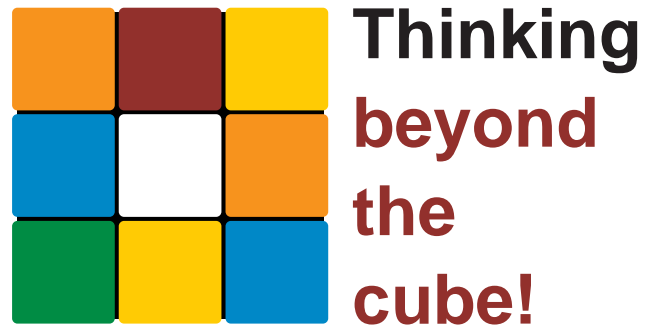


Disclaimer

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

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

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



RAK Ceramics (Bangladesh) Limited
Annual Report 2012

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Directors' Report, Auditors' Report and Financial Statements of Subsidiaries:

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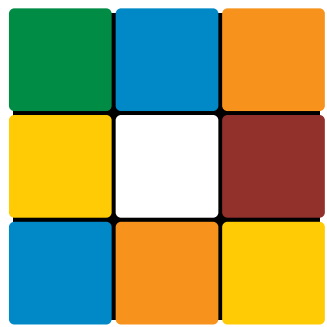
Classic Porcelain Pvt. Ltd. – Page **198**

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What makes us a pride-enhancing originator of the world's largest ceramic tile conglomerate? What makes us Bangladesh's largest and most respected ceramic tile and sanitaryware manufacturer? What makes us Bangladesh's first Superbrand in the manufacturing leisure? What makes us the choicest brand among the customers?

“The answer is in one word!”



**Our ability
to think
beyond
the cube...**

...is directed by five guiding principles.



1

Customer satisfaction

Providing the best possible quality, service and value to the greater number of people in our country, meeting their needs and being reliable in their life each and every day.

2

Integrity

Doing what is right, caring about the dignity and rights of each individual, acting fairly and green in all activities and giving back to the communities in which we operate our business.

3

Teamwork

Understanding that we must all work together to be successful and creating an exciting work environment for individuals to perform to their outmost potential.

4

Aiming for excellence

Being innovative and seeking new and better ways of doing things to remain elegant in a dynamic business environment.

5

Thinking green responsive

Focusing on improving our ecology through the ongoing introduction of green products and embracing environment-friendly practices on the shop floor.



Thinking **new!**

Thinking **smart!**

Thinking **afresh!**

Thinking **green responsive!**

...we create value for our stakeholders
by thinking beyond the **cube!**

Imagine. Reflect. Feel. Experience. Believe.

These are not just words but powerful emotions that our products evoke in our customers, making us the largest and most preferred tiles and sanitaryware brands in Bangladesh today.

Vision Statement

To maintain its status as world's leading innovator in ceramic field

Mission Statement

Our Responsible And Knowledge-driven mission statement includes:

C - Close to our clients by listening to their needs and adapting to market requirements.

E - Excellence in producing high-quality products that offers best value-for-money.

R - Redefining the product innovation and design processes.

A - Accountable to its clients, trade partners, stakeholders and employees.

M - Motivate employees to develop them into future entrepreneurs.

I - Integrity of the management towards the organizational goals.

C - Committed to the society by contributing towards a healthy environment.

S - Sustainability in every sphere of business.

Business

The Company engaged in the manufacture and marketing of ceramic tiles, bathroom sets and sanitaryware products, commenced commercial production on 12 November 2000 with capacity of 2.92 mn sq. metres per year. Commercial production at its new sanitaryware plant commenced on 10 January 2004 with capacity of 300,000 pieces per year.

First expansion of the ceramics tiles plant having capacity of 2.56 mn sq. metres per year took place in 2004.

Second expansion of the ceramics tiles plant having capacity of 2.56 mn sq. metres per year took place in 2007.

First expansion of sanitaryware plant having capacity of 400,000 pieces per year took place in 2007. Second expansion of sanitaryware plant having capacity of 400,000 pieces per year took place in 2010.

Today, the Company's annual installed tile capacity is 8 mn sq. metres and annual sanitaryware capacity is 1.1 mn pieces.

Certifications

The Company emerged as the first Bangladeshi company in its industry to be awarded the prestigious ISO 9001:2008 certification by the UKAS accredited internationally recognized certification agency BVQI in May 2006. As a responsible global leader in the ceramic industry, we are maintaining our commitment to protect and preserve the environment by operating an Environmental Management System which is certified to ISO 14001:2004 standard. The Company complies with ISO 13006:1998 (E), the latest international standard for ceramic tile; locally known as BDS ISO 13006:2006. The Company's sanitaryware complies with the quality criteria of BDS 1162:2012. Both tiles and sanitary products are BSTI-approved. The Company received credit rating AA+ rating (high safety) in investment grade for long term and ST-1 (highest grade) for its short term financing by Credit Rating Information and Services Limited (CRISL), which is highest in the manufacturing sector in Bangladesh. Awarded as 'Superbrand' in 2010, first time in Bangladesh.

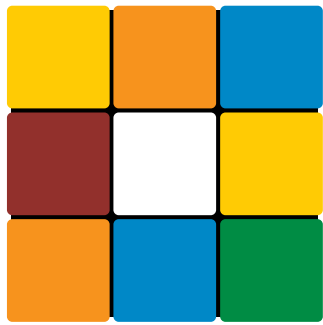
Portfolio

The Company produces the widest ceramic tiles range in Bangladesh comprising ceramic wall and floor varieties, decors, borders and corners. Its portfolio comprises more than 1,000 active tile (ceramic and gress porcellanato) models across a range of sizes (20x30 cm to 60x60 cm). The Company also produces a variety of gres porcellanato (porcelain/fully vitrified tiles) across several finishes (salt and pepper, soluble salt, glazed porcelain, polished porcelain, double charge, double charge with soluble salt, gress porcellanato, dry glaze and twin press among several other offerings, with finishes across rustic, antique, modern, among others). The Company's sanitaryware portfolio features around 35 models comprising wash basins (mounted and pedestal), water closets, bidets, water tanks, bathroom sets, related accessories and decorated sets – Karla, Orient, Washington, Amanda, Tampa, Venice, Shino, Mistral, Jumeirah, Lara, Cynthia, Windsor, Oasis, Mira, Emma, Rosa, Lisbon and Europa etc. The Company is adding an average of 2-3 new models of tiles every month and sanitaryware models are tested in research labs and added on quarterly/ half yearly basis. During year 2012, more than 100 models of tiles were added in the product basket.

Brands

RAK Tiles and Sanitaryware
RAK Pharmaceuticals
RAK Paints
RAK Power
RAK Mosfly
RAK Security and Services

■ Number of display centers = 03 ■ Team size = 1,106



Recognitions

...the Company has been awarded the “first position” in the non financial sector- manufacturing in the 11th ICAB national awards for best published accounts and reports 2010 competition and “second position” in the 12th ICAB national awards for best published accounts and reports 2011. The award was given by the Institute of Chartered Accountants of Bangladesh (ICAB).



RAK Ceramics (Bangladesh) Limited secured the prestigious "Certificate of Merit" for the Best Presented Accounts and Corporate Governance Disclosures Awards 2010 and 2011 in the Manufacturing Sector. The award was authorized by the South Asian Federation of Accountants (SAFA).





**And when
we think
one step
ahead...**

...good things happen: sales are increased, profits are made, shareholders and employees are rewarded, jobs are created, our communities are benefited, we have fun and our customers are happy and proud.

Our financial performance:

2012 was another year of substantial turnover growth and capacity building, positioning us well for achieving further progress:

- Net sales up 7.17 percent to Taka 4,908.17 mn.
- Tiles (ceramics and gress porcellanato) realizations up by 6.02% percent (per sqm).
- Sanitaryware realizations up by 14.62 percent (per piece).
- Operating profit of Taka 910.51 mn.
- Operating profit margin of 18.55 percent.
- Profit after tax of Taka 608.12 mn.
- Earnings per share of Taka 2.18.
- Return on capital employed of 15.51 percent.

Our strong and flexible financial position:

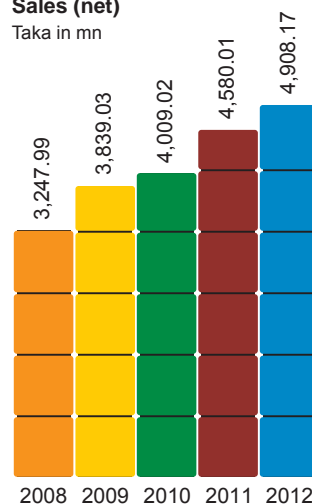
- Debt-free status nearly met on account of adequate timely liquidity management.
- Incurred capital expenditure of Taka 644.14 mn to expand our network and future respective.
- Efficient and high-quality production assets will enable us to further strengthen our dominant market position.

Rewarding our shareholders:

- Recommended dividend @ 15 percent in cash and 10 percent in stock of the paid up capital for the year 2012.
- Market capitalization of Taka 15,812.49 mn (as on 31 December 2012) on the Dhaka Stock Exchange.

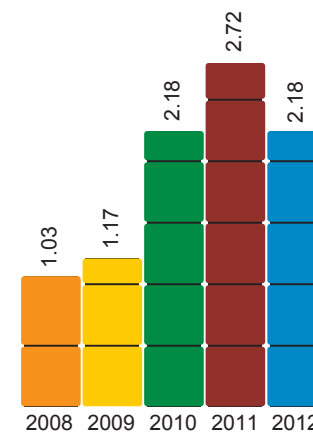
Sales (net)

Taka in mn



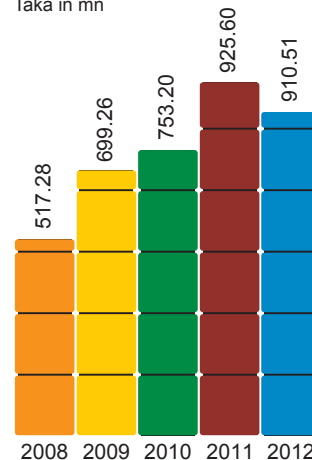
Earnings per share (EPS)

(EPS)

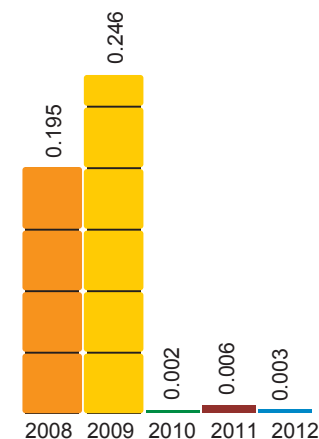


Operating profit

Taka in mn

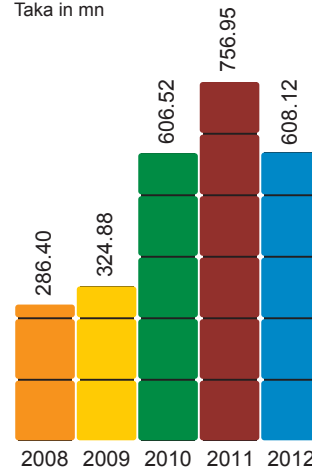


Debt equity ratio

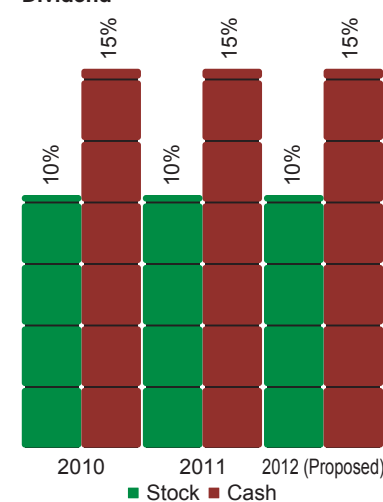


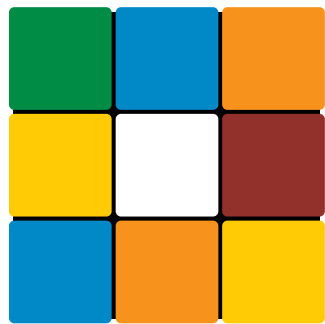
Net profit

Taka in mn



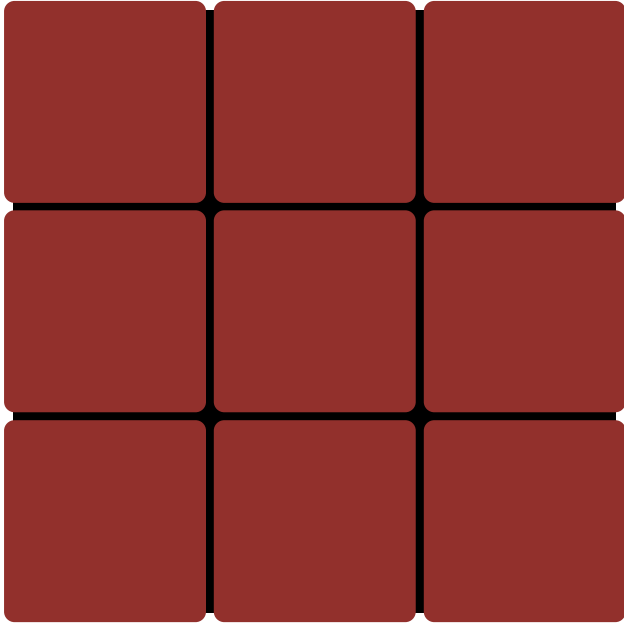
Dividend





Key annual highlights

...despite a challenging economic climate, a return to like-to-like turnover growth, together with a continuing focus on improving customer service, cost reduction, win-win margin and adequate liquidity management have produced a promising remarkable results.



Generated like-to-like growth

During the year, the Company generated revenue of Taka 4,908.17 mn, (2011: Taka 4,580.01 mn). This was 7.17 percent ahead of last year on a like-to-like basis resulting out of an increased demand for our products and value-led realizations growth.

Sustained strong cost control

We want each of our business units to make incremental improvements in cost reduction every year. As a result, in a tough market condition, we were able to report a strong operating profit margin of 18.55 percent.

Enhanced product portfolio

We introduced several new tile products across various popular sizes and also launched the Metropolitan and Infinity range of sanitaryware products, enabling us to deepen our presence in the minds of our customers.

Improved customer service

Our key business objective is to improve customer service and ensure that we delight them in the store and give them enough reasons to come back and buy from us.

Gained market share

Our objective for each of our businesses is to increase market share every year. In 2012, our tiles and sanitaryware products held or improved their share of the market.

Announced dividend

The Board of Directors recommended dividend @ 15 percent in cash and 10 percent in stock, reflecting the strength of our financial performance and our confidence in the future prospects of the Company.

“Looking forward, we are well placed to create as well as capitalize on the significant growth opportunities in the home building industry especially on account of the strength and preference for the RAK brand.”

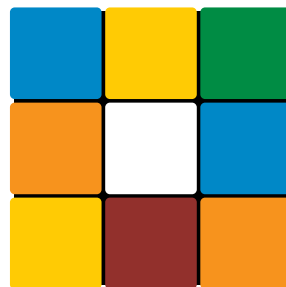


Dear fellow stakeholders of RAK Ceramics (Bangladesh),

It is widely said that in business as in life, one needs to have that bit of an extra edge, that little ounce of energy that pushes one to take the final leap and win the race. Over the years in RAK Ceramics (Bangladesh), we have created a formidable reserve of this incremental edge by thinking beyond the cube.

This ability to innovate each and every process in every single day has many facets to it – strong understand of the business, active product range, deep customer connect, robust operations management and a motivated staff.

The result is that despite a challenging business environment, we were able to grow our turnover by 7.17 percent to Taka 4,908.17 mn reflecting the strong affinity for our products among our customers, leading to both growth in tiles and sanitaryware volumes as well as realizations during 2012. Moreover, strong company-wide initiatives to control costs, reduce wastages and maximize efficiencies led to a healthy operating profit margin of 18.55 percent and net profit of Taka 608.12 mn in the year.



Our point of view Chairman's thoughts

Thinking new

I am happy to state that being in the business of producing tiles and sanitaryware products, we decorate many homes and offices, which in turn, are sources of pride among many of our customers. This customer intimacy has strengthened our resolve to not just introduce the highest quality products with no compromises but to extend this belief through the continuous introduction of a larger range of exciting and ‘wow-inducing’ products.

To sustain the vibrancy and energy in the market, we introduced several new tile products in the Décor range covering multiple sizes of 20x30 cm,

25x33 cm, 25x40 cm, 30x60 cm, 30.5x30.5 cm, 40x40 cm and 59.5x59.5 cm, among others. We also commercialized several varieties of borders and launched exhilarating new-age sanitaryware products under the Metropolitan and Infinity brands.

I am happy to share that these products were well-received by our customers, justifying our rich abilities in translating fashionable trends into home building tiles and sanitaryware products and providing several reasons for our customers to make us the partner of their choice.

Thinking smart

In our business, it is essential that we provide the widest range of tiles and sanitaryware across multiple price points to enable customers from all sections of the society to experience and buy our products. It is also critical for us to keep the costs of running our business low so that we can always remain relevant in the market by providing greater value to our customers not just in terms of our products but also in the quality of our services.

Process innovation paired with high utilization of our assets enabled us to control costs across the board. For instance, creating an optimal raw material resource mix and diversifying our sourcing base enabled us to report a small 12 percent increase in raw material costs per sqm due to currency fluctuation despite high levels of inflation across most commodity products. Similarly, tight control on power costs led to these increasing by 3 percent and 8 percent for tiles and sanitaryware, respectively.

Moving forward, I am confident that our brands will continue to remain at the pertinent intersection of the right quality and the right price, enabling new as well as repeat purchases.

Thinking afresh

The ability to strengthen brand resilience is the most critical aspect of our business. Therefore, it is important for me to say that our products are beyond just commodities and stand for something more holistic. This may include a combination of the price, the trust, the confidence in our company, the service, the experience and the joy of creating a community atmosphere in our organization.

I must tell you that one of the most important ways that we build customer trust is balancing the simple equation between the win-win price of the product on the one hand and the sustainability of our enterprise on the other. We continue to think afresh, think of ways and means to steady this equilibrium. We value for money with community responsibility of green planet views.

As we go forward, we will continue to increase customer-centricity by creating stronger propositions in Bangladesh's growing realty market and positioning ourselves as a valuable tiles and sanitaryware brand committed to innovation and responsiveness.

Thinking green responsive

At RAK Ceramics, thinking green is our response to the dynamic business environment, which demands that we take up green and environmental-friendly practices. This is not only reflected in our ability to continually develop eco-friendly products but also adopt green practices across our entire business value chain – right from raw material procurement to logistics to manufacturing to distribution to the final sale.

Priorities

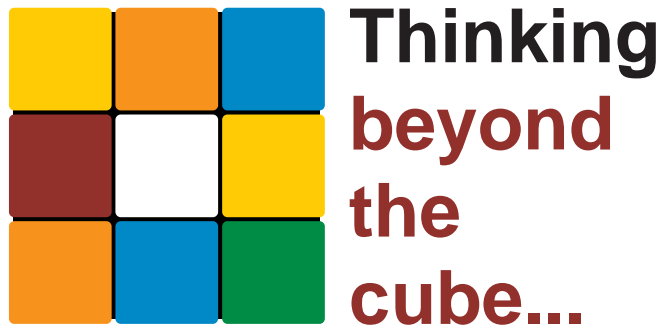
Looking forward, we are well placed to create as well as capitalize on the significant growth opportunities in the home building industry, especially on account of the quality responsiveness for the RAK pride. The performance of the business is improving and we are now getting good visibility level across all fronts key and we expect to accelerate this momentum as we step forward.

Acknowledgements

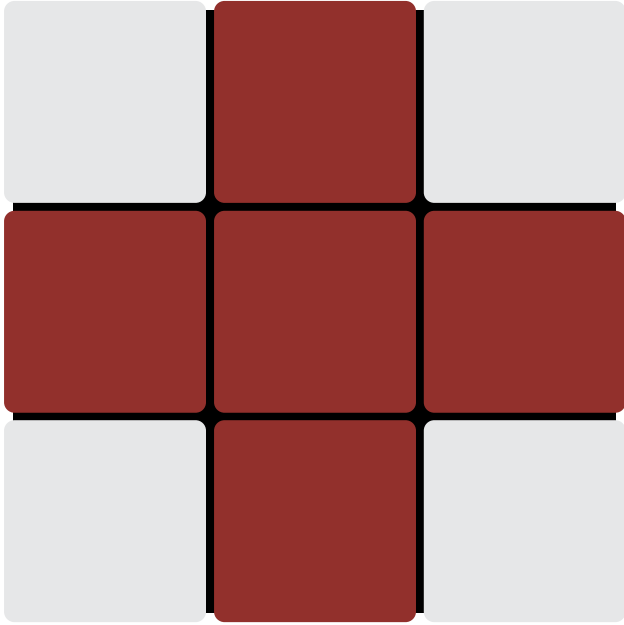
Lastly, I would like to mention that I am very proud to lead this Company. So I would like to take this opportunity to thank all our partners, stakeholders, investors, government authorities and RAK family members.



Abdallah Massaad
Chairman



...just not to manufacture tiles but enhance
'ceramic opera'!

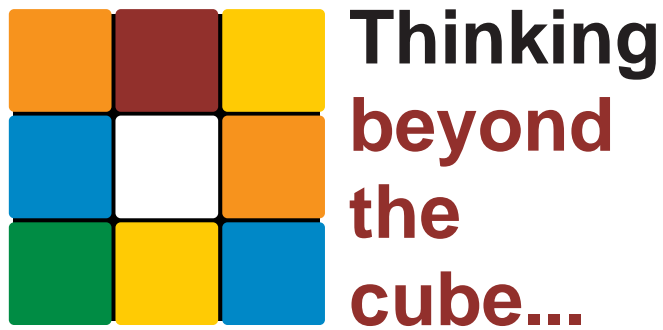


Understanding the styles that leave consumers inspired and pairing rich designs with high quality and everyday functionality have made RAK the best-selling home building brand under tiles and sanitaryware products in Bangladesh today.

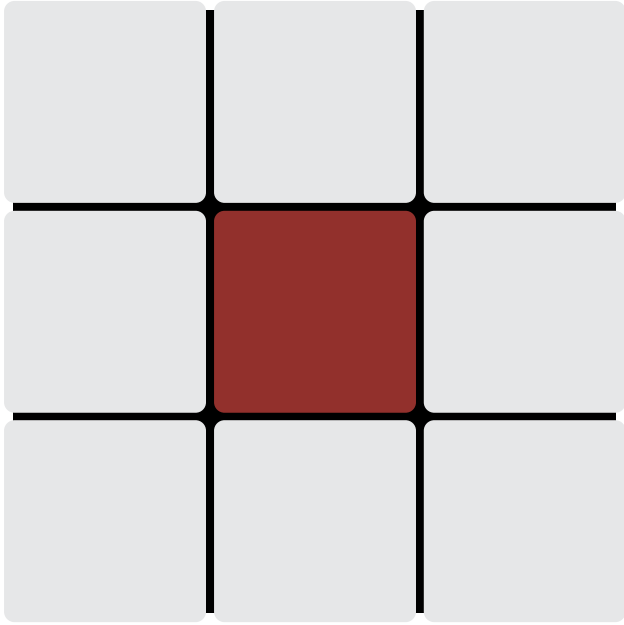
Consumers respond to our broad array of well-known products including ceramic wall and floor tiles, décors, borders and corners in addition to having an active portfolio of over 1,000 active tiles (ceramic and gress porcellanato) across a range of sizes (20x30 cm to 60x60 cm) backed by a variety of Gres Porcellanato (porcelain/ fully vitrified tiles) across several finishes (salt and pepper, soluble salt, glazed porcelain, polished porcelain, double charge, double charge with soluble salt, dry glaze among several other offerings, with finishes across rustic, antique, modern, among others).

Our sanitaryware portfolio features around 30 models comprising wash basins (mounted and pedestal), water closets, bidets, water tanks, bathroom sets. We continuously enhance our offerings with new products that consumers love, such as the Metropolitan and Infinity range of brands which were very well-received in the market.

Our fully integrated ultra modern manufacturing platform gives us the flexibility to serve specific channel and customer needs with a brand portfolio easily differentiated from our competitors. We passionately attract new customers and enhance existing relationships by leveraging our consumers sovereign reputation with bold, fresh products that combine style and value for money proposition.



...just not to sell products but building a
awared community through our consumers
sovereign brands!

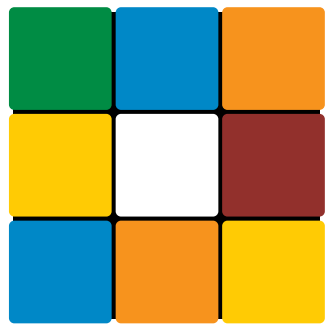


The reason why we are the brand of choice for our customers is that we provide them with not just world-class products but protected with the highest quality of services.

Our ability to innovate and keep alive market enthusiasm is reflected in the fact that we introduce between 2-3 models of products every month. We are also the only company in Bangladesh to provide a world-class consumer experience through managing around 10,000 sft of four exclusive display centres (two in Dhaka and one in Sylhet) where our experienced associates help customers choosing the right products.

Our confidence in our products is represented by the fact that we are the only company in our sector in Bangladesh to offer a lifetime warranty on our products. We are the only company in the country to consistently produce tiles that are better than global benchmarks (water absorption of 0.02 percent compared to the normal benchmark of 0.5 percent and modulus of rupture of over 700 Newton per metre against the established 500 Newton per metre).

We are also among the few in our peer group to possess a cutting-edge R&D laboratory, and the only ceramic tiles and sanitaryware manufacturer in Bangladesh to import as high as 90 percent of our raw material needs from the best global suppliers and use these resources in our cutting-edge SACMI (Italy) technology, leading to the manufacture of world-class products.



6 strategic questions for the Managing Director

“At RAK Ceramics (Bangladesh), having five core strengths at the heart of the business has helped to ensure that we have effectively responded to evolving market conditions while maintaining beyond the cube performance.”

S.A.K. Ekramuzzaman



How would you sum up the corporate performance of 2012?



Supported by our consistent strategy, we possess five core strengths that allow us to generate sustainable returns through the economic cycle. Because of these strengths, we remain committed to our growth plans and ensure that we create consistent value for our shareholders.

This is exactly what happened during 2012, where despite being faced with several challenges, we reported a 7.17 percent growth in turnover to our highest-ever of Taka 4,908.17 mn helped by robust growth in tiles and sanitaryware realizations. Our five core anchor strengths also enabled us to record an operating profit margin of a substantial 18.55 percent and helped arrest decline in the net profit to Taka 608.12 mn.

Our confidence in the strength of our business model is represented by the fact that we have recommended dividend @ 15 percent in cash and 10 percent in stock for 2012, rewarding the faith and conviction our shareholders have placed in us.



What is the first of the five core strengths?



We have high-quality production assets that are state-of-the-art and cost-competitive. This advantage translates into the manufacture of a large proportion of Grade A (first quality) tiles and sanitaryware products, lowering rejects and recycling wastages and enabling us to collect a price premium from the market. This, paired with our

unrivalled knowledge of ceramics and gress porcellanato technology, has led to the development of a strong competitive edge, represented by a higher-than-industry operating profit margin of 18.55 percent that we reported in 2012.



An operating profit margin of 18.55 percent is indeed competitive. What is the second core strength?



We enjoy a dominant market share of the tiles industry in Bangladesh and are among the top sanitaryware brands in the country today. This has enabled us to evolve from a simple products marketer into a total solutions provider, allowing us to strengthen links with our customers.



How do you ensure strong brand perception at the storefront? What is the third core strength?



Our third core strength is exactly the way we manage the perception of the RAK brand at our organization. Our world-class display centers engage with our customers in several ways, facilitated by our trained store associates, who inform of product range, benefits and costs, and by this means, enable them to make the most informed purchase. I am happy to report that increased sales of our products enabled us to report as high as 83 percent for tiles and full capacity utilization of sanitaryware products during 2012.



A high capacity utilization would have also been able to optimize costs. What is your fourth core strength?



That is precisely correct. Being a responsible enterprise, we have to remain relevant in all market and economic cycles. We are continually looking to optimize raw material resource costs and a case in point is our robust ability to manage gas (fuel) costs since fuel costs occupy a large chunk of the operating costs. The result is that in 2012 we reported a substantial 15 percent decline in gas costs per unit of tiles produced. We look ahead to further optimize our overall cost structures through constant innovation and improvement.



What is your fifth core strength? How do you ensure overall business sustainability?



We do so through having a strong balance sheet, which helps build capacity enterprise-wide. Among our biggest shareholder-centric strengths is that we are a zero debt company with no long-term debt on our standalone books, which helps protect fortunes from a high interest rate environment.

Going ahead, we expect to grow our production capacity volumes and together with rising realizations, we expect to take our performance to even greater heights over the years to come.



**Segmental
review
of our
products**

A: TILES

(mn sqm)

2010		2011		2012	
Production	Sales	Production	Sales	Production	Sales
6.74	6.89	7.23	7.17	6.67	6.71

B: SANITARYWARE

(mn pcs)

2010		2011		2012	
Production	Sales	Production	Sales	Production	Sales
1.15	1.16	1.23	1.20	1.26	1.28

C: RAK POWER

(mn kwh)

2010		2011		2012	
Production	Sales	Production	Sales	Production	Sales
44.45	44.45	50.89	50.89	51.39	51.39

D: RAK PHARMACEUTICALS

(mn pcs)

2010		2011		2012	
Production	Sales	Production	Sales	Production	Sales
34.74	32.40	68.30	65.69	67.38	65.29

E: RAK PAINTS

(mn ltr)

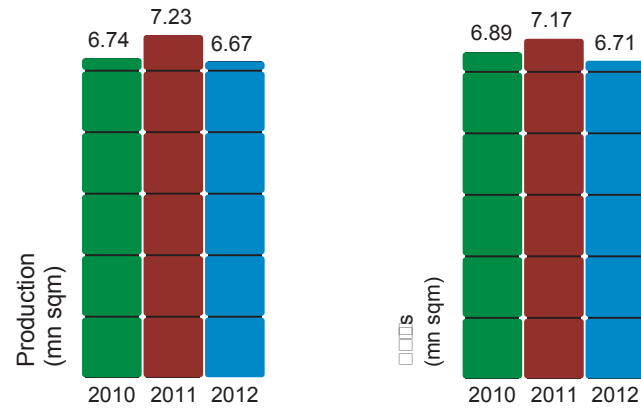
2010		2011		2012	
Production	Sales	Production	Sales	Production	Sales
-	-	2.06	1.44	4.52	4.48

F: RAK MOSFLY

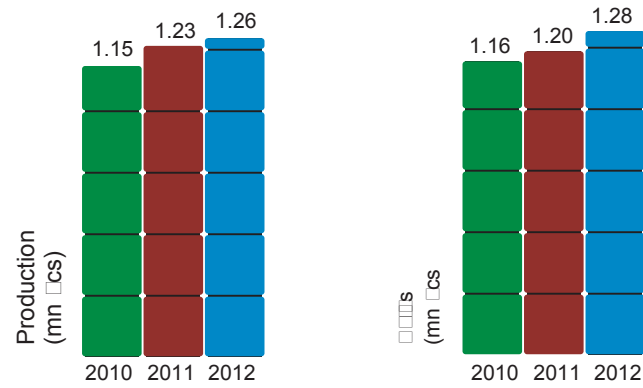
(mn pcs)

2010		2011		2012	
Production	Sales	Production	Sales	Production	Sales
-	-	-	-	63.28	57.81

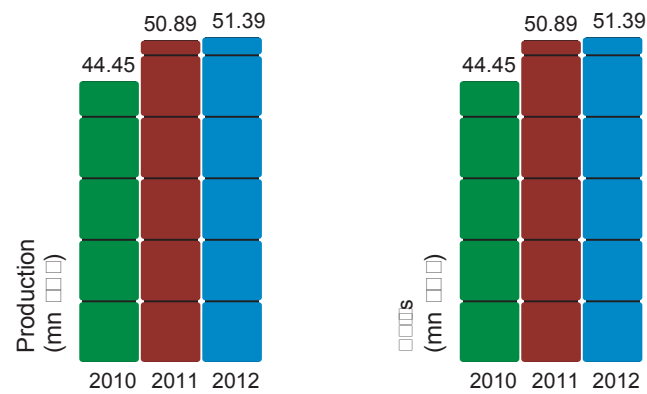
A: TILES



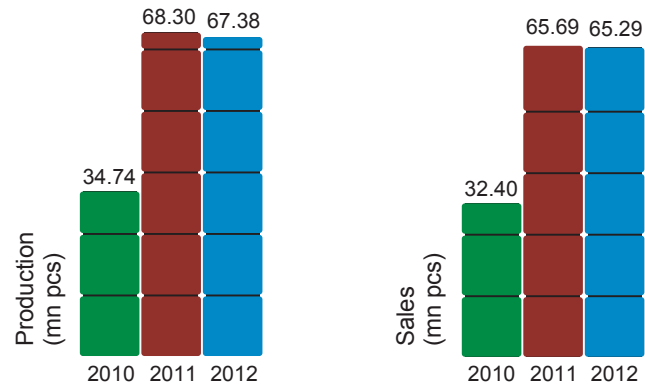
B: SANITARYWARE



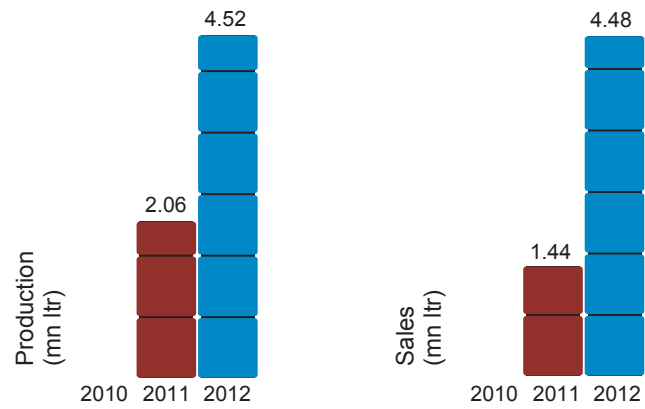
C: RAK POWER



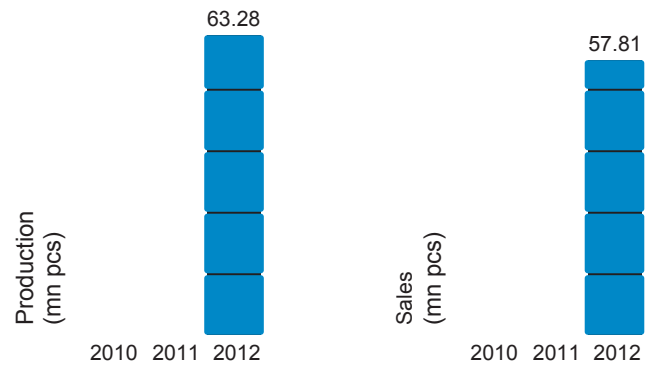
D: RAK PHARMACEUTICALS



E: RAK PAINTS



F: RAK MOSFLY





**Bridging
risks and
rewards
– Risk
mitigations**

Overview

Robust risk management and internal control provides competitive advantage and enhances productivity as well as profitability. The Company's risk management framework is defined in three main areas:

- Business operations – implementation of sound risk management practices every day: The Company continues to maintain and improve its comprehensive risk management programme, which is designed to ensure that significant and emerging risks are identified, assessed, prioritized and mitigated through a clear understanding of strategies, policies, initiatives, norms, structure reporting and control.
- Independent assurance: Independent assurance teams check whether corporate policies and procedures to manage risk have been defined and implemented.
- The Board and its Committees – strategic direction and control of the Company: Monitoring is typically performed by the Board through its management team as a part of its internal control activities, such as review of analytical reports or management committee meetings with relevant experts, to understand how the risk response strategy is working and whether the objectives are being achieved.

