh) Ltd.
(Manufacturing tiles and sanitaryware)

RAK Paints Pvt. Ltd.
(Manufacturing industrial, marine and decorative paints)

RAK Power Pvt. Ltd.
(A 10 MW captive power plant providing power to group companies)

RAK. Providing necessities for every residential household.

RAK Pharmaceuticals Pvt. Ltd.
(Manufacturing antibiotic formulations)

RAK-Mostly (Bangladesh) Pvt. Ltd.
(Manufacturing mosquito repellents)

RAK Security and Services (Pvt.) Ltd.
(Providing security services for industrial projects and offices)



“Our objective will be to emerge as one of the fast-growing global tile companies.”

The Company posted a historic performance in 2010. How would you rate the performance in 2011?

In one word - satisfactory. Even as our revenues grew 14.24 percent over 2010, EBITDA and net profit expanded 8.10 percent and 24.80 percent respectively. The RAK team did an excellent job in challenging market conditions in strengthening net margins by 140 bps. The only disappointment was our inability to initiate capacity expansion across our two product verticals.

The Bangladesh economy registered a robust 5.7 percent comeback in 2010-11. How would you say that the external environment was challenging?

Our business rides the performance of the country's real estate sector. Even though 2011

was fair for the Bangladesh economy in the first half, it was exceedingly tough for its real estate sector for the following reasons: decline in liquidity, high inflation, currency depreciation, hardening interest rates, international political instability, stock market crash, increase in registration fees and higher material and labour costs. As a result, land and apartment sales declined.

And yet the Company reported an increase in revenues. How?

The Company grew its topline through a prudent volume-value strategy.

- **Value growth:** We focused on marketing value-added products (tiles and sanitaryware) in 2010 and 2011.
- **Volume growth:** We sweated our equipment

more aggressively; we replaced conventional technology with cutting-edge technology, leading to higher productivity and product quality.

- **Quality:** We improved Grade A production (tiles and sanitaryware) which improved revenues.

Interest rates rose in the economy and yet your Company was largely unaffected.

Absolutely. In a year when interest rates touched 20 percent plus, we reduced our interest cost (consolidated). This interest cost would have been lower had it not been for the Taka 38.85 mn foreign currency fluctuation loss that we suffered. If the subsidiaries had taken loans from banks then they would need to pay interest to the banks; in this instance of funding from the parent, the interest is paid to the parent resulting



As per a World Bank report, more than 2 mn people in Dhaka either live in slums or are without proper shelter. Dhaka adds half a million people every year, making it imperative to add at least 10 new units by 2015 similar to our size.

in no impact on net profit when accounts are consolidated, as the expense of a subsidiary becomes the income of the parent. Going ahead, our sizeable cash reserve (Taka 1.4 billion as on 31 December 2011) will help us to reduce our external liability and fund our capex plans, resulting in a long-term sustainable advantage.

You talked of not being able to initiate capacity expansion on schedule. Can you explain?

In our business, consistent volume expansion is critical to sustainable growth. On the one hand, it enables us to reduce the capital cost per unit and on the other, it help us to market a larger volume. Since we were operating at peak capacity utilisation across both our product lines in 2011, we recognised that the next growth wave could only be unleashed following the implementation of additional capacity.

In view of this, we embarked on various initiatives: we invested in land proximate to our existing facilities to commission the incremental capacity. However, expansion did not take place due to gas unavailability. Alternatively, we are looking to set up a greenfield ceramic unit at different locations with possible gas availability.

Why is this critical?

The demand for tiles and sanitaryware is large and growing, attracting a number of players. So on the one hand, competition has been permitted with requisite infrastructure and facilities which is good for the consumer and sector. On the other hand, we have no access to necessary approvals. New gas finds in Bangladesh should help in restoring normalcy.

Are you optimistic about demand growth?

Extremely optimistic. Consider these realities:

Divergence: The availability of decent housing is appealing even as the per capita Bangladeshi income is rising.

Housing pipeline: As I mentioned, there are a huge number of dwelling units across the country yet to be delivered. The new gas discoveries will facilitate the release of inventory.

Emerging demand: As per a World Bank report, more than 2 mn people in Dhaka either live in slums or are without proper shelter. Dhaka adds half a million people every year, making it imperative to add at least 10 new units by 2015 similar to our size.

How does the Company expect to maintain industry leadership?

By leveraging our competitive advantages across product development, product quality and customer service (reach and redressal). This will enable us to redefine the industry space through unique products, impeccable quality and superior service, leading to a stronger brand. We expect to introduce an interior-decor solution that transforms placid spaces into pride-enhancing interiors and evolves us from products to services.

What can shareholders expect from RAK Ceramics?

Tough times don't last, tough people do. It will be important to remember that during these challenging times, we enhanced profits and the intrinsic value. We are optimistic that this will soon translate into enhanced value of shares in our Company.

Trust through making a difference.

Sourcing

RAK Ceramics used to import 90 percent of its raw material from the best global suppliers. It results in no quality compromise.

Technology

RAK Ceramics is the only tile manufacturer in Bangladesh with a fully integrated automated plant from SACMI, Italy.

The Company was a pioneer in the use of a robot spraying machine in its sanitaryware plant.

Environment

RAK Ceramics pioneered the dual flushing mechanism in toilets for the Bangladeshi market resulting in water saving estimated at 50 percent. The Company is the only tile manufacturing facility which runs its entire plant operations on water following treatment from the ETP.

Products

RAK Ceramics is the exclusive manufacturer of gres porcelánico (porcelain/fully vitrified) tiles. In the red body tile segment, it is the only manufacturer of fast-moving sizes and large-format granite tiles. In the sanitaryware business, the Company pioneered the single piece toilet (WC and flush system).

Distribution

RAK Ceramics is the only Bangladesh tile company to provide a world-class consumer experience through exclusive display centres.

Service

RAK Ceramics is the only tile company in Bangladesh to offer a lifetime product warranty for manufacturing faults.

Funding

RAK Ceramics was the first Bangladeshi company to launch an IPO under 'book building method'. The Company availed finance from IFC which was fully repaid.

Quality

RAK Ceramics is the only company in Bangladesh to consistently produce tiles that outperform global benchmarks. Its tiles possess water absorption of 0.01 percent (benchmark 0.5 percent) and modulus of rupture of over 700 Newton per metre (established 500 Newton per metre).

Managing business uncertainties

RISK IS PRESENT IN ALL BUSINESS ACTIVITIES IN VARYING DEGREES.

AT RAK CERAMICS, RISKS ARE ADEQUATELY ESTIMATED, CONTROLLED AND PRICED WITH THE OBJECTIVE TO ENHANCE SHAREHOLDER VALUE.

THE COMPANY'S RISK MANAGEMENT FRAMEWORK COMPRISES A CLEAR UNDERSTANDING OF STRATEGIES, POLICIES, INITIATIVES, NORMS, STRUCTURED REPORTING AND CONTROL.

IT ENSURES THAT THE RISK MANAGEMENT DISCIPLINE IS CENTRALLY INITIATED BY THE SENIOR MANAGEMENT AND PROGRESSIVELY DECENTRALISED, EXTENDING TO MANAGERS ACROSS HIERARCHIES, FACILITATING RISK MITIGATION AT THE TRANSACTIONAL LEVEL.

REGARDLESS OF THE TYPE OF RISK OR THE ACTIVITY THAT CREATES IT, THE FUNDAMENTAL APPROACH IN RISK MANAGEMENT REMAINS THE SAME.

Industry risk	Mitigation	
<p>01 Increased competition could affect growth, market share, profitability and shareholder value.</p>	<ul style="list-style-type: none"> » The country's annual ceramics product demand stands at 261.1 mn sqft; local supplies account for an average 90 percent while the rest is imported from China, Italy, among others. » The Company enjoys a dominant position in the domestic market; its Superbrand status positions it as a preferred product. » Globally-benchmarked product quality 	<ul style="list-style-type: none"> ensures that the Company provides quality matching with imports at a lower price. » The Company's ability to introduce unique products reinforces a lasting brand recall. » The strong world-wide network of the parent company brings the latest designs in Europe to the Company's manufacturing facilities and makes the same available locally.

Government regulation risk	Mitigation	
<p>02 Unfavourable policies could impact Bangladesh's real estate sector, affecting tile/sanitaryware demand.</p>	<ul style="list-style-type: none"> » The government has targeted GDP growth of 10 percent by 2017. It has also targeted the country's industry contribution at 40 percent of GDP (presently 28 percent). » The growing housing shortage will catalyse the announcement of favourable policies to accelerate housing infrastructure. 	<ul style="list-style-type: none"> » The Bangladesh market possesses a considerable appetite for differentiated ceramic tile products. » The Company's foray into the global market (exports 0.11 percent of revenue, 2011) partly insulates it from probable adverse local government regulations.

Competition risk

03

Competition increased following the entry of new players.

Mitigation

- The Company's extensive product portfolio comprises 1,000 active tile (ceramic and granite) variants across sizes (20x30 cm to 60x60 cm) and gres porcelanato tiles (porcelain/fully vitrified tiles) in 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, corte, stone, brick and marbo, among others).
- The Company's 40 sanitaryware models comprises of 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 – Karfa, Orient, Washington, Amanda, Tampa Symphonic, Venice, Shino, Mistral, Jumeirah, Lara, Cynthia, Windsor, Oasis Symphonic, Mira, Emma, Rosa, Lisbon and Europa, among others allows it to cater to a wide spectrum of customers.

- The Company's superior quality provides a significant competitive advantage.
- The Company's Superbrand status, strong brand building and wide distribution serve as a competitive buffer against prospective competition.
- The Company's growing global footprint helped to reduce dependence on the domestic market.

Technology risk

04

Technological obsolescence could restrict new product development, cost competitiveness or product quality.

Mitigation

- The Company is a subsidiary of RAK Ceramics Co. PSC, UAE, the world's largest tile manufacturer. This provides invaluable insights into global technology advancements and the Company's capital investment effectiveness.

▫ The Company remained at the cutting-edge of technology, earning the reputation of pioneering new technology in Bangladesh.

- The Company invested in a full-fledged R&D team to facilitate the absorption of new technologies with moderate investments.

Quality risk

05

A compromise in product quality could result in customer and brand attrition.

Mitigation

- The Company is ISO 9001: 2008-certified for vitrified tiles and sanitaryware.
- The Company's operations adhere to global quality standards, the only company in its space to do so.

▫ The Company's first quality output proportion was maintained at 90 percent.

- The Company received the Superbrand status, the only player in its sector with this recognition for impeccable product quality.

Input sourcing risk

06

The Company is largely dependent on imported raw material, a risk in the event of a global crisis.

Mitigation

- The Company continues to import more than 90 percent (by value) of its raw material requirements however has not faced any threat in this area.
- It enjoys a diversified procurement base, leveraging purchases through its parent RAK Ceramics Co. PSC.
- The parent has been in business with more than 2,500 global suppliers for the last 20 years. The Company's resource procurement is merged along with its parent, which ensures

competitive pricing and hedging against adverse currency fluctuations.

- The Company maintains an inventory of key raw materials equal to 6-7 months consumption to manage demand spikes or short-term supply disruptions.
- The Company's qualified research and development team suggests alternative process combinations and a judicious mix of inputs to absorb price risks.

Cost inflation risk

07

An increase in raw material, power, fuel, freight and manpower costs can affect margins.

Mitigation

- The 10 MW captive power unit provides an uninterrupted supply of low-cost energy to all its units, protecting the Company from rate revisions by government authorities.
- The recent natural gas connection replaced high-cost propane gas, optimising energy costs.

▫ The Company is largely insulated from fuel cost hikes as its plants are proximate to two major ports, railway station and airport.

▫ The Company has undertaken numerous process optimisation initiatives to reduce costs.

Interest rate risk

08

An interest rate hike could impact profitability and the ability to raise low-cost funds to meet planned capital expenditure.

Mitigation

- The Company is a almost zero debt (long-term) organisation.
- The Company possess robust retained earnings of Taka 1,318.18 mn, strong cash and bank balance of Taka 1,442.04 mn and a low debt-equity ratio of 0.03 as at 31 December

2011, showcasing its ability to raise low-cost debt for prospective needs.

▫ The Company's ability to manage debt and interest liability strengthened its interest cover from 9.86 times in 2010 to 46.43 times.

Customer attrition risk

09

Dependence on a handful of customers could be detrimental; the attrition of a single client could create an inventory pile-up.

Mitigation

- The Company's wide and deep distribution network ensures that it enjoys a strong presence in key retail markets.
- Prompt service, product innovation and assured quality helps to retain customers.

Exchange rate risk

10

Unfavourable volatility or currency fluctuation can affect profitability as the Company has a significant exposure to foreign currency transactions.

Mitigation

- The Company has entered into safe forward contracts allowed as per the forex policy of the Central Bank in order to cushion itself against foreign currency and price escalation risks.
- The Company hedges exchange rate risks through the strategic procurement of raw materials and consumables as well as the forward booking of foreign currency.


Management risk

11

Attrition of key managerial personnel, executives and officers may have an adverse impact on the business.

Mitigation

- The Company places a priority on developing human resources. Importance is given to on-the-job, in-house and external training programmes for members to enhance their knowledge curve.
- The Company has been offering competitive emoluments to employees of all ranks, encouraging professionalism.
- The Company has a robust succession strategy which focuses on creating a leadership pipeline for all key positions.
- The Company has an attractive reward policy; other incentives include festival and special bonus policies.
- The Company provided 5 percent of profit before tax towards employees' profit participation and welfare fund amounting to Taka 63.19 mn for 2011.



**Trust is the
lubrication
that makes it
possible for
organisations
to work.**

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Investing for tomorrow

At RAK Ceramics, we have integrated corporate social responsibility into our business.

The Company invested in safe technologies and non-hazardous processes that pose no threat to employee safety. These technologies optimise natural resource consumption (energy, water and key inputs) that minimise the adverse impact of its operations on the environment.

Energy efficiency: RAK Ceramics is committed to responsible energy management through ongoing performance monitoring, helping rationalise energy consumption and gaseous releases into the atmosphere. The Company invested in high-efficiency burners in its heaters to reduce per unit energy consumption. It invested in generators, kilns, spray driers, horizontal and vertical driers, among others, for complete fuel combustion.

Water conservation: The Company invested in a water management programme to rationalise consumption.

Water consumption is periodically measured and analysed to arrest leaks. The Company's philosophy of regular equipment preventive maintenance minimises consumption. The Company strives to minimise fresh water consumption following investments in state-of-the-art effluent treatment plants that encourage recycled re-use. These measures resulted in a substantial saving of water consumption per day.





Investing in the intangible

At RAK Ceramics, we helped to develop communities around the locations of our presence.

We promoted the interest of the socially-backward classes, investing Taka 9.15 mn towards nation-building in 2011 through numerous initiatives.

Health: The Company donated Taka 5 mn to Dhaka Ahsania Mission to construct a 500-bed world-class specialised cancer hospital in Uttara (Dhaka) to provide the best therapeutic solutions to cancer patients. The Company provided free medicines to the poor and disabled. During the year under review, it donated cardiac medicines worth Taka 0.83 mn to Ibrahim Cardiac Hospital and Research Institute. The Company also made contributions to Diabetic Samity of Hobigonj, National Heart Foundation, BIRDEM Hospital, among others. RAK Pharmaceuticals, a subsidiary of RAK Ceramics, institutionalised the practice of providing free medicine to the underprivileged.

Community development: RAK Ceramics made a significant contribution to the Majid Jarina Foundation (Shariatpur) serving the underprivileged and to Brahmanbaria Shishu Natyam (conducts children development programmes).

Nation-building: RAK Ceramics also contributed towards supplementary duty, VAT and taxes to become the highest payer in the country in its sector.

The Company intends to organise tree plantation programmes, blood donation camps and increase the voluntary distribution of free medicines and donations for charitable purposes. Besides, the Company leverages its management resources for suitable deployment in non-business areas for wider community benefit.

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 to 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. Dr Massaad was presented with the Master Class Global CEO Award for his tremendous contribution to making RAK Ceramics into a world class leading organisation in over 160 countries during the first Middle-East Business leader Summit and Awards held in 2011. He also received an honorary stieve award during the International Business Awards 2011, for turning RAK Ceramics into the world's No. 1 ceramic manufacturing company with a global output of 117 million sq.m. of ceramic tiles. These awards were 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 for 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. Abdallah 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 Kasik 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. Post 2008 global ceramic crisis, Mr. Abdallah has played a key role in devising global sales and marketing strategies that have led to opening new market segments and profitable avenues through various international distribution channels. Prior to joining RAK Ceramics, Abdallah worked for seven years as General Manager with International Ceramics Company Sarl (IMC), Lebanon.