Risk management at RAK Ceramics (Bangladesh)

Management selects a risk response strategy for specific risks identified and analysed, which may include:

- Avoidance: existing activities which are risk materials.
- Reduction: taking action to reduce the likelihood or impact related to the risk.
- Alternative actions: deciding and considering other feasible steps to minimize risk.
- Mitigate or insure: mitigating a portion of the risk, to insure it through wider insurance policies.
- Accept: no action is taken due to a cost/benefit decision.

We foresee the risk:

1

Inherent risk and trend: Market conditions

Definition: Factors influencing this risk include:

- Rate of GDP growth
- Consumer confidence
- Availability of credit
- Level of government initiatives to stimulate economic activity inflation.

Mitigation: Market conditions are considered in detail during the strategic planning process, which includes forecasting and budgeting relating to the current economic climate. Performance is constantly monitored through reviews with each business. For instance under sanitaryware, two new ranges (Metropolitan and Infinity) were

introduced, which were well-appreciated in the market and reported robust realizations growth.

2

Inherent risk and trend: Competitive pressures and margin erosion.

Definition: Current market conditions have further increased competition during the year under review which, if not mitigated, could lead to downward pressure on sales prices and profit margins.

Mitigation: Initiatives undertaken by the company include:

- Creating the widest range of tiles and sanitaryware products across the largest range of price points.
- Maintaining pressure on high-quality Grade A tiles.
- Launching new products and ranges to keep up market excitement and training of showrooms staffs.
- Continuous improvement of processes through cost saving/reduction exercise.
- Reaching wider and deeper into even the remotest corners of Bangladesh.

3

Inherent risk and trend: Capital expenditure and return on investment.

Definition: A core element of the Company's strategy is a focus on ecofriendly growth through capturing process and value chain synergies.

Mitigation: Key initiatives include:

- The Company's resource allocation process targets future capital allocation to those businesses capable of generating the highest return on investment.
- Zero net debt status strengthens our financial flexibility.
- Despite a challenging year, we reported a return on capital employed of 15.51 percent in 2012.

4

Inherent risk and trend: Forex and funding risks.

Definition: There are risks relating to the Company's ability to maintain foreign currency exposure to in funding issues due to banking channel liquidity crunch and high internationally rate.

Mitigation: Key initiatives include:

- Strong working capital management practices with several open lines to obtain these funds from banks.
- Robust inventory management practices with a relatively low working capital cycle.
- Strong liquidity position with a reported cash profit of Taka 1,008.60 mn.



Giving
back to the
community-
Corporate
Social
Responsibility

Corporate social responsibility is at the heart of RAK Ceramics' business values and we recognise that many of our stakeholders, from site neighbours and employees through to customers and investors, have rising expectations of our corporate responsibility commitment and performance.

While each of our business values has a corporate responsibility context, it is our value of integrity, which guides us to maintain the highest ethical standards wherever we operate. We ensure the health and safety of all our people and minimise our impact on the environment through which we bring corporate social responsibility into our day-to-day business operations.

There is already a great deal of valuable activity being undertaken within all of our businesses and across our manufacturing sites. However, we have identified and agreed to the need to do more and do so in a more focused manner, as we strive to become the best-in-class standard for all of our activities.

Our values

- **We act ethically:** We conduct all our activities fairly, honestly and with integrated policies
- **We strive on translating results and improvement:** We listen and respond to the needs of our customers, then exceed their expectations; we are strive to improve across all our business parameters
- **We value our people:** We understand, respect and value personal and cultural differences; we are open and honest in all our dealings with our people

Green production facilities

Our production facilities are equipped with high-efficiency burners that are utilized in all heaters to reduce energy consumption. The efficiency of fuel burning equipment such as generators, kilns, spray driers and horizontal and vertical driers, among others, are fine tuned by highly experienced and competent personnel. Waste heat from tunnel kiln is used in pre-drier in Sanitaryware plant.

Water consumption is regulated and regularly measured and data is recorded. We also analyze trends to quickly detect major leaks and repair damages as soon as possible. RAK Ceramics ensures that through regular preventive maintenance, equipment and devices that use water run smoothly and ensure that they do not consume excessive water.

RAK Ceramics operates several units of effluent treatment plants (ETPs) to recycle and re-use the waste water generated from factories. Moreover, RAK Ceramics' employees are given extensive training on water conservation awareness to reduce unnecessary wastage of water.

Green environment practices

RAK Ceramics fully embraces its role as a responsible steward of the environment. We are committed to practice environmental stewardship throughout our value chain, including product design, sourcing and efficient operations. RAK Ceramics is committed to an active role in building a better world by taking care of the surrounding environment with focus and dedication. Towards this extent, our manufacturing assets and facilities embrace the following green practices and are equipped with:

- High-efficiency burners
- Regulated water consumption
- Re-cycle and re-use of in-process waste water
- Water conservation awareness
- Solid waste management
- Re-cycle and re-use
- Natural resource conservation and pollution control
- Indoor air quality
- Ventilated façade system
- Energy-saving system
- Pallet racking system installation in central store warehouse
- Mezzanine shelving system installation in central store warehouse

Water conservation

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

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

Natural resource conservation and pollution control

Minimize depletion of natural minerals – RAK Ceramics has developed the expertise to combine 5-9 types of natural minerals coming from several countries around the globe to minimize the damage on the environment.

Indoor air quality and its effect on office interiors

RAK Ceramics promotes building fit-outs that will provide a healthier indoor environment and more productive workplaces, which also have less negative impact on the environment.

Ventilated facade system

Normal ventilation system is used in the plant that is suitable for local environmental condition.

Energy-saving system

RAK Ceramics ensures that the entire logistics and operations run on the basis of procuring energy-saving systems in terms of office equipment that contribute to an environmental-friendly and socially committed organization.

Pallet racking system installation in central store warehouse

Recently, a sophisticated pallet racking system was installed in RAK Ceramics' central store warehouse. Pallet racking system is a material handling storage aid system designed to store materials on pallets (or 'skids'). There are many varieties of pallet racking and all types allow for the storage of palletized materials in horizontal rows with multiple levels. All types of pallet racking create some level of increased storage density. Forklift trucks are usually an integral part of any pallet rack system as they are usually required to place the loaded pallets onto the racks for storage. Pallet racks are an essential and ubiquitous element in most modern warehouse and other storage and distribution facilities.

Mezzanine shelving system installation in central store warehouse

Mezzanine shelving system is also installed in the central store which allows the conversion of unused vertical air space into a safe and efficient storage area.

Solid waste management

We implemented programs to minimize the disposal of waste material into the environment by adopting continuous improvement in waste segregation scheme and recycling programs which includes:

- Segregating hazardous and non-hazardous waste.
- Controlling litter and odors.
- Conducting routine inspections of waste storage areas.
- All kinds of waste is identified and segregated with the use of garbage bins that are classified as:
 - Green garbage bins – provide for residual waste, leftover food, paper, carton, floor sweepings and other waste with no commercial value.
 - Blue garbage bins – Provide for metals, machine parts and accessories, or those that can be sent to scrap dealers for recycling.
 - Black garbage bins – provide for contaminated items, expired chemicals and infectious waste from clinics.

Employee engagement

Re-cycling and energy conservation at the individual level is an everyday practice at RAK Ceramics' facilities where employees are encouraged to re-cycle paper, drink from re-usable/ re-cycled mugs and turn-off computers, lights and other equipment at the end of each day. This has resulted in 30 percent of energy savings.

Focus on creating a happier and more productive workplace

We recognize that our Company will succeed and grow only if we attract and retain the highest quality workforce; engage talented employees dedicated to serve responsive consumers and responsibly fulfilling our Company's mission and values.

RAK Ceramics is committed to treating its employees well.

- **Life insurance coverage:** All employees are adequately covered by life insurance policy to protect against future hazards.
- **Provident fund and gratuity scheme :** The Company maintains a recognized contributory provident fund and an approved gratuity scheme for all employees.

- **Workers profit participation fund** : The Company maintains workers' profit participation fund (WPPF) as per the Bangladesh Labour Act 2006.
- **Employee welfare fund**: Financial assistance is given to the immediate family members for medical and educational purposes from the Employees' Welfare Fund maintained by the Company.
- **Food and accommodation**: The Company provides free food and accommodation to its employees.
- **Training and development**: We recognize that a highly skilled and motivated workforce is a fundamental competitive advantage and we encourage all employees to develop both professionally and personally through a variety of training and development opportunities. Offerings may include both classroom instructions and workshops for example – fraud risk awareness workshop, latest machinery and equipment training, language classes for improving communication skills and other team building programs.

RAK Ceramics products

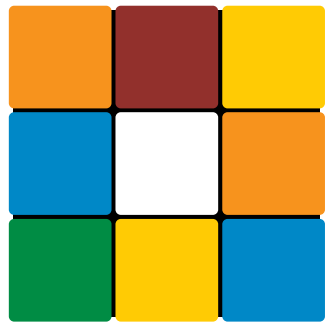
RAK Ceramics is the founding member of the prestigious Emirates Green Building Council that supports and promotes sustainable buildings in the UAE. As part of its commitment to focus on 'green building' products, it has launched several exciting and innovative products that contribute to creating a greener and cleaner environment.

The Company is proud of its many performance material products, which provide excellent quality and value and often support our customers in reducing the environmental footprint.

Spreading prosperity in the societies we operate in

RAK Ceramics actively promotes and engages in social contribution activities that help strengthen communities and contribute to the enrichment of the society both at the individual level and with group companies.

Overall, we invested around Taka 9 mn for CSR activities in 2012 that encompass medicine and medical treatment, donations to hospitals and medical units, social and cultural activities of our country, drinking water and sanitation facilities and donations to autistic and differently-abled children organizations.



Profile of Board of Directors

Mr. Abdallah Massaad

Chairman

Mr. Abdallah Massaad, Chairman of the Company also the member of the Board of Directors and Chairman of subsidiary and associate companies of RAK Ceramics (Bangladesh) Limited. He is the Chief Executive Officer of RAK Ceramics Co. PSC, UAE. He is also a representative in the Board and management of several subsidiaries of RAK Ceramics, he is well versed in the fields of ceramics industrial manufacturing, and is instrumental in helping companies engage in the forward and backward integration of the ceramics supply chain.



Mr. Abdallah holds post graduate qualifications in Management 'DEA in Business Administration' (1998) and an undergraduate degree "Maitrise in Business Administration-Marketing" from USEK (Universite Saint-Esprit de Kaslik), Lebanon. He is well versed in Arabic, French and English. 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.

He has over 20 years of experience from sales to product marketing, this has led to business leadership attributes in national and international market. Before joining RAK Ceramics, Mr. Massaad was the General Manager of International Ceramics Company SARL (ICC) Lebanon from 1998, leading the company to become a leading figure in the industry. He also worked with Asian Industrial Company (1992-96) where he was Area Sales Manager for Lebanon, and helped to open new markets for the Company.



Mr. S.A.K. Ekramuzzaman

Managing Director

Mr. S.A.K. Ekramuzzaman, Managing Director of the Company is one of the local investors having equity partnership with Ras Al Khaimah Companies (RAK) in Bangladesh. Besides managing diversified business interests of RAK Group, he is involved in number of other business interests in Bangladesh.

Mr. Ekramuzzaman has equity interest and holding directorship in RAK Pharmaceuticals Pvt. Ltd., RAK Power Pvt. Ltd., RAK Paints Pvt. Ltd., RAK-Mosfly (Bangladesh) Pvt. Ltd. and RAK Securities and Services Pvt. Ltd., among others.



Mr. Khaled Abdulla Yousef Aal Abdulla Aal Abdulla

Director

Mr. Khaled Abdulla Yousef Aal Abdulla Aal Abdulla, is the Director of RAK Ceramics Co. PSC, UAE and also represents on its manufacturing setups in different international locations. He is also the Executive Member of the Board of Directors of Ras Al Khaimah Investment Authority (RAKIA), RAK Chamber of Commerce, Ras Al Khaimah, UAE and many more. Mr. Khaled is a member of the Audit Committee of the Company.

Mr. Khaled completed his Bachelor's degree in Business Administration Major in Management Information System from the University of Arkansas at Little Rock, USA. He has over 21 years of successful experience providing fiscal, strategic and operations leadership in a unique challenging situations. He is also an expert in finance, budgeting & cost management, public relations & media affairs, strategic planning, sales & marketing leadership, profitability & cost analysis and policy & procedure development.



Mr. Manoj Uttamrao Ahire

Director

Mr. Manoj Uttamrao Ahire, Director of the Company also the Chief Financial Officer (CFO) of RAK Ceramics Group. He is a senior member of the RAK Ceramics team which has implemented largest global expansion of tiles manufacturing. Mr. Manoj is also holding Directorship responsibilities in RAK Ceramics joint venture companies. He is a member of the Audit Committee of the Company.

Mr. Manoj has Bachelors qualification in UK Restructured syllabi commerce (Banking & Finance) and an 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). He has over 19 years of experience in the fields of corporate & project finance, M&A activities, IPO, strategic financial & taxation systems, ERP conceptualization and steaming. He has been working with RAK Ceramics from 2003.

Mr. Rafique-ul Huq

Barrister-at-Law, Independent Director

Mr. Rafique-ul Huq, Barrister-at-Law, Independent Director of the Company also the Independent Director of subsidiary companies of RAK Ceramics (Bangladesh) Limited. He is the Chairman of the Audit Committee of the Company.



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. Mr. Huq 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 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.



Executive Management



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

2 Mr. Md. Amir Hossain
Chief Executive Officer

3 Mr. P.K. Chand
Chief Financial Officer

4 Mr. Mahbubur Rahman
General Manager-HR & Admin

5 Mr. Mohammad Jahirull Reza
General Manager-Purchase

6 Mr. Imtiaz Hussain
General Manager-Sales & Marketing

7 Mr. Abhijit Chakrobarty
Head of Finance & Accounts

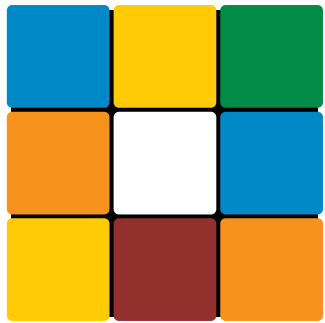
8 Mr. Zakir Hossain
Head of Internal Audit

9 Mr. Muhammad Shahidul Islam
Company Secretary

10 Mr. Mohammed Shamsuddin
Manager-Taxation

11 Mr. Henry Fernandez
Production Manager (Tiles)

12 Mr. Mallikarjuna Rao Byna
Asstt. Production Manager (SW)



Management Discussion

Global economy

Growth of the world economy has weakened considerably during 2012 and is expected to remain subdued in the coming few years. Uncertainty across the globe still looms large which will continue to have global impacts in sluggish trade and tepid foreign direct investment.

Weakness in the major developed economies are at the root of the global economic slowdown. The economic woes in Europe, Japan, US are spilling over to developing countries through weaker demand for their exports and heightened volatility in capital flows and commodity prices.

The global economy is expected to grow at 2.4 percent in 2013 and 3.2 percent in 2014. However overall growth in developing and emerging economies is projected to drop from 5.5 percent in 2012 to 4.7 percent in 2013. (Source: UNO, Global outlook).

Global ceramic tiles industry

Global production increased from 9,515 mn sqm in 2010 to 10,512 mn sqm in 2011. However the most noticeable trend in the world tile production is the geographical shift from the traditional European base to the nascent economies of Asia, North Africa and the Middle East. The latest downward trend in production was mainly confined to the member states of European Union. Twenty seven (27) EU nations produced 1.178 billion sqm of ceramic tiles, a figure that represents 11.20 percent drop in total output.

Top manufacturing countries

Country	CY' 07	CY' 08	CY' 09	CY' 10	CY' 11
	(Sqm mn)	(Sqm mn)	(Sqm mn)	(Sqm mn)	(Sqm mn)
China	3,200	3,400	3,600	4,200	4,800
Brazil	637	713	715	753	844
India	385	390	490	550	617
Italy	559	513	368	400	400
Iran	250	320	350	387	475
Spain	585	495	324	375	392
Vietnam	254	270	295	366	380
Indonesia	235	275	278	287	317
Turkey	260	225	205	245	260
Mexico	215	223	204	210	219

(Source –Ceramics World Review-September 2012)

World Manufacturing Areas

Areas	2011	% on world production
	(Sqm mn)	
European Union (27)	1,178	11.20
Other Europe (including Turkey)	490	4.70
North America (Including Mexico)	284	2.70
Central -South America	1,051	10.00
Asia	7,179	68.30
Africa	326	3.10
Oceania	5	0.00
Total	10,513	100.00

(Source –Ceramics World Review-September 2012)

World Tile Consumption (MSM)

The last two years have seen a remarkable convergence between tile production and consumption. By 2009 the gap between the tile production and consumption was only 55 mn sqm against 370 mn sqm in 2004. As production slumped, worldwide consumption rose to an all time high of 10.37 billion sqm.

Top consumption countries

Country	CY' 07	CY' 08	CY' 09	CY' 10	CY' 11
	(Sqm mn)	(Sqm mn)	(Sqm mn)	(Sqm mn)	(Sqm mn)
China	2,700	2,830	3,030	3,500	4,000
Brazil	535	605	645	700	775
India	397	403	494	557	625
Iran	236	265	296	335	395
Vietnam	210	220	240	330	360
Indonesia	178	262	297	277	312
Saudi Arabia	110	136	166	182	203
USA	249	211	173	186	189
Russia	176	191	139	158	181
Mexico	174	177	163	168	177

(Source –Ceramics World Review-September 2012)

World consumption areas

Areas	2011	% on world production
	(Sqm mn)	
European Union (27)	929	9.00
Other Europe (including Turkey)	520	5.00
North America (Including Mexico)	398	3.80
Central -South America	1,118	10.80
Asia	6,844	66.00
Africa	517	5.00
Oceania	44	0.40
Total	10,370	100.00

(Source –Ceramics World Review-September 2012)

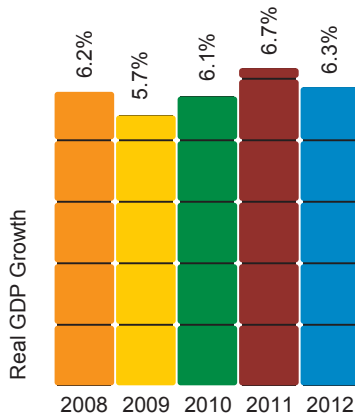
Outlook: Global economic recovery is still fragile. Due to investments in infrastructure in BRIC (Brazil, Russia, India, and China) economies, tile consumption growth is expected to be robust in these countries.

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 sft by 2015.

(Source: Global Industry Analysts, Inc.)

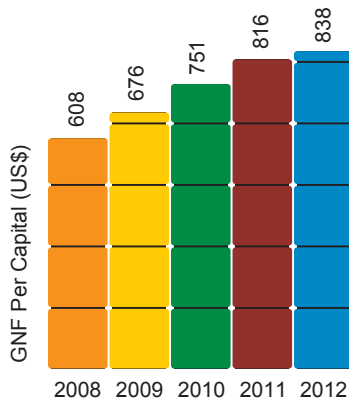
Bangladesh economy

Bangladesh registered an average economic growth of 6.2% for the period 2008 to 2012. The country's economic growth is significantly higher compared to the global economic growth. With an average growth rate of 6.2% over the past 5 years Bangladesh outperforms most of its regional peers.



(Source: Bangladesh Bureau of Statistics/Bangladesh Bank)

There has also been a steady rise in the country economic growth from per capita income from US\$ 818 in 2011 to US\$ 838 in 2012. The country's economic growth during the last few years is also significantly higher compared to the global economic growth of emerging and developing economies.



(Source: Bangladesh Bank)

However despite the impressive and steady economic growth, the nation was plagued by acute liquidity crunch, high inflation and severe natural gas crisis.

Outlook: As per the ambitious Vision 2021 and Sixth Five Years Plan (2011-2015) the country targets to attain a GDP growth rate of 8 percent by 2013, 10 percent by 2017 and achieve self sufficiency in

food production by 2012. Other key parameters include reducing the unemployment rate to 15 percent, generate 8,500MW of electricity by 2013, and targetted to produce 11,500 MW by 2015 and make provisions to meet the expected demand of around 20,000 MW by 2021.

Key macroeconomic indicators

Particulars	Benchmark FY09	Target FY15	Target FY21
Real GDP Growth (%)	5.9	8.0	10.0
Gross Investment (%)	24.2	32.1	37.5
Gross Domestic Savings (%)	24.0	27.0	30.0
Total government revenue (%)	10.4	15.5	17.1
Total government expenditure(%)	13.8	20.5	21.8
Exports (billion US\$)	15.6	36.3	91.1
Imports (billion US\$)	20.3	49.6	131.3
Remittances (billion US\$)	9.7	22.7	48.5
Unemployment rate (%)	30.0	20.0	15.0
Poverty (head count, %)	36.0	24.5	14.4

(Source:- Bangladesh Bank)

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 sqm 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 between 25-35 percent of the tiles consumption to fulfill the demand.

Exports and Imports: The country's export earnings from ceramic goods witnessed a 19.79 negative growth in the current fiscal year mainly due to economic meltdown in the USA and in Eurozone. Exports fetched \$31.09 mn during the first eleven months of 2012 against \$34.27 mn in the corresponding period in 2011. Bangladesh exports ceramics goods to about 50 destination worldwide including UAE, Argentina, Australia, Belgium, Italy, UK, US, Germany, France, Canada and Sweden etc.

Top Exporting Countries

Country	CY' 07	CY' 08	CY' 09	CY' 10	CY' 11
	(Sqm mn)	(Sqm mn)	(Sqm mn)	(Sqm mn)	(Sqm mn)
China	500	570	584	715	830
Italy	379	355	281	289	298
Spain	333	306	235	248	263
Turkey	104	92	67	84	87
Iran	17	27	40	54	65
Mexico	56	63	52	57	63
Brazil	102	81	61	57	60
Vietnam	25	25	28	28	42
Poland	30	34	35	32	36
UAE	38	34	31	32	36

(Source –Ceramics World Review-September 2012)

Among the importing nations, over 75 percent products goes to Europe alone and about 15 percent goes to US market. The remaining 10 percent goes to other destinations.

Top Importing Countries

Country	CY' 07	CY' 08	CY' 09	CY' 10	CY' 11
	(Sqm mn)	(Sqm mn)	(Sqm mn)	(Sqm mn)	(Sqm mn)
USA	202	157	124	130	131
Saudi Arabia	77	99	116	117	129
France	108	112	101	103	107
Germany	83	80	78	80	90
Iraq	10	23	40	60	79
South Korea	66	59	55	59	63
Russia	48	54	30	41	56
UAE	43	55	45	48	48
Nigeria	22	30	29	30	44
Thailand	22	25	28	30	42

(Source –Ceramics World Review-September 2012)

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 prime 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 mn 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 2012 is USD 838 against USD 818 in 2010-11 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 mn 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:- Bangladesh received foreign direct investment (FDI) of \$1.13 billion last year, the highest ever investment from overseas. The amount is 24.42 per cent more than that in the previous year and the increase was also higher than the average 23 percent worldwide growth of FDI. Garment sector attracted the highest amount of \$ 271 mn last year followed by banking sector with \$ 249.3 mn and energy sector with \$ 238.2 mn. The telecommunication sector got only \$18.09 mn.

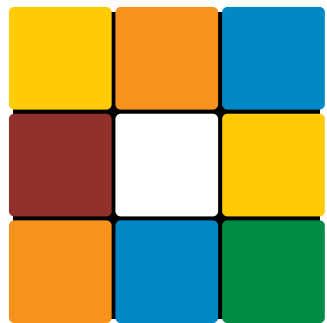
(Source: The Daily Star, July 10, 2012)

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 mn 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. Munck Asphalt, a Danish Company will execute the project while Ramble, a Danish Consultation company will make design and supervise the work of upgradation and renovation of the airport. A feasibility study is also underway to add a second runway at a cost of Taka 10 billion by 2014. The project has been taken to cope with the rising air traffic and to double the capacity of the airport.

(Source: www.banglanews24.com

http://en.wikipedia.org/wiki/Shahjalal_International_Airport)



Analysis of Financial Statements

Key Highlights 2012

(Taka mn)

Particulars	2012	2011	Change (%)
Net Sales	4,908.17	4,580.01	7.17
Gross Profit	1,929.01	1,886.41	2.26
EBIDTA	1,365.34	1,466.03	(6.87)
PAT	608.12	756.95	(19.66)
EPS	2.18	2.72	(19.85)

Revenues increased by 7.17 percent to Taka 4,908.17 mn in 2012 from Taka 4,580.01 mn in 2011.

Gross profit increased by 2.26 percent to Taka 1,929.01 mn from Taka 1,886.41 in 2012.

EBIDTA decreased by 6.87 percent to Taka 1,365.34 mn in 2012 from Taka 1,466.03 mn in 2011.

Profit after tax decreased by 19.66 percent to Taka 608.12 mn in 2012 from Taka 756.95 mn in 2011.

EPS decreased by 19.85 percent to Taka 2.18/share in 2012 from Taka 2.72/share in 2011.

Derivates

EBIDTA margin decreased 419 bps to 27.82 percent in 2012 from 32.01 percent in 2011.

PAT margin decreased 414 bps to 12.39 percent in 2012 from 16.53 percent in 2011.

ROCE declined 225 bps to 15.51 percent in 2012 from 17.76 percent in 2011.

Analysis

Every Taka invested in the business yielded a satisfactory revenue as paid up capital in the business grew 10 percent while revenue grew by more than 7.17 percent.

Interest income at Taka 91.78 mn was significantly higher than interest payout Taka 23.82 mn thereby making the Company a net interest earner.

Invested than Taka 253 mn (Taka 2,783.89 mn as on 31 December 2012 from Taka 2,530.81 mn as on 31 December 2011) in its gross block in 2012.

Maintained a strong debt-equity ratio to 0.003 (0.006 as on 31 December 2011).

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 7.17 percent compared to 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 realizations consequent to a price increase during the year and a healthy off take of value-added products.

Export earnings also increased from Taka 4.91 mn in 2011 to Taka 18.39 mn in 2012– as a result of catering to the demand of the export market.

Finance income (non-manufacturing) declined 37.62 due to the following non-recurring factors:

Share of loss of associate companies amounting to Taka 73.02 mn.

Foreign exchange gain in 2012 is Taka 11.05 mn as compared to loss of 38.86 mn in 2011.

Other income also includes toll manufacturing from subsidiary which increased by 38.51 percent in 2012 against 2011.

Power: Profit after tax increased by 45.59 percent to Taka 59.63 in 2012 from Taka 40.96 in 2011 with increase in sales by 14.16 percent in 2012 compared to 2011.

Pharmaceuticals: Revenue growth was robust as the venture was initiated only in the second half of 2009; 2010, 2011 and 2012 reflect the full year of operations of this business.

Operating expenses

The Company's operating expenses (operating, marketing and administrative) increased by 11.58 percent from Taka 3,591.22 mn in 2011 to Taka 4,007.23 mn in 2012 in tandem with operational volume and country inflation. Operating cost as a proportion of sales increased 323 bps to 81.64 percent in 2012 to 78.41 percent in 2011.

Operating cost matrix

Particulars	2012		2011		Increase/ (Decrease) (%)
	Amount (Taka mn)	Proportion of sales (%)	Amount (Taka mn)	Proportion of sales (%)	
Cost of Goods sold	2,979.16	60.70	2,693.60	58.81	1.89
Marketing expenses	730.82	14.89	641.80	14.01	0.88
Administration expenses	297.25	6.06	255.82	5.59	0.47

Cost of goods sold: Cost of goods sold has increased by Taka 285.56 mn in 2012 than 2011 in tandem with revenues.

Raw materials: Raw materials cost increased by Taka 160.34 mn, mainly due to local currency devaluation against dollar. Operational efficiency and innovative waste management optimized input consumption volume.

Labour costs: Labour cost increased by Taka 44.59 mn as a result of increase in headcount by 64 members in RAK Ceramics. Another impact in the labour cost is the revision in emoluments in tandem with country inflation.

Direct expenses: Manufacturing overhead(excluding direct labour) increased by Taka 46.05 mn in 2012 mainly due to increase in packing cost,repairs and maintenance.

Administrative expenses: Administrative expenses increased by Taka 41.43 mn mainly due to following factors:

Increase in staff costs by Taka 43.36 mn pursuant to annual increment of 25 percent and inclusion of foreign employees in local payroll.

Annual General Meeting expenses reduced by 7.32 mn in 2012 against 2011.

Managing Directors remuneration decreased by 9 percent to Taka 36.23 mn in 2012 from Taka 39.81 mn in 2011.

Marketing expenses: Marketing expenses increased by Taka 89.02 mn mainly due to increase of business promotion expense of Taka 35.77 mn for the pharmaceutical unit, local freight cost Taka 19.84 mn and annual increment of 25 percent on staff cost.

Financial expenses

Interest expenses increased to Taka 23.82 mn in 2012 from Taka 21.15 mn in 2011 due to increased bank borrowings interest rate. This loan was availed by the subsidiary to meet its working capital requirements. There was no foreign exchange losses in 2012 compared to Taka 38.86 mn in 2011. Bank charges increased by Taka 0.60 mn from Taka 1.45 mn in 2011 to Taka 2.05 mn in 2012.

Analysis of the Balance Sheet

Non-current assets

Property, Plant and Equipment (Fixed Assets): There has been an addition of Taka 644.14 mn to the gross block of the fixed assets in the following areas:

Land proximate to the present existing manufacturing facilities to expand tile and sanitaryware capacities by Taka 512.10 mn.

Factory admin and stores building Taka 24.81 mn.

Second Seat & Cover Machine for the sanitaryware division Taka 16.66 mn.

Second Robot Spraying Machine for the sanitaryware division Taka 36 mn.

Vehicles for the independent director and microbus for high officials Taka 11.96 mn.

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

Intangible assets: Expenditures to acquire designs, developments, brand, trademarks and various licenses for manufacturing of ceramic tiles, sanitaryware and pharmaceutical products are capitalised. There are 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 24.93 mn in heavy equipment in its ceramic tiles facility which is expected to be commissioned in the coming year. The Company constructed an administrative block in the manufacturing facility amounting to Taka 6.02 mn which is also 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-Mosfly (Bangladesh) Pvt. Ltd. amounting to Taka 80 mn and Taka 10 mn respectively during 2012.

Current assets

Inventory: Inventory comprises of Finished Goods Taka 125.40 mn Raw Materials Taka 859.39 mn and Stores & Spares Taka 793.10 mn. The major inventory of Stores & Spares is with Ceramic Segment amounting to Taka 716.45 mn. The Company has a policy of maintaining 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 (90 percent) where average receivables cycle is 35 days. The significant increase as on 31 December 2012 was due to recent revision of the credit limit allowed to RAK Ceramics dealers.

Asset composition

Particulars	2012		2011		Increase/ (Decrease) (%)
	Amount (Taka mn)	Proportion (%)	Amount (Taka mn)	Proportion (%)	
Non-Current assets	3,341.95	40.48	2,973.14	38.40	2.08
Current assets	4,913.98	59.52	4,768.44	61.60	(2.08)
Total	8,255.93	100.00	7,741.58	100.00	

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

Company	Relation	As on 1 January 2012	Net addition during 2012	As on 31 December 2012
RAK Pharmaceuticals Pvt. Ltd.	Subsidiary	409.02	108.00	517.02
RAK Paints Pvt. Ltd.	Associate	130.00	80.00	210.00
RAK Mosfly (Bang.) Pvt. Ltd.	Associate	9.25	10.00	19.25

Cash and bank balance: Cash and bank balances include cash in hand Taka 3.68 mn, balances in bank accounts Taka 207.36 mn and Fixed Deposits Taka 777.26 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 278,388,935 equity shares of Taka 10 each (face value). During the year, equity capital increased by 25,308,085 shares issued as bonus shares. The market value of the share is Taka 56.80 (31 December 2012) resulting into market capitalization of Taka 15.81 bn.

Non-current borrowings: Non-current borrowings decreased from Taka 32.93 mn in 2011 to Taka 18.57 mn in 2012 which was utilized mainly to purchase motor cycles in subsidiary.

Current borrowings: Current borrowings include short term loans Taka 258.70 mn, overdrafts Taka 115.93 mn and current portion of long term loans Taka 14.53 mn.

Statement of Subsidiaries and Associates

The Company has the following subsidiaries and associates as on 31 December 2012

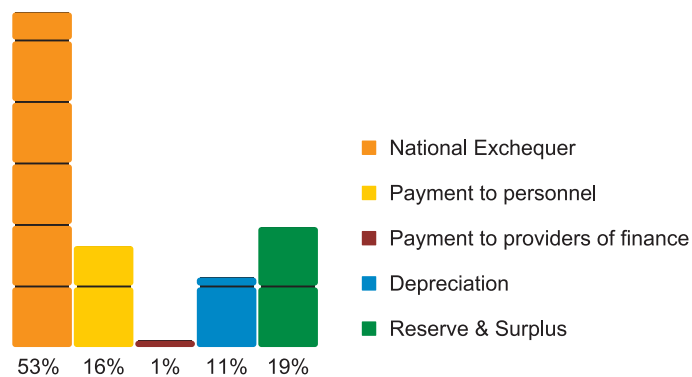
Company Name	Share Holding (%)	Relationship	Investment Taka (mn)	Nature of Business	Present Status
RAK Pharmaceuticals Pvt. Ltd.	55	Subsidiary	517.02	Pharmaceuticals	On production
RAK Power Pvt. Ltd.	57	Subsidiary	116.85	Electricity generation	On production
Classic Porcelain Pvt. Ltd.	51	Subsidiary	5.10	Tableware products	Under commissioning
RAK Food & Beverage Pvt. Ltd.	51	Subsidiary	1.02	Food and beverage products	Under commissioning
RAK Paints Pvt. Ltd.	40	Associate	210.00	Paints products	On production
RAK Security & Services (Pvt.) Ltd.	35	Associate	0.35	Security service	On operation
RAK-Mosfly (Bangladesh) Pvt. Ltd.	20	Associate	19.25	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 (222.41) mn for 2012.

Value Added Statement

31 December 2012

Particulars	Taka	%
Turnover	6,315,607,885	
Less: Cost of Materials & Service	3,082,253,467	
Value Added	3,233,354,418	100
Applications:		
National Exchequer	1,724,795,912	53
Payment to personnel	508,713,153	16
Payment to providers of finance	25,867,434	1
Retained earnings -		
- Depreciation	365,854,762	11
- Reserve & Surplus	608,123,157	19
Total	3,233,354,418	100



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 14th 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 2012 and the Auditors' Report thereon for the consideration and approval of our valued shareholders.

State of the Company's affairs/ business review

RAK Ceramics (Bangladesh) Limited has been manufacturing and supplying a wide range of tiles and sanitary wares in ceramic sector of Bangladesh since 2000. Excellent designs and pattern can be created using specially selected wall and floor tiles, borders, corners. Many of RAK Ceramics' models come in modular designs make it easier for the customer. The unique ambience patterns created using ceramic tiles and also gres porcellanato tiles appeals most discerning customers. The Company has two product lines, which are Tiles and Sanitary Ware.

The standard production capacity of the Company is 22,000 sqm tiles and 3,000 pieces of sanitaryware per day with over 1,000 active designs and widest range. The detail of segment-wise performance of the Company is disclosed in *Segmental review of our products* on page 24 in this annual report.

The Company's consolidated sales was Taka 4,908.17 mn in year 2012, with a growth of 7.17 percent compared to year 2011. The

consolidated net profit after tax attributable to the equity holders of the Company was Taka 608.12 mn, against 756.95 mn in 2011. The detail of business of the Company is discussed in *Analysis of Financial Statements* on page 46 in this annual report.

Industry outlook and possible future developments in the industry

The detail about industry outlook and possible future developments in the industry is discussed in *Management discussion* on page 42 in this annual report.

Financial results and appropriations:

The Directors are pleased to report the financial results for the year 2012 and recommended the following appropriations:

Particulars	2012	2011
Profit before tax *	964.84	1,075.92
Less: Provision for tax	356.74	318.96
Profit after tax *	608.12	756.95
Add: Un-appropriated profit brought forward	1,318.18	1,136.41
Profit available for distribution	1,926.30	1,893.36
Less: Appropriation of dividend	632.70	575.18
Un-appropriated profit C/F	1,293.60	1,318.18

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

The key operating and financial data of preceding five years is disclosed in *Annexure-1* on page 56 in this annual report.

Issuance of shares

The Company paid dividend @ 15 percent in cash and @ 10 percent in stock of paid up capital of the Company for the year 2011. Hence, total 25,308,085 number of equity shares is increased in the paid up capital due to stock dividend 2011.

Fixed assets additions

During the year 2012 total additions to fixed assets including subsidiary and associate companies was Taka 644.13 mn, out of which land acquisitions in Uttara and beside factory was Taka 512 mn, purchase of automatic robots, blistering machine for around Taka 82.98 mn and new Micro bus and vehicles for Taka 11.96 mn.

Reserve and surplus

Retain earnings of the Company in 2012 stood at Taka 1,293.60 mn against Taka 1,318.18 mn in 2011.

Dividend

The Board of Directors of the Company is pleased to recommend dividend 15 percent in cash and 10 percent in stock of the paid up capital of the Company for the year 2012. Previous year dividend was paid at 15 percent in cash and 10 percent in stock.

Contribution to national exchequer

Being a responsible corporate citizen, the Company regularly pays its direct and indirect tax obligations in time. During the year 2012, RAK Ceramics (Bangladesh) Ltd. had contributed to National Exchequer total of Taka 1967.30 mn, by way of Corporate Income tax of Taka 342.54 mn, withholding tax from suppliers and service providers of Taka 162.16 mn, VAT of Taka 757.88 mn, supplementary duty of Taka 548.06 mn and other duties/taxes of Taka 156.66 mn.

Risks and concerns

The detail of risks and concerns of the Company is discussed in *Bridging risks and rewards-risk mitigrants* on page 28 in this annual report.

Auditors

M/s Rahman Rahman Huq, Chartered Accountants (a member firm of KPMG International in Bangladesh) shall retire

in 14th AGM, being eligible, they offered themselves for re-appointment and the Board also recommended appointing them for 2013. Remuneration of the auditor will be fixed by the shareholders at this Annual General Meeting.

Parent, subsidiary and associate companies

RAK Ceramics Co. PSC, UAE is the parent company of RAK Ceramics (Bangladesh) Limited. Ras Al Khaimah (RAK) Ceramics Public Shareholding Company, (RAKC, PSC) is a UAE based leading tiles and sanitary ware 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 sqm 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-Mosfly (Bangladesh) Pvt. Ltd, RAK Food & Beverage Pvt. Ltd and Classic Porcelain Pvt. Ltd. The detail activities and status of these subsidiaries and associates are separately disclosed in *Statement of Subsidiaries and Associates* on page 50 in this annual report.

Basis for related party transactions

The detail list of the related parties with whom transactions have been taken place and their relationship as identified and

certified by managements is disclosed in *Related party disclosures under BAS-24* on page 106 in this annual report.

Corporate Social Responsibility (CSR)

As a corporate citizen, RAK Ceramics (Bangladesh) Limited understands its responsibility towards social welfare and contributed an amount of Taka 9 mn as CSR during the year under review. The detail of the CSR activities of the Company during the year is discussed in *Giving back to the community- corporate social responsibility* on page 30 in this annual report.

Human resources and staff welfare

RAK Ceramics (Bangladesh) Limited gives the highest priority on human resources and staff welfare. The Company ensured the healthy and safe working environment for the employees and workers. The workforce of the Company has Contributory Provident Fund, Gratuity Scheme and Group Life Insurance, among others. The Company also established the "Workers' Profit Participation Fund and Welfare Fund". In year 2012, the Company provided 5 (five) percent of profit before tax towards workers' profit participation and welfare fund amounting to Taka 57.50 mn.

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

Board of Directors

The Board of Directors of the Company is comprised with 5 (five) members including 1 (one) independent director. Names and profiles including nature of their expertise in specific functional areas of the Directors of the Company are shown in *Profile of Board of Directors* on page 36 in this annual report. A statement for each of their involvement in other corporate bodies within the group is disclosed in *Annexure-5* on page 64 in this annual report.

The Board of Directors of the Company met together 5 (five) times for meeting during the year under review. The number of Board meeting held and the attendance by each director during the year 2012 is disclosed in *Annexure-2* on page 57 in this annual report.

In compliance with the corporate governance, the Board has been laid down a code of conduct of all Board members and annual compliance of the code is recorded accordingly.

The Company did not pay any remuneration to any director including independent director, except board meeting attendance fee and 3% of profit before tax to Managing Director.

Appointment/reappointment of directors

In accordance with the Article 94 of the Articles of Association of the Company, Mr. Abdallah Massaad will retire from his office as Director by rotation in the 14th 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.

Mr. Khaled Abdulla Yousef Aal Abdulla Aal Abdulla will retire from his office as Director in the 14th Annual General Meeting, who has been appointed by the Board on May 07, 2012 in casual vacancy of Mr. Hamad Abdullah Al Muttawa, and being eligible, Mr. Khaled Abdulla Yousef Aal Abdulla Aal Abdulla offers himself for re-election in accordance with the terms of Article 99 of the Articles of Association of the Company.

Barrister Rafique-ul Huq has been appointed by the Board on October 22, 2010 as independent director of the Company for 3 (three) years and shall be placed for approval by the shareholders in the 14th Annual General Meeting in compliance with the condition of the corporate governance guidelines issued by the Bangladesh Securities and Exchange Commission (BSEC) on August 07, 2012.

Pattern of shareholding

In accordance with the condition of the corporate governance guidelines issued by the Bangladesh Securities and Exchange

Commission (BSEC) on August 07, 2012, the shareholding pattern of the Company is disclosed in *Annexure-3* on page 58 in this annual report.

Financial reporting standards

The Directors, in accordance with BSEC's notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 confirms 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 accounts of the Company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts of the Company's ability to continue as a going concern.

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

Corporate Governance (CG)

To ensure the spirit of the corporate governance with accountability for inspiring confidence of investors, regulators, financier and other stakeholders, RAK Ceramics (Bangladesh) Limited is committed to comply with all the requirements of corporate governance as required by the Bangladesh Securities and Exchange Commission (BSEC). The detail about corporate governance along with the

certificate on compliance of conditions of corporate governance is discussed in *Corporate Governance Report* on page 65 in this annual report. The Company also complied with all the requirements of corporate governance as required by BSEC. Accordingly a compliance report is disclosed in *Annexure-4* on page 59 in this annual report.

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.

Appreciation

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

For and on behalf of the Board of Directors,



Abdallah Massaad
Chairman

Dhaka, Bangladesh
10 February 2013

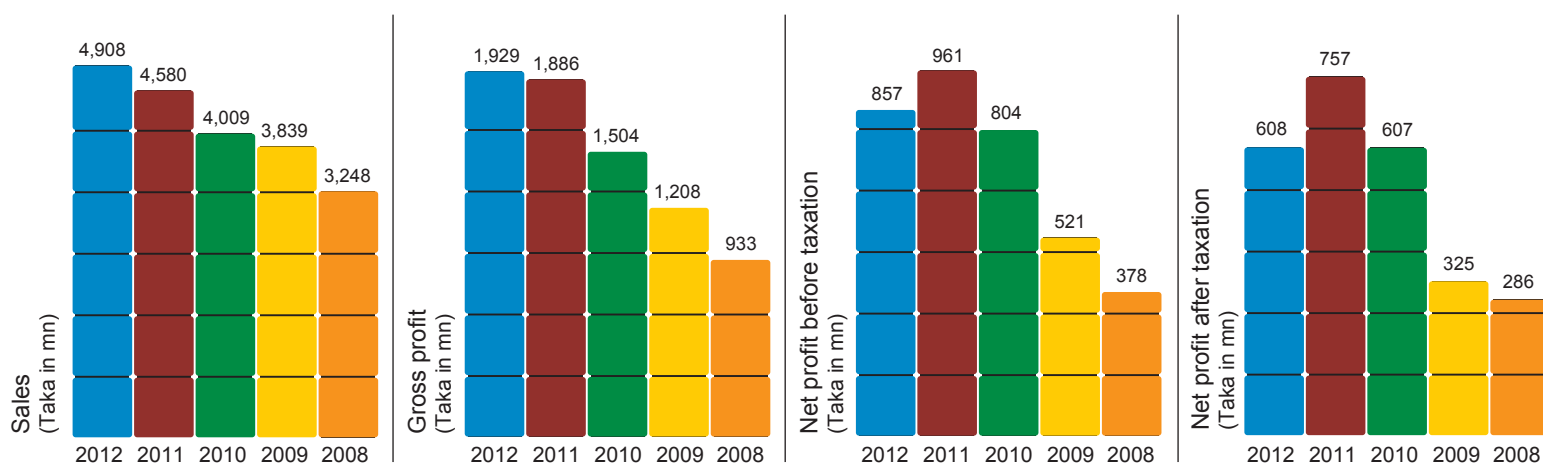
ANNEXURE-1

Key operating and financial data of preceding five years

Amounts in Taka

Particulars	2012	2011	2010	2009	2008
Sales	4,908,171,279	4,580,008,209	4,009,021,454	3,839,025,765	3,247,985,878
Cost of sales	2,979,160,088	2,693,596,290	2,505,064,934	2,631,107,917	2,315,174,472
Gross profit	1,929,011,191	1,886,411,919	1,503,956,520	1,207,917,848	932,811,406
Administration expenses	354,750,752	319,016,382	241,668,871	82,800,380	73,707,617
Marketing and selling expenses	730,822,714	641,800,857	509,086,847	425,856,574	341,821,145
Net profit before financial expenses	843,437,725	925,594,680	753,200,802	699,260,894	517,282,644
Financial expense	25,867,434	61,462,608	97,574,871	185,707,263	141,170,017
Other income*	39,382,333	96,568,631	148,471,774	7,160,230	1,907,872
Net profit before taxation	856,952,624	960,700,703	804,097,705	520,713,861	378,020,499
Income tax expenses:	356,741,639	318,963,510	294,245,394	207,143,340	91,619,346
Non controlling interest	(107,912,172)	(115,215,452)	(96,668,798)	(11,305,618)	–
Net profit after taxation	608,123,157	756,952,645	606,521,109	324,876,139	286,401,153

*Other income includes interest income, dividend income, forex gain, profit on sale of fixed assets and share of profit/(loss) of associate companies.



ANNEXURE-2

The number of Board meetings held and the attendance by each director during the year 2012

Name of directors	Position	Number of meetings held while a member	Number of meetings attended
Mr. Abdallah Massaad* (Nominee of RAK Ceramics PSC, UAE)	Chairman	05	05
Mr. S.A.K. Ekramuzzaman	Managing Director	05	05
Dr. Khater Massaad** (Nominee of RAK Ceramics PSC, UAE)	Director	04	Nil
Mr. Hamad Abdullah Al Muttawa*** (Nominee of RAK Ceramics PSC, UAE)	Director	02	Nil
Mr. Khaled Abdulla Yousef Aal Abdulla Aal Abdulla**** (Nominee of RAK Ceramics PSC, UAE)	Director	03	01
Mr. Manoj Uttamrao Ahire (Nominee of RAK Ceramics PSC, UAE)	Director	05	05
Mr. Rafique-ul Huq, Barrister-at-Law	Independent Director	05	04

* Mr. Abdallah Massaad, Director of the Company elected as Chairman of the Company on October 19, 2012

** Dr. Khater Massaad resigned from the position of Director and as well as Chairman of the Company on October 19, 2012

*** Mr. Hamad Abdullah Al Muttawa resigned from the position of Director of the Company on May 07, 2012

**** Mr. Khaled Abdulla Yousef Aal Abdulla Aal Abdulla appointed as Director of the Company on May 07, 2012

ANNEXURE-3

The pattern of Shareholding as on 31 December 2012

Name	Status/Position	No. of Shares held
(a) Parent/Subsidiary/Associated Companies and other related parties		
RAK Ceramics Co. PSC, UAE	Parent Company	201,578,530
(b) Directors, Chief Executive Officer, Company Secretary, Chief Financial officer, Head of Internal Audit and their spouses and minor children		
Mr. Abdallah Massaad (Nominee of RAK Ceramics PSC, UAE)	Chairman	12
Mr. S.A.K. Ekramuzzaman	Managing Director	18,556,350
Mr. Khaled Abdulla Yousef Aal Abdulla Aal Abdulla (Nominee of RAK Ceramics PSC, UAE)	Director	Nil
Mr. Manoj Uttamrao Ahire (Nominee of RAK Ceramics PSC, UAE)	Director	12
Mr. Rafique-ul Huq, Barrister-at-Law	Independent Director	Nil
Mr. Md. Amir Hossain	Chief Executive Officer	Nil
Mr. P.K. Chand	Chief Financial Officer	Nil
Mr. Zakir Hossain	Head of Internal Audit	Nil
Mr. Muhammad Shahidul Islam	Company Secretary	Nil
(c) Executives		
Mr. Abhijit Chakrobarty	Head of Finance and Accounts	Nil
Mr. Imtiaz Hussain	GM-Sales & Marketing	Nil
Mr. Mahbubur Rahman	GM-HR & Admin	33,660
Mr. Mohammad Jahirull Reza	GM-Purchase	3,654
Mr. Mohammed Shamsuddin	Manager-Taxation	1,014
(d) Shareholders holding ten percent (10%) or more voting interest in the Company		
RAK Ceramics Co. PSC, UAE	Parent Company	201,578,530

ANNEXURE-4

Status reports on compliance with the conditions imposed by BSEC vide notification No. SEC/CMRRCD/ 2006-158/134/ Admin/ 44 dated 7th August, 2012.

Condition	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
1.	BOARD OF DIRECTORS:			
1.1	Board's size	√		
1.2	Independent Directors			
1.2(i)	At least one fifth (1/5) independent directors in the company's board	√		
1.2(ii) a)	Does not hold any share in the company or holds less than one percent (1%) shares of the total paid up shares of the company	√		
1.2(ii) b)	No relationship with sponsors or directors or family members of shareholders who holds 1% or more shares	√		
1.2(ii) c)	No relationship whether pecuniary or otherwise with the company or its subsidiary/associated companies	√		
1.2(ii) d)	Not a member, director or officer of any stock exchange	√		
1.2(ii) e)	Not a shareholder, director or officer of any member of stock exchange or intermediary of the capital market	√		
1.2(ii) f)	Not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm	√		
1.2(ii) g)	No involvement as an independent director in more than 3 (three) listed companies	√		
1.2(ii) h)	Not convicted by a court of competent jurisdiction in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI)	√		
1.2(ii)i)	Convicted for a criminal offence involving moral turpitude	√		
1.2(iii)	Appointed by the Board of Directors and approved by the shareholders in the AGM	√		Appointed by the Board on October 22, 2010 and be placed for shareholders approval in the 14 th AGM
1.2(iv)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days	√		
1.2(v)	Lay down code of conduct of all Board members and annual compliance thereof	√		
1.2(vi)	Tenure of office of an independent director	√		

Condition	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
1.3	Qualification of Independent Director (ID)			
1.3(i)	Independent Director shall be knowledgeable individual with integrity to ensure compliance with financial, regulatory and corporate	√		
1.3(ii)	Qualification/background of independent director	√		
1.3(iii)	Relaxation the qualification of independent director in special cases	√		No such issue
1.4	Chairman of the Board and Chief Executive Officer be different person	√		
1.5	The Directors' Report to the Shareholders			
1.5(i)	Industry outlook and possible future developments in the industry	√		
1.5(ii)	Segment-wise or product-wise performance	√		
1.5(iv)	Discussion on Cost of Goods sold, Gross profit Margin and Net profit Margin	√		
1.5(v)	Discussion on continuity of any Extra-Ordinary gain or loss	√		No such issue
1.5(vi)	Statement of related party transactions	√		
1.5(vii)	Utilization of proceeds from IPO, rights issues and/or through any others instruments	√		No such issue
1.5(viii)	Explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing etc	√		No such matter to explain
1.5(ix)	Explanation of significant variance between Quarterly and Annual Financial Statements	√		No such matter to explain
1.5(x)	Remuneration to directors including independent directors	√		
1.5(xi)	Fairness of the financial statements prepared by management	√		
1.5(xii)	Keeping proper books of accounts	√		
1.5(xiii)	Consistent application of Accounting Policies in preparation of financial statements	√		
1.5(xiv)	Preparation of financial statements following IAS/BAS/IFRS/BFRS	√		
1.5(xv)	Implementation and monitoring of sound Internal control system	√		
1.5(xvi)	Ability of RAK Ceramics (Bangladesh) Limited to continue as a going concern	√		
1.5(xvii)	Explanation of significant deviations from last year in operation results	√		No such matter to explain
1.5(xviii)	Presentation of key operation and financial data for last 5 (five) years	√		
1.5(xix)	Declaration of dividend	√		

Condition	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
1.5(xx)	Number of Board meeting held during the year and attendance by each Director	√		
1.5(xxi)a)	Shareholding pattern of Parent/Subsidiary/ Associate Companies and other related parties	√		
1.5(xxi)b)	Shareholding pattern of Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children	√		
1.5(xxi)c)	Shareholding pattern of Executives	√		
1.5(xxi)d)	Shareholding pattern of shareholder holding ten percent (10%) or more voting interest in the company	√		
1.5(xxii)a)	Brief resume of the director	√		
1.5(xxii)b)	Nature of his/her expertise in specific functional areas	√		
1.5(xxii)c)	Name of companies in which the person also holds the directorship and the membership of committees of the board	√		
2.	CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS)			
2.1	Appointment of Chief Financial Officer (CFO), Head of Internal Audit and Company Secretary(CS)	√		
2.2	Attendance of CFO and Company Secretary in the Board meeting	√		
3.	AUDIT COMMITTEE:			
3.(i)	Formation of Audit Committee	√		
3.(ii)	Assist the Board of Directors by the Audit Committee in ensuring that the financial statements reflect the true and fair view of the state of affairs of the company	√		
3.(iii)	Duties of the Audit committee	√		
3.1	Constitution of the Audit Committee			
3.1(i)	Composition of Audit Committee	√		
3.1(ii)	Appointment of members of the Audit Committee	√		
3.1(iii)	Qualification of the members of the Audit Committee	√		
3.1(iv)	Fill the casual vacancy in Audit Committee	√		No such issue
3.1(v)	Secretary of the Audit Committee	√		
3.1(vi)	Quorum of the Audit Committee meeting	√		
3.2	Chairman of the Audit Committee			
3.2(i)	Chairman of Audit Committee	√		
3.2(ii)	Presence of the Chairman of Audit Committee in AGM	√		

Condition	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
3.3	Role of Audit Committee			
3.3 (i)	Oversee the financial reporting process	√		
3.3 (ii)	Monitor choice of accounting policies and principles	√		
3.3 (iii)	Monitor Internal Control Risk management process	√		
3.3 (iv)	Oversee hiring and performance of external auditors	√		
3.3 (v)	Review the annual financial statements before submission to the board for approval	√		
3.3(vi)	Review the quarterly and half yearly financial statements before submission to the board for approval	√		
3.3 (vii)	Review the adequacy of internal audit function	√		
3.3 (viii)	Review statement of significant related party transaction	√		
3.3 (ix)	Review Management Letter/Letter of Internal Control weakness issued by statutory auditors	√		
3.3 (x)	Statement of utilization of funds raised through IPO/RPO or Rights Issue	√		No such matter to disclose
3.4	Reporting of the Audit Committee:			
3.4.1	Reporting to the Board of Directors			
3.4.1(i)	Report by the Audit Committee on its activities to the Board of Directors	√		
3.4.1(ii) a)	Report on conflicts of interests	√		
3.4.1(ii) b)	Suspected or presumed fraud or irregularity or material defect in the internal control system	√		No such issue
3.4.1(ii) c)	Suspected infringement of laws, including securities related laws, rules and regulations	√		No such issue
3.4.1(ii) d)	Any other matter which shall be disclosed	√		No such issue
3.4.2	Reporting to the Authorities			No such issue to report
3.5	Reporting to the shareholders and general investors	√		
4.	EXTEERNAL/STATUTORY AUDITORS:			
4 (i)	Appraisal or valuation services or fairness opinion	√		
4 (ii)	Financial information systems design and implementation	√		
4 (iii)	Book keeping or other services related to accounting records or financial statements	√		
4 (iv)	Broker-dealer services	√		
4 (v)	Actuarial services	√		
4 (vi)	Internal audit services	√		

Condition	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
4 (vii)	Any other services that the Audit Committee determines	√		
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company during the tenure of their audit	√		
5.	SUBSIDIARY COMPANY:			
5(i)	Composition of the Board of Directors of the subsidiary company	√		
5(ii)	Independent director of the holding company on the Board of Directors of the subsidiary company	√		
5(iii)	Placing the minutes of the subsidiary company in the Board meeting of the holding company	√		
5(iv)	Reviewed the affairs of the subsidiary company	√		
5(v)	Reviewed the financial statements of the subsidiary company by the Audit Committee of the holding company	√		
6.	DUTIES OF THE CHIEF EXECUTIVE OFFICER (CFO) AND CHIEF FINANCIAL OFFICER (CFO):			
6(i)a)	Financial statements do not contain any materially untrue or omit any material fact	√		
6(i)b)	Financial statements present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws	√		
6(ii)	No transaction entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct	√		
7.	REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE:			
7(i)	Compliance certificate on corporate governance and send the same to the shareholders	√		
7(ii)	Status report of compliance on corporate governance	√		

ANNEXURE-5

Directors' involvement in other organizations within the group

Directors		Involvement in other organizations within the group					
Name	Position	Name of the Company	Position	Shareholding on 01.01.2012		Shareholding on 31.12.2012	
				No. of shares	Amount (Taka mn)	No. of shares	Amount (Taka mn)
Mr. Abdallah Massaad [Nominee of RAK Ceramics (Bangladesh) Limited]	Chairman	RAK Pharmaceuticals Pvt. Ltd.	Chairman	Nil	Nil	Nil	Nil
		RAK Power Pvt. Ltd.	Chairman	Nil	Nil	Nil	Nil
		RAK Paints Pvt. Ltd.	Chairman	Nil	Nil	Nil	Nil
		RAK Security and Services Pvt. Ltd.	Chairman	Nil	Nil	Nil	Nil
		RAK-Mosfly (BD) Pvt. Ltd.	Chairman	Nil	Nil	Nil	Nil
		RAK Food & Beverage Pvt. Ltd.	Chairman	Nil	Nil	Nil	Nil
		Classic Porcelain Pvt. Ltd.	Chairman	Nil	Nil	Nil	Nil
Mr. S.A.K. Ekramuzzaman	Managing Director	RAK Pharmaceuticals Pvt. Ltd.	Director	14056080	140.56	14056080	140.56
		RAK Power Pvt. Ltd.	Director	573995	57.40	573995	57.40
		RAK Paints Pvt. Ltd.	Managing Director	200000	20.00	200000	20.00
		RAK Security and Services Pvt. Ltd.	Managing Director	5000	0.50	5000	0.50
		RAK-Mosfly (BD) Pvt. Ltd.	Managing Director	150960	15.10	150960	15.10
		RAK Food & Beverage Pvt. Ltd.	Director	7800	0.78	7800	0.78
		Classic Porcelain Pvt. Ltd.	Director	39000	3.90	39000	3.90
Mr. Rafique-ul Huq Barrister-at-Law	Independent Director	RAK Pharmaceuticals Pvt. Ltd.	Independent Director	Nil	Nil	Nil	Nil
		RAK Power Pvt. Ltd.	Independent Director	Nil	Nil	Nil	Nil
		RAK Food & Beverage Pvt. Ltd.	Independent Director	Nil	Nil	Nil	Nil
		Classic Porcelain Pvt. Ltd.	Independent Director	Nil	Nil	Nil	Nil

Corporate Governance Report

Corporate governance is a system by which companies are directed and controlled. At its most level, it is about how those entrusted with day to day management of a company's affairs are held accountable to shareholders and other providers of finance and whether the organization has the appropriate corporate structure to underpin accountability. The principal characteristics of corporate governance are transparency, independence, accountability, responsibility, fairness, and social responsibility.

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.

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

Board of Directors

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

A. Composition of the Board

The Board of Directors of RAK Ceramics (Bangladesh) Limited comprised of five

members including an independent director. The Company has a non-executive Chairman and Managing Director, separately. The day-to-day management of the Company is conducted by the Managing Director who is assisted by the executive management.

B. Board Procedure

To follow transparency, the Board follows the practice of advance planning in matters requiring discussion and decision by the Board. The Board is apprised 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 finalizes the agenda papers for the Board meeting in consultation with the other person concerned. The minutes of the proceedings of each Board meeting are maintained in terms of statutory provisions.

The Board of Directors of RAK Ceramics (Bangladesh) Limited has been laid down a Code of Conduct of all Board members and annual compliances of the code has been recorded.

Committee of the Board

In accordance with the requirement of corporate governance of BSEC, RAK Ceramics (Bangladesh) Limited has an Audit Committee as a sub-committee of the Board of Directors.

Audit Committee

The Audit Committee assists the Board of Directors in ensuring a good monitoring system within the business. The Audit Committee is responsible to the Board and the duties and responsibilities to internal control, financial reporting and compliance monitoring, among others, of the Audit Committee are clearly set forth in writing by the Board in the Audit Committee Charter.

The detail about Audit Committee including

background, composition, responsibilities, meetings, reporting and activities carried out by the Audit Committee is disclosed in this annual report in "Report of Audit Committee" signed by the Chairman of the Committee.

Chairman of the Board and Chief Executive

The positions of the Chairman of the Board and the Managing Director of the Company filled by different individuals who are the member of the Board. RAK Ceramics (Bangladesh) Limited also has been appointed a Chief Executive Officer (CEO) of the Company. The Board of Directors also clearly defined respective roles and responsibilities of the Chairman, the Managing Director and the CEO in addition to their roles and responsibilities as per Articles of Association of the Company.

Chief Financial Officer

RAK Ceramics (Bangladesh) Limited has a Chief Financial Officer (CFO). He is a qualified Chartered Accountant from the Institute of Chartered Accountants of India (ICAI). He is responsible for accounts and finance activities of the Company. The Board of Directors clearly defined respective roles, responsibilities and duties of the CFO. In compliance with the corporate governance guidelines of the BSEC, the CFO attends meetings of the Board of Directors.

Head of Internal Audit

RAK Ceramics (Bangladesh) Limited has a Head of Internal Audit. He is a qualified Chartered Accountant and fellow member of the Institute of Chartered Accountants of Bangladesh (ICAB). He is responsible for internal control and compliance of the Company. The Board of Directors clearly defined respective roles, responsibilities and duties of the Head of Internal Audit.

Company Secretary

The Board of Directors of RAK Ceramics (Bangladesh) Limited has been appointed

a Company Secretary. He is a qualified Chartered Secretary from the Institute of Chartered Secretaries of Bangladesh (ICSB). The Board of Directors clearly defined respective roles, responsibilities and duties of the Company Secretary.

External/Statutory Auditors

M/s Rahman Rahman Huq, Chartered Accountants (a member firm of KPMG International in Bangladesh) is the external/statutory auditor of the Company. They carry out systematic examination of books and records of the Company and ascertain, verify and report upon the facts regarding the financial operation and the results of the Company. To comply with the corporate governance properly; the Company not engaged its external/statutory auditors to perform the following services:

- (i) Appraisal or valuation services or fairness opinions;
- (ii) Financial information systems design and implementation;
- (iii) Book-keeping or other services related to the accounting records or financial statements;
- (iv) Broker-dealer services;
- (v) Actuarial services;
- (vi) Internal audit services; and
- (vii) Any other service that the Audit Committee determines.

No partner or employees of the auditors are holding any shares of RAK Ceramics (Bangladesh) Limited during the tenure of their audit assignment. External/Statutory auditors are appointed by the shareholders in Annual General Meeting and fix their remuneration thereof.

Internal Audit and Internal Control

RAK Ceramics (Bangladesh) Limited often considered that internal audit is one of the “four pillars” of corporate governance, the other pillars being the Board of Directors, Management and the External Auditors. Hence, the Company has an independent internal audit department under control of the Audit Committee of the Board.

Internal auditing of RAK Ceramics (Bangladesh) Limited assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization’s risk management, control and governance processes. It helps the Audit Committee of the Board of Directors to perform their responsibilities effectively. This includes reporting critical internal control problems, informing the committee on the material issues or findings, suggesting questions or topics for the Audit Committee’s meeting agendas and coordinating carefully with the committee to receive effective information.

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organization’s governance, risk management process, system of internal control structure and the quality of performance to achieve the organization’s stated goals and objectives. It includes:

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

- Review the internal control statement by the senior management used by the external auditor for audit planning.

Subsidiary Company

RAK Ceramics (Bangladesh) Limited has four subsidiary companies and in compliance with the corporate governance guidelines of the BSEC, the Company ensured followings in all subsidiaries:

- The conditions relating to composition of the Board of Directors including independent directors is fulfilled.
- Independent director of the Company is also a director in subsidiary companies.
- The affairs of subsidiary companies have been reviewed in the Board meeting of the Company.
- Minutes of the Board meeting of subsidiary companies has been placed for review in the Board meeting of the Company.
- Financial statements of subsidiary companies have been reviewed by the audit committee of the Company.

Compliances

To ensure the spirit of the corporate governance with accountability for inspiring confidence of investors, regulators, financier and other stakeholders, RAK Ceramics (Bangladesh) Limited is committed to comply with all the requirements of corporate governance as required by the Bangladesh Securities and Exchange Commission (BSEC). The certificate on compliance of conditions of corporate governance of the Company is attached herewith in *Annexure-1* on page 67 in this annual report.

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


**Certificate on compliance of conditions of Corporate Governance Guidelines of
the Bangladesh Securities and Exchange Commission (BSEC) of**

RAK CERAMICS (BANGLADESH) LTD.

To whom it may concern

This is to certify that the management of RAK Ceramics (Bangladesh) Limited has complied with the necessary requirements of Corporate Governance for the year ended 31 December 2012 as per compliance requirements of the conditions imposed by Bangladesh Securities and Exchange Commission's Notification no. SEC/SMRRCD/2006-158/134/Admin/44 dated 7 August 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969.

10 February 2013
Dhaka, Bangladesh


Rahman Rahman Huq
Chartered Accountants

Audit Committee Report

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 formation and operation of the Committee are primarily guided by a Charter approved by the Board of Directors that is based on the underlying corporate laws and regulations, currently accepted best practice and latest corporate governance guidelines of Bangladesh Securities and Exchange Commission (BSEC).

Composition

In accordance with the Corporate Governance Guidelines of BSEC (No. SEC/CMRRC/2006-158/134/Admin/44) issued on 07 August 2012, the Audit Committee of RAK Ceramics (Bangladesh) Limited comprised of three members including Independent Director who is the Chairman of the Committee. The Company Secretary is working as Member Secretary of the Committee.

The members of the Audit Committee are as follows:

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

Roles and Responsibilities

The roles and responsibilities of the Audit Committee are clearly mentioned in the Audit Committee Charter. The Audit Committee shall assist the Board in fulfilling its oversight responsibilities. 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:

- Oversee the financial reporting process.
- Monitor choice of accounting policies and principles.
- Monitor Internal Control Risk management process.
- Oversee hiring and performance of external auditors.
- Review along with the management, the annual financial statements before submission to the Board for approval.
- Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval.
- Review the annual, quarterly and half yearly financial statements of subsidiary and associate companies.
- Review the adequacy of internal audit function.
- Review statement of significant related party transactions submitted by the management.
- Review Management Letters / Letter of Internal Control Weakness issued by statutory auditors .
- Perform other activities related to this Charter as requested 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 Executive Officer, Head of Finance & Accounts and Head of Internal Audit were the permanent invitees of the meetings. Relevant departmental heads and other members of the management also attended the meetings as required. The proceedings of the 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 policies / guidelines have been complied with.
- Financial Statements for the year ended 31 December 2012 contained full disclosure and these are prepared in accordance with BAS (Bangladesh Accounting Standards) and BFRS (Bangladesh Financial Reporting Standards).
- 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 external auditor of the Company is independent as defined by the Act.

As per Section 210 of the Companies Act 1994, the Audit Committee of the Board recommended to re-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 2013 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 regarded as one of the four pillars of corporate governance. 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/best practices.

Financial Management

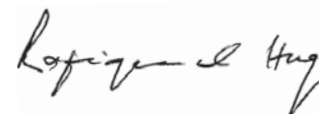
Upon resignation of Mr. Sangam Lal, Ex-Finance Controller of the Company, Mr. Abhijit

Chakrobarty has been appointed as Head of Finance & Accounts by the management. The Audit Committee has satisfied itself that Mr. Abhijit Chakrobarty, Head of Finance & Accounts of the Company, has the appropriate expertise and knowledge to fulfill the role.

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 opened for discussion at the forthcoming annual general meeting.

Dated: February 10, 2013



(Barrister Rafique-ul Haque)

Chairman

Audit Committee



RAK CERAMICS (BANGLADESH) LTD.