Mr. Manoj Uttamrao Ahire, Director

Mr. Manoj Uttamrao Ahire 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 a 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 Accountants 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 Accountants of 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



Mr. S.A.K. Elismuzzaman
Managing Director



Mr. Md. Amir Hossain
Chief Operating Officer (COO)



Mr. Mahbubur Rahman
Deputy General Manager
(HR and Admin)



Mr. Mohammad Jahurul RAZA
Deputy General Manager (Purchase)



Mr. Imdad Hossain
Deputy General Manager (Sales)



Mr. Govindaraju Srinivasan
Production Manager (SA)



Mr. Henry Fernandez
Production Manager (T&E)



Mr. Mohammad Shamsuddin
Manager (Facilities)



Mr. Sangam Lal
Finance Controller (FC)



Mr. Muhammad
Bhaichul Islam ACS
Company Secretary



Mr. Zahir Hossain FCA
Head of Internal Audit

Management discussion

Global economy

Global economy grew 3.8 percent in 2011 compared with 5.2 percent in 2010. With the world reaching pre-crisis economic levels of 2008, concerns in the international economy and financial system, including high unemployment and banking problems, require attention. The European financial crisis (in emerging nations) significantly impacted the global economic growth of nations and created a tight liquidity position. The year also marked a depreciation of currencies in emerging markets, eroding national wealth.

The global economy is forecast to grow 3.3 percent in 2012, while growth in emerging and developing economies is expected to remain at 5.4 percent in 2012 (Source: IMF).

Global ceramic tiles industry

The global industry grew 6 percent annually over the last few years owing to tiles emerging as a durable, cost-effective and convenient flooring solution over natural stone.

Global production declined to 8,515 mn sq. mt in 2009 compared with 8,520 mn sq. mt in 2008. Asia-Pacific (the fastest-growing) and Europe

collectively accounted for more than 80 percent share of the global market.

With resurgence in growth, global tile production and consumption increased robustly in 2010. The year witnessed increased consumption in the markets of the Far East and Asia (around +17 percent), the Gulf region (+7.7 percent), Eastern Europe (+5 percent) and Latin America (+4 percent). By contrast, a slight fall was reported in Western Europe (-0.6 percent). India continued to remain the world's third-largest ceramic tile producer and consumer (Source: Ceramic World Review).

World tile production (MSM)

	CY' 07	CY' 08	CY' 09	CY' 10
China	3,200	3,400	3,600	4,200
Brazil	637	713	715	753
India	385	390	490	550
Italy	559	513	368	400
Iran	250	320	350	387
Spain	585	495	324	375
Vietnam	254	270	295	366
Indonesia	235	275	278	287
Turkey	260	225	205	245
Egypt	140	160	200	220
Total	8,252	8,520	8,515	9,515

World tile consumption (MSM)

	CY' 07	CY' 08	CY' 09	CY' 10
China	2,700	2,830	3,030	3500
Brazil	535	605	645	700
India	397	403	494	557
Indonesia	178	262	297	335
Iran	236	265	295	330
Vietnam	210	220	240	277
Egypt	105	140	180	200
USA	249	197	169	186
Spain	314	240	156	182
Italy	199	176	146	168
Total	8,060	8,350	8,460	8,460

Outlook: Global economic recovery is still fragile. Due to investments in infrastructure in BRIC (Brazil, Russia, India, and China) economies, tile consumption growth is expected to be robust in these countries.

Considering an economy recovery in key developed economies in the medium term, increased construction activity, coupled with product innovations, the global ceramic tiles market is projected to reach 92.78 billion square feet by 2015. (Source: *Global Industry Analysts, Inc.*)

Bangladesh economy

Bangladesh registered the highest economic growth in five years in 2010-11 (July 2010 to June 2011) at 6.7 percent.

The country's economic growth is significantly higher compared with the global economic growth and economic growth of emerging and developing

economies; it lags behind the economic growth of developing Asian economies (more specifically China and India), resulting in an improved per capita from US\$ 750 to US\$ 818.

Despite robust economic growth, the nation was plagued by a strong headwind from a liquidity crunch, unprecedented currency depreciation and severe gas crisis.

Outlook: The Bangladesh government has specific plans to achieve 8.0 percent GDP growth by 2015. The plans included increasing revenue income to 14.6 percent of GDP, expenditure of Annual Development Programme (ADP) to 6.1 percent of GDP by 2014-2015 and adding 11,973 megawatt (MW) electricity to the national grid by 2015.

As per estimates from the UN Department of Economic and Social Affairs (UN-DESA), Bangladesh's economy is expected to grow at

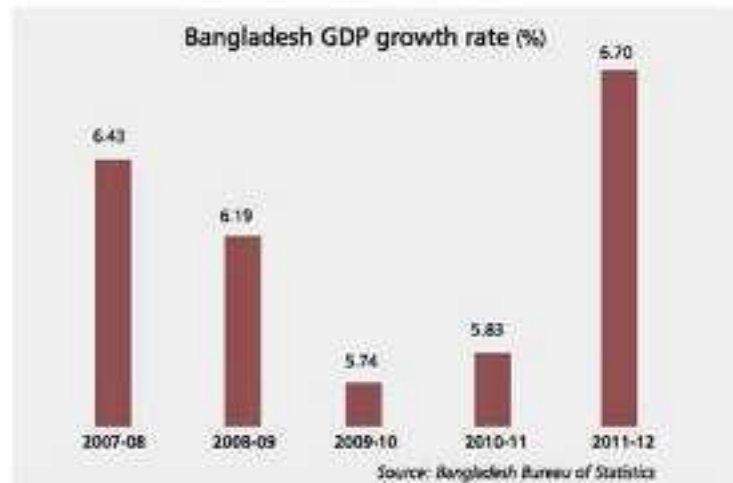
6.7 percent in 2012 and at about 7 percent in 2012 despite global and domestic challenges.

Ceramic industry and optimism

Production: Presently, around 40 ceramic factories manufacture porcelain wares -- tiles, tableware and sanitaryware. A third of them are tableware producers and most of the rest are tile and sanitary plants. Aggregate annual production capacity of tableware and sanitary is 70,000 tonnes, and 400 lakh square metres for tiles.

Consumption: Local consumption is much higher than export volumes. According to estimates, the local consumption of porcelain tableware will not be less than Taka 1,000 crore. An estimate by Bangladesh Ceramic Ware Manufacturer and Exporters Association shows that despite tremendous local industry growth, the country still imports to meet 20 percent of its demand.

The Bangladesh government has specific plans to achieve 8.0 percent GDP growth by 2015. The plans included increasing revenue income to 14.6 percent of GDP, expenditure of Annual Development Programme (ADP) to 6.1 percent of GDP by 2014-2015 and adding 11,973 megawatt (MW) electricity to the national grid by 2015.



Exports: Data shows that though the export growth of ceramic products slipped to 11 percent in 2010-11 from more than 13 percent in 2009-10, it grew in value terms from Taka 273 crore to Taka 303.60 crore, indicating a growing share of value-added products exported. Its key markets include Italy, the UK, the US, Germany, France, Canada and Sweden, accounting for 80 percent of export volumes. Recently, India has become an important export destination.

The Bangladesh advantage: The Bangladeshi ceramic industry, despite a slowdown in many other manufacturing sectors, continues to grow at a healthy 15 percent a year, reflecting growing external and internal demand owing to cheap natural gas, the chief energy source required to manufacture the products. The country enjoys comparative advantages in manufacturing ceramic products, as it is gas-based, labour intensive and skill-oriented. Value addition in ceramics stands at nearly 70 percent.

Investments: Ceramics and tiles are an emerging industry in Bangladesh. Over Taka 3,000 crore has been invested in the sector from home and abroad. The local market size of the product was around Taka 1,500 crore in 2010, according to market players.

Growth drivers

Population growth: Compared with the population in 2001, about 18 million people were added in 2011 to 142,319 thousands, representing a 14.4 percent increase and a 1.34 percent average annual growth rate.

Disposable income: Per capita income for

2010-11 was USD 818 (over Taka 57,000) as against USD 750 in 2009-10, translating into higher disposable income and superior lifestyle aspiration. (Source: Bangladesh Economic Survey)

Burgeoning urban class: Urban populations in Bangladesh grew from 5 percent in 1971 to 27 percent in 2008 to reach 50 million in 2015, representing just less than a third (30 percent) of the total population.

Pent-up demand: Unavailability of gas for household consumption resulted in close to 20,000 apartments being undelivered to investors, and is expected to be handed over in 2012 due to the additional gas finds. This is expected to fuel demand.

Institutional segment


Government policies: The government restructured the income tax burden on real estate companies with the registration of apartments (Budget 2011-12).

Foreign investment: The Malaysian government intends to invest Taka 27,450 crore in building flats, flyovers and satellite towns in Bangladesh.

Hospitality sector: Between 2005 and 2009, Bangladesh registered a 64 percent rise in the number of foreign tourists to 4.35 lacs, according to the tourism ministry. In the context of the global scenario, only 1 percent of global tourism transactions are generated in the SAARC region, where Bangladesh earned US\$ 78.3 million in 2010, which is below 0.01 percent. Bangladesh has the potential to achieve US\$ 1 billion in tourism by attracting a million tourists annually. Carlson Hotels, a globally renowned name in the hospitality

sector, is contemplating setting up more hotels in Bangladesh.

Airport modernisation: The government is set to extend the duration and budget for upgrading Hazrat Shahjalal International Airport by another two years, which will increase the project cost by nearly 65 percent from Taka 328 crore to Taka 540 crore.



Per capita income for 2010-11 was USD 818 (over Taka 57,000) as against USD 750 in 2009-10, translating into higher disposable income and superior lifestyle aspiration.

Analysis of financial statements

Key highlights 2011

Absolutes

- Revenues increased 14.24 percent to Taka 4,580.01 mn in 2011 from Taka 4,009.02 mn in 2010
- EBIDTA increased 8.10 percent to Taka 1,391.13 mn in 2011 from Taka 1,286.89 mn in 2010
- Profit before tax increased 19.48 percent to Taka 960.70 mn in 2011 from Taka 804.10 mn in 2010
- Profit after tax increased 24.80 percent to Taka 756.95 mn in 2011 from Taka 606.52 mn in 2010

Derivates

- EBIDTA margin decreased 173 bps to 30.37 percent in 2011 from 32.10 percent in 2010
- PAT margin improved 140 bps to 16.53 percent in 2011 from 15.13 percent in 2010
- ROCE declined 201 bps to 15.14 percent in 2011 from 17.15 percent in 2010

Analysis

- Every Taka invested in the business yielded a higher revenue as paid up capital in the business grew 10 percent while revenue grew by more than 14 percent

- Interest income at Taka 147 mn was significantly higher than interest payout thereby making the Company a net interest earner

- Invested more than Taka 231.04 mn (Taka 4,916.44 mn as on 31 December 2011 from Taka 4,685.40 as on 31 December 2010) in its gross block in 2011

- Maintained a strong debt-equity ratio to 0.03 (0.02 as on 31 December 2010)

Analysis of Revenue and Expenses

The Company's strong performance is mirrored in the Profit and Loss Account statement.

Revenue

The topline grew at a healthy 14 percent over the previous year, a result of volume and value growth in existing businesses.

Revenue mix: The ceramics business accounted for a significant share of the Company's revenue; other businesses (power and pharmaceuticals) made contributions in growth of Group topline.

Ceramics: Revenue growth was largely derived from improved realisations consequent to a price

increase during the year and a healthy offtake of value-added products.

Pharmaceuticals: Revenue growth was robust as the venture was initiated only in the second half of 2009; 2010 and 2011 reflect the full year of operations of this business.

Export earnings was miniscule at Taka 4.91 mn in 2011 against Taka 7.37 mn in 2010 – the result of a shift in the Company's focus to cater to the huge domestic market.

Other income (non-manufacturing) declined 34.96 percent due to the following non-recurring factors:

- Share of loss of associate companies amounting

to Taka 56.64 mn.

- Nil foreign exchange gain as compared to previous year.

- Other income also included interest on investments which remained at the same level as the previous year.

Operating expenses

The Company's operating expenses (operating, marketing and administrative) increased 27.99 percent from Taka 750.76 mn in 2010 to Taka 960.88 mn in 2011 in tandem with operational volume and country inflation. Operating cost as a proportion of sales increased 225 bps from 18.73 percent in 2010 to 20.98 percent in 2011.

Operating cost matrix

	2010		2011		Increase/ (Decrease)
	Amount (Taka mn)	Proportion of sales (%)	Amount (Taka mn)	Proportion of sales (%)	
Cost of goods sold	2,505.064	62.49	2,693.53	58.81	(3.68%)
Marketing expenses	509.09	12.70	641.50	14.01	1.31%
Administration expenses	241.67	6.03	319.38	6.97	0.94%

Cost of goods sold: Cost of goods sold has increased by Taka 188 mn in tandem with revenues. However, it has reduced by 368 bps as percentage of sales.

Raw materials: Raw materials cost increased by Taka 292.86 mn, mainly in the pharmaceutical segment; Input costs also carry impact of the domestic inflation (average 10 percent in 2011 against average 8 percent in 2010). Operational efficiency and innovative waste management optimised input consumption volume.

Labour costs: Labour cost increased by Taka 30.69 mn as a result of increase in headcount by 246 members of which 216 member were added to the pharmaceutical segment. Another impact in labour cost is revision in emoluments in tandem with country inflation.

Direct expenses: The direct expenses decreased marginally by Taka 135.09 mn in 2011. This

decrease was mainly due to steep decline in royalty payments to the parent company from 6 percent of sales in 2010 to 2.5 percent of sales of ceramic products in 2011.

Administrative expenses: Administrative expenses increased by Taka 77.71 mn mainly due to following factors:

- Increase in staff costs by Taka 23.48 mn pursuant to increase in headcount by 236 members and impact of inflation

- Increase in administrative expenses on compliances of public listing formalities following the Company's listing in June 2010 by Taka 28.93 mn

- A first-time expense on account of corporate social responsibility addition of Taka 9.15 mn

- Increase in the Company's contribution to the Workers' Fund which is based on profit before tax

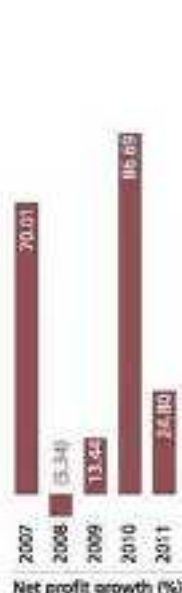
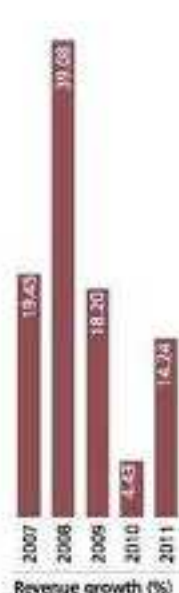
The increase was compensated by a reduction in

the Managing Director's fees from 5 percent of the profit before tax to 3 percent of the profit before tax, a voluntary initiative to help the organisation enhance liquidity.

Marketing expenses: Marketing expenses mainly increased by Taka 132.42 mn mainly due to business promotion expenses in the pharmaceutical unit. The Company shifted from a normal ceramic dealer commission linked to sale to a commission linked to annual performance of the dealer.

Financial expenses

Interest expenses decreased significantly from Taka 90.71 mn in 2010 to Taka 21.15 mn in 2011 due to reduction in borrowings. Foreign exchange losses amounted to Taka 38.86 mn due to depreciation of the Bangladeshi Taka against the US dollar. Bank charges also decreased by Taka 5.41 mn from Taka 6.86 mn in 2010 to Taka 1.45 mn in 2011



Trust blockers.

Volatile sentiment. Global slowdown. Consumer hesitation. Deferred sales. Widening choice. Growing competition. Declining realisations. Increasing costs. Worrying inflation. Brand disloyalty. Low productivity. Forex fluctuations. Growing receivables. Slow housing growth. Rising finance costs. Traditional mindset. *Among the many things that most manufacturers complained about in a challenging 2011.*

Analysis of the Balance Sheet

Non-current assets

Property, Plant and Equipment (Fixed Assets):

There has been an addition of Taka 231.79 mn to the gross block of the fixed assets in following areas-

- » Land proximate to existing manufacturing facilities to expand tile and sanitary ware capacities (Taka 22.05 mn)
- » BMP Moulding Machine for the sanitary ware division (Taka 47.73 mn)
- » Robot Spraying Machine for the sanitary ware division (Taka 97.51 mn)
- » Vehicles for the senior plant managers and buses for workers (Taka 22.64 mn)

There were no major deletions from the gross block of fixed assets.