Auditors' Report and Consolidated Financial Statements

as at and for the year ended 31 December 2012

Independent Auditors' Report to the Shareholders of

RAK CERAMICS (BANGLADESH) LTD.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of RAK Ceramics (Bangladesh) Limited and its subsidiaries, which comprise the statement of financial position as at 31 December 2012, and 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 Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards, 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements give a true and fair view of the financial position of RAK Ceramics (Bangladesh) Limited and its subsidiaries as at 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards. Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994 and Securities and Exchange Rules 1987, we also report the following:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of these books;
- c) the statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account; and
- d) the expenditure incurred was for the purposes of the Company's business.

Dhaka, Bangladesh
Dated: 10 February 2013



Rahman Rahman Huq
Chartered Accountants

RAK CERAMICS (BANGLADESH) LTD.
Consolidated Statement of Financial Position
as at 31 December 2012

	Notes	2012 Taka	2011 Taka
Assets			
Property, plant and equipment	4	3,000,994,834	2,725,576,102
Equity-accounted investees	5	99,935,330	82,955,354
Intangible assets	6	112,670,334	113,928,723
Capital work in progress	7	30,955,703	36,578,205
Investment in shares of listed companies	8	2,189,065	3,176,995
Loan to associates	9	95,204,185	-
Preliminary & pre-operating expenses	10	-	10,926,364
Total non-current assets		3,341,949,451	2,973,141,743
Inventories	11	1,777,888,718	1,658,062,569
Trade & other receivables	12	621,510,397	526,123,351
Loan to associates	13	4,795,815	-
Advances, deposits and prepayments	14	217,599,738	194,219,227
Advance income tax	15	1,303,890,755	948,002,438
Cash and cash equivalents	16	988,298,905	1,442,035,679
Total current assets		4,913,984,328	4,768,443,264
Total assets		8,255,933,779	7,741,585,007
Equity			
Share capital	17	2,783,889,350	2,530,808,500
Share premium		1,473,647,979	1,473,647,979
Retained earnings		1,293,599,640	1,318,178,608
Equity attributable to equity holders of the Company		5,551,136,969	5,322,635,087
Non-controlling interests		108,824,662	173,866,834
Total equity		5,659,961,631	5,496,501,921
Liabilities			
Borrowings	20	18,567,275	32,931,914
Deferred tax liability	18	121,162,388	134,641,798
Total non-current liabilities		139,729,663	167,573,712
Provision for employees benefits	19	21,856,218	11,356,382
Borrowings	20	389,152,953	392,682,041
Trade and other payables	21	197,523,746	316,506,302
Provision for expenses	22	172,927,231	165,098,899
Provision for royalty and technical know-how fee	23	219,094,868	106,399,330
Provision for income tax	24	1,455,687,469	1,085,466,420
Total current liabilities		2,456,242,485	2,077,509,374
Total equity and liabilities		8,255,933,779	7,741,585,007

The notes on pages 76 to 109 are an integral part of these financial statements.



Managing Director



Director



Company Secretary

As per our report of same date.



Rahman Rahman Huq
Auditor
Chartered Accountants

Dhaka, Bangladesh
Dated: 10 February 2013

RAK CERAMICS (BANGLADESH) LTD.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

	Notes	2012 Taka	2011 Taka
Sales	25	4,908,171,279	4,580,008,209
Cost of sales	26	(2,979,160,088)	(2,693,596,290)
Gross profit		1,929,011,191	1,886,411,919
Other income	27	9,570,670	6,076,938
Administrative expenses	28	(297,250,162)	(255,823,055)
Marketing and selling expenses	29	(730,822,714)	(641,800,857)
		(1,018,502,206)	(891,546,974)
Profit from operating activities		910,508,985	994,864,945
Finance income	30	102,831,687	147,136,340
Finance costs	31	(25,867,434)	(61,462,608)
Net finance income		76,964,253	85,673,732
Share of profit/(loss) of equity-accounted investees	5	(73,020,024)	(56,644,648)
Profit before contribution to Workers' Profit Participation Fund		914,453,214	1,023,894,029
Contribution to Workers' Profit Participation Fund		(57,500,590)	(63,193,326)
Profit before income tax		856,952,624	960,700,703
Income tax expense:			
Current tax	32	(370,221,049)	(323,570,136)
Deferred tax	18	13,479,410	4,606,626
		(356,741,639)	(318,963,510)
Profit for the year		500,210,985	641,737,193
Profit attributable to:			
Equity holders of the Company		608,123,157	756,952,645
Non-controlling interests		(107,912,172)	(115,215,452)
Profit after tax for the year		500,210,985	641,737,193
Basic earnings per share (per value Taka 10)	36	2.18	2.72

The notes on pages 76 to 109 are an integral part of these financial statements.



Managing Director

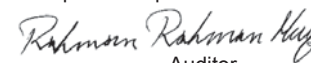


Director



Company Secretary

As per our report of same date.



Auditor

Rahman Rahman Huq
Chartered Accountants

Dhaka, Bangladesh
Dated: 10 February 2013

RAK CERAMICS (BANGLADESH) LTD.
Consolidated Statement of Changes in Equity
for the year ended 31 December 2012

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Total		
	Taka	Taka	Taka	Taka	Taka	Taka
Balance as at 1 January 2011	2,300,735,000	1,473,647,979	1,136,409,713	4,910,792,692	196,897,286	5,107,689,978
Total comprehensive income for 2011						
Profit/(loss) for the year	-	-	756,952,645	756,952,645	(115,215,452)	641,737,193
Share money deposit	-	-	-	-	101,000,000	101,000,000
Transactions with the shareholders						
Cash dividend (2010)	-	-	(345,110,250)	(345,110,250)	(8,815,000)	(353,925,250)
Stock dividend (2010)	230,073,500	-	(230,073,500)	-	-	-
Balance as at 31 December 2011	2,530,808,500	1,473,647,979	1,318,178,608	5,322,635,087	173,866,834	5,496,501,921
Total comprehensive income for 2012						
Profit/(loss) for the year	-	-	608,123,157	608,123,157	(107,912,172)	500,210,985
Share money deposit	-	-	-	-	60,500,000	60,500,000
Transactions with the shareholders						
Cash dividend (2011)	-	-	(379,621,275)	(379,621,275)	(17,630,000)	(397,251,275)
Stock dividend (2011)	253,080,850	-	(253,080,850)	-	-	-
Balance as at 31 December 2012	2,783,889,350	1,473,647,979	1,293,599,640	5,551,136,969	108,824,662	5,659,961,631

The notes on pages 76 to 109 are an integral part of these financial statements.

RAK CERAMICS (BANGLADESH) LTD.**Consolidated Statement of Cash Flows**

for the year ended 31 December 2012

	Notes	2012 Taka	2011 Taka
Cash flows from operating activities			
Cash receipts from customers		4,790,662,464	4,316,317,016
Cash payments to suppliers and employees		(3,790,775,536)	(3,572,552,751)
Cash generated from operating activities		999,886,928	743,764,265
Interest received from bank deposit		6,174,052	4,632,128
Income tax paid		(355,888,317)	(349,889,015)
Net cash from operating activities		650,172,663	398,507,378
Cash flows from investing activities			
Acquisition of property, plant and equipment		(638,513,274)	(222,433,377)
Sale of property, plant and equipment		4,119,365	431,280
Loan to associates		(89,073,637)	1,033,195
Investment in associate companies		(90,000,000)	(114,810,001)
Interest received from FDR		92,259,780	127,402,890
Intangible assets		(9,544,681)	(18,614,118)
Adjustments related to non-controlling interests		42,870,000	92,185,000
Dividend received		398,200	353,000
Net cash used in investing activities		(687,484,247)	(134,452,131)
Cash flows from financing activities			
Finance charges		(25,867,434)	(22,601,339)
Repayment of term loan		(14,364,640)	22,263,914
Repayment of short term loan		(3,529,088)	39,831,304
Dividend paid		(371,732,823)	(334,037,021)
Unclaimed share application refund		(931,205)	(15,136,329)
Net cash used in financing activities		(416,425,190)	(309,679,471)
Net increase/(decrease) in cash and cash equivalents		(453,736,774)	(45,624,224)
Cash and cash equivalents as at 1 January		1,442,035,679	1,487,659,903
Cash and cash equivalents as at 31 December (Note 16)		988,298,905	1,442,035,679

The notes on pages 76 to 109 are an integral part of these financial statements.

RAK CERAMICS (BANGLADESH) LTD.

Notes to the Consolidated Financial Statements

As at and for the year ended 31 December 2012

1. Reporting entity

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

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

1.1 Description of subsidiaries

RAK Pharmaceuticals Pvt. Ltd.

RAK Pharmaceuticals Pvt. Ltd. was incorporated in Bangladesh under the Companies Act 1994 on 29 June 2005 as a private company limited by shares with an authorised capital of Taka 500 mn divided into 5 mn ordinary shares of Taka 100 each. Authorised capital of the Company has been increased from Taka 500 mn to 1,500 mn divided into 150 mn ordinary shares of Taka 10 each in the year 2011. The Company has gone into operation from 15 July 2009. The paid up capital stands at Taka 468.54 mn as at 31 December 2012. The registered office of the Company is at RAK Tower (10 floor), Plot No.: 1/A, Jasimuddin Avenue, Sector No.: 3, Uttara, Dhaka-1230. The factory is located at Vill.: Faridpur, P.S.: Sreepur, Dist.: Gazipur. The Company owns and operates modern pharmaceutical facility which produces and sells pharmaceutical drugs and medicines including biological and non-biological drugs. 55% shares of RAK Pharmaceuticals Pvt. Ltd's is held by RAK Ceramics (Bangladesh) Limited.

RAK Power Pvt. Ltd.

RAK Power Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 30 June 2005 as a private company limited by shares with an authorized capital of Taka 1,000,000,000 divided into 10,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 205,000,000 as at 31 December 2012. The Company has gone into operation from 1 May 2009. The registered office of the Company is at House # 5, Road # 1/A Sector # 4, Uttara, Dhaka- 1230. The Power Plant is located at Village : Dhanua, P.S: Sreepur, District: Gazipur. 57% shares of RAK Power Pvt. Ltd. is held by RAK Ceramics (Bangladesh) Limited.

Classic Porcelain Pvt. Limited

Classic Porcelain Pvt. 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 Taka 1,000,000,000 divided into 10,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 10,000,000 as at 31 December 2012. The main objects of the Company is to produce, manufacture, sell and export of 100% export oriented all types of porcelain/ ceramic-made, table ware such as bone china, porcelain white ware, crockery, pottery, hand painted wares, mugs, cup and saucer, plates etc. 51% shares of RAK Porcelain Pvt. Limited is held by RAK Ceramics (Bangladesh) Limited.

RAK Food & Beverage Pvt. Ltd.

RAK Food & Beverage Pvt. Ltd. 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 Taka 200,000,000 divided into 2,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 2,000,000 as at 31 December 2012. The main objects of the Company is to carry on the business and to act for business on Joint Venture basis to manufacture, produce, sell, import and export of all types of foods, food products, bottled drinking water and beverages items in Bangladesh and abroad. 51% shares of RAK Food & Beverage Pvt. Ltd. is held by RAK Ceramics (Bangladesh) Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

2. Basis of preparation

2.1 Statement of compliance

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

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

Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on 10 February 2013.

2.2 Basis of measurement

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

2.3 Functional and presentational currency

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

2.4 Use of estimates and judgements

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

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

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

Note 4	Property, plant & equipment
Note 18	Deferred tax liability
Note 19	Provision for employees benefit
Note 24	Provision for corporate income tax

2.5 Reporting period

The financial period of the Company covers one year from 1 January to 31 December and is followed consistently.

2.6 Going concern

The Company has adequate resources to continue in operation for foreseeable future and hence, the financial statements have been prepared on going concern basis. As per management assessment there are no material uncertainties related to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

3. Significant accounting policies

The accounting policies set out below, which comply with IFRS, have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

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

Subsidiaries

Subsidiaries are enterprises controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. The results

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

of operations and total assets and liabilities of subsidiary companies are included in the consolidated financial statements on a line-by-line basis and the interest of minority shareholders, if any, in the results and net assets of subsidiaries is stated separately. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases. Any gains or losses on increase/decrease in non-controlling interest in subsidiaries without a change in control, is recognised as a component of equity.

Loss of control

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

Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

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

3.3 Financial instruments

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

3.3.1 Non-derivative financial assets

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

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

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

a) Investment in associates

Investment in associates are recognised initially at cost plus any directly attributable transaction costs. Subsequent to initial recognition, investment in associates are measured at amortised cost using the effective interest method, less any impairment losses.

b) Loans to associates

Loans to associates are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these are measured

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

at amortised cost using the effective interest method, less any impairment losses.

c) Trade & other receivables

Trade & other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition trade & other receivables are measured at amortised cost using the effective interest method, less any bad debts provision.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank including short notice deposits and fixed deposits having maturity of three months or less that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

3.3.2 Non-derivative financial liabilities

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

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

Non-derivative financial liabilities comprise trade & other payables, and interest bearing borrowings.

a) Trade & other payables

Trade & other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, trade & other payables are measured at amortised cost using the effective interest method.

b) Borrowings

Interest-bearing borrowings include short term bank loan. Interest-bearing borrowings are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

3.4 Share capital

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

3.5 Property, plant and equipment

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

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

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

3.5.1 Depreciation on property, plant and equipment

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

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

Category of property, plant and equipment	Rate (%)
Factory building	2.5-5
General building	2.5-20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

Category of property, plant and equipment	Rate (%)
Head Office building	2.5-5
Plant and machinery	5-10
Mobile plant	10
Electrical installation	10-20
Gas pipeline	10-20
Furniture, fixture and equipment	10
Office equipment	10-33.33
Communication equipment	10-12.5
Tools and appliances	10-20
Vehicles	10-20
Fire fighting equipment	20

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

3.6 Capital work-in-progress

Capital work in progress is stated at cost less impairment, if any, until the construction is completed. Upon completion of construction, the cost of such assets together with the cost directly attributable to construction, including capitalised borrowing costs are transferred to the respective class of asset. No depreciation is charged on capital work in progress.

3.7 Intangible assets

Intangible assets that are acquired by the Group (such as designs and trade marks for manufacture of ceramic tiles and sanitary ware and pharmaceuticals products) and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives of 2 to 3 years from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.8 Leased assets

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease payments

In respect of finance lease, lease payments are apportioned between finance charges and reduction of lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are reflected in profit or loss.

Operating leases payments are recognised as an expense in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.9 Inventories

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

3.10 Impairment

Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Non-financial assets

The carrying amount of the non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amounts are estimated. For intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit (CGU) exceeds its estimated recoverable amount.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risk specific to the asset. For an asset that does not generate significantly independent cash inflows, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

Recognition of impairment

Impairment losses are recognised in profit or loss. Impairment losses in respect of CGUs are allocated first to reduced the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the CGU on a pro-rata basis.

Reversal of impairment

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Employee benefit schemes

The Company maintains both defined contribution plan and defined benefit plan for its eligible permanent employees. The eligibility is determined according to the terms and conditions set forth in the respective deeds.

Defined contribution plan (provident fund)

Defined contribution plan is a post employment benefit plan under which the Company provides benefits to one or more employees. The recognised Employees Provident Fund is considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10 percent of their basic salary to the provident fund and the Company also makes equal contribution to the fund. These are administered by the Board of Trustees. The contributions are invested separately from the company's assets.

Contribution to defined contribution plan is recognised as an expense when an employee has rendered services to the Company. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods.

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

3.12 Workers' Profit Participation Fund (WPPF)

The Company provides 5% of its net profit before tax after charging such expense as WPPF in accordance with "The Bangladesh Labour Act 2006".

3.13 Provisions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

3.14 Revenue recognition

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

3.15 Finance income and expenses

Finance income comprises interest income on fixed deposits, Short Notice Deposit (SND) and amounts due from related parties. Interest income is recognized in profit or loss as it accrues, using the effective interest rate method.

Finance costs comprises interest expense on overdraft, LTR, term loan, short term borrowings and finance lease. All finance expenses are recognised in the statement of comprehensive income.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.16 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax:

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Provisions for corporate income tax is made following the rate applicable for a publicly-traded company.

Deferred tax:

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

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

3.17 Earning per share

The Company presents basic and diluted (when dilution is applicable) earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company with the weighted average number of ordinary shares outstanding during the period, adjusted for the effect of change in number of shares for bonus issue. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. However, dilution of EPS is not applicable for these financial statements as there was no dilutive potential ordinary shares during the relevant periods.

3.18 Determination and presentation of operating segment

Details of product-wise segment reporting as required by BFRS-8 (operating segments).

3.19 Contingencies

Contingent liability

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

Contingent liability should not be recognised in the financial statements, but may require disclosure. A provision should be recognised in the period in which the recognition criteria of provision have been met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

Contingent asset

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

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

3.20 Statement of cash flows

Statement of cash flows is prepared under direct method in accordance with Bangladesh Accounting Standard (BAS)-7 "Statement of cash flows" as required by the Securities and Exchange Rules 1987.

3.21 New standards not yet adopted

The following new standards are effective for annual periods beginning after 1 January 2013 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

BFRS 10	"Consolidated Financial Statements"
BFRS 11	"Joint Arrangements"
BFRS 12	"Disclosure of Interests in Other Entities"
BFRS 13	"Fair Value Measurement"

3.22 Events after the reporting period

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

3.23 Comparatives and reclassification

Comparative information have been disclosed in respect of 2012 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

4 Property, plant and equipment

2012

Particulars	Cost				Depreciation				Written down value as at 31 December 2012
	Balance as at 1 January 2012	Additions during the year	Adjustment/disposal during the year	Balance as at 31 December 2012	Balance as at 1 January 2012	Charged during the year	Adjustment/disposal during the year	Balance as at 31 December 2012	
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Land	236,618,242	512,101,902	-	748,720,144	-	-	-	-	748,720,144
Factory building	664,746,200	24,813,813	-	689,560,013	174,226,272	30,845,410	-	205,071,682	484,488,331
Factory office building	66,191,156	5,041,257	-	71,232,413	24,651,989	3,012,451	-	27,664,440	43,567,973
Head office building	171,556,721	-	-	171,556,721	26,947,584	6,880,106	-	33,827,690	137,729,031
Plant and machinery	3,248,192,833	82,975,835	32,000	3,331,136,668	1,703,604,340	267,919,057	4,524	1,971,518,873	1,359,617,795
Mobile plant	89,121,262	-	-	89,121,262	45,796,183	7,578,975	-	53,375,158	35,746,104
Electrical installation	222,723,445	-	-	222,723,445	113,046,179	22,324,626	-	135,370,805	87,352,640
Gas pipeline	42,550,307	1,417,520	-	43,967,827	32,906,576	4,032,209	-	36,938,785	7,029,042
Furniture and fixtures	50,482,769	2,390,776	-	52,873,545	17,579,341	5,038,737	-	22,618,078	30,255,467
Office equipment	32,103,391	2,788,928	926,775	33,965,544	17,166,735	5,433,017	475,165	22,124,588	11,840,956
Communication equipment	3,441,696	642,133	-	4,083,829	1,637,300	359,593	-	1,996,893	2,086,936
Tools and appliances	7,036,968	-	-	7,036,968	3,143,061	653,721	-	3,796,782	3,240,186
Vehicles	78,040,597	11,963,610	4,577,920	85,426,287	27,976,331	11,050,658	2,194,727	36,832,262	48,594,025
Fire fighting equipments	3,631,012	-	-	3,631,012	2,178,606	726,202	-	2,904,808	726,204
Total	4,916,436,599	644,135,774	5,536,695	5,555,035,678	2,190,860,497	365,854,762	2,674,416	2,554,040,844	3,000,994,834

2011

Particulars	Cost				Depreciation				Written down value as at 31 December 2011
	Balance as at 1 January 2011	Additions during the year	Adjustment/disposal during the year	Balance as at 31 December 2011	Balance as at 1 January 2011	Charged during the year	Adjustment/disposal during the year	Balance as at 31 December 2011	
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Land	214,568,442	22,049,800	-	236,618,242	-	-	-	-	236,618,242
Factory building	664,102,137	644,063	-	664,746,200	144,103,285	30,122,987	-	174,226,272	490,519,928
Factory office building	65,049,792	1,141,364	-	66,191,156	21,697,139	2,954,850	-	24,651,989	41,539,167
Head office building	170,715,345	841,376	-	171,556,721	20,067,478	6,880,106	-	26,947,584	144,609,137
Plant and machinery	3,079,236,936	169,172,251	216,354	3,248,192,833	1,442,386,212	261,263,296	45,168	1,703,604,340	1,544,588,493
Mobile plant	88,950,076	171,186	-	89,121,262	36,886,912	8,909,271	-	45,796,183	43,325,079
Electrical installation	215,983,793	6,739,652	-	222,723,445	90,634,201	22,411,978	-	113,046,179	109,677,266
Gas pipeline	42,550,307	-	-	42,550,307	28,881,338	4,025,238	-	32,906,576	9,643,731
Furniture and fixtures	47,497,181	2,985,588	-	50,482,769	12,757,846	4,821,495	-	17,579,341	32,903,428
Office equipment	27,964,242	4,449,749	310,600	32,103,391	11,193,739	6,117,847	144,851	17,166,735	14,936,656
Communication equipment	3,084,404	357,292	-	3,441,696	1,310,228	327,072	-	1,637,300	1,804,396
Tools and appliances	6,441,035	595,933	-	7,036,968	2,499,555	643,507	-	3,143,061	3,893,907
Vehicles	55,622,062	22,640,935	222,400	78,040,597	18,137,777	9,943,545	104,991	27,976,331	50,064,266
Fire fighting equipments	3,631,012	-	-	3,631,012	1,452,404	726,202	-	2,178,606	1,452,406
Total	4,685,396,764	231,789,189	749,354	4,916,436,599	1,832,008,114	359,147,395	295,010	2,190,860,497	2,725,576,102

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
4.1 Depreciation charged to		
Cost of goods manufactured (Note 26.1)	334,263,662	329,435,246
Administrative expenses (Note 28)	27,764,450	26,785,170
Marketing & selling overhead (Note 29)	3,826,650	2,926,979
	365,854,762	359,147,395

4.2 Disposal of property, plant and equipment

Year 2012

Particulars	Original cost	Accumulated depreciation	Book value	Sale/Insurance claim receipt
	Taka	Taka	Taka	Taka
Motor cycles	254,838	91,535	163,303	217,203
Vehicles	4,323,082	2,103,192	2,219,890	3,423,076
Office equipments	958,775	479,689	479,086	479,086
Total	5,536,695	2,674,416	2,862,279	4,119,365

Year 2011

Particulars	Original cost	Accumulated depreciation	Book value	Sale/Insurance claim receipt
	Taka	Taka	Taka	Taka
Motor cycles	222,400	104,991	117,409	127,409
Office equipments & others	526,954	190,019	336,935	303,871
Total	749,354	295,010	454,344	431,280

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

5. Equity-accounted investees

Share of net assets:	Ownership	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Share of net assets
		Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
31 December 2012									
RAK Security and Services Pvt. Ltd.	35%	19,312,899	3,953,177	23,266,076	12,845,527	-	12,845,527	10,420,549	3,647,192
RAK Paints Pvt. Ltd.*	40%	355,975,661	294,588,430	650,564,091	376,052,654	527,689,570	903,742,224	(253,178,133)	88,728,747
RAK-Mosfly (Bangladesh) Pvt. Ltd.*	20%	38,018,556	133,555,145	171,573,701	114,512,381	93,314,367	207,826,748	(36,253,047)	7,559,391
									<u>99,935,330</u>

*Share of net assets is arrived at adding share money deposit of RAK Ceramics (Bangladesh) Limited of Taka 190,000,000 and Taka 14,810,000 respectively.

31 December 2011									
RAK Security and Services Pvt. Ltd.	35%	13,687,384	3,580,771	17,268,155	9,275,103	-	9,275,103	7,993,052	1,357,779
RAK Paints Pvt. Ltd.	40%	244,257,186	288,496,103	532,753,289	314,117,146	307,055,654	621,172,800	(88,419,511)	74,632,196
RAK-Mosfly (Bangladesh) Pvt. Ltd.	20%	18,115,373	128,098,256	146,213,629	43,018,446	93,391,793	136,410,239	9,803,390	6,965,379
									<u>82,955,354</u>

Share of net profit/(loss):	Ownership	Reporting date	Nature of investment	Expenses	Tax expenses	Profit or (loss)	Share of profit/(loss)
31 December 2012							
RAK Security and Services Pvt. Ltd.	35%	31 December 2012	Associate	54,815,835	49,331,907	2,056,431	3,427,497
RAK Paints Pvt. Ltd.	40%	31 December 2012	Associate	591,987,568	756,746,190	-	(164,758,622)
RAK-Mosfly (Bangladesh) Pvt. Ltd.	20%	31 December 2012	Associate	153,439,119	199,495,556	-	(46,056,437)
							<u>(73,020,024)</u>
31 December 2011							
RAK Security and Services Pvt. Ltd.	35%	31 December 2011	Associate	42,225,012	37,654,578	1,691,066	2,879,368
RAK Paints Pvt. Ltd.	40%	31 December 2011	Associate	177,077,701	315,497,212	-	(138,419,511)
RAK-Mosfly (Bangladesh) Pvt. Ltd.	20%	31 December 2011	Associate	-	11,423,107	-	(11,423,107)
							<u>(56,644,648)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
6. Intangible assets		
Balance as at 1 January	113,928,723	105,134,125
Add: Addition during the year	9,544,681	18,614,118
	123,473,404	123,748,243
Less: Amortisation for the year	10,803,070	9,819,520
Balance as at 31 December	112,670,334	113,928,723
7. Capital work in progress		
Balance as at 1 January	36,578,205	45,312,098
Add: Addition during the year	91,052,972	159,178,250
	127,631,177	204,490,348
Less: Transfer to property, plant & equipment during the year (Note 7.1)	96,675,474	167,912,143
Balance as at 31 December	30,955,703	36,578,205
7.1 Items transferred from capital work in progress to property, plant & equipment		
Factory building	24,210,365	-
Electrical installation	-	6,739,652
Factory office building	5,041,257	1,141,364
Plant and machinery	67,423,852	160,031,127
	96,675,474	167,912,143
8. Investment in shares of listed companies		
Cost price	5,004,427	5,004,427
Less: Unrealised loss	(2,815,362)	(1,827,432)
	2,189,065	3,176,995

2012				
Name of companies	No. of Shares	Cost price	Market value as at 31 December 2012	Unrealised gain/ (loss)
ICB	168	461,696	253,386	(208,310)
BSRM Steel	10,000	1,757,399	679,000	(1,078,399)
UCBL	10,225	784,114	312,110	(472,004)
Uttara Finance	1,400	194,966	116,060	(78,906)
DESCO	2,587	430,077	186,523	(243,554)
Bay Leasing	3,060	316,932	108,017	(208,915)
Meghna Life	2,100	560,132	236,880	(323,252)
PLFSL	1,100	150,750	35,640	(115,110)
Square Pharma	308	56,708	51,929	(4,779)
One Bank	3,250	142,203	74,100	(68,103)
Prime Bank	3,660	149,450	135,420	(14,030)
Total	37,858	5,004,427	2,189,065	(2,815,362)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

2011				
Name of companies	No. of Shares	Cost price	Market value as at 31 December 2012	Unrealised gain/ (loss)
ICB	135	461,696	219,173	(242,523)
BSRM Steel	10,000	1,757,399	1,187,000	(570,399)
UCBL	11,500	784,114	504,850	(279,264)
Uttara Finance	1,000	194,966	114,200	(80,766)
DESCO	1,800	430,077	204,300	(225,777)
Bay Leasing	2,550	316,932	178,755	(138,177)
Meghna Life	2,100	560,132	392,280	(167,852)
PLFSL	1,000	150,750	69,300	(81,450)
Square Pharma	220	56,708	52,162	(4,546)
One Bank	2,500	142,203	119,250	(22,953)
Prime Bank	3,050	149,450	135,725	(13,725)
	35,855	5,004,427	3,176,995	(1,827,432)

	2012	2011
	Taka	Taka
9. Loan to associates		
Loan to associates	95,204,185	-
10. Preliminary & pre-operating expenses		
Preliminary expenses	-	957,556
Pre-operating expenses	-	9,968,808
	-	10,926,364
11. Inventories		
Raw materials	812,949,154	768,485,040
Stores and consumable spares	793,098,612	726,678,485
Finished goods	125,399,406	116,881,902
Work-in-process	34,017,206	34,594,847
Goods-in-transit	12,424,340	11,422,295
	1,777,888,718	1,658,062,569
12. Trade & other receivables		
Trade receivables (Note 12.1)	597,414,601	493,010,423
Claim receivables	5,063,730	9,218,527
Accrued interest (Note 12.2)	17,237,758	23,894,401
Other receivable	1,794,308	-
	621,510,397	526,123,351

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
12.1 Trade receivables		
Receivables from dealers	594,215,356	493,010,423
Receivables from export sales	3,199,245	-
	597,414,601	493,010,423
12.2 Accrued interest		
Interest accrued on FDR	9,326,431	23,894,401
Interest accrued on loan to associates	7,911,327	-
	17,237,758	23,894,401
13. Loan to associate		
RAK Paints Pvt. Ltd.	4,795,815	-
14. Advances, deposits and prepayments		
Advances:		
Employees	19,404,749	22,516,790
Landlord for factory building and others	28,194,223	28,745,454
Suppliers against materials and services	20,799,412	53,454,893
	68,398,384	104,717,137
Security and other deposits:		
Titas Gas	19,217,750	19,217,750
Mymensingh Palli Bidyut Samity-2	1,991,090	1,991,090
VAT and supplementary duty (Note 14.1)	41,902,497	40,883,518
Deposited with Income tax authority	9,705,739	3,317,649
Deposited with VAT authority	8,596,796	6,026,604
Other deposits	3,357,316	1,804,159
	84,771,188	73,240,770
Prepayments:		
House rent	10,625,152	933,228
Insurance	33,818,050	14,379,143
Others	19,986,964	948,949
	64,430,166	16,261,320
	217,599,738	194,219,227
14.1 VAT and supplementary duty		
Balance as at 1 January	40,883,518	28,348,816
Add: Treasury deposit for VAT & SD purpose	1,066,586,946	1,154,450,000
Rebate of input VAT	304,745,241	281,385,147
	1,412,215,705	1,464,183,963
Less: VAT & SD on sales	1,368,054,273	1,423,300,445
Other payable *	2,258,935	-
	1,370,313,208	1,423,300,445
	41,902,497	40,883,518

*Other payable represents amount is paid to file appeal before Appellate Tribunal of Customs, Excise & VAT Authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
15. Advance income tax		
Balance as at 1 January	948,002,438	598,113,423
Add: Paid during the year	355,888,317	349,889,015
Balance as at 31 December (Notes 15.1 & 15.2)	1,303,890,755	948,002,438
15.1 Head wise payment		
Import	341,524,750	269,615,417
Export	519,050	404,313
Supplies	456,387	223,361
Interest on bank deposit	39,914,208	29,847,059
Rental income	753,261	479,348
Registration	684,700	363,000
Dividend	7,151,000	2,407,000
Paid in cash	912,887,399	644,662,940
	1,303,890,755	948,002,438
15.2 Year wise payment		
Income year		
Year 2012	262,663,852	-
Year 2011	330,587,709	237,363,244
Year 2010	263,867,684	263,867,684
Year 2009	117,346,023	117,346,023
Year 2008	86,369,770	86,369,770
Year 2007	124,816,528	124,816,528
Year 2006	95,937,931	95,937,931
Year 2005	3,197,658	3,197,658
Year 2004	1,607,895	1,607,895
Year 2003	1,746,309	1,746,309
Year 2002	879,941	879,941
Year 2001	9,689,804	9,689,804
Year 2000	5,176,302	5,176,302
Year 1999	3,349	3,349
	1,303,890,755	948,002,438

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
16. Cash and cash equivalents		
Cash in hand	3,680,020	6,672,679
Cash at banks		
HSBC (current a/c - 001-013432-011, 001-107580-011, 001-096015-011, 001-096007-011 - Taka)	43,152,289	108,170,350
Standard Chartered Bank (current a/c - 01-6162940-01, 01-3767272-01 - Taka)	38,928,111	46,732,201
Agrani Bank (current a/c - 075533005368 - Taka)	1,455	2,605
Citibank N.A. (current a/c - G0100001200262018 - Taka)	14,278,278	17,721,439
Dutch Bangla Bank Ltd. (current a/c - 117-110-12733, 117-110-2481, 117.110.23474 - Taka)	13,312,403	86,505
HSBC (ERQ a/c - 001-013432-047 - USD)	8,813,226	3,537,811
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	184,766	190,132
HSBC (margin money - 001-013432-301, 001-107580-011 - Taka)	432,044	1,219,550
EXIM Bank (MSND a/c - 01513100031877 - Taka)	498,889	3,366,011
Dutch Bangla Bank Ltd. (STD a/c - 117-120-589, 117-120-330 - Taka)	42,434,784	31,802,952
BRAC Bank (STD - 1513101731248001 - Taka)	8,274,968	41,868,607
Prime Bank Ltd. (SND - 12531010022563 - Taka)	7,511,422	3,064,801
HSBC (STD - 001-066331-067, 001-107580-067, 001-096015-067 - Taka)	8,018	8,192
Islami Bank Bangladesh Limited (current a/c- 20502070100405600)	638,279	150,535
Dhaka Bank Limited (current a/c- 0204100000014484)	31,670	-
Greenland Equity (Margin a/c - 1202190030388191-Taka)	30,863	31,363
	178,531,465	257,953,054
IPO bank a/c		
Citibank N.A. (RAK-IPO Central a/c - G010001200262022 - Taka)	2,543,384	3,358,295
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262042 - USD)	4,047,070	4,105,916
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262026 - EURO)	153,608	153,608
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262034 - GBP)	126,593	126,593
	6,870,655	7,744,412
Dividend bank a/c		
BRAC Bank (Current - 1510201731248001 - Taka) - 2010	12,171,174	11,648,957
BRAC Bank (Current - 1513201731248001 - Taka) - 2011	9,785,117	-
	21,956,291	11,648,957
Investment in Fixed Deposit Receipt (FDR)		
HSBC (FDR - 001-013432-101, 001-013432-103 & 001-013432-104)	250,956,245	254,960,452
SCB (FDR - 96162940119, 96162940120 & 96162940122)	210,762,080	300,762,080
Prime Bank Ltd. (FDR - 12541070020645, 12541070020749, 12541030024155, 12541010024581 & 20741070000103)	265,542,149	262,070,553
Dutch Bangla Bank Ltd. (FDR - 117-502-25305)	50,000,000	134,840,992
BRAC Bank (FDR - 1526301731248001)	-	200,000,000
EXIM Bank (FDR - 01560100085507)	-	5,382,500
	777,260,474	1,158,016,577
Total	988,298,905	1,442,035,679