Intangible assets: Expenditure to acquire designs,

development, brand, trademarks and various licenses costs for manufacturing of ceramic tiles, sanitary ware and pharmaceutical products is capitalised. This is being amortised equally within a period of fifteen years being the expected tenure of accrual of benefits.

Capital work-in-progress: The Company invested Taka 19.90 mn in heavy equipment in its ceramic tile facility which is expected to be commissioned in the coming year. The Company constructed an administrative block in the manufacturing facility amounting to Taka 16.68 mn which is expected to be completed in the coming year.

Investments in associates: The Company increased its investment in associate companies RAK Paints Pvt. Ltd. and RAK-Moxfly (Bangladesh) Pvt. Ltd. amounting to Taka 110 mn and Taka 4.81 mn respectively during 2011.

Non-current receivables: These receivables include

various security deposits Taka 21.21 mn which are essential for running the business. The major deposit is with a gas company required to ensure uninterrupted supply of gas.

Current assets

Inventory: Inventory comprises of Finished Goods (Taka 116.88 mn), Raw Materials (Taka 768.49 mn) and Stores & Spares (Taka 726.68 mn). The major inventory of Stores & Spares is with Ceramic Segment amounting to Taka 664 mn. The Company has policy of maintaining a 6-7 months inventory of key inputs to ensure uninterrupted operations.

Trade and other receivables: These largely comprise of trade receivables from the ceramic business customers (60.46 percent) where average receivables cycle is 30 days. The significant increase as on 31 December 2011 was due to recent revision of the credit limit allowed to RAK Ceramics dealers.

Asset composition

	2010		2011		Increase/ (Decrease)
	Amount (Taka mn)	Proportion of total assets (%)	Amount (Taka mn)	Proportion of total assets (%)	
Non-current assets	3,079.29	43.73	3,005.40	38.90	(4.83%)
Current assets	3,961.81	56.27	4,720.92	61.10	4.83%
Total	7,041.10	100.00	7,726.32	100.00	

Investment matrix -- parent to subsidiaries/associates (Taka mn)

Company	Relation	As on 1 January 2011	Net addition during 2011	As on 31 December 2011
RAK Pharmaceuticals Pvt. Ltd.	Subsidiary	312.05	96.97	409.02
RAK Paints Pvt. Ltd.	Associate	20.00	110.00	130.00

Cash and bank balance: Cash and bank balances include cash in hand (Taka 6.67 mn), balances in bank accounts (Taka 277.34 mn) and Fixed Deposits (Taka 1,157.02 mn). The liquid balances of cash and bank are commensurate to need of the business.

Equity and liabilities

Capital and reserves: The equity capital comprised 253,080,850 equity shares of Taka 10 each (face value). During the year, equity capital increased by 23,007,350 shares issued as bonus shares. The market value of the share is Taka 78.40 (31 December 2011) resulting into market capitalisation of Taka 19.84 bn.

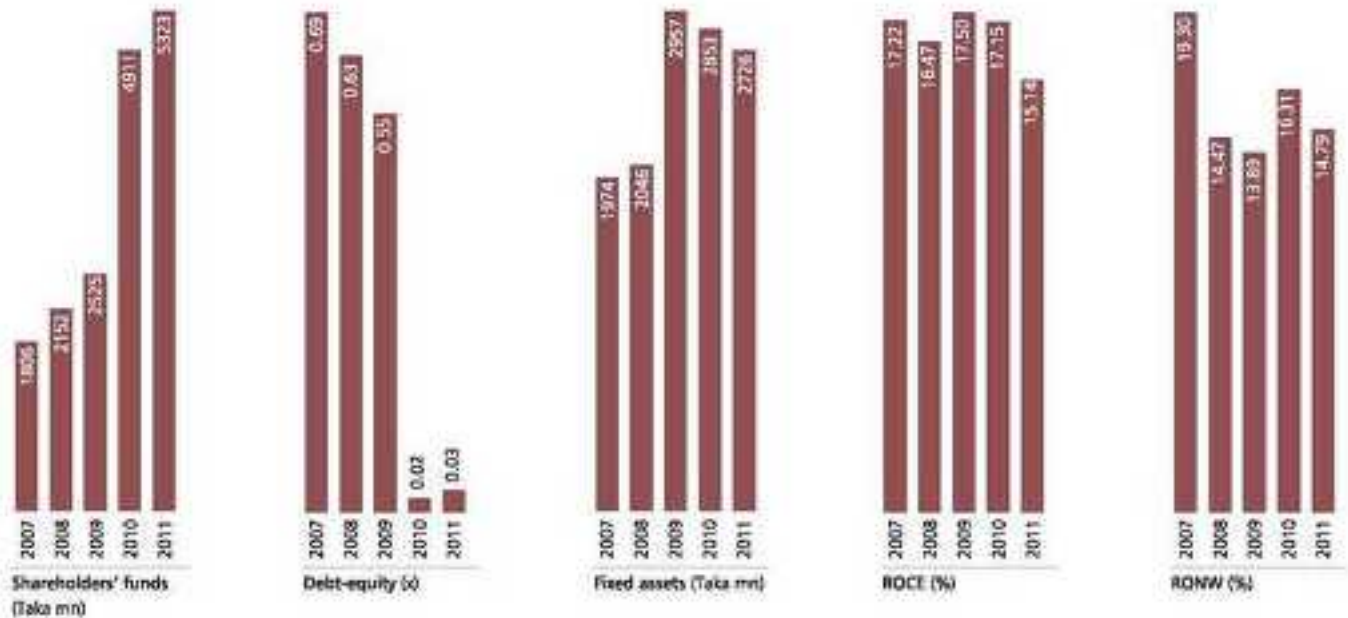
Non-current borrowings: Non-current borrowings increased by Taka 22.26 mn which was utilised mainly in increasing the investment in group

companies. Another significant item is Taka 20 mn for funding 200 motorcycles for medical representatives of RAK Pharmaceuticals (repayment over next three years).

Current borrowings: Current borrowings include short term loans (Taka 12.26 mn), overdrafts (Taka 123.58 mn) and current portion of long term loans (Taka 12.78 mn) repayable within 12 months.

Trade and other payables: It largely comprised of trade creditors. The growth in this account is largely due to business expansion in the ceramics and pharmaceutical verticals. Of the total, 97.69 percent is attributed to the ceramics business where average creditor period is 65 days. Almost 47 percent of the outstanding balance is in US Dollar terms.

The Company invested Taka 19.90 mn in heavy equipment in its ceramic tile facility which is expected to be commissioned in the coming year.



Statement of Subsidiaries/Associates

The Company has the following subsidiaries and associates as on 31 December 2011

Company Name	Holding (%)	Relationship	Investment Taka (mn)	Nature of Business	Present Status
RAK Pharmaceuticals Pvt. Ltd.	55	Subsidiary	409.02	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	Associate	0.35	Security service	On operation
RAK Paints Pvt. Ltd.	40	Associate	130.00	Paints products	On production
RAK-Mosfly (Bangladesh) Pvt. Ltd.	20	Associate	9.25	Pesticides products	On production

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 (138.74) mn for 2011.

Value Added Statement

Particulars	Taka	%
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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 13th Annual General Meeting and the pleasure in presenting before you the Directors' Report, along with Audited Financial Statements of the Company for the year ended 31 December 2011 and the Auditors' Report thereon for the consideration and approval of our valued shareholders.

1. Business review

The Company's consolidated turnover was Taka 4.58 bn in year 2011, with a growth of 14.24 percent compared to year 2010. The consolidated net profit after tax and non controlling interest was Taka 756.95 mn, growth of 24.81 percent compared to year 2010.

2. Financial Results and Appropriations

The Directors are pleased to report the financial results for the year 2011 and recommended the following appropriations:

Particulars	2011	2010
Profit before tax *	1075.92	900.76
Less: Provision for tax	318.96	294.24
Profit after tax *	756.95	606.52
Add: Un-appropriated profit brought forward	1136.41	529.89
Profit available for distribution	1893.36	1,136.41
Less: Appropriation of dividend	575.18	-
Un-appropriated profit C/F	1318.18	1,136.41

* Profit before/after tax inclusive of non-controlling interest.

3. Dividend

The Board of Directors of the Company is pleased to recommend dividend 15% (fifteen percent) in cash and 10% (ten percent) in stock of the paid up capital of the Company for the year 2011. Previous year dividend was paid at 15% (fifteen percent) in cash and 10% (ten percent) in stock.

4. Contribution to National Exchequer

Being a responsible corporate citizen, the Company regularly pays its direct and indirect tax obligations in time. During the year 2011, RAK Ceramics (Bangladesh) Ltd. had contributed to National Exchequer total of Taka 1979.41 mn, by way of Corporate Income tax of Taka 319.82 mn, withholding tax from suppliers and service providers of Taka 168.78 mn, VAT of Taka 733.31 mn, supplementary duty of Taka 637.66 mn and other duties/taxes of Taka 119.84 mn.

5. Auditors

M/s S.F. Ahmed and Co., Chartered Accountants (A technical assistant firm of Ernst & Young International, Inc of New York, USA in Bangladesh) were auditors of the Company for previous three consecutive years, shall retire at 13th AGM and are not eligible for re-appointment as per Securities and Exchange Commission (SEC) order. The Company invited and received proposals from the shareholders for appointment of auditors of the Company. The Audit Committee of the Board scrutinised the proposals and recommended to appoint M/s Rahman Rahman Huq, Chartered Accountants (a member firm of KPMG International in Bangladesh) as the auditors of the Company for the year 2012 which will be placed before AGM for shareholders approval. Remuneration of the auditor will also be fixed by the shareholders at the AGM.

6. 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's total global production capacity reached to 117 mn sq metres per annum, largest in the world.

RAK Ceramics (Bangladesh) Ltd. diversified its business approach by investing in many subsidiaries and associates 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 status of these subsidiaries and associates are separately disclosed in the annual report. RAK Paints Pvt Ltd, one of the associates of RAK Ceramics started its commercial operation in April 2011.

7. Corporate Social Responsibility

The Company understands its responsibility towards social welfare and contributed an amount of Taka 9 mn during year under review. The contribution made to Dhaka Ahsania Mission for the construction of a world class specialised cancer hospital in Uttara, Dhaka. This hospital will help the peoples to get a world class modern treatment of cancer in the country. The Company also contributed to different hospitals like Diabetic Samity of Hobigonj, distributed free medicine to Ibrahim Cardiac Hospital, National Heart Foundation and BIRDEM Hospital.

RAK Ceramics contributed in Majid Jarina Foundation in Shariatpur, working for helping the poor people, Brahmanbaria Shishu Natyam, working for the child developments. The Company also supported many people for their medical treatment purposes.

The Company provided 5% (five percent) of profit before tax towards employees profit participation fund and welfare fund amounting to Taka 63.2 mn for 2011.

8. 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, the Company follows the principle of decentralisation. 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.

9. 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.

10. Appointment/reappointment of Directors

In accordance with the Article 94 of the Articles of Association of the Company, Mr. Manoj Uttamrao Ahire will retire from his office as Director by rotation in the 13th Annual General Meeting and being eligible, offers himself for re-election in accordance with the terms of Article 96 of the Articles of Association of the Company.

11. Financial reporting standard

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

- a. The financial statements prepared by the management of company, 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 the 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 the 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.

12. Statement of Director's Responsibilities

The statement of Director's Responsibilities for Financial Statements is given elsewhere in the report.

13. Post balance sheet events


There are 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.

14. Appreciation

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

For and on behalf of the Board of Directors,

Dhaka, Bangladesh
2 February 2012


(Dr. Khater Massaad)
Chairman

ANNEXURE-1

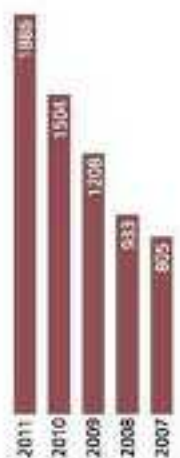
Key operating and financial data of preceding five years

Amounts in Taka

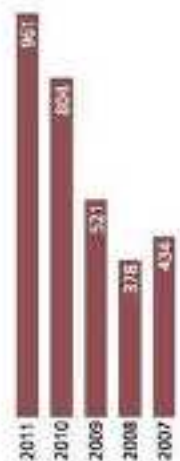
Particulars	2011	2010	2009	2008	2007
Turnover	4,580,008,209	4,009,021,454	3,839,025,765	3,247,985,878	2,335,391,844
Cost of sales	2,693,527,991	2,505,064,934	2,631,107,917	2,315,174,472	1,530,281,434
Gross profit	1,886,480,218	1,503,956,520	1,207,917,848	932,811,406	805,110,410
Administration expenses	319,378,153	241,668,871	82,800,380	73,707,617	59,105,227
Marketing and selling expenses	641,504,347	509,086,847	425,856,574	341,821,145	233,010,201
Net profit before financial expenses	925,597,718	753,200,802	699,260,894	517,282,644	512,994,982
Financial expenses	61,462,608	97,574,871	185,707,263	141,170,017	85,258,635
Other income	96,565,593	148,471,774	7,160,230	1,907,872	6,782,770
Net profit before taxation	960,700,703	804,097,705	520,713,861	378,020,499	434,519,117
Tax expenses	318,963,510	294,245,394	207,143,340	91,619,346	131,944,473
Non-controlling interest	115,215,452	96,668,798	11,305,618	-	-
Net profit after taxation	756,952,645	606,521,109	324,876,139	286,401,153	302,574,644



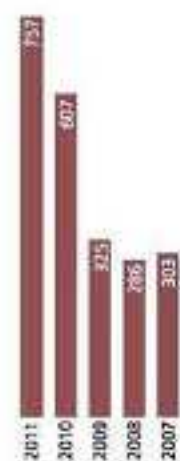
Turnover
(Taka in mn)



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 2011

Name of Directors	Position	No. of Meeting held while a member	No. of Meeting Attended
Dr. Khaier Massaad	Chairman	08	05
Mr. S.A.K. Ekramuzzaman	Managing Director	08	07
Mr. Hamad Abdullah Al Muttawa	Director	08	04
Mr. Abdallah Massaad	Director	08	07
Mr. Manoj Uttamrao Ahire	Director	08	07
Mr. Rafique-ul Haq, Barrister-at-Law	Independent Director	08	05

ANNEXURE-3

The pattern of Shareholding as on 31 December 2011

Name	Status/Position	No. of Shares held
i) Parent/Subsidiary/Associates and other related parties		
RAK Ceramics Co. PSC, UAE	Parent Company	183,707,755
ii) Directors, Chief Executive Officer, Company Secretary, Chief Financial officer, Head of Internal Audit and their spouses and minor children		
Dr. Khaier Massaad	Chairman	11
Mr. S.A.K. Ekramuzzaman	Managing Director	18,556,350
Mr. Hamad Abdullah Al Muttawa	Director	11
Mr. Abdallah Massaad	Director	11
Mr. Manoj Uttamrao Ahire	Director	11
Mr. Rafique-ul Haq, Barrister-at-Law	Independent Director	Nil
Mr. Md. Amir Hossain	Chief Operating Officer	Nil
Mr. Sangam Lal	Finance Controller	Nil
Mr. Muhammad Shahidul Islam	Company Secretary	Nil
Mr. Zakir Hossain, FCA	Head of Internal Audit	Nil
iii) Executives		
Mr. Imtiaz Hussain	DGM, Sales	Nil
Mr. Mahbubur Rahman	DGM, HR & Admin	30,600
Mr. Mohammad Jehirull Reza	DGM, Purchase	Nil
Mr. Mohammed Shamsuddin	Manager, Taxation	700
Mr. Partho Sharathi Saha	Asst. Manager, IT	550
iv) Shareholders holding ten percent (10%) or more voting interest in the Company		
RAK Ceramics Co. PSC, UAE		183,707,755

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	✓		
3.3.1	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	✓		

Trust builders.

Consumer mapping, Wider portfolio, New designs, Product sophistication, Deeper distribution, Wider geographical presence, Product push, Credible branding, Cost management, Business de-risking, Attractive leverage, Liquidity management, Value-addition, High asset utilization, Market share protection, Overheads reduction. Among the various things that we did to reinforce stakeholder trust in 2011.

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		Involvement in other organisation within the group					
Name	Designation	Name of the Company	Position	Shareholding as on 01.01.2011		Shareholding as on 31.12.2011	
				No. of shares	Amount (Taka mn)	No. of shares	Amount (Taka mn)
Dr. Kheter Massaad [Nominee of RAK Ceramics (Bangladesh) Limited]	Chairman	RAK Pharmaceuticals Pvt. Ltd.	Chairman	2,576,948	257.69	25,769,480	257.69
		RAK Power Pvt. Ltd.	Chairman	1,168,500	116.85	1,168,500	116.85
		RAK Security and Services (Pvt.) Ltd.	Chairman	3,500	0.35	3,500	0.35
		RAK Paints Pvt. Ltd.	Chairman	200,000	20.00	200,000	20.00
		RAK Food & Beverage Pvt. Ltd.	Chairman	10,200	1.02	10,200	1.02
		RAK-Mosfly (Bangladesh) Pvt. Ltd.	Chairman	200	0.02	44,400	4.44
		Classic Porcelain Pvt. Ltd.	Chairman	51,000	5.10	51,000	5.10
Mr. S.A.K. Ekramuzzaman	Managing Director	RAK Pharmaceuticals Pvt. Ltd.	Director	1,405,608	140.56	1,405,608	140.56
		RAK Power Pvt. Ltd.	Director	574,000	57.40	573,995	57.39
		RAK Security and Services (Pvt.) Ltd.	Managing Director	5,000	0.50	5,000	0.50
		RAK Paints Pvt. Ltd.	Managing Director	200,000	20.00	200,000	20.00
		RAK Food & Beverage Pvt. Ltd.	Director	6,800	0.68	7,800	0.78
		RAK-Mosfly (Bangladesh) Pvt. Ltd.	Managing Director	680	0.07	150,960	15.09
		Classic Porcelain Pvt. Ltd.	Director	34,000	3.40	39,000	3.90

Corporate Governance Report

Corporate governance pertains to the system by which companies are directed and controlled, keeping in mind the long term interests of stakeholders. It refers to the blend of law, regulations and voluntary practices, which enable the company to attract financial and human capital, perform efficiently and thereby perpetually generate long-term economic value for its shareholders, while respecting and balancing the interest of other stakeholders and society as a whole.

It aims to align the interest of the company with that of its shareholders and other key stakeholders. The incentive for companies and for those who own and manage them, to adopt global governance standards thereby helping them to achieve a long-term partnership with their stakeholders and achieve their corporate objectives efficiently. The principal characteristics of Corporate Governance are transparency, independence,

accountability, responsibility, fairness, and social responsibility.

To sum it, Corporate Governance focuses on the treatment of all shareholders and reinforces the belief among the shareholders that it is "your Company" as it belong to them. The Chairman and Board of Directors are the shareholder's fiduciaries and trustees pushing the business forward and maximising long-term value for them.

A good governance process provides transparency of corporate policies, strategies and the decision-making process. This further strengthens internal control systems and helps in building relationships with all stakeholders. We at RAK CERAMICS believe in transparency and commit ourselves to adherence to good Corporate Governance practices at all times, as we believe that good governance generates goodwill among business partners, customers and investors and helps the Company grow.

A. Board of Directors

1. Composition of the Board

The Company has a non-executive Chairman. The Board of RAK Ceramics includes one independent Director.

The day-to-day management of the Company is conducted by the Managing Director who is assisted by the executive management.

2. Board Procedure

To follow transparency, the Board follows the practice of advance planning in matters requiring discussions and decisions by the Board. The Board is apprised of the presentation on finance, sales, marketing, major business segments and operations of the Company and other matters, as the members want. The Managing Director along with the Company Secretary finalises the agenda papers for the Board meeting in consultation with the other person concerned. The agenda folder is sent to each director in advance. The minutes of

the proceedings of each Board meeting are maintained in terms of statutory provisions.

B. Committee of the Board

Audit Committee

The Company has an audit committee in accordance with the requirement of notification no. SEC/CMRCD/2006-158/Admin/02-08 by the Securities and Exchange Commission (SEC). The composition and attendance of each member at the meetings held during the year 2011 are as follows:

Sl. no.	Name	Category	No of meetings held In year 2011	
			Held	Attended
1	Abdallah Mosaad, Chairman	Promoter	04	04
2	Manoj Uttamrao Ahire	Promoter	04	04
3	Rafique-ul-Huq, Barrister at Law	Independent	04	04
4	Muhammad Shahidul Islam	Company Secretary	04	04

The scope of Audit Committee encompasses the

examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management process, internal control system and the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. It includes:

- Review the reliability and integrity of financial and operating information and also the system for identification, measurement, classification and reporting of such information on timely manner.
- Review 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.
- Review the means of safe-guarding assets and as appropriate, verifying the existence of such assets. Reviewing and appraising the economy and efficiency with which resources are employed.
- Review 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.

- Review specific operations upon the advise of the Audit Committee or management, as appropriate. Monitoring and evaluating the effectiveness of the organisation's risk management system.
- Review 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 internal auditor for audit planning.
- Periodic discussion with the auditor about the internal control system, scope of audit including observations of auditors and review the quarterly, half yearly and annual financial statements before submission to the Board.

Meetings of the audit committee are held at least four times a year, and are attended by the Company Secretary and the Chief Financial Officer (CFO).

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 the 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;
- In the preparation of financial statements, the Directors have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement;

- 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 inquiries 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 matter 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.

Background

The committee's operation is guided by a charter that is based on the corporate laws in accordance with the currently accepted best practice and corporate governance guidelines of SEC, and are approved by the Board of Director of the Company.

Purpose

The purpose of the committee is to:

- assist the Board in discharging its duties relating to:
 - safeguarding Company assets and ensuring the operation of adequate systems and controls; and
 - preparing reports and financial statements in compliance with the applicable legal requirements and accounting standards;
- provide a forum for discussing business risk and control issues for developing recommendations for consideration by the Board;
- oversee the activities of external auditor;
- consider the appropriateness of the experience

and expertise of the chief financial officer; and

- perform duties that are attributed to it by the Act.

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. The members of the audit committee as follows:

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

Responsibilities

The responsibilities of the Audit Committee are clearly mentioned in the Audit Committee Charter. To recognise 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 Head of Internal Audit the charter, activities, staffing and organisational 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 its charter as desired by the board of directors.

Committee Meetings

During the year, the Committee held 4 (Four) 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 2011 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.

External auditor

The committee has satisfied itself through enquiry that the auditor of the Company is independent as defined by the Act.

As per SEC order No. SEC/CMRRCO/2009-193/104/Admin dated: July 27, 2011 M/S. S.F. Ahmed and Co., Chartered Accountants (A technical assistant firm of Ernst & Young International, Inc of New York, USA in Bangladesh) are not eligible for re-appointment for the year 2012 as they have been serving as auditors of the Company for last three years. The Company invited and received proposals from the shareholders for appointment of new auditors of the Company as per the provision of the Companies Act, 1994. The Audit Committee of the Board scrutinised the proposals and recommended to appoint M/S Rahman Rahman Huq, Chartered Accountants (a member firm of KPMG International in Bangladesh) as the auditors of the Company for the year 2012 which will be placed before the shareholders at this AGM for approval. Remuneration of the auditor will also be fixed by the shareholders at this AGM.

Internal audit

Internal audit is conducted under the supervision of Mr. Zakir Hossain FCA, Head of Internal Audit in accordance with the approved Audit Committee Charter and corporate governance guidelines.

Financial management

The audit committee has satisfied itself that Mr. Sangam Lal, Finance Controller of the Company has the appropriate expertise and knowledge to fulfill the role of chief financial officer.

Annual financial statements

The committee has tabled the financial statements for approval by the Board. The Board has subsequently approved the financial statements which will be open for discussion at the forthcoming annual general meeting.

(Abdallah Massaad)

Chairman

Audit Committee

Dated: 18 January 2012

Statement of Directors' Responsibilities for Financial Statements

The responsibility of the directors in relation to the financial statements of the Company is set out in the following statement.

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.

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 audit to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by the system of internal controls and accounting.

The Directors are also responsible for devising proper internal controls for safeguarding the assets of the Company against unauthorised use or disposition, prevention and detection of fraud and for reliability of financial information used within the business or publication.

The Directors continue to adopt the going concern basis in preparing accounts and after making inquiries and following a review of the Company's budget for the financial year 2011 including cash flows and borrowing facilities, consider that the company has adequate resources to continue in

operation. The Board of Directors is of the opinion that Board has discharged its responsibilities as set out above.

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.

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

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 (Balance Sheet) at 31 December 2011 and the related Statement of Comprehensive Income (Profit and Loss Statement), Statement of Cash Flows, Statement of Changes in Equity 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 2011 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 business for the year.

Dhaka, Bangladesh
Dated, 2 February 2012


S. F. Ahmed & Co.
Chartered Accountants

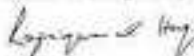
Consolidated Statement of Financial Position (Balance Sheet) as at 31 December 2011

Amounts in Taka

Particulars	Notes	As at 31 Dec 2011	As at 31 Dec 2010
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	2,725,576,102	2,853,388,647
Intangible Assets	4	113,528,723	105,134,126
Capital work-in-progress	5	36,578,205	45,934,017
Investment in associate companies	6	82,955,354	24,790,000
Investment in shares	7	3,176,995	5,826,168
Non-current receivable	8	43,179,796	44,212,991
Total Non-Current Assets		3,085,295,175	3,079,285,949
Current Assets			
Inventories	9	1,658,062,569	1,487,724,337
Trade and other receivable	10	672,817,194	388,310,742
Advance corporate income tax	11	948,002,438	598,113,423
Cash and bank balances	12	1,442,035,679	1,487,659,903
Total Current Assets		4,720,917,880	3,961,808,405
Total Assets		7,726,313,055	7,041,094,354
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	13	2,530,808,500	2,300,735,000
Share premium		1,473,647,979	1,473,647,979
Retained earnings		1,318,178,608	1,136,409,713
Total shareholders' funds		5,322,635,087	4,910,792,692
Non-controlling interests	15	173,866,834	196,897,286
Non-Current Liabilities			
Borrowings	16	32,931,914	10,668,000
Total Non-Current Liabilities		32,931,914	10,668,000
Current Liabilities			
Provision for employee benefits	17	13,188,267	7,192,098
Trade and other payables	18	545,375,977	514,537,531
Borrowings-current portion	16	148,621,814	108,790,510
Provision for expenses	19	163,185,614	159,414,589
Provision for corporate income tax	20	1,085,466,420	761,891,606
Provision for royalty and technical know-how fees	21	106,399,330	231,561,612
Deferred tax liabilities	22	134,641,798	139,248,424
Total Current Liabilities		2,196,879,220	1,922,736,376
Total Equity and Liabilities		7,726,313,055	7,041,094,354
See annexed notes	1-2		

for RAK Ceramics (Bangladesh) Ltd.

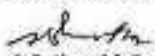

Managing Director


Director


Company Secretary

Signed in terms of our report of even date annexed


Dhaka, Bangladesh
Dated, 2 February 2012



S. F. Ahmed & Co.
Chartered Accountants

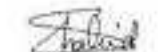
Consolidated Statement of Comprehensive Income (Profit and Loss Account) for the year ended 31 December 2011

Particulars	Notes	Amounts in Taka	
		Year ended 31 Dec 2011	Year ended 31 Dec 2010
Sales	23	4,580,008,209	4,009,021,454
Less: Cost of Goods Sold	24	2,093,527,991	2,505,064,934
Gross Profit		1,886,480,218	1,503,956,520
Less: Operating Expenses:			
Administrative expenses	25	319,378,153	241,688,871
Marketing and selling expenses	26	641,504,347	509,086,847
		960,882,500	750,775,718
Operating Profit		925,597,718	753,200,802
Financial expenses	27	61,462,608	97,574,871
		864,135,110	655,625,931
Other income	28	96,565,593	148,471,774
Net Profit before Tax		960,700,703	804,697,705
Income tax expenses			
Current tax		323,570,136	303,986,092
Deferred tax		(4,606,626)	(9,740,698)
		318,963,510	294,245,394
Net Profit after Tax		641,737,193	509,852,311
Non-Controlling Interest		115,215,452	96,668,798
Net Profit after Tax and Non-Controlling Interest		756,952,645	606,521,109
Earnings per share (EPS) for the year	2.25	2.99	2.54
See annexed notes	1-2		

for RAK Ceramics (Bangladesh) Ltd.

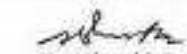

Managing Director


Director


Company Secretary

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 2 February 2012


S. F. Ahmed & Co.
Chartered Accountants

RAK Ceramics. The most trusted brand in Bangladesh's ceramics space.

- RAK Ceramics (Bangladesh) Ltd. is a UAE-Bangladesh joint venture of RAK Ceramics Co. PSC, Ras Al Khaima, UAE, the world's largest ceramic tile manufacturer.
- The Company is engaged in manufacturing and marketing ceramic tiles and sanitaryware products.
- The Company is headquartered in Dhaka with manufacturing facilities at Gazipur. The Company is listed with the Dhaka and Chittagong stock exchanges.
- RAK Ceramics is Bangladesh's largest ceramic tile and sanitaryware manufacturer. Our manufacturing capacity exceeded three feet in the last decade.
- Among the fastest-growing and most profitable enterprises in our business space in Bangladesh, Tiles and Sanitaryware grew 14.42 percent and 20.13 percent CAGR respectively over the last five-year leading to 2011.
- Awarded "Superbrand" status in 2010, the only one in our space in Bangladesh. We exceed the benchmark for the others in our space.

Revenue CAGR (2007-11)

14.42%

PBT CAGR (2007-11)

17.20%

EBSDYA CAGR (2007-11)

13.67%

PAT CAGR (2007-11)

20.13%

Cash profit CAGR (2007-11)

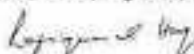
16.89%

Consolidated Statement of Cash Flows for the year ended 31 December 2011

Particulars	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	4,310,603,078	3,931,390,973
Cash paid to suppliers and employees	(3,536,337,619)	(2,887,638,360)
Other income	5,713,989	-
Interest on bank deposit	4,625,698	1,572,557
Exchange gain/(loss)	(38,861,269)	7,726,506
Interest paid	(21,147,092)	(90,715,307)
Bank charges	(1,454,247)	(6,839,564)
Payments for corporate income tax		
Current year	(349,889,015)	(190,092,126)
Net cash from operating activities	373,253,473	765,384,679
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(231,789,189)	(273,145,975)
Sale of property, plant and equipment	431,280	2,937,039
(Increase)/Decrease in intangible assets	(18,614,118)	(15,912,025)
(Increase)/Decrease in capital work-in-progress	9,355,812	130,924,470
(Increase)/Decrease in non-current receivable	1,033,195	4,835,492
(Investment)/disinvestment in shares	2,649,173	(5,826,168)
Investment in associate companies	(114,810,001)	(16,220,000)
Dividend income	350,000	-
Collection from non-controlling interest	92,185,000	43,593,973
Net cash used in investing activities	(259,208,848)	(128,813,200)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest on fixed deposits	127,409,283	130,379,631
Received/(repayment) of term loan	22,263,914	(672,572,346)
Received/(repayment) of short-term loan	39,831,304	(582,491,489)
Issuance of new shares	-	445,100,000
Dividend paid	(334,037,021)	-
Share money deposits	(15,136,329)	(362,835,631)
Share premium	-	1,473,647,979
Net cash from/(used in) financing activities	(159,668,849)	421,228,144
Net Increase/(Decrease) in cash and cash equivalents	(45,624,224)	1,057,799,622
Opening cash and cash equivalents	1,487,659,903	429,860,281
Closing cash and cash equivalents	1,442,035,679	1,487,659,903

for RAK Ceramics (Bangladesh) Ltd.

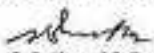

Managing Director


Director


Company Secretary

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 2 February 2012


S. F. Ahmed & Co.
Chartered Accountants


Consolidated Statement of Changes in Equity for the year ended 31 December 2011

Amounts in Taka

Particulars	Share capital	Share premium	Retained earnings	Total
Balance at 01 January 2011	2,300,735,000	1,473,647,979	1,136,409,713	4,910,792,692
Net profit after tax for the year	-	-	756,952,645	756,952,645
Cash dividend (15%)	-	-	(345,110,250)	(345,110,250)
Stock dividend (10%)	230,073,500	-	(230,073,500)	-
Balance at 31 December 2011	2,530,808,500	1,473,647,979	1,318,178,608	5,322,635,087
Balance at 01 January 2010	1,855,635,000	-	669,045,625	2,524,680,625
Issue of new 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

for RAK Ceramics (Bangladesh) Ltd.

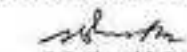

Managing Director


Director


Company Secretary

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 2 February 2012


S. F. Ahmed & Co.
Chartered Accountants

Notes to Consolidated financial statements for the year ended 31 December 2011

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. The Company was converted into a public limited on 10 June 2008 after observance of required formalities as per laws. The name of the Company was thereafter changed to RAK Ceramics (Bangladesh) Ltd as per certificate issued by the Registrar of Joint Stock Companies dated 11 February 2009. The company got listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) on 13 June 2010. The Company is engaged in manufacturing and marketing of ceramics tiles, bathroom sets and all types of sanitary ware. It has started commercial production on 12 November 2000. The commercial production of its new sanitary ware plant, expansion unit of ceramics facilities, tiles and sanitary plant was started on 10 January 2004, 1 July 2004 and 1 September 2007 respectively.