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
17. Share capital		
Authorised:		
600,000,000 ordinary shares of Taka 10 each (2011: 300,000,000 ordinary shares)	6,000,000,000	3,000,000,000
Issued, subscribed, called and paid up:		
278,388,935 ordinary shares of Taka 10 each (2011: 253,080,850 ordinary shares)	2,783,889,350	2,530,808,500
	<u>2,783,889,350</u>	<u>2,530,808,500</u>

	2012		2011	
Percentage of shareholdings:	%	Taka	%	Taka
RAK Ceramics PSC, UAE	72.41	2,015,785,305	72.59	1,837,077,550
SAK Ekramuzzaman	6.66	185,563,500	7.33	185,563,500
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	242	0.00	220
Sheikh Omer Bin Saqr Al Qassimi	0.00	242	0.00	220
Sheikh Ahmad Bin Humaid al Qassimi	0.00	242	0.00	220
Hamad Abdulla Al Muttawa	0.00	121	0.00	110
Dr. Khater Massaad	0.00	121	0.00	110
Abdallah Massaad	0.00	121	0.00	110
Manoj Uttamrao Ahire	0.00	121	0.00	110
General Public (including Eligible Institutional Investor & Employee)	20.93	582,539,335	20.08	508,166,350
	<u>100.00</u>	<u>2,783,889,350</u>	<u>100.00</u>	<u>2,530,808,500</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

Classification of shareholders by range:	Number of shareholders		Number of shares	
	2012	2011	2012	2011
Shareholder's range				
Less than 500 shares	51,525	54,104	11,231,793	12,010,456
501 to 5,000 shares	8,933	10,473	12,470,010	14,142,677
5,001 to 10,000 shares	449	434	3,094,240	3,000,083
10,001 to 20,000 shares	158	171	2,175,085	2,464,840
20,001 to 30,000 shares	53	55	1,305,541	1,397,718
30,001 to 40,000 shares	29	30	991,204	1,018,288
40,001 to 50,000 shares	19	17	849,987	763,018
50,001 to 100,000 shares	39	44	2,625,569	2,893,525
100,001 to 1,000,000 shares	36	33	8,823,889	7,782,171
Over 1,000,000 shares	6	5	234,821,617	207,608,074
	61,247	65,366	278,388,935	253,080,850

	2012	2011
	Taka	Taka
18. Deferred tax liabilities		
Balance as at 1 January	134,641,798	139,248,424
Less: Deferred tax income	13,479,410	4,606,626
Balance as at 31 December	121,162,388	134,641,798
19. Provision for employees benefit		
Provident fund	5,372,511	1,618,309
Gratuity fund	16,483,707	9,738,073
	21,856,218	11,356,382

	2012		
	Provident Fund	Gratuity Fund	Total
	Taka	Taka	Taka
Balance as at 1 January	1,618,309	9,738,073	11,356,382
Add: Provision made during the year	32,241,862	13,262,476	45,504,338
	33,860,171	23,000,549	56,860,720
Less: Payments made to fund during the year	28,487,660	6,516,842	35,004,502
Balance as at 31 December	5,372,511	16,483,707	21,856,218

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2011		
	Provident Fund	Gratuity Fund	Total
	Taka	Taka	Taka
Balance as at 1 January	802,061	5,040,624	5,842,685
Add: Provision made during the year	27,011,721	9,879,714	36,891,435
	27,813,782	14,920,338	42,734,120
Less: Payments made to fund during the year	26,195,473	5,182,265	31,377,738
Balance as at 31 December	1,618,309	9,738,073	11,356,382

	2012	2011
	Taka	Taka
20. Borrowings		
Non-current:		
Term loan	33,097,082	45,710,761
Current portion of term loan	(14,529,807)	(12,778,847)
	18,567,275	32,931,914
Current:		
Bank overdrafts	115,925,921	123,578,172
Short-term borrowings	258,697,225	256,325,022
Current portion of term loan	14,529,807	12,778,847
	389,152,953	392,682,041

20.1 Borrowings by maturity

At 31 December 2012	Amounts in Taka				
	< 1 year	1-2 years	2-5 years	> 5 years	Total
Bank overdrafts	115,925,921	-	-	-	115,925,921
Short-term loans	258,697,225	-	-	-	258,697,225
Term loans and others	14,529,807	9,768,474	8,798,801	-	33,097,082
	389,152,953	9,768,474	8,798,801	-	407,720,228

At 31 December 2011	Amounts in Taka				
	< 1 year	1-2 years	2-5 years	> 5 years	Total
Bank overdrafts	123,578,172	-	-	-	123,578,172
Short-term loans	256,325,022	-	-	-	256,325,022
Term loans and others	12,778,847	14,612,037	18,319,877	-	45,710,761
	392,682,041	14,612,037	18,319,877	-	425,613,955

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
21. Trade and other payables		
Trade payables		
Payable to local suppliers	116,830,904	104,279,283
Payable to foreign suppliers	4,216,270	152,770,425
Payable to service provider	8,245,099	5,183,836
Payable to C & F agent	15,053,114	12,066,591
	144,345,387	274,300,135
Other payables		
Tax deducted at source	10,102,325	8,295,090
VAT deducted at source	3,017,518	809,808
Dividend Payable	18,961,681	11,073,229
Unclaimed share application	21,096,835	22,028,040
	53,178,359	42,206,167
	197,523,746	316,506,302
22. Provision for expenses		
Power and gas	15,545,144	16,397,405
Staff cost	49,569,322	41,577,982
Audit fees	601,750	218,750
Professional charges	357,400	324,400
Interest on loans	2,154,464	97,697
Telephone	331,918	294,618
Managing Director's remuneration (Note 22.1)	36,225,372	39,811,796
Workers' Profit Participation Fund (Note 22.2)	57,500,590	63,193,326
Doubtful debts	2,562,373	2,131,455
Others	8,078,898	1,051,470
	172,927,231	165,098,899
22.1 Managing Director's remuneration		
Balance as at 1 January	39,811,796	52,702,350
Add: Payable to Managing Director	36,225,372	39,811,796
	76,037,168	92,514,146
Less: Paid to Managing Director	39,811,796	52,702,350
Balance as at 31 December	36,225,372	39,811,796

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
22.2 Workers' Profit Participation Fund		
Balance as at 1 January	63,193,326	50,192,715
Add: Contribution made to the fund during the year	57,500,590	63,193,326
	120,693,916	113,386,041
Less: Payment made from the fund during the year	63,193,326	50,192,715
Balance as at 31 December	57,500,590	63,193,326
23. Provision for royalty and technical know-how fees		
For the year 2012	112,695,538	-
For the year 2011	106,399,330	106,399,330
	219,094,868	106,399,330
Royalty has been calculated @ 2.5% of net sales in pursuance to technical know-how and technical assistance agreement dated 9 May 1999 and amendment thereupon.		
24. Provision for income tax		
Balance as at 1 January	1,085,466,420	761,896,284
Add: Provision made during the year	370,221,049	323,570,136
Balance as at 31 December (Note 24.1)	1,455,687,469	1,085,466,420
24.1 Provision for income tax		
Income year		
Year 2012	370,221,049	-
Year 2011	326,685,217	323,570,136
Year 2010	294,058,668	294,058,668
Year 2009	204,028,260	207,143,340
Year 2008	85,378,847	85,378,847
Year 2007	80,163,573	80,163,573
Year 2006	89,730,898	89,730,898
Year 2005	5,242,907	5,242,907
Year 2004	20,925	20,925
Year 2003	45,563	45,563
Year 2002	111,563	111,563
	1,455,687,469	1,085,466,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
25. Sales		
Gross sales (Local)	6,257,836,082	5,998,398,005
Gross sales (Export)	18,389,470	4,910,649
Total sales	6,276,225,552	6,003,308,654
Less: Supplementary duty	548,060,589	637,659,382
VAT	819,993,684	785,641,063
	1,368,054,273	1,423,300,445
Net sales	4,908,171,279	4,580,008,209
26. Cost of sales		
Stock of finished goods as at 1 January	116,881,902	77,800,875
Add: Cost of goods manufactured (Note 26.1)	2,987,677,592	2,732,677,317
Cost of finished goods available for sale	3,104,559,494	2,810,478,192
Less: Stock of finished goods as at 31 December	125,399,406	116,881,902
	2,979,160,088	2,693,596,290
26.1 Cost of goods manufactured		
Cost of materials consumed:		
Opening stock	785,262,959	721,996,152
Add: Purchase during the year	1,632,204,789	1,490,073,061
	2,417,467,748	2,212,069,213
Less: Closing stock	830,323,395	785,262,959
	1,587,144,353	1,426,806,254

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
Manufacturing overhead:		
Direct labour (Note 26.1.1)	235,056,028	190,466,314
Direct expenses:		
Power and gas	149,798,824	157,845,736
Repairs and indirect materials (Note 26.1.2)	474,789,512	446,439,705
Rental charges	821,739	821,739
Moulds and punches	30,226,862	31,767,187
Depreciation	334,263,662	329,435,246
Royalty and technical know-how/assistance fees	112,695,538	106,399,330
Other production overhead (Note 26.1.3)	62,303,433	46,140,992
	1,399,955,598	1,309,316,249
Cost of production	2,987,099,951	2,736,122,503
Difference in work in process:		
Work in process as at 1 January	34,594,847	31,149,661
Work in process as at 31 December	34,017,206	34,594,847
	577,641	(3,445,186)
Cost of goods manufactured	2,987,677,592	2,732,677,317
26.1.1 Direct labour		
Salary and wages	145,057,308	113,802,585
Overtime	11,398,692	11,815,151
Bonus	15,331,320	12,816,360
Incentive	9,654,918	8,006,886
Temporary labour wages	14,893,821	13,395,687
Temporary labour for production	17,349,936	15,860,300
Gratuity	6,659,309	4,990,529
Employers contribution to Provident Fund	7,702,964	5,510,701
Leave encashment	1,831,872	1,369,214
Group life insurance	1,306,482	214,330
Medical expenses	201,526	46,454
Cleaning service - factory	3,667,880	2,638,117
	235,056,028	190,466,314

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
26.1.2 Repairs and indirect materials		
Stores, spares, repair and maintenance	229,431,104	222,477,283
Packing expenses	245,358,408	223,962,422
	<u>474,789,512</u>	<u>446,439,705</u>
26.1.3 Other production overhead		
Travelling and training expenses	6,569,037	6,900,546
Hotel fare and expenses for technician	6,199,104	4,512,964
Demurrage	3,801,087	591,326
Insurance	19,730,347	20,554,945
Fuel and maintenance	404,928	926,013
Other expenses	25,598,930	12,655,198
	<u>62,303,433</u>	<u>46,140,992</u>
27. Other income		
Dividend income	398,200	353,000
Miscellaneous income	7,915,384	5,713,938
Profit on sale of fixed assets	1,257,086	10,000
	<u>9,570,670</u>	<u>6,076,938</u>
28. Administrative expenses		
Staff cost (Note 28.1)	128,148,735	84,791,627
Meeting expenses-Admin	21,652,560	28,975,319
Telephone, postage and supplies	5,341,529	4,431,096
Office repair and maintenance (Note 28.2)	14,545,668	13,744,997
Registration and renewal	2,190,531	1,897,057
Security and guard expenses	8,912,698	6,037,646
Electricity, gas and water	5,240,079	3,715,540
Depreciation	27,764,450	26,785,170
Amortisation of intangible assets	10,803,070	9,819,520
Legal and professional fees	3,352,416	3,166,666
Vehicle repair and maintenance	9,696,689	7,414,462
Rent rate and tax	4,796,004	4,512,814
Loss on sale of property, plant and equipment	-	33,064
Loss on sale of shares	987,930	2,639,826
Write off preliminary & pre-operating expenses	1,295,431	-
CSR expenses	8,996,266	9,145,391
Others	7,300,734	8,901,065
Managing Director's remuneration (Note 28.3)	36,225,372	39,811,796
	<u>297,250,162</u>	<u>255,823,055</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

		2012	2011
		Taka	Taka
28.1	Staff cost		
	Salary and wages	91,833,508	60,726,137
	Overtime	32,088	18,622
	Bonus	9,816,800	6,510,032
	Incentive	8,460,810	3,566,537
	Gratuity	3,835,105	2,004,599
	Employers contribution to provident fund	3,945,140	2,762,024
	Leave encashment	1,073,252	534,900
	Group life insurance	737,135	122,338
	Canteen expenses	1,047,955	997,789
	Staff welfare expenses	519,986	1,046,567
	Hotel, tour, food and air ticket	3,355,818	3,194,086
	Food expenses	2,262,582	1,984,573
	Medical expenses	559,185	1,113,197
	Accommodation	640,587	182,377
	Travelling and conveyance	28,784	27,849
		<u>128,148,735</u>	<u>84,791,627</u>
28.2	Office repair and maintenance		
	Repairs office equipment	2,558,700	2,793,488
	Office maintenance	10,559,781	8,943,700
	Rent, rates and taxes	283,683	843,020
	Others	1,143,504	1,164,789
		<u>14,545,668</u>	<u>13,744,997</u>
28.3	Managing Director's remuneration represents provision made @ 3% of net profit before tax of RAK Ceramics (Bangladesh) Limited.		
29.	Marketing and selling expenses		
	Staff cost (Note 29.1)	145,508,390	117,576,830
	Advertisement	6,802,505	6,595,301
	Freight and transportation	151,886,075	132,053,711
	Performance rebates (Note 29.2)	222,171,676	226,492,218
	Business promotion	162,548,868	126,775,402
	Depreciation	3,826,650	2,926,979
	Doubtful debts	2,562,373	2,131,455
	Travel, entertainment and others	35,516,177	27,248,961
		<u>730,822,714</u>	<u>641,800,857</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

		2012	2011
		Taka	Taka
29.1	Staff cost		
	Salary and wages	128,059,697	103,450,865
	Overtime	22,907	24,321
	Bonus	7,339,531	5,875,082
	Incentive	2,559,089	1,312,866
	Gratuity	2,768,062	2,658,029
	Employers contribution to Provident Fund	3,023,037	3,402,966
	Leave encashment	246,753	166,317
	Group life insurance	808,813	305,660
	Food expenses	596,760	339,171
	Medical expenses	83,741	41,553
		<u>145,508,390</u>	<u>117,576,830</u>
29.2	Performance rebates		
	Compensation	2,499,356	2,110,261
	Dealers' commission	120,228,373	130,762,543
	Breakage commission	99,443,947	93,619,414
		<u>222,171,676</u>	<u>226,492,218</u>
30.	Finance income		
	Interest on bank account (SND)	6,174,052	4,632,128
	Interest on associate loan	7,911,327	-
	Interest on FDR	77,691,810	142,504,212
	Exchange gain	11,054,498	-
		<u>102,831,687</u>	<u>147,136,340</u>
31.	Finance costs		
	Interest expenses	23,820,468	21,147,092
	Bank charges	2,046,966	1,454,247
	Exchange loss	-	38,861,269
		<u>25,867,434</u>	<u>61,462,608</u>
32.	Current tax		
	Current year	338,302,629	323,570,136
	Other tax provision	31,918,420	-
		<u>370,221,049</u>	<u>323,570,136</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

33 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

33.1 Credit risk

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

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

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

a) Exposure to credit risk

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

	USD	Amounts in Taka	
	As at 31 Dec 2012	As at 31 Dec 2012	As at 31 Dec 2011
Trade receivables			
Customer-Local	-	594,215,356	493,010,423
Customer-Export	40,395	3,199,245	-
	<u>40,395</u>	<u>597,414,601</u>	<u>493,010,423</u>
Other receivables			
Claim Receivable		5,063,730	9,218,527
Accrued Interest		17,237,758	23,894,401
Others		1,794,308	-
		<u>24,095,796</u>	<u>33,112,928</u>
Loan to associates			
RAK Paints Pvt. Ltd.		100,000,000	-
		<u>100,000,000</u>	<u>-</u>
Cash equivalents		984,618,885	1,435,363,000
		<u>984,618,885</u>	<u>1,435,363,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

b) Aging of receivables

The aging of trade receivables as at 31 December was:

	Amounts in Taka	
	As at 31 Dec 2012	As at 31 Dec 2011
Not past due		
0-90 days past due	588,493,762	476,826,849
91-180 days past due	1,069,037	5,510,381
181-365 days past due	387,774	6,134,061
over 365 days past due	7,464,028	4,539,132
	<u>597,414,601</u>	<u>493,010,423</u>

33.2 Liquidity risk

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

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

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

	As at 31 December 2012			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Bank overdraft	115,925,921	115,925,921	115,925,921	-
Trade and other payables	197,523,746	197,523,746	197,523,746	-
Short term borrowing (foreign)	226,107,635	226,107,635	226,107,635	-
Short term borrowing (local)	32,589,590	32,589,590	32,589,590	-
Term loan	33,097,082	33,097,082	14,529,807	18,567,275
	<u>605,243,974</u>	<u>605,243,974</u>	<u>586,676,699</u>	<u>18,567,275</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	As at 31 December 2011			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Bank overdraft	123,578,172	123,578,172	123,578,172	-
Trade and other payables	316,506,302	316,506,302	316,506,302	-
Short term borrowing (foreign)	244,060,227	244,060,227	244,060,227	-
Short term borrowing (local)	12,264,795	12,264,795	12,264,795	-
Term loan	45,710,761	45,710,761	18,003,090	27,707,671
	<u>742,120,257</u>	<u>742,120,257</u>	<u>714,412,586</u>	<u>27,707,671</u>

33.3 Market risk

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

a) Currency risk

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

i) Exposure to currency risk

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

	As at 31 December 2012		As at 31 December 2011		
	USD	EUR	USD	EUR	GBP
Foreign currency denominated assets					
Receivable from customers-Export	40,395	-	-	-	-
Cash at bank	113,611	-	45,742	-	-
	<u>154,006</u>	<u>-</u>	<u>45,742</u>	<u>-</u>	<u>-</u>

	As at 31 December 2012		As at 31 December 2011		
	USD	EUR	USD	EUR	GBP
Foreign currency denominated liabilities					
Trade payables	64,980	229,485	62,597	1,482,190	118,413
Short term bank loan	2,818,981	-	2,958,574	-	-
	<u>2,883,961</u>	<u>229,485</u>	<u>3,021,171</u>	<u>1,482,190</u>	<u>118,413</u>
Net exposure	<u>(2,729,956)</u>	<u>(229,485)</u>	<u>(2,975,429)</u>	<u>(1,482,190)</u>	<u>(118,413)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

The Company has foreign exchange gain of Taka 11,054,498 during the year ended 31 December 2012 (2011: Exchange loss Taka 38,861,269).

The following significant exchange rates have been applied:

	Exchange rate as at	
	31 Dec 2012	31 Dec 2011
	Taka	Taka
US Dollar	79.7000	82.0000
EURO	105.4780	105.4353
GBP	128.4497	126.1785

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

A strengthening or weakening of the Taka, as indicated below, against the USD, EUR and GBP at 31 December would have increased/(decreased) profit or loss by the amounts shown below.

	As at 31 December 2012		As at 31 December 2011	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
	Taka	Taka	Taka	Taka
At 31 December				
USD (3 percent movement)	(84,432)	79,513	(92,024)	86,663
EUR (3 percent movement)	(7,097)	6,684	(45,841)	43,171
GBP (3 percent movement)	-	-	(3,662)	3,449

b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The Company is not significantly exposed to fluctuation in interest rates as it has neither floating interest rate bearing financial liabilities nor entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

Profile

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	As at 31 December 2012	As at 31 December 2011
	Taka	Taka
Fixed rate instruments		
Financial assets		
Investment in FDR	777,260,474	1,158,016,577
Cash at banks	207,358,411	277,346,423
Financial liabilities		
Term loan	33,097,082	45,710,761
Bank overdraft	115,925,921	123,578,172
Short term borrowing (foreign)	226,107,635	244,060,227
Short term borrowing (local)	32,589,590	12,264,795

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

Fair value of financial assets and liabilities of the Company together with carrying amount shown in the statement of financial position are as follows:

	As at 31 December 2012		As at 31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	Taka	Taka	Taka	Taka
Financial assets				
Held to maturity assets				
Investment in FDR	777,260,474	777,260,474	1,158,016,577	1,158,016,577
Loans and receivables				
Trade receivables	597,414,601	597,414,601	493,010,423	493,010,423
Other receivables	24,095,796	24,095,796	33,112,928	33,112,928
Loan to associates	100,000,000	100,000,000	-	-
Cash equivalents	984,618,885	984,618,885	1,435,363,000	1,435,363,000
Financial liabilities				
Liabilities carried at amortised costs				
Term loan	33,097,082	33,097,082	45,710,761	45,710,761
Bank overdraft	115,925,921	115,925,921	123,578,172	123,578,172
Trade and other payables	197,523,746	197,523,746	316,506,302	316,506,302
Short term borrowing (foreign)	226,107,635	226,107,635	244,060,227	244,060,227
Short term borrowing (local)	32,589,590	32,589,590	12,264,795	12,264,795

Interest rates used for determining amortised cost

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

	2012	2011
	Taka	Taka
Investment in FDR	3.25%-12.50%	3.25%-13.50%
Term loan	12.00%-16.00%	12.00%-16.00%
Bank overdraft	14.25%-15.50%	12.25%-14.50%
Short term bank loan (local currency)	14.50%-15.50%	11.50%-14.50%
Short term bank loan (foreign currency/USD)	Libor rate 0.50825%	Libor rate 0.808%

34. Related party disclosures

During the year ended 31 December 2012, Company entered into a number of transactions with related parties in the normal course of business. The names of the related parties, nature of these transactions and amount thereof have been set out below in accordance with the provisions of BAS 24: Related Party Disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

		2012	2011
		Taka	Taka
34.1	List of related parties with whom transactions have taken place and their relationship as identified and certified by management:		
	Subsidiary companies		
	Purchase of goods/services	230,515,720	199,138,599
	Interest receivables	160,179,499	85,423,393
	Rental Income	5,478,261	5,478,261
	Loan	500,000,000	574,782,229
	Outstanding payables	18,850,687	20,210,413
	Outstanding receivables	-	6,083,824
	Equity-accounted investees		
	Sales of goods/services	11,750	833,358
	Purchase of goods/services	43,382,723	36,823,016
	Interest receivables	7,911,327	-
	Loan	100,000,000	-
	Outstanding payables	2,763,875	3,218,039
	Key management personnel		
	Remuneration	53,889,372	44,073,381
	Outstanding remuneration payables	36,225,372	39,811,796
	Other related parties		
	Sales of goods/services	2,048,713,923	2,028,602,712
	Purchase of goods/services	217,959,341	207,588,335
	Outstanding payables	20,009,914	30,163,811
	Outstanding receivables	473,211,146	373,987,564

35. Segment reporting

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

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

Pharmaceuticals: Operates modern pharmaceutical facility which produces and sells pharmaceutical drugs and medicines including biological and non-biological drugs.

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

All other:

Classic Porcelain: Produce, manufacture, sale and export of 100% export oriented all types of porcelain/ceramic-made, table ware such as bone china, porcelain white ware, crockery, pottery, hand painted wares, mugs, cup and saucer, plates etc.

Food & Beverage: Manufactures, produces, sales & export of all types of foods, food products, bottled drinking water and beverages items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

2012	Business Segments					
	Ceramic & sanitary ware	Pharmaceuticals	Power	All other	Inter segment	Entity total
	Taka	Taka	Taka	Taka	Taka	Taka
Revenue - external customers	4,507,821,528	365,217,294	35,132,457	-	-	4,908,171,279
Revenue - inter segment	-	-	238,050,868	-	(238,050,868)	-
Total segment revenue	4,507,821,528	365,217,294	273,183,325	-	(238,050,868)	4,908,171,279
Cost of sales- external customer	(2,622,086,478)	(192,982,020)	(164,091,590)	-	-	(2,979,160,088)
Cost of sales- inter segment	(243,529,129)	-	-	-	243,529,129	-
Total segment cost of sales	(2,865,615,607)	(192,982,020)	(164,091,590)	-	243,529,129	(2,979,160,088)
Gross profit	1,642,205,921	172,235,274	109,091,735	-	-	1,929,011,191
Other income	29,739,796	8,810,530	63,438	49,541	(28,848,261)	9,815,044
Financial income	182,261,703	-	-	-	(79,674,390)	102,587,313
Financial expenses	(2,142,958)	(97,874,364)	(5,523,152)	(1,350)	79,674,390	(25,867,434)
Depreciation	(289,430,411)	(46,433,633)	(29,990,718)	-	-	(365,854,762)
Other operating expenses	(412,622,259)	(327,913,524)	23,241,145	(2,424,066)	-	(719,718,704)
Share of profit of equity-accounted investee	-	-	-	-	-	(73,020,024)
Segment profit before tax	1,150,011,792	(291,175,717)	96,882,448	(2,375,875)	-	856,952,624
Income tax expense	(336,056,869)	-	(34,154,496)	(9,684)	-	(370,221,049)
Deferred tax	16,574,252	-	(3,094,842)	-	-	13,479,410
Non -Controlling interest	-	(132,385,485)	25,642,237	(1,168,924)	-	(107,912,172)
Profit for the year						608,123,157

2011	Business Segments					
	Ceramic & sanitary ware	Pharmaceuticals	Power	All other	Inter segment	Entity total
	Taka	Taka	Taka	Taka	Taka	Taka
Revenue - external customers	4,255,973,182	291,466,720	32,568,307	-	-	4,580,008,209
Revenue - inter segment	-	-	206,727,946	-	(206,727,946)	-
Total segment revenue	4,255,973,182	291,466,720	239,296,253	-	(206,727,946)	4,580,008,209
Cost of sales- external customer	(2,359,645,211)	(179,092,200)	(154,858,879)	-	-	(2,693,596,290)
Cost of sales- inter segment	(212,206,207)	-	-	-	212,206,207	-
Total segment cost of sales	(2,571,851,418)	(179,092,200)	(154,858,879)	-	212,206,207	(2,693,596,290)
Gross profit	1,684,121,764	112,374,520	84,437,374	-	-	1,886,411,919
Other income	17,523,261	5,720,329	41,490	3,038	(17,163,261)	6,124,857
Financial income	225,393,943	-	-	-	(78,305,522)	147,088,421
Financial expenses	(40,064,474)	(87,263,978)	(12,437,266)	(2,412)	78,305,522	(61,462,608)
Depreciation	-	-	-	-	-	-
Other operating expenses	(623,107,969)	(328,360,357)	(6,506,362)	(2,842,552)	-	(960,817,240)
Share of profit of equity-accounted investee	-	-	-	-	-	(56,644,647)
Segment profit before tax	1,263,866,525	(297,529,486)	65,535,236	(2,841,926)	-	1,017,345,349
Income tax expense	(323,149,311)	-	(420,825)	-	-	(323,570,136)
Deferred tax	23,310,543	5,450,972	(24,154,889)	-	-	4,606,626
Non -Controlling interest	-	(131,435,503)	17,612,594	(1,392,544)	-	(115,215,453)
Profit for the year						756,952,645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
36 Earnings per share (EPS)		
Calculation of earnings per share (EPS) is as under:		
Earnings attributable to the ordinary shareholders		
Profit attributable to equity holders of the Company	608,123,157	756,952,645
No. of ordinary equity shares	278,388,935	253,080,850
Weighted average no. of equity shares outstanding (Note 36.1)	278,388,935	278,388,935
Earnings per share (EPS) for the year	2.18	2.72

36.1 Weighted average number of ordinary shares

The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year. The Company declared 10% bonus shares during the year. The weighted average number of shares is calculated by assuming that the shares have always been in issue. This means that they have been issued at the start of the year presented as the comparative figures.

Outstanding shares	253,080,850	253,080,850
Effect of issue of bonus shares for the year 2011	25,308,085	25,308,085
	278,388,935	278,388,935

36.2 Diluted earning per share

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

37. Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Taka 213,099,667 (2011: Taka 244,270,828). Considering the merits of the cases, it has not been deemed necessary to make provisions for all such disputed claims.

There is also contingent liability in respect of outstanding letters of credit of Taka 365,399,628 (2011: Taka 326,823,722) and letter of guarantee of Taka 38,164,522 (2011: Taka 39,095,012).

38. Other disclosures

38.1 Events after the reporting period

The Board of Directors of RAK Ceramics (Bangladesh) Limited, at its 112th meeting held on 10 February 2013, has recommended cash dividend @ 15% (i.e. Taka 1.50 per share of Taka 10.00 each) and stock dividend @ 10% for the year ended on 31 December 2012 which represents 25% of the paid up capital. These dividends are subject to final approval by the shareholders at the forthcoming Annual General Meeting of the Company on 10 April 2013.



RAK CERAMICS (BANGLADESH) LTD.

Auditors' Report and Financial Statements

as at and for the year ended 31 December 2012

Independent Auditors' Report to the Shareholders of

RAK CERAMICS (BANGLADESH) LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of RAK Ceramics (Bangladesh) Limited, which comprise the statement of financial position as at 31 December 2012, and 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 is responsible for the preparation of financial statements that give a true and fair view 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 our 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, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 give a true and fair view of the financial position of RAK Ceramics (Bangladesh) Limited as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS).

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994 and Securities and Exchange Rules 1987, we also report the following:

- 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) 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;
- c) the statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account; and
- d) the expenditure incurred was for the purposes of the Company's business.

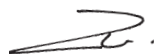
Dhaka,
10 February 2013


Rahman Rahman Huq
Chartered Accountants

RAK CERAMICS (BANGLADESH) LTD.
Statement of Financial Position
as at 31 December 2012

	Notes	2012 Taka	2011 Taka
Assets			
Property, plant and equipment	4	2,095,514,009	1,760,794,783
Intangible assets	5	3,192,520	1,071,883
Capital work in progress	6	30,955,703	36,578,205
Investment in subsidiaries	7	639,990,800	531,990,800
Investment in associates	8	229,600,000	139,600,000
Loan to subsidiaries and associates	9	595,204,185	494,775,757
Total non-current assets		3,594,457,217	2,964,811,428
Inventories	10	1,612,374,337	1,500,936,145
Trade and other receivables	11	740,834,959	573,743,741
Loan to subsidiaries and associates	12	4,795,815	80,006,472
Advances, deposits and prepayments	13	146,058,105	139,855,767
Advance income tax	14	1,272,294,902	936,144,867
Cash and cash equivalents	15	981,480,125	1,436,619,822
Total current assets		4,757,838,243	4,667,306,814
Total assets		8,352,295,460	7,632,118,242
Equity			
Share capital	16	2,783,889,350	2,530,808,500
Share premium		1,473,647,979	1,473,647,979
Retained earnings		1,857,027,139	1,659,200,089
Total equity		6,114,564,468	5,663,656,568
Liabilities			
Deferred tax liability	17	84,080,556	100,654,808
Total non-current liabilities		84,080,556	100,654,808
Provision for employees benefit	18	10,959,636	7,599,393
Short term borrowings	19	212,530,328	225,814,412
Trade and other payables	20	159,789,966	306,963,146
Provision for expenses	21	133,298,254	139,110,070
Provision for royalty and technical know-how fee	22	219,094,868	106,399,330
Provision for income tax	23	1,417,977,384	1,081,920,515
Total current liabilities		2,153,650,436	1,867,806,866
Total equity and liabilities		8,352,295,460	7,632,118,242

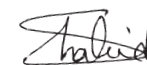
The notes on pages 116 to 147 are an integral part of these financial statements.



Managing Director

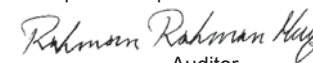


Director



Company Secretary

As per our report of same date.



Auditor

Rahman Rahman Huq
Chartered Accountants

Dhaka, Bangladesh
Dated: 10 February 2013

RAK CERAMICS (BANGLADESH) LTD.

Statement of Comprehensive Income

for the year ended 31 December 2012

	Notes	2012 Taka	2011 Taka
Sales	24	4,507,821,528	4,255,973,182
Cost of sales	25	(2,865,615,607)	(2,571,851,418)
Gross profit		1,642,205,921	1,684,121,764
Other income	26	29,739,796	17,523,261
Administrative expenses	27	(244,352,062)	(195,302,007)
Marketing and selling expenses	28	(400,200,018)	(364,612,636)
		(614,812,284)	(542,391,382)
Profit from operating activities		1,027,393,637	1,141,730,382
Finance income	29	182,261,703	225,393,943
Finance expenses	30	(2,142,958)	(40,064,474)
Net finance income		180,118,745	185,329,469
Profit before contribution to Workers' Profit Participation Fund		1,207,512,382	1,327,059,851
Contribution to Workers' Profit Participation Fund		(57,500,590)	(63,193,326)
Profit before income tax		1,150,011,792	1,263,866,525
Income tax expense:			
Current tax	31	336,056,869	323,149,311
Deferred tax	17	(16,574,252)	(23,310,543)
		319,482,617	299,838,768
Profit for the year		830,529,175	964,027,757
Basic earnings per share (per value Taka 10)	36	2.98	3.46

The notes on pages 116 to 147 are an integral part of these financial statements.



Managing Director

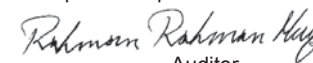


Director



Company Secretary

As per our report of same date.



Auditor

Rahman Rahman Huq
Chartered Accountants

Dhaka, Bangladesh
Dated: 10 February 2013

RAK CERAMICS (BANGLADESH) LTD.**Statement of Changes in Equity****for the year ended 31 December 2012**

Particulars	Share capital	Share premium	Retained earnings	Total
	Taka	Taka	Taka	Taka
Balance as at 1 January 2011	2,300,735,000	1,473,647,979	1,270,356,082	5,044,739,061
Total comprehensive income for 2011				
Profit for the year	-	-	964,027,757	964,027,757
Transactions with the shareholders				
Cash dividend (2010)	-	-	(345,110,250)	(345,110,250)
Stock dividend (2010)	230,073,500	-	(230,073,500)	-
Balance as at 31 December 2011	2,530,808,500	1,473,647,979	1,659,200,089	5,663,656,568
Total comprehensive income for 2012				
Profit for the year	-	-	830,529,175	830,529,175
Transactions with the shareholders				
Cash dividend (2011)	-	-	(379,621,275)	(379,621,275)
Stock dividend (2011)	253,080,850	-	(253,080,850)	-
Balance as at 31 December 2012	<u>2,783,889,350</u>	<u>1,473,647,979</u>	<u>1,857,027,139</u>	<u>6,114,564,468</u>

The notes on pages 116 to 147 are an integral part of these financial statements.

RAK CERAMICS (BANGLADESH) LTD.
Statement of Cash Flows
for the year ended 31 December 2012

	2012	2011
	Taka	Taka
Cash flows from operating activities		
Cash receipts from customers	4,408,098,603	4,064,160,140
Cash payments to suppliers and employees	(3,419,555,591)	(3,177,216,357)
Cash generated from operating activities	<u>988,543,012</u>	<u>886,943,783</u>
Interest received from bank deposit	6,173,078	4,625,699
Income tax paid	(336,150,035)	(345,301,817)
Net cash from operating activities	<u>658,566,055</u>	<u>546,267,665</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(618,719,902)	(199,380,021)
Sale of property, plant and equipment	734,300	278,193
Loan to subsidiaries & associates	(25,217,771)	22,159,198
Investment in subsidiaries/associates	(198,000,000)	(211,780,088)
Interest received from FDR	97,121,719	142,972,065
Intangible assets	(5,253,028)	(1,966,425)
Dividends received	23,720,000	12,035,000
Net cash used in investing activities	<u>(725,614,682)</u>	<u>(235,682,078)</u>
Cash flows from financing activities		
Finance charges	(2,142,958)	(4,561,993)
Repayment of short term loan	(13,284,084)	(3,513,323)
Dividends paid	(371,732,823)	(334,037,021)
Unclaimed share application fund	(931,205)	(15,136,329)
Net cash used in financing activities	<u>(388,091,070)</u>	<u>(357,248,666)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(455,139,697)</u>	<u>(46,663,079)</u>
Cash and cash equivalents as at 1 January	1,436,619,822	1,483,282,901
Cash and cash equivalents as at 31 December (Note 15)	<u>981,480,125</u>	<u>1,436,619,822</u>

The notes on pages 116 to 147 are an integral part of these financial statements.

RAK CERAMICS (BANGLADESH) LTD.

Notes to the Financial Statements

as at and for the year ended 31 December 2012

1. Reporting entity

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

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

2. Basis of preparation

2.1 Statement of compliance

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

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

Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on 10 February 2013.

2.2 Basis of measurement

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

2.3 Functional and presentational currency

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

2.4 Use of estimates and judgements

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

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

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

Note 4	Property, plant & equipment
Note 17	Deferred tax liability
Note 18	Provision for employees benefit
Note 23	Provision for corporate income tax

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

2.5 Reporting period

The financial period of the Company covers one year from 1 January to 31 December and is followed consistently.

2.6 Going concern

The Company has adequate resources to continue in operation for foreseeable future and hence, the financial statements have been prepared on going concern basis. As per management assessment there are no material uncertainties related to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently.

3.1 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the property, plant and equipment. Maintenance, renewals and betterments that enhance the economic useful life of the property, plant and equipment or that improve the capacity, quality or reduce substantially the operating cost or administration expenses are capitalised by adding it to the related property, plant and equipment.

An asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gain or loss arising from the retirement or disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised as gain or loss from disposal of asset under other income in the statement of comprehensive income.

3.2 Depreciation on property, plant and equipment

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

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

Category of property, plant and equipment	Rate (%)
Factory building	5
General building	5
Head Office building	5
Plant and machinery	10
Mobile plant	10
Electrical installation	10
Gas pipeline	10
Furniture, fixture and equipment	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.

3.3 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.

3.4 Capital work-in-progress

Capital work-in-progress represents the cost incurred for acquisition and/or construction of items of property, plant and equipment that are not ready for use. Capital work-in-progress is recorded at cost to the extent of expenditure incurred at the date of Statement of Financial Position. The amount of capital work-in-progress is transferred to appropriate asset category and depreciated when the asset is completed and commissioned.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

3.5 Financial instruments

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

3.5.1 Financial assets

The Company recognises a financial asset in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

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

a) Investment in subsidiaries

Investment in subsidiaries are recognised initially at cost. Subsequent to initial recognition, investment in subsidiaries are measured at amortised cost using the effective interest method.

b) Investment in associates

Investment in associates are recognised initially at cost. Subsequent to initial recognition, investment in associates are measured at amortised cost using the effective interest method.

c) Loans to subsidiaries & associate companies

Loans to subsidiaries & associate companies are recognised initially at fair value. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

d) Trade & other receivables

Trade & other receivables are recognised initially at fair value. Subsequent to initial recognition, trade & other receivables are measured at amortised cost using the effective interest method, less any bad debts provision.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank including short notice deposits and fixed deposits having maturity of three months or less which are available for use by the Company without any restriction. Bank overdraft that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

3.5.2 Financial liabilities

The Company recognises a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

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

Non-derivative financial liabilities comprise trade & other payables, and interest bearing borrowings.

a) Trade & other payables

Trade & other payables are recognised initially at fair value. Subsequent to initial recognition, trade payables are stated at amortised cost using the effective interest method.

b) Borrowings

Interest-bearing borrowings include short term bank loan. Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

3.6 Leased assets

Leases for which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease payments made under finance leases are apportioned between finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.7 Inventories

Inventories on hand are valued at the lower of cost and net realisable value. For raw materials and consumable spare parts cost is determined on a weighted average cost basis. Work-in-process is stated at cost to complete of respective product. Cost comprises cost of raw materials, wages and other overheads up to the stage of completion. Finished products are stated at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Raw materials in transit are valued at cost.

3.8 Impairment

Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, loans and receivables are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Non-financial assets

The carrying amount of the non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amounts are estimated. For intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risk specific to the asset. For an asset that does not generate significantly independent cash inflows, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

Recognition of impairment

Impairment losses are recognised in profit or loss. Impairment losses in respect of CGUs are allocated first to reduced the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the CGU on a pro-rata basis.

Reversal of impairment

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.9 Share capital

Paid up share capital represents total amount contributed by the shareholders and bonus shares issued by the Company to the ordinary shareholders. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at shareholders' meetings. In the event of a winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any residual proceeds of liquidation.

3.10 Employee benefit schemes

The Company maintains both defined contribution plan and defined benefit plan for its eligible permanent employees. The eligibility is determined according to the terms and conditions set forth in the respective deeds.

Defined contribution plan (provident fund)

Defined contribution plan is a post employment benefit plan under which the Company provides benefits to one or more employees. The recognised Employees Provident Fund is considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10 percent of their basic salary to the provident fund and the Company also makes equal contribution to the fund. These are administered by the Board of Trustees. The contributions are invested separately from the company's assets.

Contribution to defined contribution plan is recognised as an expense when an employee has rendered services to the Company. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods.

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

3.11 Workers' Profit Participation Fund (WPPF)

The Company provides 5% of its net profit before tax after charging such expense as WPPF in accordance with "The Bangladesh Labour Act 2006".

3.12 Provisions

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

3.13 Revenue recognition

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

3.14 Finance income and expenses

Finance income comprises interest income on funds invested in FDR and Short Notice Deposit (SND) accounts. Interest income is recognised on accrual basis.

Finance expense comprises interest expense on overdraft, LTR, term loan, short term borrowings and finance lease. All finance expenses are recognised in the statement of comprehensive income.

3.15 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax:

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Provisions for corporate income tax is made following the rate applicable for a publicly-traded company.

Deferred tax:

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

3.16 Foreign currency

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

3.17 Earning per share

The Company presents basic and diluted (when dilution is applicable) earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company with the weighted average number of ordinary shares outstanding during the period, adjusted for the effect of change in number of shares for bonus issue. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. However, dilution of EPS is not applicable for these financial statements as there was no dilutive potential ordinary shares during the relevant periods.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

3.18 Contingencies

3.18.1 Contingent liability

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

Contingent liability should not be recognised in the financial statements, but may require disclosure. A provision should be recognised in the period in which the recognition criteria of provision have been met.

3.18.2 Contingent asset

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

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

3.19 Statement of cash flows

Statement of cash flows is prepared under direct method in accordance with Bangladesh Accounting Standard (BAS)-7 "Statement of cash flows" as required by the Securities and Exchange Rules 1987.

3.20 Duty drawback

Duty drawback paid on imported material is adjusted against export sales.

3.21 New standards not yet adopted

The following new standards are effective for annual periods beginning after 1 January 2013 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

BFRS 10	"Consolidated Financial Statements"
BFRS 11	"Joint Arrangements"
BFRS 12	"Disclosure of Interests in Other Entities"
BFRS 13	"Fair Value Measurement"

3.22 Events after the reporting period

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

3.23 Comparatives and reclassification

Comparative information have been disclosed in respect of 2012 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

4 Property, plant and equipment

2012

Particulars	Cost				Depreciation				Written down value as at 31 December 2012
	Balance as at 1 January 2012	Additions during the year	Adjustment/disposal during the year	Balance as at 31 December 2012	Balance as at 1 January 2012	Charged during the year	Adjustment/disposal during the year	Balance as at 31 December 2012	
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Land	204,843,911	512,101,902	-	716,945,813	-	-	-	-	716,945,813
Factory building	405,807,408	24,210,365	-	430,017,773	148,865,581	21,001,787	-	169,867,368	260,150,405
Factory office building	54,279,276	5,041,257	-	59,320,533	24,024,220	2,714,653	-	26,738,873	32,581,660
Head office building	103,647,545	-	-	103,647,545	22,792,235	5,182,377	-	27,974,612	75,672,933
Plant and machinery	2,669,013,029	67,423,852	-	2,736,436,881	1,617,665,483	232,861,078	-	1,850,526,561	885,910,320
Mobile plant	55,710,184	-	-	55,710,184	35,809,950	4,237,867	-	40,047,817	15,662,367
Electrical installation	153,384,563	-	-	153,384,563	88,719,494	13,092,323	-	101,811,817	51,572,746
Gas pipeline	27,115,647	-	-	27,115,647	23,645,779	938,306	-	24,584,085	2,531,561
Furniture and fixtures	21,046,182	1,490,883	-	22,537,065	11,102,083	2,061,440	-	13,163,523	9,373,542
Office equipment	18,518,901	1,468,400	-	19,987,301	8,875,350	2,134,670	-	11,010,020	8,977,281
Communication equipment	3,316,909	642,134	-	3,959,043	1,599,864	347,114	-	1,946,978	2,012,065
Tools and appliances	7,032,524	-	-	7,032,524	3,140,394	652,832	-	3,793,226	3,239,298
Vehicles	40,123,604	11,963,611	884,714	51,202,501	16,804,468	4,205,964	691,949	20,318,483	30,884,018
Total	3,763,839,683	624,342,404	884,714	4,387,297,373	2,003,044,901	289,430,411	691,949	2,291,783,363	2,095,514,009

2011

Particulars	Cost				Depreciation				Written down value as at 31 December 2011
	Balance as at 1 January 2011	Additions during the year	Adjustment/disposal during the year	Balance as at 31 December 2011	Balance as at 1 January 2011	Charged during the year	Adjustment/disposal during the year	Balance as at 31 December 2011	
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Land	182,794,111	22,049,800	-	204,843,911	-	-	-	-	204,843,911
Factory building	405,807,408	-	-	405,807,408	128,575,211	20,290,370	-	148,865,581	256,941,827
Factory office building	53,137,911	1,141,364	-	54,279,276	21,367,168	2,657,052	-	24,024,220	30,255,056
Head office building	103,647,545	-	-	103,647,545	17,609,857	5,182,377	-	22,792,235	80,855,310
Plant and machinery	2,506,603,502	162,625,881	216,354	2,669,013,029	1,390,655,777	227,054,873	45,168	1,617,665,483	1,051,347,546
Mobile plant	55,710,184	-	-	55,710,184	30,238,934	5,571,016	-	35,809,950	19,900,233
Electrical installation	146,644,911	6,739,652	-	153,384,563	75,539,819	13,179,675	-	88,719,494	64,665,069
Gas pipeline	27,115,647	-	-	27,115,647	22,707,474	938,306	-	23,645,779	3,469,867
Furniture and fixtures	20,535,942	510,240	-	21,046,182	9,122,383	1,979,700	-	11,102,083	9,944,099
Office equipment	16,518,623	2,219,278	219,000	18,518,901	7,092,470	1,904,873	121,993	8,875,350	9,643,551
Communication equipment	2,959,618	357,292	-	3,316,909	1,285,271	314,593	-	1,599,864	1,717,045
Tools and appliances	6,436,591	595,933	-	7,032,524	2,497,777	642,618	-	3,140,394	3,892,129
Vehicles	28,324,141	11,874,474	75,010	40,123,604	13,407,169	3,472,308	75,010	16,804,468	23,319,137
Total	3,556,236,134	208,113,914	510,364	3,763,839,683	1,720,099,310	283,187,762	242,171	2,003,044,901	1,760,794,783

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
4.1 Depreciation charged to		
Cost of goods manufactured (Note 25.1)	272,784,193	267,676,858
Administrative expenses (Note 27)	16,646,218	15,510,904
	<u>289,430,411</u>	<u>283,187,762</u>

4.2 Disposal of property, plant and equipment

Year 2012

Particulars	Original cost	Accumulated depreciation	Book value	Insurance claim receipt
	Taka	Taka	Taka	Taka
Motor cycle	114,400	44,135	70,265	99,300
Noah Micro	770,314	647,814	122,500	635,000
Total	884,714	691,949	192,765	734,300

Year 2011

Particulars	Original cost	Accumulated depreciation	Book value	Sale Value
	Taka	Taka	Taka	Taka
Motor cycle	75,010	75,010	-	10,000
Photocopy machine	90,000	72,937	17,063	17,063
Generator starter motor	216,354	45,168	171,186	171,186
Online UPS (3 kva)	129,000	49,056	79,944	79,944
Total	510,364	242,171	268,193	278,193

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
5 Intangible assets		
Balance as at 1 January	1,071,883	1,452,000
Add: Addition during the year	5,253,028	1,966,425
	6,324,911	3,418,425
Less: Amortisation for the year	3,132,391	2,346,542
Balance as at 31 December	3,192,520	1,071,883
The intangible assets represent cost of BSTI licence, renewal of patent and antivirus software which are being amortised over the economic life of the assets. The amortisation of intangible assets is charged to the administrative expenses.		
6 Capital work in progress		
Balance as at 1 January	36,578,205	45,312,098
Add: Addition during the year	91,052,972	159,178,250
	127,631,177	204,490,348
Less: Transfer to property, plant & equipment during the year (Note 6.1)	96,675,474	167,912,143
Balance as at 31 December	30,955,703	36,578,205
Capital work in progress includes construction work for factory building, plant and machinery, air conditioner, electric equipment etc.		
6.1 Items transferred from capital work in progress to property, plant & equipment		
Factory building	24,210,365	-
Electrical installation	-	6,739,652
Factory office building	5,041,257	1,141,364
Plant and machinery	67,423,852	160,031,127
	96,675,474	167,912,143
7 Investment in subsidiaries (Note 8.1)		
RAK Pharmaceuticals Pvt. Ltd	517,020,800	409,020,800
RAK Power Pvt. Ltd	116,850,000	116,850,000
Classic Porcelain Pvt. Limited	5,100,000	5,100,000
RAK Food & Beverage Pvt. Ltd.	1,020,000	1,020,000
	639,990,800	531,990,800
8. Investment in associates (Note 8.1)		
RAK Security & Services Pvt. Ltd	350,000	350,000
RAK Paints Pvt. Ltd.	210,000,000	130,000,000
RAK-Mosfly (Bangladesh) Pvt. Ltd.	19,250,000	9,250,000
	229,600,000	139,600,000

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

8.1 Details of investments in subsidiaries and associates

Name of subsidiaries/associates	Nature of business	% of holding	Country of incorporation	" Investment /Taka "
RAK Pharmaceuticals Pvt. Ltd	Pharmaceuticals business	55	Bangladesh	517,020,800
RAK Power Pvt. Ltd	Electricity generation	57	Bangladesh	116,850,000
Classic Porcelain Pvt. Limited	Tableware products	51	Bangladesh	5,100,000
RAK Food & Beverage Pvt. Ltd.	Food & 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	210,000,000
RAK-Mosfly (Bangladesh) Pvt. Ltd.	Pesticides products	20	Bangladesh	19,250,000

	2012	2011
	Taka	Taka
9. Loan to subsidiaries and associates		
RAK Pharmaceuticals Pvt. Ltd	500,000,000	494,775,757
RAK Paints Pvt. Ltd	95,204,185	-
	<u>595,204,185</u>	<u>494,775,757</u>
10. Inventories		
Raw materials	783,651,191	727,722,559
Stores and consumable spares	716,448,414	663,996,775
Finished goods	72,557,895	69,474,372
Work-in-process	28,575,283	29,127,189
Goods-in-transit	11,141,554	10,615,250
	<u>1,612,374,337</u>	<u>1,500,936,145</u>
11. Trade and other receivables		
Trade receivables (Note 11.1)	559,831,755	458,610,458
Claim receivables	3,621,474	5,843,923
Accrued interest (Note 11.2)	177,381,730	109,289,360
	<u>740,834,959</u>	<u>573,743,741</u>
11.1 Trade receivables		
Receivables from dealers	556,632,510	458,610,458
Receivables from export sales	3,199,245	-
	<u>559,831,755</u>	<u>458,610,458</u>
11.2 Accrued interest		
Interest accrued on FDR	9,290,904	23,865,967
Interest accrued on loan to subsidiaries & associates	168,090,826	85,423,393
	<u>177,381,730</u>	<u>109,289,360</u>

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
12. Loan to subsidiaries and associates		
RAK Pharmaceuticals Pvt. Ltd.	-	5,224,243
RAK Power Pvt. Ltd.	-	74,782,229
RAK Paints Pvt. Ltd	4,795,815	-
	4,795,815	80,006,472
13. Advances, deposits and prepayments		
Advances:		
Employees	1,663,435	110,012
Purchase of land and others	23,247,995	24,270,159
Suppliers against materials and services	9,654,685	41,626,074
	34,566,115	66,006,245
Security and other deposits:		
Titas Gas	13,344,600	13,344,600
Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
VAT and supplementary duty (Note 13.1)	35,443,670	35,458,511
Deposited with Income tax authority	9,705,739	3,317,649
Deposited with VAT authority	8,187,661	5,960,715
Other deposits	652,125	650,000
	69,288,795	60,686,475
Prepayments:		
House rent	10,625,152	933,228
Insurance	31,578,043	12,229,819
	42,203,195	13,163,047
	146,058,105	139,855,767
13.1 VAT and supplementary duty		
Balance as at 1 January	35,458,511	25,115,173
Add: Treasury deposit for VAT & SD purpose	1,016,226,946	1,118,000,000
Rebate of input VAT	289,701,661	263,311,007
	1,341,387,118	1,406,426,180
Less: VAT & SD on sales	1,303,684,513	1,370,967,669
Other payable *	2,258,935	-
	1,305,943,448	1,370,967,669
Balance as at 31 December	35,443,670	35,458,511

*Other payable represents amount is paid to file appeal before Appellate Tribunal of Customs, Excise & VAT Authority.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
14. Advance income tax		
Balance as at 1 January	936,144,867	590,843,050
Add: Paid during the year	336,150,035	345,301,817
Balance as at 31 December (Notes 14.1 & 14.2)	1,272,294,902	936,144,867
14.1 Head wise payment		
Import	328,965,350	260,516,457
Export	519,050	404,313
Supplies	119,221	119,221
Interest on bank deposit	39,383,467	29,488,214
Rental income	753,261	479,348
Registration	630,200	334,000
Dividend	7,151,000	2,407,000
Paid in cash	894,773,353	642,396,314
	1,272,294,902	936,144,867
14.2 Year wise payment		
Income year		
Year 2012	243,772,990	-
Year 2011	322,755,413	230,378,368
Year 2010	260,990,276	260,990,276
Year 2009	116,345,026	116,345,026
Year 2008	85,378,847	85,378,847
Year 2007	124,813,161	124,813,161
Year 2006	95,937,931	95,937,931
Year 2005	3,197,658	3,197,658
Year 2004	1,607,895	1,607,895
Year 2003	1,746,309	1,746,309
Year 2002	879,941	879,941
Year 2001	9,689,804	9,689,804
Year 2000	5,176,302	5,176,302
Year 1999	3,349	3,349
	1,272,294,902	936,144,867

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
15. Cash and cash equivalents		
Cash in hand	1,376,287	5,596,339
Cash at banks		
HSBC (current account - 001-013432-011 - Taka)	41,803,051	106,891,467
Standard Chartered Bank (current account - 01-6162940-01 - Taka)	38,924,809	46,728,209
Agrani Bank (current account - 075533005368 - Taka)	1,455	2,605
Citibank N.A. (current account - G010000200262018 - Taka)	14,278,278	17,721,439
Dutch Bangla Bank Ltd. (current account - 117 - 110 - 12733 - Taka)	12,577,051	84,505
HSBC (ERQ account - 001-013432-047 - USD)	8,813,226	3,537,811
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	184,766	190,133
HSBC (margin money - 001-013432-301 - Taka)	432,044	-
EXIM Bank (SND account - 01513100031877 - Taka)	498,889	3,366,011
Dutch Bangla Bank Ltd. (SND account - 117-120-589 - Taka)	42,434,784	31,796,873
BRAC Bank (STD - 1513101731248001 - Taka)	8,274,968	41,868,607
Prime Bank Ltd. (SND - 12531010022563 - Taka)	7,511,422	3,064,801
	175,734,743	255,252,461
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - Taka)	2,543,384	3,358,294
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262042 - USD)	4,047,070	4,105,916
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262026 - EURO)	153,608	153,608
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262034 - GBP)	126,593	126,593
	6,870,655	7,744,411
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - Taka) - 2010	12,171,174	11,648,957
BRAC Bank (Current - 1513201731248001 - Taka) - 2011	9,785,117	-
	21,956,291	11,648,957
Investment in Fixed Deposit Receipt (FDR)		
HSBC (FDR - 001-013432-101, 001-013432-103 & 001-013432-104)	250,000,000	254,083,609
SCB (FDR - 96162940119, 96162940120 & 96162940122)	210,000,000	300,000,000
Prime Bank Ltd. (FDR - 12541070020645, 12541070020749, 12541030024155, 12541010024581 & 20741070000103)	265,542,149	262,070,553
Dutch Bangla Bank Ltd. (FDR - 117-502-25305)	50,000,000	134,840,992
BRAC Bank (FDR - 1526301731248001)	-	200,000,000
EXIM Bank (FDR - 01560100085507)	-	5,382,500
	775,542,149	1,156,377,654
Total	981,480,125	1,436,619,822

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

		2012	2011
		Taka	Taka
16.	Share capital		
	Authorised:		
	600,000,000 ordinary shares of Taka 10 each (2011: 300,000,000 ordinary shares)	6,000,000,000	3,000,000,000
	Issued, subscribed, called and paid up:		
	278,388,935 ordinary shares of Taka 10/- each (2011: 253,080,850 ordinary shares)	2,783,889,350	2,530,808,500
		2,783,889,350	2,530,808,500

Percentage of shareholdings:	2012		2011	
	%	Taka	%	Taka
RAK Ceramics PSC, UAE	72.41	2,015,785,305	72.59	1,837,077,550
SAK Ekramuzzaman	6.66	185,563,500	7.33	185,563,500
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	242	0.00	220
Sheikh Omer Bin Saqr Al Qassimi	0.00	242	0.00	220
Sheikh Ahmad Bin Humaid al Qassimi	0.00	242	0.00	220
Hamad Abdulla Al Muttawa	0.00	121	0.00	110
Dr. Khater Massaad	0.00	121	0.00	110
Abdallah Massaad	0.00	121	0.00	110
Manoj Uttamrao Ahire	0.00	121	0.00	110
General Public (including Eligible Institutional Investor & Employee)	20.93	582,539,335	20.08	508,166,350
	100.00	2,783,889,350	100.00	2,530,808,500

Classification of shareholders by range:	Number of shareholders		Number of shares	
	2012	2011	2012	2011
Shareholder's range				
Less than 500 shares	51,525	54,104	11,231,793	12,010,456
501 to 5,000 shares	8,933	10,473	12,470,010	14,142,677
5,001 to 10,000 shares	449	434	3,094,240	3,000,083
10,001 to 20,000 shares	158	171	2,175,085	2,464,840
20,001 to 30,000 shares	53	55	1,305,541	1,397,718
30,001 to 40,000 shares	29	30	991,204	1,018,288
40,001 to 50,000 shares	19	17	849,987	763,018
50,001 to 100,000 shares	39	44	2,625,569	2,893,525
100,001 to 1,000,000 shares	36	33	8,823,889	7,782,171
Over 1,000,000 shares	6	5	234,821,617	207,608,074
	61,247	65,366	278,388,935	253,080,850

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
17. Deferred tax liabilities		
Deferred tax liability is arrived at as follows:		
Balance as at 1 January	100,654,808	123,965,351
Deferred tax (income) / expenses	(16,574,252)	(23,310,543)
Balance as at 31 December	84,080,556	100,654,808

	Carrying amount on the date of statement of financial position	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
As at 31 December 2012			
Property, plant and equipment (excluding land & others)	1,218,924,920	913,177,445	305,747,475
Net deductible temporary difference			305,747,475
Deferred tax liability (applying tax rate 27.50%)			84,080,556

	2012	2011
	Taka	Taka
18. Provision for employees benefit		
Provident fund	1,012,359	1,129,071
Gratuity fund	9,947,277	6,470,322
	10,959,636	7,599,393

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012		
	Provident Fund	Gratuity Fund	Total
	Taka	Taka	Taka
Balance as at 1 January	1,129,071	6,470,322	7,599,393
Add: Provision made during the year	23,297,649	9,947,277	33,244,926
	24,426,720	16,417,599	40,844,319
Less: Payments made to fund during the year	23,414,361	6,470,322	29,884,683
Balance as at 31 December	1,012,359	9,947,277	10,959,636

	2011		
	Provident Fund	Gratuity Fund	Total
	Taka	Taka	Taka
Balance as at 1 January	802,061	5,040,624	5,842,685
Add: Provision made during the year	17,935,808	6,470,322	24,406,130
	18,737,869	11,510,946	30,248,815
Less: Payments made to fund during the year	17,608,798	5,040,624	22,649,422
Balance as at 31 December	1,129,071	6,470,322	7,599,393

	2012	2011
	Taka	Taka
19. Short term borrowings		
HSBC	161,165,108	225,814,412
Standard Chartered Bank	51,365,220	-
	212,530,328	225,814,412
The company enjoys off-shore financing from HSBC on its outstanding import bills as deferred payment bills and from Standard Chartered Bank on acceptance trust receipt under letter of credit.		
20. Trade and other payables		
Trade payables		
Payable to local suppliers	72,793,514	79,839,498
Payable to foreign suppliers	4,216,270	152,770,425
Payable to service provider	17,345,335	20,777,377
Payable to C & F agent	15,053,114	12,066,591
	109,408,233	265,453,891

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
Other payables		
Tax deducted at source	8,473,161	7,651,859
VAT deducted at source	1,850,056	756,127
Dividend Payable	18,961,681	11,073,229
Unclaimed share application	21,096,835	22,028,040
	50,381,733	41,509,255
Total	159,789,966	306,963,146
21. Provision for expenses		
Power and gas	11,389,046	11,976,672
Staff cost	27,315,628	23,640,658
Audit fees	500,000	120,000
Taxation Matter	200,000	200,000
Telephone	167,618	167,618
Managing Director's remuneration (Note 21.1)	36,225,372	39,811,796
Workers' Profit Participation Fund (Note 21.2)	57,500,590	63,193,326
	133,298,254	139,110,070
21.1 Managing Director's remuneration		
Balance as at 1 January	39,811,796	52,702,350
Add: Payable to Managing Director	36,225,372	39,811,796
	76,037,168	92,514,146
Less: Paid to Managing Director	39,811,796	52,702,350
Balance as at 31 December	36,225,372	39,811,796
21.2 Workers' Profit Participation Fund		
Balance as at 1 January	63,193,326	50,192,715
Add: Contribution made to the fund during the year	57,500,590	63,193,326
	120,693,916	113,386,041
Less: Payment made from the fund during the year	63,193,326	50,192,715
Balance as at 31 December	57,500,590	63,193,326
22. Provision for royalty and technical know-how fees		
For the year 2012	112,695,538	-
For the year 2011	106,399,330	106,399,330
	219,094,868	106,399,330

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

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
23. Provision for income tax		
Balance as at 1 January	1,081,920,515	758,771,204
Add: Provision made during the year	336,056,869	323,149,311
Balance as at 31 December (Note 23.1)	1,417,977,384	1,081,920,515
23.1 Provision for income tax		
Income year		
Year 2012	336,056,869	-
Year 2011	323,149,311	323,149,311
Year 2010	294,048,668	294,048,668
Year 2009	204,028,260	204,028,260
Year 2008	85,378,847	85,378,847
Year 2007	80,163,573	80,163,573
Year 2006	89,730,898	89,730,898
Year 2005	5,242,907	5,242,907
Year 2004	20,925	20,925
Year 2003	45,563	45,563
Year 2002	111,563	111,563
	1,417,977,384	1,081,920,515

24. Sales

	Unit	2012		2011	
		Quantity	Amount	Quantity	Amount
		in mn	Taka	in mn	Taka
Local					
Tiles	Sft	71.90	3,785,357,394	77.06	3,819,506,011
Decor/Border	Pcs	0.95	116,434,898	1.11	129,793,556
Sanitary ware	Pcs	1.28	1,891,324,279	1.20	1,672,730,635
			5,793,116,571		5,622,030,202
Less: Supplementary Duty			548,060,589		637,659,382
			5,245,055,982		4,984,370,820
Less: VAT			755,623,924		733,308,287
			4,489,432,058		4,251,062,533
Export (including tiles, decor/border & sanitary ware)			18,389,470		4,910,649
			4,507,821,528		4,255,973,182

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
25. Cost of sales		
Stock of finished goods as at 1 January	69,474,372	41,284,940
Add: Cost of goods manufactured (Note 25.1)	2,868,699,130	2,600,040,850
Cost of finished goods available for sale	2,938,173,502	2,641,325,790
Less: Stock of finished goods as at 31 December	72,557,895	69,474,372
	<u>2,865,615,607</u>	<u>2,571,851,418</u>
25.1 Cost of goods manufactured		
Cost of materials consumed:		
Opening stock	727,722,559	685,613,083
Add: Purchase during the year	1,485,997,165	1,310,179,114
Less: Closing stock	783,651,189	727,722,559
	<u>1,430,068,535</u>	<u>1,268,069,638</u>
Manufacturing overhead:		
Direct labour (Note 25.1.1)	202,748,942	166,411,056
Direct expenses:		
Power and gas	368,698,301	346,442,276
Repairs and indirect materials (Note 25.1.2)	425,057,838	397,402,156
Moulds and punches	30,226,862	31,767,187
Depreciation	272,784,193	267,676,858
Royalty and technical know-how/assistance fees	112,695,538	106,399,330
Other production overhead (Note 25.1.3)	25,867,015	21,848,945
	<u>1,438,078,689</u>	<u>1,337,947,808</u>
Cost of production	<u>2,868,147,224</u>	<u>2,606,017,446</u>
Difference in work in process:		
Work in process as at 1 January	29,127,189	23,150,593
Work in process as at 31 December	28,575,283	29,127,189
	<u>551,906</u>	<u>(5,976,596)</u>
Cost of goods manufactured	<u>2,868,699,130</u>	<u>2,600,040,850</u>

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
25.1.1 Direct labour		
Salary and wages	121,284,105	96,258,754
Overtime	10,873,135	10,874,049
Bonus	13,106,032	11,276,102
Incentive	9,356,067	7,943,211
Temporary labour wages	14,893,821	13,395,687
Temporary labour for production	17,349,936	15,860,300
Gratuity	6,045,277	4,492,060
Employers contribution to provident fund	6,928,801	4,913,371
Leave encashment	1,762,721	1,267,136
Group life insurance	1,149,047	130,386
	<u>202,748,942</u>	<u>166,411,056</u>
25.1.2 Repairs and indirect materials		
Stores, spares, repair and maintenance	179,699,430	173,439,734
Packing expenses	245,358,408	223,962,422
	<u>425,057,838</u>	<u>397,402,156</u>
25.1.3 Other production overhead		
Hotel fare and expenses for technician	6,199,104	4,512,964
Demurrage	3,801,087	591,326
Insurance	14,991,796	15,775,307
Other expenses	875,028	969,348
	<u>25,867,015</u>	<u>21,848,945</u>

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

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

Quantity in mn

Description	Unit	Opening stock	Purchase/ Production	Consumption	Closing stock
		Quantity	Quantity	Quantity	Quantity
Raw materials	KG				
Current year		146.17	169.26	178.21	137.21
Previous year		180.58	152.05	186.46	146.17
Finished goods					
Tiles:	Sft				
Ceramics/gress porcellanato					
Current year		1.11	71.74	72.22	0.63
Previous year		0.46	77.80	77.15	1.11
Decor/border	Pcs				
Current year		0.14	0.93	0.95	0.12
Previous year		0.10	1.15	1.11	0.14
Sanitaryware:					
Sanitary items	Pcs				
Current year		0.07	1.26	1.28	0.05
Previous year		0.05	1.23	1.20	0.07

25.2.2 Production capacity and actual production are given below:

Production	Unit	Installed Capacity Annual (mn)	Utilisation during the Year (mn)	% of Utilisation	Over/(Under) Utilisation
Tiles	Sft	86.40	71.74	83%	(14.66)
Sanitary ware	Pcs	1.10	1.26	115%	0.16

	2012	2011
	Taka	Taka
26. Other income		
Dividend income	23,720,000	12,035,000
Rental income from generators	5,478,261	5,478,261
Profit on sale of fixed assets	541,535	10,000
	<u>29,739,796</u>	<u>17,523,261</u>

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
27. Administrative expenses		
Staff cost (Note 27.1)	109,262,765	59,225,197
Meeting expenses-Admin	21,644,060	28,943,319
Telephone, postage and supplies	3,945,786	3,146,524
Office repair and maintenance (Note 27.2)	8,222,989	6,638,397
Registration and renewal	1,574,136	1,287,161
Security and guard expenses	8,912,698	6,037,646
Electricity, gas and water	4,024,138	2,859,286
Depreciation	16,646,218	15,510,904
Amortisation of intangible assets	3,132,391	2,346,542
Legal and professional fees	2,652,263	2,652,526
Vehicle repair and maintenance	9,088,221	6,834,989
Rent rate and tax	4,580,134	4,338,767
CSR expenses	8,996,266	9,145,391
Others	5,444,625	6,523,562
Managing Director's remuneration (Note 27.3)	36,225,372	39,811,796
	<u>244,352,062</u>	<u>195,302,007</u>
27.1 Staff cost		
Salary and wages	76,265,039	39,177,984
Overtime	19,988	14,022
Bonus	8,455,502	4,212,470
Incentive	8,102,148	3,533,150
Gratuity	3,383,323	1,626,266
Employers contribution to provident fund	3,430,773	2,335,432
Leave encashment	1,055,920	510,933
Group life insurance	649,999	67,824
Canteen expenses	1,047,954	997,789
Staff welfare expenses	517,086	1,036,857
Hotel, tour, food and air ticket	3,355,818	3,194,086
Food expenses	1,842,579	1,500,060
Medical expenses	496,049	835,947
Accommodation	640,587	182,377
	<u>109,262,765</u>	<u>59,225,197</u>

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

		2012	2011
		Taka	Taka
27.2	Office repair and maintenance		
	Repairs office equipment	202,786	416,764
	Office maintenance	8,020,203	6,221,633
		<u>8,222,989</u>	<u>6,638,397</u>
27.3	Managing Director's remuneration represents provision made @ 3% of net profit before tax.		
28.	Marketing and selling expenses		
	Staff cost (Note 28.1)	15,039,317	10,610,147
	Advertisement	6,802,505	6,595,301
	Freight and transportation	133,395,916	116,114,128
	Performance rebates (Note 28.2)	211,395,585	213,473,057
	Business promotion	18,982,393	6,703,702
	Travel, entertainment and others	14,584,302	11,116,301
		<u>400,200,018</u>	<u>364,612,636</u>
28.1	Staff cost		
	Salary and wages	10,514,570	7,761,996
	Bonus	1,189,546	1,114,256
	Incentive	1,809,501	753,313
	Gratuity	518,677	351,996
	Employers contribution to provident fund	543,845	364,957
	Leave encashment	246,753	166,317
	Group life insurance	94,545	9,152
	Food expenses	121,880	88,160
		<u>15,039,317</u>	<u>10,610,147</u>
28.2	Performance rebates		
	Compensation	2,499,356	2,110,261
	Dealers' commission	109,452,282	117,771,656
	Breakage commission	99,443,947	93,591,140
		<u>211,395,585</u>	<u>213,473,057</u>

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

		2012	2011
		Taka	Taka
29.	Finance income		
	Interest on bank account (SND)	6,173,078	4,625,699
	Interest on subsidiary & associate	87,585,716	78,305,522
	Interest on FDR	77,628,373	142,462,722
	Exchange gain	10,874,536	-
		<u>182,261,703</u>	<u>225,393,943</u>
30.	Finance expenses		
	Interest expenses	876,022	3,429,108
	Bank charges	1,266,936	1,132,884
	Exchange loss	-	35,502,482
		<u>2,142,958</u>	<u>40,064,474</u>
31.	Current tax		
	Current year	305,056,869	323,149,311
	Other tax provision	31,000,000	-
		<u>336,056,869</u>	<u>323,149,311</u>
32.	Transaction in foreign currency		
	CIF value of import:		
	Raw materials	1,162,067,960	1,104,401,053
	Spare parts	128,016,434	220,216,877
	Capital machinery	55,994,861	48,850,903
	Expenditure:		
	Royalty, consultancy & training fees	1,422,934	208,405,451
	Dividend	220,449,306	200,408,460
	Earning in foreign currency:		
	FOB value of exports	18,389,470	4,910,649
		<u>1,586,340,965</u>	<u>1,787,193,393</u>

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

33. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

33.1 Credit risk

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, debtors are grouped according to their risk profile, i.e. their legal status, financial condition etc. Accounts receivable are mainly related to local receivables. The Company's exposure to credit risk on accounts receivables is mainly influenced by the individual payment characteristics of local customers. The Company has established receivable department to minimise credit risk involving collection of local receivables.