The Company and its subsidiaries 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 (IAS)/International Financial Reporting Standards (IFRSs), applicable to the Company so far adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BAS)/Bangladesh Financial Reporting Standards (BFRS). The disclosures of information are 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 according to BAS - I/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:

- 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.
- 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.
- 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 Pharmaceutical's Pvt. Ltd.	Pharmaceutical's 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 2011

2.4 Investments

a) Investment in associate companies is recorded following equity method as per IAS-28/BAS-28. Details of such investment are shown as under:

Name of associates	Nature of business	Country of incorporation	% of holding	No. of shares held	Investment/ Taka	Share of profit/ (loss)/Taka	Net investment/ Taka
RAK Security & Services (Pvt.) Ltd	Security service provider	Bangladesh	35	3,500	350,000	1,007,779	1,357,779
RAK Paints Pvt. Ltd	Paints manufacturing	Bangladesh	40	200,000	130,000,000	(55,367,804)	74,632,196
RAK-Mosfly (Bangladesh) Pvt. Ltd	Pesticides manufacturing	Bangladesh	20	200	9,250,000	(2,284,621)	6,965,379

b) Investment 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 and loans and advances to subsidiaries are shown as under:

Name of subsidiaries	Equity %	No. of share held	Investment/ Taka	Share of profit/ (loss)/ (Taka)	Loan outstanding/ Taka	Interest charged/ Taka	Security taken against loan
RAK Pharmaceuticals Pvt. Ltd	55	25,769,480	409,020,800	(180,643,183)	500,000,000	69,245,967	No collateral
RAK Power Pvt. Ltd	57	1,168,500	116,850,000	23,346,928	74,782,228	12,182,504	No collateral
Classic Porcelain Pvt. Ltd	51	51,000	5,100,000	(1,407,277)	-	-	-
RAK Food & Beverage Pvt. Ltd	51	10,200	1,020,000	(42,105)	-	-	-

2.5 Capital work-in-progress

Capital work-in-progress is recorded at cost to the extent of expenditure incurred upto 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. No interest is included in capital work-in-progress during the year ended 31 December 2011.

2.6 Intangible assets

Expenditure to acquire designs, development, brand, trade marks and various licenses cost for manufacturing of ceramic tiles, sanitary ware 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 were charged to revenue account as an expense as incurred.

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

Notes to Consolidated financial statements for the year ended 31 December 2011

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 on property, plant and equipment is charged following straight-line method. Depreciation continues to be charged on each item of property, plant and equipment until the written down value of such asset is reduced to Taka one. Depreciation on addition to items of property, plant and equipment 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	10-12.5
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 freehold including those of subsidiaries. Buildings belong to freehold 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 are accounted for on all temporary timing differences arising from the tax base of the assets and liabilities and their carrying values for financial reporting purpose which are accounted for at end of the year.

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.

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

Notes to Consolidated financial statements for the year ended 31 December 2011

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. 2.23.

2.17 Lease assets

The Company has no leased assets and as such no payments were made thereagainst during the year 2011.

2.18 Statement of Cash Flows

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

2.19 Creditors and accruals

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

2.20 Foreign currency transaction

Foreign currency transactions are recorded in BDT at applicable rates of exchange ruling at the dates of transactions in accordance with BAS-21/AS-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.

2.21 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.

2.22 Related party disclosure under IAS-24

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

Name of related party	Relationship
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-Mostly (Bangladesh) Pvt. Ltd	Associates
Kea Printing and Packaging Industries	Other related party
Pall 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 Ltd	Other related party
Mohammad Trading	Other related party
S A K Ekramuzzaman	Key management personnel
Md. Amir Hossain	Key management personnel

Notes to Consolidated financial statements for the year ended 31 December 2011

b) Transaction with related parties:

Amounts in Taka

Nature of transactions	Subsidiary	Associates	Key management personnel	Other related party
Purchase of goods/services	199,138,599	36,823,016	-	207,588,335
Sale of goods/services	5,478,261	35,118	-	2,028,602,712
Outstanding receivable	6,083,824	-	-	373,936,056
Outstanding payable	20,210,413	3,218,039	-	30,112,304
Remuneration	-	-	39,811,796	-
Loan	574,782,229	-	-	-
Interest receivable	85,423,393	-	-	-

2.23 Contingent liabilities and commitments

Amounts in Taka

Particulars	As at	
	31 Dec 2011	31 Dec 2010
Letters of guarantee	39,095,012	38,694,777
Letters of credit	326,823,722	230,987,287
VAT	107,506,432	85,065,817
Income tax	136,764,396	33,176,448
	610,189,562	387,924,329

Out of the above, an amount of Taka. 5,960,715 was paid under protest against VAT demand and Taka 52,806,971 was paid as advance income tax against the said income tax demand.

2.24 Segment reporting

Details of product-wise segment reporting as required by BFRS-8 (operating segments) are shown in Annexure 1.

2.25 Earnings per share (EPS)

Amounts in Taka

Particulars	Year ended	
	31 Dec 2011	31 Dec 2010
Calculation of Earnings Per Share (EPS) is as under:		
Net profit after tax	756,952,645	606,521,109
Number of ordinary shares	253,080,850	253,080,850
Weighted average number of ordinary shares outstanding	253,080,850	238,738,576
Earnings Per Share (EPS) for the year	2.99	2.54

2.26 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.

2.27 Others

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

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

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

Notes to Consolidated financial statements for the year ended 31 December 2011

3. Property, Plant and Equipment

Amounts in Taka

Particulars	COST				DEPRECIATION					Total to 31 Dec 2011	Net book value at 31 Dec 2011
	Balance at 01 Jan 2011	Additions	Sale/ Disposal	Total at 31 Dec 2011	Rate (%)	Up to 01 Jan 2011	Charged for the year	Adjustment			
Land	214,588,442	22,049,800	-	236,638,242	-	-	-	-	-	236,638,242	
Factory building	664,102,137	644,093	-	664,746,230	2.5-5	144,103,285	30,122,887	-	174,226,172	490,519,958	
Factory office building	65,049,792	1,141,264	-	66,191,056	2.5-20	21,697,139	2,954,850	-	24,651,989	41,539,067	
Head office building	170,715,345	841,378	-	171,556,723	2.5-5	20,067,678	8,880,106	-	28,947,784	142,608,939	
Plant and machinery	3,079,236,936	169,172,251	(216,354)	3,248,192,833	5-6.67	1,442,386,212	261,263,296	(95,168)	1,707,604,340	1,544,588,493	
Mobile plant	88,950,076	171,186	-	89,121,262	10	36,886,912	8,909,271	-	45,796,183	43,325,079	
Electrical installation	215,983,793	6,739,632	-	222,723,425	10-20	90,634,201	22,411,578	-	113,045,779	109,677,646	
Gas pipeline	42,550,307	-	-	42,550,307	10-20	28,891,338	4,025,338	-	32,916,676	9,633,631	
Furniture and fixtures	47,437,181	2,985,588	-	50,422,769	10	12,757,846	4,821,495	-	17,579,341	32,843,428	
Office equipment	27,964,242	4,449,749	(310,600)	32,103,391	10-33.33	11,193,739	6,117,847	(144,851)	17,166,735	14,936,656	
Communication equipment	3,084,404	357,292	-	3,441,696	10-12.5	1,210,228	327,072	-	1,537,300	1,904,396	
Tools and appliances	6,441,035	595,933	-	7,036,968	10	2,499,555	643,507	-	3,143,061	3,893,907	
Vehicles	55,622,062	22,640,935	(222,400)	78,040,597	10-20	18,137,777	9,943,545	(104,991)	27,976,331	50,064,266	
Fire fighting equipments	3,631,012	-	-	3,631,012	20	1,452,404	726,202	-	2,178,606	1,452,406	
Total at 31 December 2011	4,685,396,764	231,789,189	(749,354)	4,916,436,599		1,832,008,114	356,147,396	(295,010)	2,190,860,497	2,725,576,102	
Total at 31 December 2010	4,416,337,777	273,145,975	(4,086,988)	4,685,396,764		1,459,529,467	373,198,890	(720,241)	1,832,008,114	2,853,388,647	

Allocation of depreciation to:

Manufacturing overhead	329,435,246
Administrative overhead	26,785,170
Selling overhead	2,926,979
Total	359,147,395

Details of disposal of property, plant and equipment for the year ended 31 December 2011

Amounts in Taka

Particulars	Year of purchase	Original cost	Accumulated depreciation	Net book value	Sale value/ Gain receivable	Gains/(Loss)	Mode of disposal
Motor cycle	2001	75,010	75,010	-	10,000	10,000	Sale
Photocopy machine	2002	90,000	72,937	17,063	17,063	-	Sale
Generator starter motor	2008	216,354	45,168	171,186	171,186	-	Sale
Online ups (3kva)	2007	129,000	49,056	79,944	79,944	-	Sale
Laptop	2011	45,800	10,122	35,678	35,678	-	Lost
Motor cycle	2009	73,081	27,171	45,910	45,910	-	Lost
Motor cycle	2011	74,309	2,810	71,499	71,499	-	Lost
Mobile set	2011	29,300	937	28,363	-	(28,363)	Lost
Paper shredder machine	2008	16,500	11,799	4,701	-	(4,701)	Out of service
Total		749,354	295,010	454,344	431,280	(23,064)	

Notes to Consolidated financial statements for the year ended 31 December 2011

4. Intangible Assets	Amounts in Taka	
	As at 31 Dec 2011	As at 31 Dec 2010
Particulars		
Opening balance	105,134,125	101,245,397
Add: Additions during the year	18,614,118	15,912,025
Less: Amortisation during the year	9,819,520	12,023,296
Closing balance	113,928,723	105,134,126
5. Capital Work-in-Progress		
Heavy equipment and machinery	19,901,778	43,297,670
Building	16,676,427	2,636,347
	36,578,205	45,934,017
6. Investment in Associate Companies		
RAK Security & Services (Pvt.) Ltd	1,357,779	350,000
RAK Paints Pvt. Ltd	74,637,196	20,000,000
RAK-Mosfy (Bangladesh) Pvt. Ltd	6,965,379	4,440,000
	82,955,354	24,790,000
7. Investment in Shares		
Investment in Shares	3,176,995	5,826,168
The above amount represents investment made by the subsidiary company, Classic Porcelain Pvt. Ltd, in the shares of listed companies which are recorded as cost or market price, whichever is lower. Details are shown in Annexure II.		
8. Non-Current Receivable		
Deposits (note 8.1)	22,975,068	22,510,444
Preliminary expenses	957,556	996,436
Pre-operating expenses	9,968,808	14,745,396
Deposited with Customs and VAT	9,278,364	5,960,715
	43,179,796	44,212,991
8.1 Deposits		
Titax gas	19,217,750	18,659,050
Mymensingh Pall Bidyut Society-2	1,991,090	1,991,090
House rent	933,228	1,192,304
Others	833,000	668,000
	22,975,068	22,510,444

Notes to Consolidated financial statements for the year ended 31 December 2011

9. Inventories	Amounts in Taka	
	As at 31 Dec 2011	As at 31 Dec 2010
Particulars		
Raw materials	768,485,040	712,864,941
Stores and consumables spares	726,678,485	644,866,914
Finished goods	116,881,302	77,800,875
Work-in-process	34,594,847	31,149,661
Goods-in-transit	11,422,295	21,041,946
	1,658,062,569	1,487,724,337
10. Trade and Other Receivable		
Trade receivables (*)	493,010,423	273,953,970
Advance to suppliers	41,068,258	24,885,199
Prepaid expenses	15,659,934	28,076,167
Other advances (note 10.1)	123,078,579	61,395,406
	672,817,194	388,310,742
(*) All the receivables are considered as realisable and fully secured except provision for doubtful debt of Taka 2,131,455 made in the year 2011.		
10.1 Other advances		
VAT & supplementary duty paid against sales	40,532,634	28,766,074
Employee advance and imprest account	24,380,171	9,335,880
Claim receivable	9,218,527	7,316,829
Accrued Interest	23,894,401	8,793,080
Others	25,052,846	7,183,543
	123,078,579	61,395,406
11. Advance Corporate Income Tax		
On		
- Import	269,615,417	201,027,578
- Export	404,313	370,259
- Supply	223,361	119,221
- Interest on bank deposit	29,847,059	16,511,433
- Rental income	479,348	205,435
- Registration	363,000	140,000
- Dividend income	2,407,000	-
- Paid in cash	644,662,940	379,739,497
	948,002,438	598,113,423

VISION

To maintain its position as world leading
company in its industry.

MISSION

Our Mission is to be a world leader in our
industry.

- 1. To provide the highest quality products and services to our customers.
- 2. To ensure the highest quality of our products and services.
- 3. To ensure the highest quality of our products and services.
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- 10. To ensure the highest quality of our products and services.

TRE

8 25%

TRADING

1.1 60%

TRADING

1,054

TRADING

19.84 bn

TRADING

18.76 bn



Notes to Consolidated financial statements for the year ended 31 December 2011

32. Cash and Bank Balances

Amounts in Taka

Particulars	As at	
	31 Dec 2011	31 Dec 2010
Cash in hand	6,672,678	2,237,176
Bank balances in		
- Current account	172,869,966	103,149,742
- Short-term deposit account	95,111,483	94,198,029
- Export retention account	3,727,944	3,062,790
- Margin money deposit account	1,250,913	81,914
- Fixed deposit	1,158,016,577	1,273,803,650
Foreign currency account-for IPO refund	4,386,118	9,126,602
	1,442,035,679	1,487,639,903

33. Share Capital

Authorised capital		
300,000,000 ordinary shares of Taka 10/- each	3,000,000,000	3,000,000,000
	3,000,000,000	3,000,000,000
Issued, subscribed, called and paid up capital		
253,080,850/230,073,500 ordinary shares of Taka 10/- each	2,530,808,500	2,300,735,000
	2,530,808,500	2,300,735,000

Particulars of shareholdings are as follows:

Name of shareholders	Number of shares		Value of shares	
	As at	As at	As at	As at
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
RAK Ceramics PSC, UAE	183,707,755	167,007,050	1,837,077,550	1,670,070,500
S.A.K. Ekramuzzaman	18,556,350	18,556,350	185,563,500	185,563,500
H.H. Sheikh Saud Bin Saqr Al Qassimi	22	20	220	200
Sheikh Omer Bin Saqr Al Qassimi	22	20	220	200
Sheikh Ahmad Bin Humaid Al Qassimi	22	20	220	200
Hamad Abdulla Al Muttawa	11	10	110	100
Dr. Khater Misaad	11	10	110	100
Abdullah Misaad	11	10	110	100
Menzil Uttamrao Ahire	11	10	110	100
General public (including IIR & employees)	50,816,835	46,510,000	508,166,350	465,100,000
	253,080,850	230,073,500	2,530,808,500	2,300,735,000

Notes to Consolidated financial statements for the year ended 31 December 2011

14. Classification of shareholders by holding

No. of holdings	Holding Range	Total holdings	Total holdings (%)
54,104	less than 500 shares	12,010,456	4.75
10,473	501 to 5,000 shares	14,142,677	5.59
434	5001 to 10,000 shares	3,000,083	1.19
171	10,001 to 20,000 shares	2,464,840	0.97
55	20,001 to 30,000 shares	1,397,718	0.55
30	30,001 to 40,000 shares	1,018,289	0.40
17	40,001 to 50,000 shares	763,018	0.30
44	50,001 to 100,000 shares	2,893,525	1.14
33	100,001 to 1,000,000 shares	7,782,171	3.07
5	Over 1,000,000 shares	207,608,074	82.03
65,366		253,080,850	100.00

15. Non-controlling interest

Particulars	Amounts in Taka	
	As at 31 Dec 2011	As at 31 Dec 2010
Equity	289,082,286	293,566,084
Share of loss (current year)	(115,215,452)	(96,668,798)
	173,866,834	196,897,286

16. Borrowings

Non-current:		
Term loan	45,710,761	13,138,627
Current portion of term loan	(12,778,847)	(2,470,627)
	32,931,914	10,668,000
Current:		
Bank overdrafts	123,578,172	95,432,740
Short-term borrowings	12,264,795	10,887,143
Current portion of term loan	12,778,847	2,470,627
	148,621,814	108,790,510
	181,553,728	119,458,510

16.1 Borrowings by maturity

	< 1 year	1-2 years	2-5 years	> 5 years	Total
At 31 Dec 2011					
Bank overdrafts	123,578,172	-	-	-	123,578,172
Short-term loans	12,264,795	-	-	-	12,264,795
Term loans and others	12,778,847	14,612,037	18,319,877	-	45,710,761
	148,621,814	14,612,037	18,319,877	-	181,553,728
At 31 Dec 2010					
Bank overdrafts	95,432,740	-	-	-	95,432,740
Short-term loan	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

Notes to Consolidated financial statements for the year ended 31 December 2011

		Amounts in Taka	
Particulars	As at 31 Dec 2011	As at 31 Dec 2010	
17. Provision for Employee Benefits			
Opening balance	7,192,098	8,507,441	
Add: Charge for the year	39,602,909	19,348,653	
Less: Payments made during the year	(33,606,740)	(21,063,996)	
Closing balance	13,188,267	7,192,098	
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.			
18. Trade and Other Payables			
Trade payable	502,997,110	466,605,660	
Income tax and VAT deducted at source	9,277,598	10,702,360	
Dividend payable	11,073,229	-	
Security deposit and other payables	-	65,142	
Share money deposit	22,028,060	37,164,389	
	545,375,977	514,537,531	
19. Provision for Expenses			
Power and gas	16,397,405	24,484,163	
Staff cost	39,746,097	28,858,116	
Audit fees	198,750	340,000	
Professional charges	263,000	420,000	
Interest on loans	97,697	151,430	
Telephone	294,618	261,118	
Managing Director's remuneration	39,811,796	52,702,350	
Worker's profit participation and welfare funds	63,193,326	50,192,715	
Debtful debts	2,131,455	-	
Others	1,051,470	2,004,703	
	163,185,614	159,414,595	
20. Provision for Corporate Income Tax			
For the year			
2011	323,570,136	-	
2010	294,058,668	294,153,991	
2009	207,143,340	207,143,340	
2008	85,378,847	85,378,847	
2007	80,163,573	80,163,573	
2006	89,730,898	89,730,898	
2005	5,242,907	5,242,907	
2004	20,925	20,925	
2003	45,563	45,563	
2002	111,563	111,563	
	1,085,466,420	761,991,606	

Notes to Consolidated financial statements for the year ended 31 December 2011

		Amounts in Taka	
Particulars		As at 31 Dec 2011	As at 31 Dec 2010
21. Provision for royalty and technical know-how fees			
For the year			
2011		106,399,330	-
2010		-	231,561,612
		106,399,330	231,561,612
22. Deferred tax liabilities			
Opening balance		139,248,424	-
Add: Provision made for previous year		-	148,989,122
Less: Released during the year		(4,606,626)	(9,740,698)
		134,641,798	139,248,424
23. Sales			
Particulars		Year ended 31 Dec 2011	Year ended 31 Dec 2010
Gross sales (local)		5,998,398,005	5,174,712,768
Gross sales (export)		4,910,649	7,367,770
Total sales		6,003,308,654	5,182,080,538
Less: Supplementary duty		637,659,382	491,909,305
VAT		785,641,063	681,149,779
Net sales		4,580,008,209	4,009,021,454
24. Cost of Sales			
Raw materials		1,369,148,951	1,076,284,511
Direct labour (note 24.1)		190,398,015	159,708,877
Direct expenses:			
- Power and gas		215,303,039	194,261,572
- Repairs and indirect materials (note 24.2)		446,439,705	394,340,820
- Rental charges		821,739	616,304
- Moulds and punches		31,767,187	31,393,025
- Depreciation		329,435,246	347,703,631
- Royalty and technical know-how/assistance fees		106,399,330	231,561,612
- Other production overhead (note 24.3)		46,140,992	39,179,443
- Movement in work-in-process and finished goods		(42,526,213)	30,015,139
		2,693,527,991	2,505,064,934

Notes to Consolidated financial statements for the year ended 31 December 2011

Particulars	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
24.1 Direct Labour		
Salary and wages	113,802,585	101,809,733
Overtime	11,815,151	9,111,512
Bonus	12,816,360	11,600,389
Incentive	8,006,886	5,072,342
Temporary labour wages	13,395,687	9,863,821
Temporary labour for production	15,860,300	12,199,811
Gratuity	4,990,329	3,639,446
Employer's contribution to provident fund	5,510,701	2,842,505
Leave encashment	1,369,214	1,182,238
Group life insurance	146,091	766,178
Medical expenses	46,454	39,456
Cleaning service factory	2,638,117	1,581,446
	190,398,015	159,708,877
24.2 Repair and indirect materials		
Stores, spares, repair and maintenance	222,477,283	199,373,023
Packing expenses	223,962,422	194,967,797
	446,439,705	394,340,820
24.3 Other production overhead		
Travelling and training expenses	6,900,546	4,557,059
Hotel fare and expenses for technician	4,512,964	3,610,084
Demurrage	591,326	572,072
Insurance	20,554,945	18,488,734
Fuel and maintenance	926,013	536,222
Other expenses	12,655,198	11,415,271
	46,140,992	39,179,443

Notes to Consolidated financial statements for the year ended 31 December 2011

Particulars	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
25. Administrative Expenses		
Staff cost (note 25.1)	84,740,090	61,265,690
Annual general meeting expenses	28,975,319	45,764
Telephone, postage and supplies	4,431,096	5,353,493
Office repair and maintenance (note 25.2)	17,020,630	12,833,239
Registration and renewal	1,897,057	1,421,891
Security and guard expenses	6,037,646	4,504,979
Depreciation	26,785,170	24,144,273
Amortisation	9,819,520	12,023,296
Legal and professional fees	3,166,665	3,143,607
Vehicle repair and maintenance	7,414,462	6,377,430
Rent, rate and tax	4,512,814	2,121,852
Loss on sale of property, plant and equipment	33,064	429,715
Loss on sale of shares	2,636,788	-
CSR expenses	9,145,391	-
Managing Director's remuneration (note 25.3)	39,811,796	52,702,350
Workers' profit participation and welfare funds (note 25.4)	63,193,326	50,192,715
Others	9,757,318	5,108,577
	318,378,153	241,668,871

25.1 Staff cost

Salary and wages	60,726,137	43,890,786
Overtime	18,622	18,481
Bonus	6,510,032	4,781,495
Incentive	3,566,537	3,285,912
Gratuity	2,004,599	1,139,390
Employer's contribution to provident fund	2,762,024	1,080,559
Leave encashment	534,900	476,036
Group life insurance	70,801	232,327
Canteen expenses	997,789	927,522
Staff welfare expenses	1,046,567	748,248
Hotel, tour, food and air ticket	3,194,086	2,367,093
Food expenses	1,984,578	1,746,272
Medical expenses	1,113,197	352,377
Accommodation	182,377	201,144
Traveling and conveyance	27,849	18,048
	84,740,090	61,265,690

Notes to Consolidated financial statements for the year ended 31 December 2011

Particulars	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Repairs office equipment	2,793,488	2,610,052
Electricity, gas and water	2,859,287	2,513,629
Office maintenance	8,943,700	6,238,598
Rent, rates and taxes	843,020	368,672
Others	1,581,135	1,102,288
	17,020,630	12,833,239

25.3 This represents provision made @ 3 percent of net profit after charging remuneration.

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

26. Marketing and Selling Expenses

Staff cost (note 26.1)	117,280,322	60,198,606
Advertisement	6,595,301	12,957,907
Freight and transportation	132,053,711	105,323,853
Performance rebates (note 26.2)	226,492,218	224,390,772
Business promotion	126,775,400	77,343,020
Depreciation	2,926,979	1,350,986
Doubtful debts	2,131,455	-
Bad debt	-	5,000,000
Travel, entertainment and others	27,248,961	32,521,703
	641,504,347	509,086,847

26.1 Staff cost

Salary and wages	103,450,865	54,939,010
Overtime	24,321	760
Bonus	5,875,082	3,851,438
Incentive	1,312,886	411,353
Gratuity	2,658,029	279,686
Employer's contribution to provident fund	3,402,966	385,437
Leave encashment	166,317	142,663
Group life insurance	9,152	60,210
Food expenses	339,171	110,841
Medical expenses	41,553	17,208
	117,280,322	60,198,606

Notes to Consolidated financial statements for the year ended 31 December 2011

Particulars	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
26.2 Performance rebates		
Compensation	2,110,261	639,638
Dealers' commission	130,762,543	148,019,891
Brokerage commission	93,619,414	75,731,243
	226,492,218	224,390,772
27. Financial Expenses		
Interest expenses	21,147,092	90,715,307
Foreign exchange loss	38,861,269	-
Bank charges	1,454,247	6,859,564
	61,462,608	97,574,871
28. Other Income		
Interest income	147,136,302	140,745,268
Share of profit/(loss) of associate companies	(56,644,647)	-
Miscellaneous income	5,713,538	-
Dividend income	350,000	-
Profit on sale of property, plant and equipment	10,000	-
Foreign exchange gain	-	7,726,506
	96,565,593	148,471,774

for RAK Ceramics (Bangladesh) Ltd.



Managing Director


Director


Company Secretary

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 2 February 2012


S. F. Ahmed & Co.
Chartered Accountants

Details of product-wise segment reporting for the year ended 31 December 2011

Annexure I

Amounts in million Taka

Particulars	Ceramics Product		Other Industries		Services & Others		Total	
	Year 2011	Year 2010	Year 2011	Year 2010	Year 2011	Year 2010	Year 2011	Year 2010
1 Segment Revenue								
External turnover	4,255.97	3,859.36	324.04	149.66	-	-	4,580.00	4,009.02
Intra-segment turnover	-	-	206.73	162.37	-	-	-	-
Net Turnover	4,255.97	3,859.36	530.77	312.03	-	-	4,580.00	4,009.02
2 Segment Result								
Profit before interest and tax	1,061.01	866.54	(132.58)	(112.83)	(2.84)	(0.51)	925.59	753.20
Less: Financial expenses	40.06	37.05	21.40	60.52	-	-	61.46	97.57
Add: Other income	-	-	5.76	0.04	90.80	148.43	96.56	148.47
Profit before tax and non-controlling interest	1,020.95	829.49	(148.22)	(173.31)	87.96	147.92	960.70	804.10
Less: Corporate income tax	299.84	279.89	19.12	14.25	-	0.10	318.96	294.24
Less: Non-controlling interest	-	-	(113.82)	(96.79)	(1.39)	0.13	(115.21)	(96.66)
Profit After Tax and Non-Controlling Interest	721.11	549.60	(53.52)	(90.77)	86.57	147.88	750.85	606.92
3 Other Information								
Segment assets	1,400.22	1,486.10	1,359.51	1,315.95	4,966.58	4,227.04	7,726.31	7,041.09
Segment liabilities	-	-	1,359.51	1,315.95	6,366.60	5,725.14	7,726.31	7,041.09
Capital expenditure	169.96	12.21	23.68	230.39	38.15	30.55	231.79	273.15
Depreciation	267.68	288.52	75.96	70.50	15.51	14.18	359.15	373.20
Amortisation of capitalised expenses	-	-	7.47	8.49	2.35	3.54	9.82	12.09

Notes:

- Net turnover is determined after elimination of intra-segment turnover of Taka 206.73 million (Year 2010: Taka 162.37 million).
- As per BFRS-8 (segment reporting), the Company has reported segment information on consolidated basis including business of its subsidiaries.
- The reportable segments are further described below:
 - Ceramics product includes ceramics tiles and sanitary ware;
 - Other industries segment includes pharmaceutical and power business;
 - Business which has no reportable segment during the year, has been grouped under service and other segment.
- Unallocated corporate assets and liabilities comprise of assets and liabilities not identifiable with reportable segment.

Details of investment in share as at 31 December 2011

Annexure II

Amounts in Taka

Sl. No.	Script	Date of purchase	Face value	No. of shares	purchase price per share	Purchase cost	Brokerage commission	Total cost	Market rate at 31 Dec 2011	Market value at 31 Dec 2011
1	ICB	05.09.10	100	4,594	459,399	2,297	461,696	1623.50	162.350	
2	BSRM Steel	03.10.10	10	4000	194	777,206	3,886	781,092	118.70	474,800
3	BSRM Steel	08.05.11	10	5000	194	971,450	4,857	976,307	118.70	593,500
4	UCBL	07.10.10	10	3000	175	525,429	2,627	528,056	43.90	131,700
5	UCBL	08.05.11	10	2000	46	92,800	464	93,264	43.90	87,800
6	UCBL	20.07.11	10	1000	61	60,650	334	60,984	43.90	43,900
7	UCBL	28.04.11	10	1000	56	56,500	311	56,811	43.90	43,900
8	Ultara Finance	20.07.11	10	1000	194	193,899	1,067	194,966	114.20	114,200
9	Desco	31.10.10	10	1000	347	347,300	1,737	349,037	113.50	113,500
10	Desco	08.05.11	10	500	161	80,637	403	81,040	113.50	56,750
11	Bayleasing	13.04.11	10	1000	205	205,000	1,025	206,025	70.10	70,100
12	Bayleasing	28.7.11	10	1000	110	110,300	607	110,907	70.10	70,100
13	Meghna Life	13.04.11	10	1000	372	372,000	1,860	373,860	186.80	186,800
14	Meghna Life	18.04.11	10	400	378	151,395	757	152,152	186.80	74,720
15	Meghna Life	08.05.11	10	100	340	33,950	170	34,120	186.80	18,680
16	PLFSI	13.04.11	10	1000	150	150,000	750	150,750	69.30	69,300
17	Squarepharma	13.04.11	10	170	332	56,426	282	56,708	237.10	40,307
18	One Bank	28.07.11	10	2500	57	141,425	778	142,203	47.70	119,250
19	Prime Bank	28.07.11	10	3050	49	148,632	818	149,450	44.50	135,725
	Right Shares									
20	UCBL	02.05.11	10	3000	15	45,000	-	45,000	43.90	131,700
				31,820		4,979,397	25,030	5,004,427		2,739,082
	Bonus shares									
1	ICB	30.10.11	100	35	-	-	-	-	1623.50	56,823
2	Desco	11.01.11	10	300	-	-	-	-	113.50	34,050
3	UCBL	08.06.11	10	1500	-	-	-	-	43.90	65,850
4	BSRM Steel	12.06.11	10	1000	-	-	-	-	118.70	118,700
5	Bayleasing	10.07.11	10	550	-	-	-	-	70.10	38,555
6	Meghna Life	21.08.11	10	600	-	-	-	-	186.80	112,080
7	Squarepharma	28.09.11	10	50	-	-	-	-	237.10	11,855
				4,035		-	-	-		437,913
	Grand Total			35,855		4,979,397	25,030	5,004,427		3,176,995

Growing trust is a time-tested business strategy enjoying attractive returns.