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

a) Exposure to credit risk

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

	USD	Amount in Taka	
	As at 31 Dec	As at 31 Dec	As at 31 Dec
	2012	2012	2011
Trade receivables			
Customer-Local	-	556,632,510	458,610,458
Customer-Export	40,395	3,199,245	-
	<u>40,395</u>	<u>559,831,755</u>	<u>458,610,458</u>
Other receivables			
Claim Receivable		3,621,474	5,843,923
Accrued Interest		177,381,730	109,289,360
		<u>181,003,204</u>	<u>115,133,283</u>
Loan to subsidiaries & associates			
RAK Pharmaceuticals Pvt. Ltd		500,000,000	500,000,000
RAK Power Pvt. Ltd		-	74,782,229
RAK Paint Pvt. Ltd.		100,000,000	-
		<u>600,000,000</u>	<u>574,782,229</u>
Cash equivalents		<u>980,103,838</u>	<u>1,431,023,483</u>

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	Amount in Taka	
	As at 31 Dec	As at 31 Dec
	2012	2011

b) Aging of receivables

The aging of trade receivables as at 31 December was:

Not past due

0-90 days past due

559,831,755

458,610,458

33.2 Liquidity risk

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

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

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

	As at 31 Dec 2012			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Short term borrowing	212,530,328	212,530,328	212,530,328	-
Trade and other payables	159,789,966	159,789,966	159,789,966	-
	372,320,294	372,320,294	372,320,294	-

	As at 31 Dec 2011			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Short term borrowing	225,814,412	225,814,412	225,814,412	-
Trade and other payables	306,963,146	306,963,146	306,963,146	-
	532,777,558	532,777,558	532,777,558	-

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

33.3 Market risk

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

a) Currency risk

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

i) Exposure to currency risk

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

	As at 31 Dec 2012		As at 31 Dec 2011	
	USD	EUR	USD	EUR
Foreign currency denominated assets				
Receivable from customers-Export	40,395	-	-	-
Cash at bank	113,611	-	45,742	-
	<u>154,006</u>	<u>-</u>	<u>45,742</u>	<u>-</u>

	As at 31 Dec 2012		As at 31 Dec 2011		
	USD	EUR	USD	EUR	GBP
Foreign currency denominated liabilities					
Trade payables	64,980	229,485	62,597	1,482,190	118,413
Short term bank loan	2,650,004	-	2,737,144	-	-
	<u>2,714,984</u>	<u>229,485</u>	<u>2,799,741</u>	<u>1,482,190</u>	<u>118,413</u>
Net exposure	(2,560,978)	(229,485)	(2,753,999)	(1,482,190)	(118,413)

The Company has foreign exchange gain of Taka 10,874,536 during the year ended 31 December 2012 (2011: Exchange loss Taka 35,502,482).

The following significant exchange rates have been applied:

	Exchange rate	
	As at 31 Dec	As at 31 Dec
	2012	2011
US Dollar	79.7000	82.0000
EURO	105.4780	105.4353
GBP	128.4497	126.1785

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

A strengthening or weakening of the Taka, as indicated below, against the USD and EUR at 31 December would have increased/(decreased) profit or loss by the amounts shown below.

	As at 31 Dec 2012		As at 31 Dec 2011	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
At 31 December				
USD (3 percent movement)	(79,206)	74,592	(85,175)	80,214
EUR (3 percent movement)	(7,097)	6,684	(45,841)	43,171
GBP (3 percent movement)	-	-	(3,662)	3,449

b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The Company is not significantly exposed to fluctuation in interest rates as it has neither floating interest rate bearing financial liabilities nor entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

Profile

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	Amount in Taka	
	As at 31 Dec 2012	As at 31 Dec 2011
Fixed rate instruments		
Financial assets		
Investment in FDR	775,542,149	1,156,377,654
Cash at banks	204,561,689	274,645,829
Financial liabilities		
Short term bank loan	212,530,328	225,814,412

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

Fair value of financial assets and liabilities of the Company together with carrying amount shown in the statement of financial position are as follows:

	Amount in Taka		Amount in Taka	
	As at 31 Dec 2012		As at 31 Dec 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Assets carried at fair value through profit or loss	-	-	-	-
Held to maturity assets				
Investment in FDR	775,542,149	775,542,149	1,156,377,654	1,156,377,654
Loans and receivables				
Trade receivables	559,831,755	559,831,755	458,610,458	458,610,458
Other receivables	181,003,204	181,003,204	115,133,283	115,133,283
Loan to subsidiaries & associates	600,000,000	600,000,000	574,782,229	574,782,229
Cash equivalents	980,103,838	980,103,838	1,431,023,483	1,431,023,483
Available for sale financial assets				
Financial liabilities				
Liabilities carried at amortised costs				
Short term borrowing	212,530,328	212,530,328	225,814,412	225,814,412
Trade and other payables	159,789,966	159,789,966	306,963,146	306,963,146

Accounting classification and fair values as at 31 December 2011 in respect of the separate financial statements does not vary significantly from the consolidated one.

Interest rates used for determining amortised cost

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

	As at 31 Dec	As at 31 Dec
	2012	2011
Investment in FDR	11%-12.50%	4%-13.50%
Bank overdraft	15%-15.50%	12.25%-14.50%
Short term bank loan (local currency)	14.50%-15.50%	11.50%-14.50%
Short term bank loan (foreign currency/USD)	Libor 0.50825%	Libor 0.808%

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka
34. Related party disclosures		
<p>During the year ended 31 December 2012, Company entered into a number of transactions with related parties in the normal course of business. The names of the related parties, nature of these transactions and amount thereof have been set out below in accordance with the provisions of BAS 24: Related Party Disclosures.</p>		
34.1 List of related parties with whom transactions have taken place and their relationship as identified and certified by management:		
Subsidiary companies		
Purchase of goods/services	230,515,720	199,138,599
Interest receivables	160,179,499	85,423,393
Rental Income	5,478,261	5,478,261
Loan	500,000,000	574,782,229
Outstanding payables	18,850,687	20,210,413
Outstanding receivables	-	6,083,824
Associate companies		
Sales of goods/services	11,750	833,358
Purchase of goods/services	43,382,723	36,823,016
Interest receivables	7,911,327	-
Loan	100,000,000	-
Outstanding payables	2,763,875	3,218,039
Key management personnel		
Remuneration	53,889,372	44,073,381
Outstanding remuneration payables	36,225,372	39,811,796
Other related parties		
Sales of goods/services	2,048,713,923	2,028,602,712
Purchase of goods/services	217,959,341	207,588,335
Outstanding payables	20,009,914	30,163,811
Outstanding receivables	473,211,146	373,987,564

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

	2012	2011
	Taka	Taka

34.2 Paid to Directors

During the year, provision was made as MD's remuneration for Taka 36,225,372.

During the year, Board meeting fees of Taka 9,000 was paid to the board members for attending the Board meetings.

35 Number of employees

The number of employees engaged for the period who received total remuneration of Taka 36,000 and above was 1106. None of receiving below Taka 3,000 per month.

36 Earnings per share (EPS)

Calculation of earnings per share (EPS) is as under:

Earnings attributable to the ordinary shareholders

Profit for the year

830,529,175

964,027,757

No. of ordinary equity shares

278,388,935

253,080,850

Weighted average no. of equity shares outstanding (Note 36.1)

278,388,935

278,388,935

Earnings per share (EPS) for the year

2.98

3.46

36.1 Weighted average number of ordinary shares

The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year. The Company declared 10% bonus shares during the year. The weighted average number of shares is calculated by assuming that the shares have always been in issue. This means that they have been issued at the start of the year presented as the comparative figures.

Outstanding shares

253,080,850

253,080,850

Effect of issue of bonus shares for the year 2011

25,308,085

25,308,085

278,388,935

278,388,935

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2012

36.2 Diluted earning per share

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

37. Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Taka 213,099,667 (2011: Taka 244,270,828). Considering the merits of the cases, it has not been deemed necessary to make provisions for all such disputed claims.

There is also contingent liability in respect of outstanding letters of credit of Taka 354,575,744 (2011: Taka 325,612,571) and letter of guarantee of Taka 24,020,272 (2011: Taka 24,461,762).

38. Other disclosures

38.1 Events after the reporting period

The Board of Directors of RAK Ceramics (Bangladesh) Limited, at its 112th meeting held on 10 February 2013, has recommended cash dividend @ 15% (i.e. Taka 1.50 per share of Taka 10.00 each) and stock dividend @ 10% for the year ended on 31 December 2012 which represents 25% of the paid up capital. These dividends are subject to final approval by the shareholders at the forthcoming Annual General Meeting of the Company on 10 April 2013.



RAK POWER PVT. LTD.

Auditors' Report and Financial Statements

as at and for the year ended 31 December 2012

RAK POWER PVT. LTD.

Directors' Report

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 2012.

Review of Business

The plant capacity was available in excess of 90 percent of installed capacity, during 2012. 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 and also as per requirement of REB during the year 2012.

Operating result:

The operational results of the company for the year ended 2012 as follows:

Amount in Taka mn

Particulars	2012	2011
Net Sales	273.18	239.30
Gross profit	109.09	84.44
Net profit after tax	59.63	40.96
Depreciation	29.99	29.97

Sales and net profit after tax growth was 14 percent and 46 percent, respectively compare to year 2011.

Long Term Loan of the Company is totally repaid in the year 2012.

Dividend

The Board of Directors of the company has recommended cash dividend at the rate of 25 percent for the year 2012. 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 Directors



Abdallah Massaad
Chairman

Dhaka, Bangladesh
Dated: 10 February 2013

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 2012 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.

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 2012 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:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books; and
- (c) the company's statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account.

Dhaka , Bangladesh
Dated: 10 February 2013


K.M. HASAN & CO.
Chartered Accountants

RAK POWER PVT. LTD.

Statement of Financial Position


As at 31 December 2012

	Notes	Amount in Taka	
		As at 31 December	
		2012	2011
ASSETS			
Non-current assets			
Property, plant and equipment	3	262,699,653	291,118,283
Other non current assets	4	-	9,630,933
		262,699,653	300,749,216
Current assets			
Inventories	5	48,039,988	39,984,699
Trade and other receivables	6	21,836,636	21,322,847
Advance, deposits & prepayments	7	9,180,198	8,103,646
Advance income tax	8	19,731,546	3,606,904
Cash and cash equivalents	9	2,736,085	2,962,335
		101,524,453	75,980,431
Total assets		364,224,106	376,729,647
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	205,000,000	205,000,000
Retained earnings		60,671,265	42,038,155
		265,671,265	247,038,155
Current liabilities			
Borrowings - current portion	11	-	77,388,268
Trade and other payables	12	13,123,506	9,291,172
Provision for expenses	13	10,388,366	5,350,923
Provision for employee benefit	14	268,736	138,234
Provision for corporate tax	15	37,690,401	3,535,905
Deferred tax liabilities	16	37,081,832	33,986,990
		98,552,841	129,691,492
Total equity and liabilities		364,224,106	376,729,647
Contingent liabilities			
		21,460,734	14,144,250

Significant accounting policies & notes forming part of accounts

For RAK Power Pvt. Ltd.

1-2


Director

Signed in terms of our report of even date annexed


Managing Director


K.M. HASAN & CO.
Chartered Accountants

Dhaka, Bangladesh
Dated: 10 February 2013

RAK POWER PVT. LTD.

Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	Amount in Taka	
		for the year ended 31 December	
		2012	2011
Sales	17	273,183,325	239,296,253
Less: Cost of goods sold	18	164,091,590	154,858,879
Gross profit		109,091,735	84,437,374
Operating expenses			
Less: Administrative expenses	19	6,749,573	6,506,362
Operating profit		102,342,162	77,931,012
Less: Financial expenses	20	5,523,152	12,437,266
		96,819,010	65,493,746
Add: Other income	21	63,438	41,490
Net profit before tax for the year		96,882,448	65,535,236
Current tax expenses	22	34,154,496	420,825
Deferred tax expenses		3,094,842	24,154,889
		37,249,338	24,575,714
Net profit after tax transferred to retained earning		59,633,110	40,959,522
Earning per share for the year	2.24	29.09	19.98
Significant Accounting policies & Notes forming part of accounts	1-2		

For RAK Power Pvt. Ltd.



Director

Signed in terms of our report of even date annexed

Dhaka , Bangladesh
Dated: 10 February 2013



Managing Director

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

RAK POWER PVT. LTD.**Statement of Changes in Equity****For the year ended 31 December 2012**

Amount in Taka

Particulars	Share capital	Share money deposit	Retained earnings	Total
Balance as at 01 January 2012	205,000,000	-	42,038,155	247,038,155
Net profit after tax for the year	-	-	59,633,110	59,633,110
Dividend payment-2011	-	-	(41,000,000)	(41,000,000)
Balance as at 31 December 2012	205,000,000	-	60,671,265	265,671,265
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

For RAK Power Pvt. Ltd.



Director

Signed in terms of our report of even date annexed



Managing Director


K.M. HASAN & CO.
Chartered AccountantsDhaka , Bangladesh
Dated: 10 February 2013

RAK POWER PVT. LTD.**Statement of Cash Flows****For the year ended 31 December 2012**

	Amount in Taka	
	for the year ended 31 December	
	2012	2011
Cash flow from operating activities		
Cash from operations		
Cash received from customer and others	272,732,974	220,538,848
Cash paid to supplier and others	(134,469,645)	(157,567,426)
Payment of corporate income tax	(16,124,642)	(291,583)
Net cash flow from operating activities	122,138,687	62,679,839
Cash flow from investing activities		
Acquisition of property plant and equipment	(1,572,088)	(815,249)
(Increase) / decrease in work in progress	-	621,919
Net cash used in investing activities	(1,572,088)	(193,330)
Cash flow from financing activities		
Financial expenses	(5,010,620)	(15,836,991)
Dividend payment	(41,000,000)	(20,500,000)
Payment of term loan	(74,782,229)	(24,854,885)
Net cash used in financing activities	(120,792,849)	(61,191,876)
Increase/(decrease) in cash and cash equivalents	(226,250)	1,294,633
Opening cash and cash equivalents	2,962,335	1,667,702
Closing cash and cash equivalents	2,736,085	2,962,335

For RAK Power Pvt. Ltd.



Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated: 10 February 2013



Managing Director


K.M. HASAN & CO.
Chartered Accountants

RAK POWER PVT. LTD.

Notes to the financial statements

As at and for the year ended 31 December 2012

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 Taka 1,000,000,000 divided into 10,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 205,000,000 as on 31 December 2012. 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 Village : Dhanua, P.S: Sreepur, District : 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 International Financial Reporting Standards (IFRS) 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 disclosures 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 capitalized by adding to the related property, plant and equipment.

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

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

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.

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

Category of fixed asset	Estimated Useful Life in years	Rate (%)
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 capitalized also include applicable borrowing cost incurred to acquire specific assets considering the requirements of BAS 23: "Borrowing Cost".

2.5 Intangible assets

An intangible assets shall only be recognized if it is probable that future economic benefits that are attributable to the assets will flow to the company and the cost of the assets can be measured reliably in accordance with BAS-38: "Intangible Assets".

2.6 Accounts receivable

Accounts receivable are recognized 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 realizable 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 recognized when the electricity is transmitted from delivery point (metering point, which is situated inside the power station) to customers. The revenue and the cost incurred to effect the transaction can be measured reliably in compliance with the requirements of BAS-18: "Revenue".

2.9 Borrowing cost

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

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 BAS-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% made for the current year.

Deferred Tax resulting from 'Timing difference' between books and taxable profit calculated as per IAS-12/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 years 2009, 2010 and 2011 was charged of the year ended 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS As at and for the year ended 31 December 2012

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 Pharmaceuticals Pvt. Ltd	Fellow Subsidiary
RAK Security & Services Pvt. Ltd	Fellow Associate
Engr. Md. Maqsudul Karim	Key Management Personnel
S.A.K. Ekramuzzaman	Key Management Personnel
Md. Amir Hossain	Key Management Personnel

b) Transaction with related parties

Nature of transaction	Parent Company	Key Management Personnel	Other related parties
Purchase of goods/services	2,732	-	1,202,286
Sale of goods/services	230,515,720	-	10,690,782
Genset rental	5,478,261	-	-
Interest on Borrowing	4,918,284	-	-
Outstanding receivables	18,850,687	-	515,553
Outstanding payables	-	-	91,832
Dividend payment	23,370,000	-	-

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	Amount in Taka
Board Meeting	8,500

2.17 Transaction in foreign currency

Nature of transaction	Amount in Taka
CIF value of imported spare parts	21,243,018

2.18 Trade & other receivable

Particulars	Amount in Taka
Debt outstanding for a period exceeding six month	Nil
Advance, Deposit & Prepayemnts	9,180,198

2.19 Contingent liabilities and commitments

Nature of transaction	Amount in Taka
Letter of Credit	7,316,484
Letter of Guarantee	14,144,250

2.20 Amount paid to auditors

Nature of transaction	Amount in Taka
Audit fee	47,625
Taxation matters	23,000
Company law matter	76,725

NOTES TO THE FINANCIAL STATEMENTS As at and for the year ended 31 December 2012

Figures are including VAT.

2.21 Capacity utilization

(MW)			(KWH)				
Licensed capacity	Installed capacity	Available capacity	Standard capacity @ 85%	Actual utilization for 2012	Annual utilization	Over/(under) utilization	Actual utilization for 2011
10MW	9 MW	8.543 MW	63,785,455	51,394,600	81%	(19%)	50,877,890

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 administrated by a duly constituted independent Trust and equal contribution @ 10% of basic salary is made by both the employees and employer (the company).

ii) Gratuity

The company operates an unfunded 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.

2.24 Earning Per Share (EPS)

Calculation of earning per share (EPS) is as under:	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
Net profit after tax	59,633,110	40,959,522
Number of ordinary shares	2,050,000	2,050,000
Weighted number of ordinary shares outstanding	2,050,000	2,050,000
Nominal value per share	100	100
Earnings per share (EPS) for the year	29.09	19.98

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

Particulars	C O S T				D E P R E C I A T I O N					Net book value as at 31-Dec-2012
	Balance as at 01-Jan-2012	Additions during the year	Sales/ disposal	Total as at 31-Dec-2012	Rate (%)	Balance as at 01-Jan-2012	Charged during the year	Adjustment during the year	Total as at 31-Dec-2012	
Land	10,304,000	-	-	10,304,000	-	-	-	-	-	10,304,000
Building	19,195,131	-	-	19,195,131	20%	11,188,799	3,839,026	-	15,027,825	4,167,306
Plant and machinery										
Main Genset	268,615,599	-	-	268,615,599	5%	40,292,340	13,430,780	-	53,723,120	214,892,479
Auxiliary equipments	33,411,078	-	-	33,411,078	10%	9,986,233	3,341,108	-	13,327,341	20,083,737
Electrical installation	22,984,145	-	-	22,984,145	20%	12,896,749	4,596,829	-	17,493,578	5,490,567
Gas pipeline	15,434,660	1,417,520	-	16,852,180	20%	9,260,796	3,093,903	-	12,354,699	4,497,481
Furniture and fixtures	1,339,416	96,068	-	1,435,484	10%	401,826	137,738	-	539,564	895,920
Office equipment	591,039	58,500	-	649,539	20%	354,624	125,613	-	480,237	169,302
Communication equipment	124,786	-	-	124,786	10%	37,436	12,479	-	49,915	74,871
Tools and appliances	4,445	-	-	4,445	20%	2,667	889	-	3,556	889
Fire fighting equipments	3,631,012	-	-	3,631,012	20%	2,178,606	726,202	-	2,904,808	726,204
Vehicles	3,430,757	-	-	3,430,757	20%	1,347,709	686,151	-	2,033,860	1,396,897
Total at 2012	379,066,068	1,572,088	-	380,638,156		87,947,785	29,990,718	-	117,938,503	262,699,653
Total at 2011	378,250,819	815,249	-	379,066,068		57,978,092	29,969,693	-	87,947,785	291,118,283

Allocation of depreciation to	2012
Administrative expenses	961,981
Cost of goods sold	29,028,737
	29,990,718

	Amount in Taka	
	As at 31 December	
	2012	2011
4 Other non current assets		
Preliminary expenses (note 4.1)	-	77,772
Pre-operating expenses (note 4.2)	-	9,553,161
	-	9,630,933
4.1 Preliminary expenses		
Opening Balance	77,772	116,652
Less: Amortization for the year	77,772	38,880
Closing Balance	-	77,772
4.2 Pre-operating expenses		
Opening Balance	9,553,161	14,329,749
Less: Amortization for the year	9,553,161	4,776,588
Closing Balance	-	9,553,161

		Amount in Taka	
		As at 31 December	
		2012	2011
5	Inventories		
	Stores and consumables spares	47,931,680	39,984,699
	Goods-in-transit	108,308	-
		48,039,988	39,984,699
6	Trade and other receivables		
	Trade receivables	21,801,109	21,294,413
	Accrued interest	35,527	28,434
		21,836,636	21,322,847
7	Advance, deposits & prepayments		
	Advance to suppliers	667,159	667,159
	Pre-paid expenses	1,143,116	1,146,564
	Other advances	416,773	416,773
	Advance for land registration	990,000	-
	Security deposit	5,963,150	5,873,150
		9,180,198	8,103,646
8	Advance income tax		
	Head wise payment		
	Advance income tax-paid in cash	18,114,046	2,266,626
	AIT against import	1,393,815	1,147,227
	TDS on bank interest	169,685	164,051
	Registration	54,000	29,000
		19,731,546	3,606,904
	Year wise payment		
	Financial year 2012	15,277,222	-
	Financial year 2011	3,535,903	2,688,483
	Financial year 2010	913,421	913,421
	Financial year 2009	5,000	5,000
		19,731,546	3,606,904
9	Cash and cash equivalents		
	Cash in hand	99,335	98,734
	Cash at bank :		
	Current accounts	917,276	3,992

	Amount in Taka	
	As at 31 December	
	2012	2011
Short notice deposit	1,149	1,136
Term deposit	1,718,325	1,638,923
Margin a/c HSBC	-	1,219,550
	2,736,085	2,962,335
10 Share capital		
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	205,000,000

Name of shareholder	No. of shares		2012	2011
RAK Ceramics (Bangladesh) Ltd	1,168,500	100	116,850,000	116,850,000
S.A.K. Ekramuzzaman	573,995	100	57,399,500	57,399,500
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. Maqsubul Karim	5	100	500	500
	2,050,000		205,000,000	205,000,000

	Amount in Taka	
	As at 31 December	
	2012	2011
11 Borrowings		
Non-current:		
Un Secured		
Term loan	-	-
Current portion of term loan (as per agreed repayment schedule)	-	(74,782,229)
	-	(74,782,229)
Current:		
Secured		
Bank overdrafts	-	2,606,039
	-	2,606,039
Un Secured		
Current portion of term loan	-	74,782,229
	-	74,782,229
Grand total	-	77,388,268

11.1 Borrowings by maturity

As at 31 December 2012

Bank overdrafts
Current portion of term loan

< 1 year	1-2 years	Total
-	-	-
-	-	-
-	-	-

As at 31 December 2011

Bank overdrafts
Current portion of term loan
Current portion of term loan

< 1 year	1-2 years	Total
2,606,039	-	2,606,039
74,782,229	-	74,782,229
77,388,268	-	77,388,268

		Amount in Taka	
		As at 31 December	
		2012	2011
12	Trade and other payables		
	Trade payables	11,338,225	8,957,028
	Income tax and VAT deducted at source	1,785,281	334,144
		13,123,506	9,291,172
13	Provision for expenses		
	Power and gas	4,024,578	4,339,733
	Provision for O&M	5,010,227	437,029
	Staff cost	1,266,811	515,411
	Audit fee	28,750	28,750
	Professional charges	46,000	23,000
	Telephone & internet bill	12,000	7,000
		10,388,366	5,350,923
14	Provision for employee benefit		
	Opening balance	138,234	-
	Add: Contribution during the year	763,258	618,779
	Less: Payment made during the year	632,756	480,545
		268,736	138,234
15	Provision for corporate tax		
	Financial year 2012	33,236,076	-
	Financial year 2011	3,535,904	420,825
	Financial year 2010	913,421	-

		Amount in Taka	
		As at 31 December	
		2012	2011
	Financial year 2009	5,000	3,115,080
		37,690,401	3,535,905
16	Deferred tax liabilities		
	Opening balance	33,986,990	9,832,101
	Add: Provision made for current year	3,094,842	24,154,889
	Closing Balance	37,081,832	33,986,990
17	Sales		
	Sales within group	241,206,502	209,050,131
	Sales to REB	31,976,823	30,246,122
	Net sales	273,183,325	239,296,253
	Selling electricity to REB is VAT exempted as per SRO 104 ain /2009/512-VAT,Dated-11 June 2009.		
	Selling electricity to captive organizations is VAT exempted as per SRO 351 ain /2010/578, Dated-18 October 2010.		
18	Cost of goods sold		
	Consumption of gas	58,615,104	57,657,303
	Direct labour (note 18.1)	4,946,821	4,388,081
	Direct expenses:		
	Lubricating oil	7,332,821	5,418,421
	Repair & indirect materials (note 18.2)	44,091,545	43,420,279
	Rental for caterpillar Gensets	6,300,000	6,300,000
	Depreciation	29,028,737	29,018,913
	Other production expenses (note 18.3)	13,776,562	8,655,882
		164,091,590	154,858,879
18.1	Direct labour		
	Salary & wages	3,594,267	3,223,290
	Bonus	559,067	654,170
	Gratuity	179,276	158,442
	Employees contribution to provident fund	215,212	170,781
	Leave encashment	69,151	102,078
	Incentive	298,851	63,675
	Group life insurance	30,997	15,645
		4,946,821	4,388,081

		Amount in Taka	
		As at 31 December	
		2012	2011
18.1	Direct labour		
	Salary & wages	3,594,267	3,223,290
	Bonus	559,067	654,170
	Gratuity	179,276	158,442
	Employees contribution to provident fund	215,212	170,781
	Leave encashment	69,151	102,078
	Incentive	298,851	63,675
	Group life insurance	30,997	15,645
		4,946,821	4,388,081
18.2	Repair and indirect materials		
	Operation & maintenance	40,638,995	30,057,203
	Spare parts	3,452,550	13,363,076
		44,091,545	43,420,279
18.3	Other production expenses		
	Security & services	1,213,339	967,689
	Insurance	2,315,621	2,265,117
	Amortization	9,630,933	4,815,468
	Other expenses	616,669	607,608
		13,776,562	8,655,882
19	Administrative expenses		
	Staff cost (note 19.1)	3,537,426	3,131,607
	Telephone, postage and supplies	82,224	77,583
	Office repairing and maintenance	92,676	3,400
	Registration and renewal	593,915	609,896
	Legal and professional fees	147,350	199,140
	Vehicle repairing and maintenance	608,468	579,473
	Rent, rates and taxes	215,870	12,341
	Stationery expenses	74,495	72,950
	Meeting expenses	8,500	32,000
	Other expenses	426,668	837,192
	Depreciation	961,981	950,780
		6,749,573	6,506,362

		Amount in Taka	
		As at 31 December	
		2012	2011
19.1	Staff cost		
	Salary & wages	2,310,406	1,920,301
	Bonus	311,534	567,287
	Gratuity	36,338	29,718
	Employees contribution to provident fund	43,620	31,898
	Leave encashment	17,332	23,967
	Incentive	358,662	33,387
	Group life insurance	7,846	2,977
	Staff welfare expenses	2,900	9,710
	Food expenses	420,003	484,513
	Travelling & conveyance	28,785	27,849
		3,537,426	3,131,607
20	Financial expenses		
	Interest expenses	5,010,620	12,281,536
	Bank charges	512,532	155,730
		5,523,152	12,437,266
21	Other income		
	Interest income	63,438	41,490
		63,438	41,490
22	Income tax		
	Current year tax	33,236,076	420,825
	Prior year tax	918,420	-
		34,154,496	420,825

For RAK Power Pvt. Ltd.



Director



Managing Director

Dhaka , Bangladesh
Dated: 10 February 2013



RAK PHARMACEUTICALS PVT. LTD.

Auditors' Report and Financial Statements

as at and for the year ended 31 December 2012

Directors' Report

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, 2012.

Review of business:

The Company was able to increase product range at 105 during 2012 compare to 86 in 2011. The sales force increase to 555 persons during 2012. The Company focused on doctor based marketing strategy as well as restructured the field forces to boost up the sales. As a result, our products demand increased in the domestic market accordingly sales volume increased compare to year 2011.

Operating result:

The operational results of the company for the year ended 2012 as follows:

Particulars	2012	2011
Sales (net of taxes)	365.22	291.47
Gross profit/(Loss)	172.24	112.44
Net profit/(loss) after tax	(291.17)	(292.08)
Depreciation	46.43	45.94

Sales for the year 2012 was increased by 25.30% compare to the year 2011.

Human resources and staff welfare:

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

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 Directors



Dhaka, Bangladesh
Dated: February 10, 2013

Abdallah Massaad
Chairman

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 2012 the statement of comprehensive income, statement of changes in equity and statement of cashflows 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 2012 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:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books; and
- (c) the company's statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account.

Dhaka , Bangladesh
Dated: February 10, 2013


K.M. HASAN & CO.
Chartered Accountants

RAK PHARMACEUTICALS PVT. LTD.

Statement of Financial Position

As at 31 December 2012

	Notes	Amount in Taka	
		As at 31 December	
		2012	2011
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	642,781,170	673,663,033
Intangible assets	5	109,477,814	112,856,840
Total Non-Current Assets		752,258,984	786,519,873
Current Assets			
Inventories	6	117,474,396	117,141,729
Trade & other receivables	7	38,384,541	35,249,337
Advances, deposits & prepayments	8	59,811,435	49,793,638
Advance corporate income tax	9	11,845,890	8,242,912
Cash and cash equivalents	10	2,868,567	1,109,218
Total Current Assets		230,384,829	211,536,834
Total Assets		982,643,813	998,056,707
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	11	468,536,500	468,536,500
Share money deposit	12	420,826,000	252,326,000
Retained earnings/(losses)		(845,883,657)	(554,707,940)
Total Capital and Reserves		43,478,843	166,154,560
Non-Current Liabilities			
Borrowings	13	518,567,275	527,707,671
Total Non-Current Liabilities		518,567,275	527,707,671
Current Liabilities			
Trade and other payables	14	43,976,514	25,104,989
Borrowings- current portion	13	176,622,625	169,485,833
Provision for expenses	15	189,370,710	105,984,899
Provision for employee benefits	16	10,627,846	3,618,755
Deferred Tax liabilities	17	-	-
Total Current Liabilities		420,597,695	304,194,476
Total Equity and Liabilities		982,643,813	998,056,707

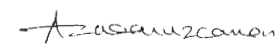
Significant Accounting policies and Notes forming part of accounts 1-3

For RAK Pharmaceuticals Pvt. Ltd.



Director

Signed in terms of our report of even date annexed



Managing Director



K.M. HASAN & CO.
Chartered Accountants

Dhaka, Bangladesh
Dated: February 10, 2013

RAK PHARMACEUTICALS PVT. LTD.

Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	Amount in Taka	
		for the year ended 31 December	
		2012	2011
Net sales	18	365,217,294	291,466,720
Less: Cost of goods sold	19	192,982,020	179,092,200
Gross profit		172,235,274	112,374,520
Less: Operating expenses			
Administrative expenses	20	43,724,461	51,172,136
Marketing, selling and distribution expenses	21	330,622,696	277,188,221
		374,347,157	328,360,357
Operating profit / (loss)		(202,111,883)	(215,985,837)
Financial expenses	22	97,874,364	87,263,978
		(299,986,247)	(303,249,815)
Other income	23	8,810,530	5,720,329
Net profit / (loss) before tax		(291,175,717)	(297,529,486)
Provision for Income Tax:			
Deferred Tax		-	(5,450,972)
Net profit / (loss) after tax		(291,175,717)	(292,078,514)
Earning per share		(6.21)	(6.23)

Significant Accounting policies and Notes forming part of accounts 1-3

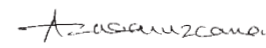
For RAK Pharmaceuticals Pvt. Ltd.



Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated: February 10, 2013



Managing Director



K.M. HASAN & CO.
Chartered Accountants

RAK PHARMACEUTICALS PVT. LTD.**Statement of Changes in Equity****For the year ended 31 December 2012**

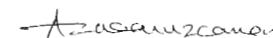
Particulars	Number of shares	Share capital	Share money deposit	Retained earnings	Total
As at 01 January 2012	46,853,650	468,536,500	252,326,000	(554,707,940)	166,154,560
Addition during the year	-	-	168,500,000	-	168,500,000
Profit/(loss) for the year	-	-	-	(291,175,717)	(291,175,717)
As at 31 December 2012	46,853,650	468,536,500	420,826,000	(845,883,657)	43,478,843
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

For RAK Pharmaceuticals Pvt. Ltd.