14.24%

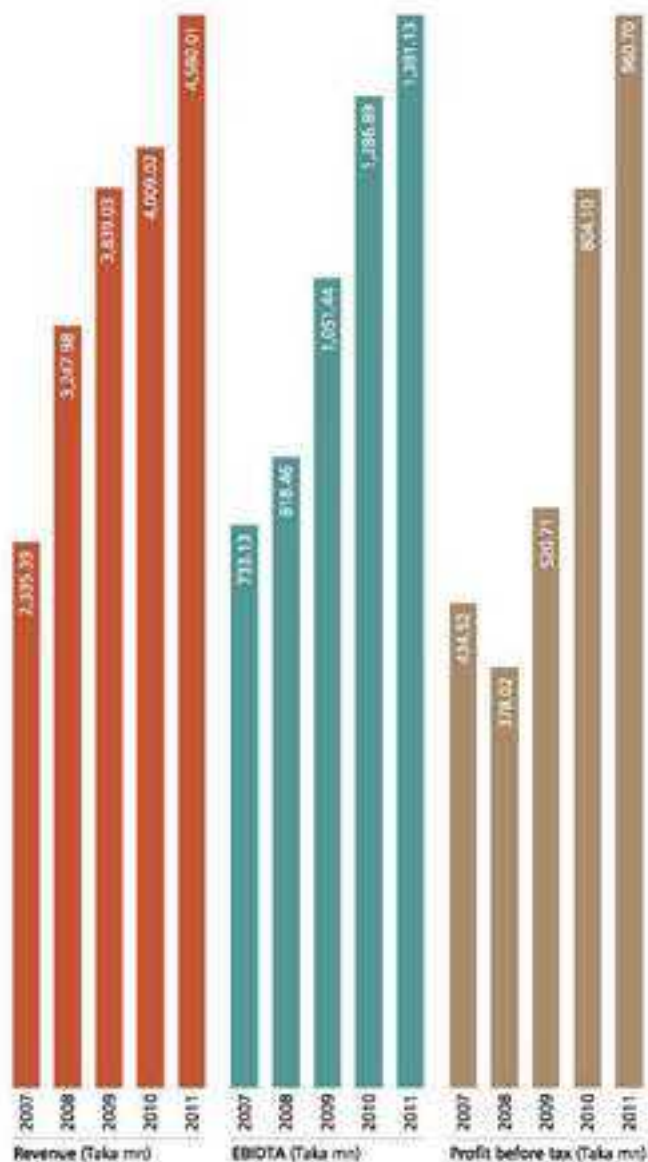
Revenues grew from Taka 4,009.02 mn in 2010 to Taka 4,580.01 mn

8.10%

EBIDTA grew from Taka 1,286.89 mn in 2010 to Taka 1,391.13 mn

24.80%

Profit after tax grew from Taka 606.52 mn in 2010 to Taka 756.95 mn



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 (Balance Sheet) at 31 December 2011 and the related Statement of Comprehensive Income (Profit and Loss Statement), Statement of Cash Flows, Statement of Changes in Equity 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 2011 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, 2 February 2012


S. F. Ahmed & Co.
Chartered Accountants


Statement of Financial Position (Balance Sheet) as at 31 December 2011

Amounts in Taka

Particulars	Notes	As at	
		31 Dec 2011	31 Dec 2010
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	1,760,794,783	1,836,136,824
Capital work-in-progress	4	36,578,205	45,312,098
Intangible assets	5	1,071,883	1,452,000
Investment in subsidiary companies	6	531,990,800	435,020,712
Investment in associate companies	7	139,600,000	24,790,000
Non-current receivable	8	520,936,949	596,891,099
Total Non-Current Assets		2,990,972,620	2,939,602,733
Current Assets			
Inventories	9	1,500,936,145	1,359,557,243
Trade and other receivable	10	682,438,316	412,350,831
Advance corporate income tax	11	936,144,867	590,843,050
Current receivable	12	80,006,472	26,211,520
Cash and bank balances	13	1,436,619,822	1,483,282,901
Total Current Assets		4,641,145,622	3,872,245,545
Total Assets		7,632,118,242	6,811,848,278
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	14	2,530,808,500	2,300,735,000
Share premium		1,473,647,979	1,473,647,979
Retained earnings		1,659,200,089	1,270,356,082
Total Capital and Reserves		5,663,656,568	5,044,739,061
Current Liabilities			
Provision for employee benefits	15	9,431,278	7,192,098
Trade and other payable	16	532,777,558	504,866,852
Provision for expenses	17	137,278,185	140,752,101
Provision for corporate income tax	18	1,081,920,515	758,771,203
Provision for royalty and technical know-how fee	19	106,399,330	231,561,612
Deferred tax liabilities	20	100,654,808	123,965,351
Total Current Liabilities		1,968,461,674	1,767,109,217
Total Equity and Liabilities		7,632,118,242	6,811,848,278
See annexed notes	1-2		

for RAK Ceramics (Bangladesh) Ltd.

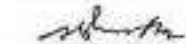

Managing Director


Director


Company Secretary

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 2 February 2012



S. F. Ahmed & Co.
Chartered Accountants

Statement of Comprehensive Income (Profit and Loss Statement) for the year ended 31 December 2011

Particulars	Notes	Amounts in Taka	
		Year ended 31 Dec 2011	Year ended 31 Dec 2010
Sales	21	4,255,973,182	3,859,360,205
Less: Cost of Goods Sold	22	2,571,851,418	2,426,491,047
Gross Profit		1,684,121,764	1,432,869,158
Less: Operating Expenses			
Administrative expenses	23	258,495,333	192,017,025
Marketing and selling expenses	24	364,612,636	374,315,163
		623,107,969	566,332,188
Operating Profit		1,061,013,795	866,536,970
Financial expenses	25	40,064,474	37,030,608
		1,020,949,321	829,486,362
Other income	26	242,917,204	174,367,932
Net Profit before Tax		1,263,866,525	1,003,854,294
Income tax expense			
Current tax		323,149,311	294,048,668
Deferred tax		(23,310,543)	(14,160,518)
		299,838,768	279,888,150
Net Profit after Tax		964,027,757	723,966,144
Earnings per share (EPS) for the year	2.31	3.81	3.03
See annexed notes	1-2		

for RAK Ceramics (Bangladesh) Ltd.

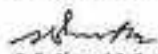

Managing Director


Director


Company Secretary

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 2 February 2012



S. F. Ahmed & Co.
Chartered Accountants

Statement of Cash Flows for the year ended 31 December 2011

Particulars	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	4,064,160,140	3,744,704,008
Cash paid to suppliers and employees	(3,147,573,740)	(2,672,906,131)
Interest on bank deposit	4,625,699	1,388,560
Exchange gain/(loss)	(35,502,482)	7,798,619
Payment of corporate income tax Current year	(345,301,817)	(187,330,494)
Net cash from operating activities	540,407,800	893,654,562
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(208,113,914)	(42,757,304)
Sale of property, plant and equipment	278,194	82,000
(Increase)/Decrease in capital work-in-progress	8,733,893	(41,332,638)
(Increase)/Decrease in intangible assets	380,117	(126,751)
(Increase)/Decrease in non-current receivable	75,954,150	(573,772,267)
Investment in subsidiary and associate companies	(211,780,088)	(72,464,300)
(Increase)/Decrease in current receivables	(53,794,957)	(26,211,520)
Dividend received	12,035,000	-
Net cash used in investing activities	(376,307,600)	(756,582,780)
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance charges	(4,561,993)	(37,050,608)
Interest received	142,972,065	129,578,877
Repayment of term loan	-	(210,000,000)
Repayment of short-term loan	-	(514,663,773)
Share premium	-	1,473,647,979
Issue of new shares	-	445,100,050
Share money deposits	(15,136,329)	(362,835,611)
Dividend paid	(334,037,021)	-
Net cash from/(used in) financing activities	(210,763,278)	923,776,844
Net Increase/(Decrease) in cash and cash equivalents	(46,663,079)	1,060,848,626
Opening cash and cash equivalents	1,483,282,901	422,434,275
Closing cash and cash equivalents	1,436,619,822	1,483,282,901

for RAK Ceramics (Bangladesh) Ltd.


Managing Director


Director


Company Secretary

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 2 February 2012


S. F. Ahmed & Co.
Chartered Accountants


Statement of Changes in Equity for the year ended 31 December 2011

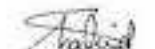
Particulars	Amounts in Taka			
	Share capital	Share premium	Retained earnings	Total
Balance at 01 January 2011	2,300,735,000	1,473,647,979	1,270,356,082	5,044,739,061
Issue of bonus shares	230,073,500	-	-	230,073,500
Net profit after tax for the year	-	-	964,027,757	964,027,757
Cash dividend (2010)	-	-	(345,110,250)	(345,110,250)
Stock Dividend (2010)	-	-	(230,073,500)	(230,073,500)
Balance at 31 December 2011	2,530,808,500	1,473,647,979	1,659,200,089	5,663,656,568
Balance at 01 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	-	(137,732,021)	-	(137,732,021)
Balance at 31 December 2010	2,300,735,000	1,473,647,979	1,270,356,082	5,044,739,061


Managing Director

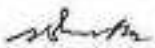
Dhaka, Bangladesh
Dated, 2 February 2012

for RAK Ceramics (Bangladesh) Ltd.


Director


Company Secretary

Signed in terms of our report of even date annexed


S. F. Ahmed & Co.
Chartered Accountants

Notes to financial statements for the year ended 31 December 2011

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. The Company was later converted into a public limited on 10 June 2008 after observance of required formalities as per laws. The name of the Company was thereafter changed to RAK Ceramics (Bangladesh) Ltd as per certificate issued by the Registrar of Joint Stock Companies dated 11 February 2009. The company got listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) on 13 June 2010. The Company is engaged in manufacturing and marketing of ceramics tiles, bathroom sets and all types of sanitary ware. It has started commercial production on 12 November 2000. The commercial production of its new sanitary ware plant, expansion unit of ceramics facilities, tiles and sanitary plant was started on 10 January 2004, 1 July 2004 and 1 September 2007 respectively.

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 (IAS)/International Financial Reporting Standards (IFRSs), applicable to the Company so far adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BAS)/Bangladesh Financial Reporting Standards (BFRSs). The disclosures of information are 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 in accordance with IFRS 1. 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	409,020,800
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	130,000,000
RAK-Mostly (Bangladesh) Pvt. Ltd	Pesticides products	20	Bangladesh	9,250,000

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-1&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. Any gains or losses therefrom are reported in the statement of comprehensive income of that year.

2.3 Depreciation on property, plant and equipment

Depreciation on property, plant and equipment is charged following straight-line method. Depreciation continues to be charged on each item of property, plant and equipment until the written down value of such asset is reduced to Taka one. Depreciation on addition to items of property, plant and equipment 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 2011 (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	10-12.5
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 sanitary ware 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/AAS-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. 2.28.

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 2011 (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-1/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 were 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 date of Statement of Financial Position. 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 are accounted for on all temporary timing differences arising from the tax base of the assets and liabilities and their carrying values 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. 2.24.

2.14 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.

2.15 Leased assets

The Company has no leased assets and as such no payments were made there against during the year 2011.

2.16 Statement of cash flows

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

2.17 Creditors and accruals

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

2.18 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.

Notes to financial statements for the year ended 31 December 2011 (Contd..)

2.19 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.

2.20 Provision for royalty

Royalty has been calculated @ 2.5 percent of net sales in terms of technical know-how and technical assistance agreement dated 9 May 1999 and amendment thereupon.

2.21 Transaction in foreign currency

Particulars	Amounts in Taka
CF value of import:	
Raw materials	1,104,401,053
Spare parts	220,216,877
Capital machinery	48,850,903
Expenditure :	
Royalty	208,405,451
Dividend	200,408,460
Earnings in foreign currency :	
FOB value of exports	4,910,649
Total	1,787,193,393

2.22 Trade debtors

Particulars	Amounts in Taka
Debts outstanding for a period exceeding six months	-
Other debts	458,610,458
Total	458,610,458

2.23 Amount paid to auditors

Particulars	Amounts in Taka
Audit fee	100,000
Taxation matter	20,000
Management services	200,000
Total	320,000

2.24 Contingent liabilities and commitments

Particulars	Amounts in Taka
Letters of guarantee	24,461,762
Letters of credit	325,612,571
VAT	107,506,432
Income tax	136,764,396
Total	594,345,161

Out of the above, an amount of Taka 5,960,715 was paid under protest against VAT demand and Taka 52,806,971 was paid as advance income tax against the said income tax demand.

Notes to financial statements for the year ended 31 December 2011 (Contd...)

2.25 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-Mosfy (Bangladesh) Pvt. Ltd	Associates
Kaa 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 Ltd	Other related party
Mohammed Trading	Other related party
S. A. K Eeramuzzaman	Key management personnel
Md. Amir Hossain	Key management personnel

b) Transaction with related parties:

Nature of transactions	Amounts in Taka			
	Subsidiary company	Associate company	Key management	Other related party
Purchase of goods/services	199,138,599	36,823,016	-	207,988,335
Sale of goods/services	5,478,261	35,118	-	2,028,602,712
Outstanding receivables	6,083,824	-	-	373,936,056
Outstanding payable	20,210,413	3,218,039	-	30,112,304
Remuneration	-	-	39,811,796	-
Loan	574,782,229	-	-	-
Interest receivable	85,423,393	-	-	-

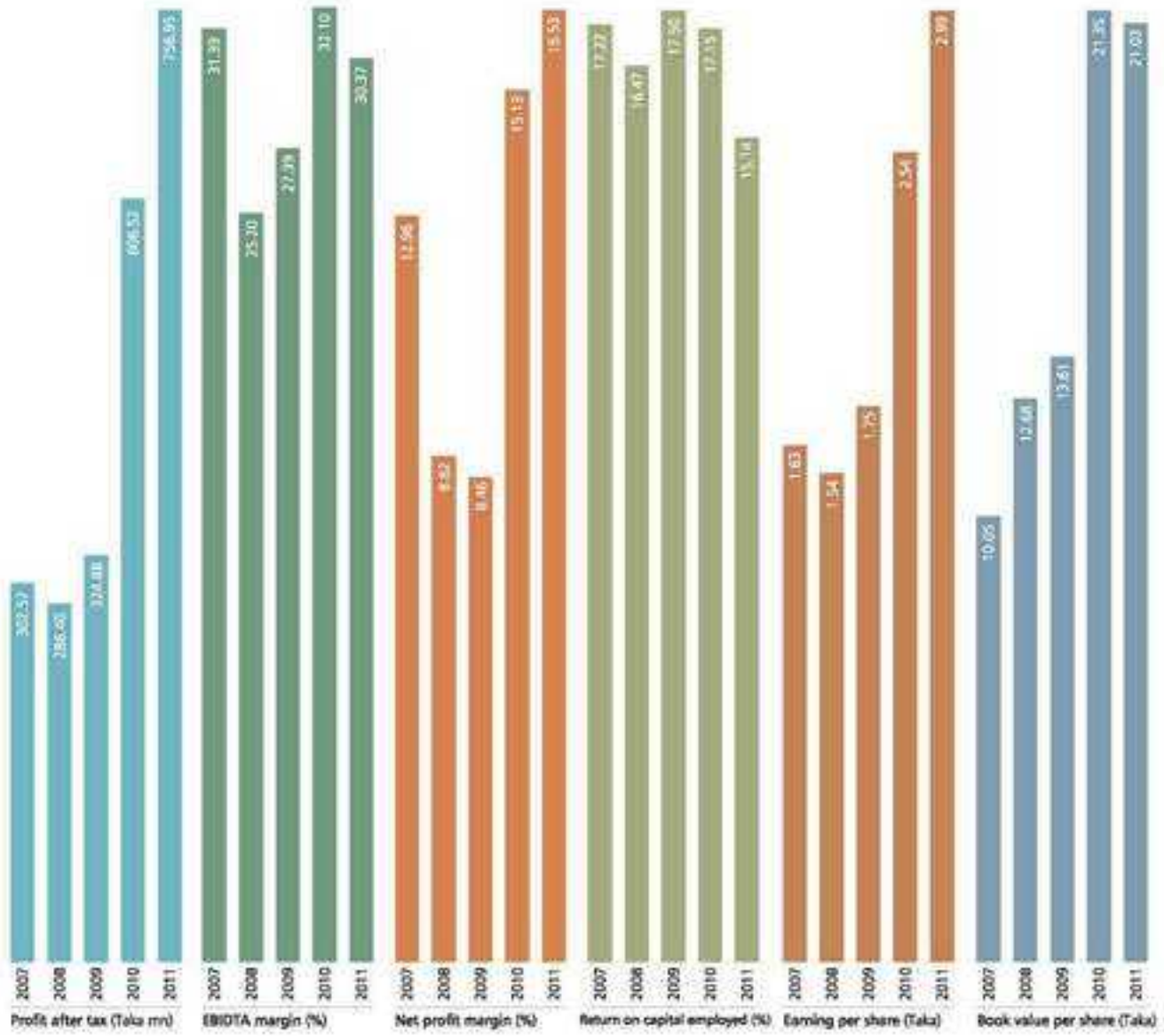
2.26 Events after the reporting period

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

2.27 Paid to Directors

During the year, provision was made as remuneration of Managing Director's for an amount of Taka 39,811,796.

During the year, Board meeting fee of Taka 6,000 was paid to the Board members for attending the Board meetings.



Notes to financial statements for the year ended 31 December 2011 (Contd..)

2.28 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		180.58	152.05	186.46	146.17
Previous year		152.09	192.19	163.70	180.58
Finished goods:					
Tiles-ceramics/granite	Sft				
Current year		0.46	77.80	77.15	1.11
Previous year		2.03	72.53	74.10	0.46
Decor/Border	Pcs				
Current year		0.10	1.15	1.11	0.14
Previous year		0.10	1.08	1.08	0.10
Sanitary ware:					
Sanitary items	Pcs				
Current year		0.05	1.23	1.20	0.07
Previous year		0.06	1.15	1.16	0.05

2.29 Capacity utilisation

Production	Unit	Installed Capacity	Utilisation	% of utilisation	Over/(Under)
		Annual	during the year		utilisation
		Million	Million		Million
Tiles	Sft	86.40	77.80	90%	(8.60)
Sanitary ware	Pcs	1.10	1.23	111%	0.13

2.30 Number of employees

The number of employees engaged for the year who received a total remuneration of Taka 36,000 and above was 1033. None receiving below Taka 3,000 per month.

2.31 Earnings per share (EPS)

Particulars	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Calculation of earnings per share (EPS) is as under:		
Earnings attributable to the ordinary shareholders	964,027,757	723,866,144
Number of ordinary shares	253,080,850	253,080,850
Weighted average number of ordinary shares outstanding	253,080,850	238,738,576
Earnings per share (EPS) for the year	3.81	3.03

2.32 Others

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

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

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

Notes to financial statements for the year ended 31 December 2011 (Contd...)

3. Property, Plant and Equipment

Amounts in Taka

Particulars	COST				Rate	DEPRECIATION				Net book value at 31 Dec 2011
	Balance as at 01 Jan 2011	Additions	Sale/ Disposed/ Adjustment	Total as at 31 Dec 2011		To 01 Jan 2011	Charge for the year	Adjustment	Total to 31 Dec 2011	
Land	182,794,111	22,049,800	-	204,843,911	-	-	-	-	-	204,843,911
Factory building	405,807,408	-	-	405,807,408	5%	128,575,211	30,290,370	-	148,865,581	256,941,827
Factory office building	53,137,911	1,141,364	-	54,279,276	5%	21,267,168	2,657,052	-	24,024,220	30,255,056
Head office building	103,647,545	-	-	103,647,545	5%	17,809,857	5,182,377	-	22,992,235	80,655,310
Plant and machinery	2,526,603,502	162,625,881	(216,354)	2,669,013,029	10%	1,390,635,777	227,054,873	(45,168)	1,617,665,483	1,051,347,546
Mobile plant	55,710,184	-	-	55,710,184	10%	30,238,994	5,571,016	-	35,809,990	19,900,233
Electrical installation	146,644,911	6,739,652	-	153,384,563	10%	75,539,619	13,179,675	-	88,719,494	64,665,069
Gas pipeline	27,115,647	-	-	27,115,647	10%	22,707,474	998,306	-	23,645,779	3,469,867
Furniture and fixtures	20,535,942	510,240	-	21,046,182	10%	3,122,383	1,979,700	-	11,102,083	9,944,099
Office equipment	16,518,623	2,219,278	(219,000)	18,518,901	10%	7,092,470	1,904,873	(121,993)	8,875,350	9,643,551
Communication equipment	2,959,618	357,292	-	3,316,909	10%	1,285,371	314,593	-	1,599,964	1,717,045
Tools and appliances	6,436,591	995,933	-	7,432,524	10%	2,497,777	642,618	-	3,140,395	3,882,129
Vehicles	28,324,141	11,874,474	(75,010)	40,123,604	10%	13,407,169	3,472,308	(75,010)	16,804,468	23,319,137
Total at 31 Dec 2011	3,556,236,134	208,113,914	(510,364)	3,763,839,684		1,720,899,310	283,187,762	(242,171)	2,003,044,901	1,760,794,783
Total at 31 Dec 2010	3,513,681,396	42,757,304	(202,506)	3,556,236,134		1,417,616,299	302,594,747	(111,736)	1,710,099,310	1,836,136,824

Allocation of depreciation to:

Administrative overhead	15,510,904
Manufacturing overhead	267,676,858
Total	283,187,762

Details of disposal of property, plant and equipment for the year ended 31 December 2011:

Amounts in Taka

Particulars	Year of purchase	Original cost	Accumulated depreciation	Net book value	Sale value	Gain/(Loss)	Mode of disposal
Motor cycle	1999	75,010	75,010	-	10,000	10,000	Sale
Photocopy machine	2002	90,000	72,937	17,063	17,063	-	Sale
Generator starter motor	2008	216,354	45,168	171,186	171,186	-	Sale
Onlie Ups (Kha)	2007	129,000	49,056	79,944	79,944	-	Sale
Total		510,364	242,171	268,193	278,193	10,000	

4. Capital Work-in-Progress

Amounts in Taka

Particulars	As at 31 Dec 2011	As at 31 Dec 2010
Heavy equipment and machinery	19,901,778	43,273,127
Building	16,676,427	2,038,971
Total	36,578,205	45,312,098

5. Intangible Assets

Opening balance	1,452,000	4,861,024
Add: Addition during the year	1,966,425	126,751
	3,418,425	4,987,775
Less: Amortised during the year	2,346,542	3,535,775
Closing balance	1,071,883	1,452,000

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

Notes to financial statements for the year ended 31 December 2011 (Contd..)

Particulars	Amounts in Taka	
	As at 31 Dec 2011	As at 31 Dec 2010
6. Investment in Subsidiary Companies		
RAK Pharmaceuticals Pvt. Ltd	409,020,800	312,050,712
RAK Power Pvt. Ltd	116,850,000	116,850,000
Classic Porcelain Pvt. Ltd	5,100,000	5,100,000
RAK Food and Beverage Pvt. Ltd	1,020,000	1,020,000
	531,990,800	435,020,712
7. Investment in Associate Companies		
RAK Security & Services (Pvt.) Ltd	350,000	350,000
RAK Paints Pvt. Ltd	130,000,000	20,000,000
RAK-Mosfy (Bangladesh) Pvt. Ltd	9,250,000	4,440,000
	139,600,000	24,790,000
8. Non-Current Receivable		
Deposits (note 8.1)	16,882,828	17,141,904
Loan to subsidiary companies (note 8.2)	494,775,757	573,788,480
Deposited with Customs and VAT against disputed demand	9,278,364	5,960,715
	520,936,949	596,891,099
8.1 Deposits		
Taxes gas	13,344,600	13,344,600
Mymensingh Pall Bidyut Sanity-2	1,955,000	1,955,000
House rent	533,228	1,192,304
Others	650,000	650,000
	16,882,828	17,141,904
8.2 Loan to subsidiary companies		
RAK Pharmaceuticals Pvt Ltd (note 8.2.1)	494,775,757	500,000,000
RAK Power Pvt Ltd (note 8.2.2)	-	73,788,480
	494,775,757	573,788,480
8.2.1 RAK Pharmaceuticals Pvt Ltd	494,775,757	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	-	73,788,480
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.		

Notes to financial statements for the year ended 31 December 2011 (Contd...)

9. Inventories	Amounts in Taka	
	As at 31 Dec 2011	As at 31 Dec 2010
Particulars		
Raw materials	727,722,559	685,613,083
Stores and consumables spares	663,996,775	588,649,194
Finished goods	69,474,372	41,284,940
Work-in-process	29,127,189	23,150,599
Goods-in-transit	10,615,250	20,859,433
	1,500,936,145	1,359,557,243
10. Trade and Other Receivable		
Trade receivable	438,610,458	260,741,614
Advance to suppliers	41,626,074	55,736,987
Prepaid expenses	12,229,819	20,643,465
Others (note 10.1)	174,971,965	75,228,765
	687,438,316	412,350,831
10.1 Others		
VAT and supplementary duty paid against sales	35,458,511	25,115,173
Employee advance and imprest account	23,117,671	8,973,880
Current account with RAK Ceramics PSC, UAE	1,262,500	-
Claim receivable	5,843,923	5,743,271
Accrued interest	109,289,360	31,493,180
Accrued rental income	-	3,903,261
	174,971,965	75,228,765
11. Advance Corporate Income Tax		
On		
- Import	260,516,457	196,259,674
- Export	406,313	370,239
- Supplies	119,221	119,221
- Interest on bank deposit	29,488,214	16,286,590
- Rental income	479,348	205,435
- Registration	334,000	129,000
Paid in cash	642,396,314	377,472,871
Dividend	2,407,000	-
	936,144,867	590,843,050
12. Current receivable		
Loans to subsidiary companies:		
RAK Pharmaceuticals Pvt. Ltd.	5,224,243	-
RAK Power Pvt. Ltd.	74,782,229	26,211,520
	80,006,472	26,211,520

Notes to financial statements for the year ended 31 December 2011 (Contd...)

13. Cash and Bank Balances

Amounts in Taka

Particulars	As at	
	31 Dec 2011	31 Dec 2010
Cash in hand	5,596,339	1,892,488
Bank balances in		
- Current account	171,428,224	102,930,151
- Short-term deposit account	95,103,544	94,174,587
- Export retention account	3,727,943	3,062,790
- Foreign currency account for IPO refund	4,386,118	9,126,603
- Fixed deposit	1,156,377,654	1,272,186,282
	1,436,619,822	1,483,282,901

14. 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				
253,080,850/230,073,500 ordinary shares of Taka 10 each			2,530,808,500	2,300,735,000
Particulars of shareholdings are as follows:				
Name of shareholder	No. of shares	Value per share/Taka		
RAK Ceramics PSC, UAE	183,707,755	10	1,837,077,550	1,670,070,500
S.A.K. Ekramuzzaman	18,558,350	10	185,583,500	185,583,500
H.H. Sheikh Saud Bin Saqr Al Qassimi	22	10	220	200
Sheikh Omar Bin Saqr Al Qassimi	22	10	220	200
Sheikh Ahmad Bin Humaid al Qassimi	22	10	220	200
Hamad Abdulla Al Muttawa	11	10	110	100
Dr. Khater Mosaad	11	10	110	100
Abdallah Mosaad	11	10	110	100
Manoj Uttamrao Ahire	11	10	110	100
General public (including EII and employee)	50,816,635	10	508,166,350	445,100,000
	253,080,850		2,530,808,500	2,300,735,000

15. Provision for Employee Benefits

Opening balance	7,192,098	8,507,441
Add: Addition during the year	26,350,516	19,348,653
Less: Payments made during the year	(24,111,336)	(21,063,996)
Closing balance	9,431,278	7,192,098

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.

Notes to financial statements for the year ended 31 December 2011 (Contd...)

16. Trade and other Payable	Amounts in Taka	
	As at 31 Dec 2011	As at 31 Dec 2010
Particulars		
Trade payables	491,095,603	458,543,005
Income tax and VAT deducted at source	8,580,686	9,159,478
Share money deposits (*)	22,028,040	37,164,369
Dividend payables	11,073,229	-
	532,777,558	504,866,852
(*) This represents the amount received against share application which were in the process of being refunded as at 31 December 2011.		
17. Provision for Expenses		
Power and gas	11,976,672	19,986,077
Staff cost	21,808,773	17,003,341
Audit fees	120,000	300,000
Taxation matter	200,000	400,000
Telephone	167,618	167,618
Managing Director's remuneration	39,811,796	52,702,350
Workers' profit participation and welfare funds	63,193,326	50,192,715
	137,278,185	140,752,101
18. Provision for Corporate Income Tax		
For the year		
2011	323,149,311	-
2010	294,048,668	294,048,668
2009	204,028,260	204,028,260
2008	85,378,847	85,378,847
2007	80,163,573	80,163,573
2006	89,730,898	89,730,898
2005	5,242,907	5,242,907
2004	20,925	20,925
2003	45,563	45,563
2002	111,563	111,562
	1,081,920,515	758,771,203
19. Provision for royalty and technical know-how fee		
Current year	106,399,330	-
Previous year	-	231,561,612
	106,399,330	231,561,612
20. Deferred tax liabilities		
Opening balance	123,965,351	-
Add: Provision made for previous years	-	138,125,869
Less: Released during the year	(23,310,543)	(14,160,518)
Closing balance	100,654,808	123,965,351

Notes to financial statements for the year ended 31 December 2011 (Contd...)

21. Sales

Amounts in Taka

Particulars				Year ended 31 Dec 2011	Year ended 31 Dec 2010
	Gross sales	SD	VAT	Net sales	Net sales
Local	5,622,030,202	637,659,382	733,308,287	4,251,062,533	3,851,992,435
Export	4,910,649	-	-	4,910,649	7,367,770
Total	5,626,940,851	637,659,382	733,308,287	4,255,973,182	3,859,360,205

22. Cost of Sales

Raw materials				1,268,069,638	1,026,143,445
Direct labour (note 22.1)				166,411,056	136,262,608
Direct expenses:					
Power and gas				346,442,276	287,789,334
Repairs and indirect materials (note 22.2)				397,402,156	358,241,536
Moulds and punches				31,767,187	31,393,024
Depreciation				267,676,858	288,519,320
Royalty and technical know-how/assistance fees				106,399,330	231,561,612
Other production overhead (note 22.3)				21,848,945	19,519,363
Movement in work-in-process and finished goods				(34,166,028)	47,080,805
				2,571,851,418	2,426,491,047

22.1 Direct Labour

Salary and wages				96,258,754	81,567,559
Overtime				10,874,049	9,089,105
Bonus				11,276,102	10,136,603
Incentive				7,943,211	4,975,342
Temporary labour wages				13,395,687	9,863,821
Temporary labour for production				15,860,300	12,199,811
Gratuity				4,492,060	3,639,446
Employers contribution to provident fund				4,913,371	2,842,505
Leave encashment				1,267,136	1,182,238
Group life insurance				130,386	766,178
				166,411,056	136,262,608

22.2 Repair and indirect materials

Stores, Spares, repair and maintenance				173,499,734	163,273,739
Packing expenses				223,962,422	194,967,797
				397,402,156	358,241,536

Notes to financial statements for the year ended 31 December 2011 (Contd...)

Particulars	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
22.3 Other production overhead		
Hotel fare and expenses for technician	4,512,964	3,610,084
Demurrage	591,326	572,072
Insurance	15,775,307	14,364,856
Other expenses	969,348	972,351
	21,848,945	19,519,363

23. Administrative Expenses

Staff cost (note 23.1)	59,225,197	41,875,353
Annual general meeting expenses	28,943,319	27,764
Telephone, postage and supplies	3,146,524	3,948,473
Office repair and maintenance (note 23.2)	9,497,683	7,959,573
Registration and renewal	1,287,161	845,601
Security and guard expenses	6,037,646	4,504,979
Depreciation	15,510,904	14,075,427
Amortisation	2,346,542	3,535,775
Legal and professional fees	2,652,526	1,570,782
Vehicle repair and maintenance	6,834,989	6,124,333
Rent rate and tax	4,338,767	2,121,852
Loss on sale of fixed assets	-	8,770
CSR expenses	9,145,391	-
Managing Director's remuneration (note 23.3)	39,811,796	52,702,350
Workers' profit participation and welfare funds (note 23.4)	63,198,326	50,192,715
Others	6,523,562	2,523,278
	258,495,333	192,017,025

23.1 Staff cost

Salary and wages	39,177,984	26,405,118
Overtime	14,022	18,481
Bonus	4,212,470	3,185,892
Incentive	3,533,190	3,289,912
Gratuity	1,626,266	1,139,390
Employers contribution to provident fund	2,335,432	1,080,559
Leave encashment	510,933	476,036
Group life insurance	67,824	232,327
Charaben expenses	997,789	927,522
Staff welfare expenses	1,036,857	745,708
Hotel, tour, food and air ticket	3,194,086	2,357,093
Food expenses	1,500,060	1,558,758
Medical expenses	835,947	251,414
Accommodation	182,377	201,143
	59,225,197	41,875,353

Notes to financial statements for the year ended 31 December 2011 (Contd...)

Particulars	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Repairs office equipment	416,764	521,892
Electricity, gas and water	2,859,287	2,513,629
Office maintenance	6,221,633	4,824,052
	9,497,683	7,959,573

23.3 This represents provision made @ 3 percent of net profit after charging such remuneration.

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

24. Marketing and Selling Expenses

Staff cost (note 24.1)	10,610,147	9,118,986
Advertisement	6,595,301	12,957,907
Freight and transportation	116,114,128	101,994,170
Performance rebates (note 24.2)	213,473,057	218,546,160
Business promotion	6,703,702	15,531,208
Bad debts	-	5,000,000
Travel, entertainment and others	11,116,301	11,166,732
	394,612,636	374,315,163

24.1 Staff cost

Salary and wages	7,761,996	6,722,880
Bonus	1,114,256	1,024,989
Incentive	753,313	411,353
Gratuity	351,996	279,686
Employers contribution to provident fund	364,957	385,437
Leave encashment	166,317	142,663
Group life insurance	9,152	60,210
Food expenses	88,160	91,768
	10,610,147	9,118,986

24.2 Performance rebates


Compensation	2,110,261	639,638
Dealers' commission	117,771,656	142,175,279
Breakage commission	93,591,140	75,731,243
	213,473,057	218,546,160

Notes to financial statements for the year ended 31 December 2011 (Contd...)

25. Financial Expenses	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Particulars		
Interest expenses	3,429,108	32,820,174
Bank charges	1,132,884	4,230,434
Foreign exchange loss	35,502,482	-
	40,064,474	37,050,608
26. Other Income		
Interest income	225,393,943	162,460,617
Dividend income	12,035,000	-
Foreign exchange gain	-	7,798,619
Rental income from generators	5,478,261	4,108,696
Profit on sale of property, plant and equipment	10,000	-
	242,917,204	174,367,932

for RAK Ceramics (Bangladesh) Ltd.

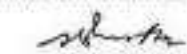

Managing Director


Director


Company Secretary

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated, 2 February 2012


S. F. Ahmed & Co.
Chartered Accountants