Director

Signed in terms of our report of even date annexed



Managing Director

Dhaka , Bangladesh
Dated: February 10, 2013K.M. HASAN & CO.
Chartered Accountants

RAK PHARMACEUTICALS PVT. LTD.
Statement of Cash Flows

For the year ended 31 December 2012

		Amount in Taka	
		for the year ended 31 December	
		2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES	A		
Collection from customers & others		360,158,413	243,820,256
Payment to suppliers and operating expenses		(411,961,784)	(398,327,248)
Payments for corporate income tax:			
Current year		(3,602,977)	(4,294,414)
Net cash from operating activities		(55,406,348)	(158,801,406)
CASH FLOWS FROM INVESTING ACTIVITIES	B		
Acquisition of property, plant and equipment		(18,221,284)	(22,860,026)
Sale of property, plant and equipment		3,385,065	153,087
(Increase)/decrease in intangible assets		3,379,026	(9,174,715)
Net cash used in investing activities		(11,457,193)	(31,881,654)
CASH FLOWS FROM FINANCING ACTIVITIES	C		
Finance charges		(97,874,364)	(87,263,978)
Interest received		858	6,391
Addition of loans		(2,003,604)	79,978,147
Share money deposits		168,500,000	197,970,088
Net cash from financing activities		68,622,890	190,690,648
Net increase/(decrease) in cash & cash equivalents	A+B+C	1,759,349	7,588
Opening cash & cash equivalents		1,109,218	1,101,630
Closing cash & cash equivalents		2,868,567	1,109,218

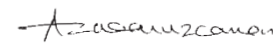
For RAK Pharmaceuticals Pvt. Ltd.



Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated: February 10, 2013



Managing Director



K.M. HASAN & CO.
Chartered Accountants

RAK PHARMACEUTICALS PVT. LTD.

Notes to the financial statements

As at and for the year ended 31 December 2012

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 authorized capital of Taka 500 mn divided into 5 mn ordinary shares of Taka 100 each. Authorised capital of the company has been increased from Taka 500 mn to 1,500 mn divided into 150 mn ordinary shares of Taka 10 each in the year 2011. The company has gone into operation from 15 July 2009. The paid up capital stands at Taka 468.54 mn as on 31 December 2012.

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

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

2 Significant accounting policies

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

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

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, 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 capitalized 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 there from 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 property, plant and equipment is reduce to Taka one. Depreciation on addition to 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	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
Furniture and fixtures	10	10
Vehicles	5	20
Office equipment	3	33.33
Electrical installation	10	10

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

NOTES TO THE FINANCIAL STATEMENTS As at and for the year ended 31 December 2012

2.4 Intangible assets/pre operating expenses under IAS 38

An intangible assets shall only be recognized if it is probable that future economic benefits that are attributable to the assets will flow to the company and the cost of the assets can be measured reliably in accordance with BAS-38/IAS-38 "Intangible Assets". Expenditure incurred to acquire, develop, designs, brand of the products is capitalized. This is being amortized equally within a period of 15(fifteen) years based on the tenure of accrual of benefits. Pre operating expenses are also amortized equally in 15(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 realizable value in compliance with the requirements of paras 9 of BAS-2/IAS-2 "Inventories".

a) Raw materials, packaging , 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 realizable value. Cost comprises cost of raw materials, wages and other direct cost those contribute in transforming raw materials into finished products. Cost is calculated using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

Quantitative details are given in note no. 3.12

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 recognized when the company has transferred the significant risk and rewards of the ownership of the goods to the buyer and the revenue and the cost incurred to effect the transaction can be measured reliably in compliance with the requirements of BAS-18 "Revenue".

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 Taka 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 "The Effects of Changes in Foreign Exchange Rates".

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.

2.12 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 in its 2011 financial statements which was created for the year 2009 and 2010.

2.13 Provision for bad debts

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

NOTES TO THE FINANCIAL STATEMENTS As at and for the year ended 31 December 2012

2.14 Borrowing cost

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

2.15 Employee benefits

a) Provident Fund

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

b) Gratuity

The company operates an unfunded gratuity scheme for its employee with effect from 01-01-2011. Each employee who has completed three years of service is eligible to 1(one) month last basic pay as gratuity per year of service.

2.16 Leased assets as per IAS-17

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

3 Disclosures

3.1 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. 7,644/-

3.2 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	Amount in Taka	
	Year ended as on 31.12.12	Year ended as on 31.12.11
Letter of Credit	3,507,400	1,211,151
Total	3,507,400	1,211,151

3.3 Related party disclosures 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 parties	Relationship
RAK Ceramics (Bangladesh) Ltd.	Parent Company
RAK Power Pvt. Ltd.	Fellow Subsidiary
RAK Security & Services Pvt. Ltd.	Fellow Associate
RAK Mosfly (Bangladesh) Pvt. Ltd.	Fellow Associate
S.A.K. Ekramuzzaman	Key Management Personnel
Syed A.K. Anwaruzzaman	Key Management Personnel
Md. Amir Hossain	Key Management Personnel

b) Transaction with related parties

Nature of transactions	Parent company	Key management	Other related parties
Purchase of goods/services	-	-	14,237,402
Sale of goods/services	-	-	1,753,476
Outstanding receivables	-	-	1,396,611
Outstanding payable	-	-	1,096,705
Loans & advances	500,000,000	-	-
Interest on loans & advances	160,179,499	-	-

3.4 Transaction in foreign currency

Particulars	Amount in Taka
CIF Value of Import:	
Raw & packaging materials	71,529,845
Spare parts	2,166,676
Capital machinery	-
Total	73,696,521

3.5 Impairment

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

3.6 Amount paid to Auditors

Nature of transaction	Amount in Taka
Audit fees	50,000
Employee benefits scheme	10,000

Figures are excluding VAT

3.7 Trade receivables/Trade debtors

Particulars	Amount in Taka
Debts outstanding for a period exceeding six months	7,851,802
Other debts	27,296,175
Total	35,147,977

3.8 Events after the reporting period

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

3.9 Number of employees

The number of employees engaged for the year who received total remuneration of Taka 36,000/- and above was 945. None are receiving below Taka 3,000/- per month.

3.10 Earning per share (EPS)

Particulars	Year ended 31 December 2012	Year ended 31 December 2011
Earnings attributable to the ordinary shareholders	(291,175,717)	(292,078,514)
Number of ordinary shares	46,853,650	46,853,650
Weighted average number of ordinary shares outstanding	46,853,650	46,853,650
Earning per share (EPS) for the year	(6.21)	(6.23)

Earnings per share (EPS) has been computed by dividing the basic earnings by the weighted average number of ordinary shares as per Bangladesh Accounting Standards BAS-33 "Earnings per Share".

3.11 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.

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

Item	Unit	Opening stock	Production/ Purchase	Sales/ Consumption	Closing stock
a) Finished goods:					
Tablet-Own	Pcs	12,889,819	44,512,901	45,180,598	12,222,122
Tablet-Toll	Pcs	-	983,602	813,136	170,466
Capsule-Own	Pcs	1,861,791	19,167,896	16,964,216	4,065,471
Capsule-Toll	Pcs	-	1,488,170	1,133,702	354,468
Dry syrup-Own	Pcs	115,848	773,495	727,318	162,025
Topical-Own	Pcs	39,875	82,472	94,533	27,814
Injectable-Toll	Pcs	68,982	374,027	330,880	112,129
b) Raw materials:					
Active	Kg	7,591	23,867	26,909	4,549
Excipient	Kg	39,757	14,866	43,677	10,946
	Pcs	12,100,809	22,834,000	19,866,409	15,068,400
c) Packaging materials:					
Primary	Kg	5,246	23,150	23,981	4,415
	Pcs	971,685	893,056	1,648,426	216,315
Secondary	Pcs	5,413,229	14,382,077	13,708,332	6,086,973

3.13 Capacity utilization-single shift

Production	Unit	Actual Installed Capacity	Utilization during the year	% of utilization	Over/(Under) utilisation
Tablet	Pcs	173.00	44.51	25.73%	(128.49)
Capsule	Pcs	33.00	19.17	58.09%	(13.83)
Dry syrup	Pcs	14.88	0.77	5.17%	(14.11)
Topical	Pcs	1.12	0.08	7.14%	(1.04)

3.14 Others

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

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

c) Previous period figures have been regrouped, rearranged and/or restated wherever considered necessary for the purpose of current period financial presentation.

4 Property, plant and equipment

Amount in Taka

Particulars	Cost					Depreciation				Written Down Value as on 31-12-2012
	Opening Balance as at 01 Jan 2012	Additions	"Sale/ Adjustment"	Closing Balance as on 31 Dec 2012	Rate	Opening Balance as at 01 Jan 2012	Charged for the year	Adjustment	Closing Balance as on 31 Dec 2012	
Land	21,470,330	-	-	21,470,330	-	-	-	-	-	21,470,330
Factory building	239,743,661	603,448	-	240,347,109	2.50%	14,171,892	6,004,597	-	20,176,489	220,170,620
General building (Factory)	11,911,880	-	-	11,911,880	2.50%	627,769	297,798	-	925,567	10,986,313
General building (Corporate)	67,909,176	-	-	67,909,176	2.50%	4,155,350	1,697,729	-	5,853,079	62,056,097
Plant and machinery	310,564,205	15,551,983	32,000	326,084,188	6.67%	45,646,518	21,627,199	4,524	67,269,193	258,814,995
Furniture and fixtures	28,097,171	803,825	-	28,900,996	10%	6,075,432	2,839,559	-	8,914,991	19,986,005
Vehicles	23,014,815	-	3,552,770	19,462,045	20%	7,802,538	3,892,408	1,455,378	10,239,568	9,222,477
Motor Cycle	11,471,420	-	140,436	11,330,984	20%	2,021,617	2,266,135	47,400	4,240,352	7,090,632
Office equipment	12,993,451	1,262,028	926,775	13,328,704	33.33%	7,936,761	3,172,734	475,165	10,634,330	2,694,374
Electrical installation	46,354,737	-	-	46,354,737	10%	11,429,936	4,635,474	-	16,065,410	30,289,327
Total as at 31 December 2012	773,530,846	18,221,284	4,651,981	787,100,149		99,867,813	46,433,633	1,982,467	144,318,979	642,781,170
Total as at 31 December 2011	750,909,810	22,860,026	238,990	773,530,846		53,930,712	45,989,940	52,839	99,867,813	673,663,033

Allocation of depreciation to:	Year ended 31 Dec 2012
Manufacturing overhead	32,450,732
Administrative overhead	10,156,251
Marketing & Selling overhead	3,826,650
	46,433,633

Statement of disposal of property, plant and equipment for the year ended 31 December 2012

Particulars	Qty	Year of purchase	Original cost	Accumulated depreciation	Net book value	Sale value	Gain/ (Loss)	Mode of disposal	Remarks
Vehicle # Dhaka Metro-MA-11-2202	1	2011	1,232,076	105,317	1,126,759	1,232,076	105,317	Sale	
Vehicle # Dhaka Metro-CHA-53-0391	1	2009	879,950	507,719	372,231	801,000	428,769	Sale	
Vehicle # Dhaka Metro-CHA-51-1333	1	2009	1,440,744	842,342	598,402	755,000	156,598	Sale	
Motor Cycle # Dhaka Metro-HA-37-2238	1	2010	22,044	6,208	15,836	21,786	5,950	Sale	30% of total value
Motor Cycle # Dhaka Metro-HA-37-2245	1	2010	22,044	6,208	15,836	21,786	5,950	Sale	30% of total value
Office Equipment (Server)		2010	880,975	448,984	431,991	431,991	-	Damaged by fire	Insurance claim received

NOTES TO THE FINANCIAL STATEMENTS As at and for the year ended 31 December 2012

Particulars	Qty	Year of purchase	Original cost	Accumulated depreciation	Net book value	Sale value	Gain/ (Loss)	Mode of disposal	Remarks
Office Equipment (Laptop)	1	2011	45,800	26,181	19,619	19,619	-	Lost	Adjust against salary
Staphylococcus, Saccharomyces	1	2009	32,000	4,524	27,476	27,476	-	Inter Transfer	
Motor Cycle # Dhaka Metro-HA-37-2241	1	2010	22,044	8,177	13,867	19,077	5,210	Sale	
Motor Cycle # Dhaka Metro-HA-37-2242	1	2010	22,044	9,107	12,937	17,798	4,861	Sale	
Motor Cycle # Dhaka Metro-HA-37-2252	1	2010	22,044	8,685	13,359	18,379	5,020	Sale	
Motor Cycle # Dhaka Metro-HA-37-2253	1	2010	22,044	8,177	13,867	19,077	5,210	Sale	
Motor Cycle # Dhaka Metro-HA-39-3314	1	2011	4,087	419	3,668	-	(3,668)	Lost	
Motor Cycle # Dhaka Metro-HA-39-3377	1	2011	4,087	419	3,668	-	(3,668)	Lost	
Total			4,651,981	1,982,467	2,669,514	3,385,065	715,551		

		Amount in Taka	
		As at 31 December	
		2012	2011
5	Intangible assets		
	Opening balance	112,856,840	103,682,125
	Add: Addition during the year	4,291,653	16,647,693
		117,148,493	120,329,818
	Less: Amortized during the year	7,670,679	7,472,978
	Closing Balance	109,477,814	112,856,840
6	Inventories		
	Raw materials	29,297,966	40,762,485
	Packaging materials	17,374,240	16,777,915
	Stores & consumable materials	2,101,339	2,960,436
	Literature & promotional materials	9,242,939	2,958,660
	Work in process	5,441,923	5,467,658
	Finished goods	52,841,511	47,407,530
	Goods in transit	1,174,478	807,045
		117,474,396	117,141,729
7	Trade & other receivables		
	Trade receivables	35,147,977	31,874,733
	Claim receivable	1,442,256	3,374,604
	Other receivable (Vehicle & MC sale)	1,794,308	-
		38,384,541	35,249,337

	Amount in Taka	
	As at 31 December	
	2012	2011
8 Advances, deposits & prepayments		
Advance to suppliers	10,814,004	17,580,801
Deposits (note-8.1)	1,084,122	523,090
Prepaid Expenses	21,414,578	2,283,551
Other advances (note-8.2)	26,498,731	29,406,196
	59,811,435	49,793,638
8.1 Deposits		
Grameen Phone	2,000	2,000
Mymensingh Palli Bidyut Samity-2	36,090	36,090
Land Phone T&T	16,000	16,000
Director, Burn Unit, DMCH	50,000	50,000
Director General, DGDP	50,000	50,000
BIWTA	-	15,000
Director, Store & Supply	50,000	50,000
Police Super Office, Feni	10,000	-
CRP, Savar	15,000	-
House rent	855,032	304,000
	1,084,122	523,090
8.2 Other advances		
Value added tax (VAT)	409,135	65,889
VAT on finished goods - inventory	6,042,054	5,008,234
Advance to Employee for Motor Cycle	17,592,175	22,367,383
Lease Advance	1,624,544	1,624,544
Other advances	830,823	340,146
	26,498,731	29,406,196
9 Advance corporate income tax		
9.1 Head wise payment		
AIT on import	11,165,584	7,951,733
TDS on interest & others	343,140	187,039
TDS on toll manufacturing (Square Pharma)	337,166	104,140
	11,845,890	8,242,912
9.2 Year wise payment		
Current year	3,602,978	-
Year 2011	4,294,414	4,294,414
Year 2010	1,958,211	1,958,211

			Amount in Taka	
			As at 31 December	
			2012	2011
Year 2009			995,997	995,997
Year 2008			990,923	990,923
Year 2007			3,367	3,367
			11,845,890	8,242,912
10	Cash & cash equivalents			
	Cash in hand		2,195,885	949,880
	Cash at bank			
	Current account		671,949	152,535
	Short term deposit		733	6,803
			2,868,567	1,109,218
11	Share capital			
	Authorised capital			
	150,000,000 ordinary shares of Taka 10/- each		1,500,000,000	1,500,000,000
	Issued, subscribed, called and paid up capital			
	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	Per share	
	RAK Ceramics (Bangladesh) Ltd.	25,769,480	10	257,694,800
	S.A.K. Ekramuzzaman	14,056,080	10	140,560,800
	Syed A.K. Anwaruzzaman	4,685,360	10	46,853,600
	Md. Amir Hossain	2,342,680	10	23,426,800
	Late Muzammal Haque	50	10	500
			46,853,650	468,536,500
12	Share money deposit			
	RAK Ceramics (Bangladesh) Ltd.		259,326,000	151,326,000
	S.A.K. Ekramuzzaman		118,000,000	71,000,000
	Syed A.K. Anwaruzzaman		43,500,000	30,000,000
			420,826,000	252,326,000

	Amount in Taka	
	As at 31 December	
	2012	2011
13 Borrowings		
Non-current		
Secured		
Mid term loan- DBBL	21,291,001	26,381,595
Mid term loan- ULC	11,806,081	19,329,166
Current portion of term loan	(14,529,807)	(18,003,090)
Total non-current borrowings	18,567,275	27,707,671
Unsecured		
Long term loan	500,000,000	500,000,000
	500,000,000	500,000,000
Total non current	518,567,275	527,707,671
Current		
Secured		
Bank overdraft	115,925,921	120,972,133
Short term borrowings	46,166,897	30,510,610
Current portion of term loan	14,529,807	18,003,090
Total current borrowings	176,622,625	169,485,833
Total current	176,622,625	169,485,833
Total borrowings	695,189,900	697,193,504

Maturity profile of borrowings

At 31 December 2012	<1 year	1-2 years	2-5 years	>5 years	Total
Bank overdrafts	115,925,921	-	-	-	115,925,921
Short-term loans	46,166,897	-	-	-	46,166,897
Term loans & others	14,529,807	37,548,422	438,123,368	42,895,485	533,097,082
	176,622,625	37,548,422	438,123,368	42,895,485	695,189,900

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	30,510,610	-	-	-	30,510,610
Term loans & others	18,003,090	117,015,506	410,692,165	-	545,710,761
	169,485,833	117,015,506	410,692,165	-	697,193,504

		Amount in Taka	
		As at 31 December	
		2012	2011
14	Trade & other payables		
	Trade payables	42,965,169	24,742,221
	Tax & VAT deducted at source	1,011,345	362,768
		43,976,514	25,104,989
15	Provision for expenses and charges		
	Payable to personnel	20,986,883	17,421,913
	Electricity	131,520	81,000
	Telephone	152,300	120,000
	Interest	162,333,963	85,521,090
	Audit Fees	50,000	50,000
	Professional charges	80,000	40,000
	Hiring charges	233,800	130,000
	Provision for other expenses	2,834,871	484,441
	Provision for bad debts	2,562,373	2,131,455
	Provision for corporate tax	5,000	5,000
		189,370,710	105,984,899
16	Provision for employee benefits		
	Opening balance	3,618,755	-
	Add: Addition during the year	11,516,134	11,866,525
		15,134,889	11,866,525
	Less: Payments made during the year	4,507,043	8,247,770
	Closing balance	10,627,846	3,618,755
17	Deferred tax liabilities		
	Year 2010	-	4,419,820
	Year 2009	-	1,031,152
		-	5,450,972
	Opening balance	-	5,450,972
	Add: Provision made for previous year	-	-
		-	5,450,972
	Less: Release during the year	-	5,450,972
	Closing balance	-	-

		Amount in Taka	
		for the year ended 31 December	
		2012	2011
18	Sales		
	Tablets	216,580,185	187,490,868
	Capsules	122,977,742	99,689,670
	Topical	3,886,882	4,359,473
	Dry syrup	48,120,502	40,266,794
	Injectable	38,021,743	11,992,691
	Gross sales	429,587,054	343,799,496
	Less: VAT	64,369,760	52,332,776
	Net sales	365,217,294	291,466,720
19	Cost of sales		
	Raw materials consumed	68,826,677	73,332,920
	Packing materials consumed	29,634,037	27,746,393
	Direct labour (note-19.1)	27,360,265	19,667,177
	Direct expenses		
	Power & gas (note-19.2)	11,818,570	12,712,985
	Repairs and indirect material (note-19.3)	5,640,129	5,617,270
	Depreciation	32,450,732	32,739,475
	Other production overhead (note-19.4)	22,659,856	15,636,165
	Movement in work-in-process and finished goods	(5,408,246)	(8,360,185)
		192,982,020	179,092,200
19.1	Direct labour		
	Salary and wages	20,178,936	14,320,541
	Overtime	525,557	941,102
	Bonus	1,666,221	886,088
	Cleaning services factory	3,667,880	2,638,117
	Gratuity	434,756	340,027
	Employer's contribution to Provident fund	558,951	426,549
	Group life insurance	126,438	68,299
	Medical expenses	201,526	46,454
		27,360,265	19,667,177

	Amount in Taka	
	for the year ended 31 December	
	2012	2011
19.2 Power & gas		
Electricity	7,590,416	10,092,508
Oil & lubricants	4,228,154	2,620,477
	11,818,570	12,712,985
19.3 Repairs and indirect material		
Repairs & maintenance - factory	5,225,491	5,030,396
Vehicle repair & maintenance	414,638	586,874
	5,640,129	5,617,270
19.4 Other production overhead		
Insurance	2,422,930	2,514,521
Fuel & vehicle maintenance	404,928	926,013
Training & travelling expenses	3,149,157	3,232,151
Lunch subsidies/ fooding expenses	3,419,880	3,668,395
Other expenses	4,809,337	3,560,114
Contract manufacturing charges	8,453,624	1,734,971
	22,659,856	15,636,165
20 Administrative expenses		
Staff cost (note-20.1)	15,348,544	22,434,823
Telephone, Internet & Fax	1,239,024	1,133,919
Office repair and maintenance (note-20.2)	6,230,003	7,103,201
Depreciation	10,156,251	10,323,486
Amortization	7,670,679	7,472,978
Legal and professional fees	437,603	274,100
Other expenses	2,642,357	2,396,565
Impairment loss	-	33,064
	43,724,461	51,172,136

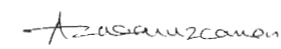
	Amount in Taka	
	for the year ended 31 December	
	2012	2011
20.1 Staff cost		
Salary and wages	13,258,063	19,627,852
Bonus	1,049,764	1,730,275
Medical expenses	63,136	277,250
Gratuity	415,444	348,615
Employer's contribution to Provident fund	470,747	394,694
Group life insurance	79,290	51,537
Overtime	12,100	4,600
	15,348,544	22,434,823
20.2 Office repair and maintenance		
Repairs office equipment	2,263,238	2,373,325
Office maintenance	2,539,578	2,722,067
Fees, renewals and holding tax	283,683	843,020
Other expenses	1,143,504	1,164,789
	6,230,003	7,103,201
21 Marketing, selling and distribution expenses		
Staff cost (note-21.1)	130,469,073	106,966,683
Field expenses	45,460,133	69,837,306
Physician sample	8,618,142	3,470,286
Business promotional expenses	89,488,200	46,764,108
Freight and transportation	18,490,159	15,939,583
Performance rebates (note-21.2)	10,776,091	13,019,161
Other expenses	20,931,875	16,132,660
Bad debts	2,562,373	2,131,455
Depreciation	3,826,650	2,926,979
	330,622,696	277,188,221
21.1 Staff cost		
Salary and wages	117,545,127	95,688,869
Overtime	22,907	24,321
Bonus	6,149,985	4,760,826
Incentive	749,588	559,553
Gratuity	2,249,385	2,306,033

	Amount in Taka	
	for the year ended 31 December	
	2012	2011
Employer's contribution to Provident fund	2,479,192	3,038,009
Group life insurance	714,268	296,508
Fooding expenses	474,880	251,011
Medical expenses	83,741	41,553
	130,469,073	106,966,683
21.2 Performance rebates		
Discount	10,776,091	12,990,887
Distribution margin expenses	-	28,274
	10,776,091	13,019,161
22 Financial expenses		
Bank charges	266,148	163,221
Interest charges	97,608,216	83,741,970
Foreign exchange loss	-	3,358,787
	97,874,364	87,263,978
23 Other income		
Interest income	858	6,391
Toll charges	7,914,159	5,713,938
Foreign exchange gain	179,962	-
Gain on sale of fixed assets	715,551	-
	8,810,530	5,720,329

For RAK Pharmaceuticals Pvt. Ltd.


Director

Signed in terms of our report of even date annexed


Managing Director

Dhaka , Bangladesh
Dated: February 10, 2013


K.M. HASAN & CO.
Chartered Accountants



RAK FOOD & BEVERAGE PVT. LTD.

Auditors' Report and Financial Statements

as at and for the year ended 31 December 2012

Directors' Report

Dear Shareholders

The Board of Directors of the Company takes the opportunity to welcome you all to the 5th 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, 2012 for your kind consideration and approval.

Pre operating Expenditure

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

Particulars	Amount in Taka
Administrative expenses	2,73,216
Financial expenses	350
Total cost	2,73,566

None of business activities undertaken during the year under review.

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.

Appreciation

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

On behalf of the Board of Directors



Abdallah Massaad
Chairman

Dhaka, Bangladesh
Dated: 10 February 2013

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 2012, 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.

Auditors' 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 Standards (BFRS), give a true and fair view of the financial position as at 31 December 2012 and its financial performance and cash flows for the year then ended and comply with the Companies Act 1994 and other applicable laws and regulations.

We also report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- (c) the company's statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account.

Dhaka, Bangladesh
Dated: 10 February 2013


K.M. HASAN & CO.
Chartered Accountants

RAK FOOD & BEVERAGE PRIVATE LIMITED
Statement of Financial Position

As at 31 December 2012

	Notes	Amount in Taka	
		As at 31 December	
		2012	2011
ASSETS			
Non-current assets			
Preliminary expenses	2	-	203,451
Total non current assets		-	203,451
Current assets			
Advance income tax		500	-
Cash and Cash equivalents	3	31,343	104,958
Total current assets		31,843	104,958
Total assets		31,843	308,409
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	4	2,000,000	2,000,000
Retained earnings /(losses)		(2,003,657)	(1,730,091)
Total capital and reserves		(3,657)	269,909
Current liabilities			
Provision for expenses	5	30,500	33,500
Provision for tax		5,000	5,000
Total current liabilities		35,500	38,500
Total equity and liabilities		31,843	308,409
Significant Accounting polices and Notes forming part of accounts	1		

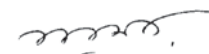
For Rak Food & Beverage Private Limited



Director

Signed in terms of our report of even date annexed

Dhaka , Bangladesh
Dated: 10 February 2013



Managing Director


K.M. HASAN & CO.
Chartered Accountants

RAK FOOD & BEVERAGE PRIVATE LIMITED

Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	Amount in Taka	
		for the year ended 31 December	
		2012	2011
Sales		-	-
Less: Operating and Administrative expenses			
Administrative expenses	6	273,216	82,209
Operating Profit/(Loss)		(273,216)	(82,209)
Less: Financial expenses	7	350	350
Net Profit/(Loss) before tax		(273,566)	(82,559)
Less: Provision for income tax		-	-
Net Profit/(Loss) after tax for the year transferred to Retained earnings		(273,566)	(82,559)
Earnings Per Share for the year	8	(13.68)	(4.13)
Significant Accounting polices and Notes forming part of accounts	1		

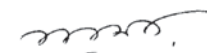
For Rak Food & Beverage Private Limited



Director

Signed in terms of our report of even date annexed

Dhaka , Bangladesh
Dated: 10 February 2013



Managing Director



K.M. HASAN & CO.
Chartered Accountants

RAK FOOD & BEVERAGE PRIVATE LIMITED
Statement of Changes in Equity

For the year ended 31 December 2012

Amount in Taka

Particulars	No. of shares	Share capital	Retained earnings/ (losses)	Total
Balance as at 01 January, 2012	20,000	2,000,000	(1,730,091)	269,909
Profit/(loss) for the year	-	-	(273,566)	(273,566)
Balance as at 31 December, 2012	20,000	2,000,000	(2,003,657)	(3,657)
Balance as at 01 January, 2011	20,000	2,000,000	(1,647,532)	352,468
Profit/(loss) for the year	-	-	(82,559)	(82,559)
Balance as at 31 December, 2011	20,000	2,000,000	(1,730,091)	269,909

For Rak Food & Beverage Private Limited



Director

Signed in terms of our report of even date annexed



Managing Director



K.M. HASAN & CO.
Chartered Accountants

Dhaka , Bangladesh
Dated: 10 February 2013

RAK FOOD & BEVERAGE PRIVATE LIMITED

Statement of Cash Flows

For the year ended 31 December 2012

	Amount in Taka	
	for the year ended 31 December	
	2012	2011
Cash flow from operating activities		
Net Profit/(Loss) before tax for the year	(273,566)	(82,559)
Adjustments		
Preliminary expenses written off	203,451	-
Increase /(Decrease) in Provision for expenses	(3,000)	9,500
Income tax paid	(500)	-
Net cash flow from operating activities	A (73,615)	(73,059)
Cash flow from investing activities	B -	-
Cash flow from financing activities	C -	-
Net increase/(Decrease) in cash & cash equivalents (A+B+C)	(73,615)	(73,059)
Opening cash & cash equivalents	104,958	178,017
Closing cash & Cash equivalents	31,343	104,958

For Rak Food & Beverage Private Limited



Director

Signed in terms of our report of even date annexed

Dhaka , Bangladesh
Dated: 10 February 2013



Managing Director



K.M. HASAN & CO.
Chartered Accountants

RAK FOOD & BEVERAGE PRIVATE LIMITED

Notes to the financial statements

As at and for the year ended 31 December 2012

1. The Company and its Activities

RAK FOOD & BEVERAGE PRIVATE LIMITED was incorporated in Bangladesh under the Companies Act 1994 on 19th August 2008 as a private company limited by shares with an authorized capital of Taka 200,000,000 divided into 2,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 2,000,000 as on 31 December 2012. 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 (BASs) / 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 Equivalents

Cash and Cash equivalents include cash in hand and 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 were under taken during the year hence no tax/provision was made.

1.5 Others

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

		Amount in Taka	
		As at 31 December	
		2012	2011
2. Preliminary expenses			
Company formation expenses	-	195,046	
Trade licence	-	7,105	
Tin certificate	-	1,300	
Total	-	203,451	
3. Cash and cash equivalents			
Cash in hand	7,273	5,537	
Cash at bank (Current Account-HSBC)	24,070	99,421	
Total	31,343	104,958	
4. Share capital			
Authorized share capital			
2,000,000 ordinary shares of Taka. 100 each	200,000,000	200,000,000	
Issued, Subscribed & Paid up Capital			
20,000 ordinary shares of Taka. 100 each	2,000,000	2,000,000	

Name of shareholders	No. of shares		Value per share	Amount in Taka	
	2012	2011		2012	2011
RAK Ceramics (Bangladesh) Ltd.	10,200	10,200	100	1,020,000	1,020,000
S.A.K Ekramuzzaman	7,800	7,800	100	780,000	780,000
Md. Amir Hossain	1,000	1,000	100	100,000	100,000
Engr. Syyed Ahmed	1,000	1,000	100	100,000	100,000
Total	20,000	20,000		2,000,000	2,000,000

		Amount in Taka	
		As at 31 December	
		2012	2011
5. Provision for expenses			
Legal & Professional fess	19,000	23,500	
Audit fees	11,500	10,000	
Total	30,500	33,500	
6. Administrative expenses			
Audit fees	11,500	10,000	

		Amount in Taka	
		As at 31 December	
		2012	2011
	Legal & professional expenses	48,000	-
	Rent, rates & taxes	-	72,209
	Renewal fees	10,265	-
	Preliminary expenses written off	203,451	-
	Total	273,216	82,209
7.	Financial expenses		
	Bank charges	350	350
		350	350
8.	Basic earnings per share (EPS)		
	Earnings per share (EPS) has been calculated in accordance with Bangladesh Accounting Standards (BAS) 33. This has been calculated by dividing the basic earnings by the number of ordinary shares outstanding during the year.		
	Earnings for the year attributed to shareholders (Net profit/(loss) after tax)	(273,566)	(82,559)
	Number of shares outstanding during the year	20,000	20,000
	Basic Earnings Per Shares	(13.68)	(4.13)

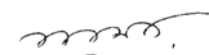
For Rak Food & Beverage Private Limited



Director

Signed in terms of our report of even date annexed

Dhaka , Bangladesh
Dated: 10 February 2013



Managing Director



K.M. HASAN & CO.
Chartered Accountants



CLASSIC PORCELAIN PVT. LIMITED

Auditors' Report and Financial Statements

as at and for the year ended 31 December 2012

Directors' Report

Dear Shareholders

The Board of Directors of the Company takes the opportunity to welcome you all to the 4th 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 2012 for your kind consideration and approval.

Pre operating Expenditure

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

Particulars	Amount in Taka
Administrative expenses	11,62,920
Financial expenses	1,000
Total cost	11,63,920

None of business activities undertaken during the year under review.

Investment

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

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 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 Directors



Abdallah Massaad
Chairman

Dhaka, Bangladesh
Dated: 10 February 2013

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 2012, 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.

Auditors' 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 Standards (BFRS), give a true and fair view of the financial position as at 31 December 2012 and its financial performance and cash flows for the year then ended and comply with the Companies Act 1994 and other applicable laws and regulations.

We also report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- (c) the company's statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account.

Dhaka, Bangladesh
Dated: 10 February 2013


K.M. HASAN & CO.
Chartered Accountants

CLASSIC PORCELAIN PVT. LIMITED
Statement of Financial Position

As at 31 December 2012

	Notes	Amount in Taka	
		As at 31 December	
		2012	2011
ASSETS			
Non-current assets			
Investment	2	2,189,065	3,176,995
Preliminary expenses	3	-	676,333
Pre-operating expenses	4	-	415,647
Total Non-current assets		2,189,065	4,268,975
Current assets			
Loan and advances	5	2,550,000	2,550,000
Advance income tax		17,917	7,755
Cash and Cash equivalents	6	1,182,785	1,239,346
Total current assets		3,750,702	3,797,101
Total assets		5,939,767	8,066,076
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	10,000,000	10,000,000
Retained earnings/(losses)		(4,093,817)	(1,981,824)
Total capital and reserves		5,906,183	8,018,176
Current liabilities			
Provision for expenses	8	23,900	47,900
Provision for taxation		9,684	-
Total Current liabilities		33,584	47,900
Total equity and liabilities		5,939,767	8,066,076

Significant Accounting policies and Notes forming part of accounts

1

For CLASSIC PORCELAIN PVT. LIMITED



Director

Signed in terms of our report of even date annexed



Managing Director



K.M. HASAN & CO.
Chartered Accountants

Dhaka , Bangladesh
Dated: 10 February 2013

CLASSIC PORCELAIN PVT. LIMITED

Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	Amount in Taka	
		for the year ended 31 December	
		2012	2011
Turnover		-	-
Less: Operating and Administrative expenses			
Administrative expenses	9	1,162,920	120,517
Operating Profit/(Loss)		(1,162,920)	(120,517)
Less: Finance expenses	10	1,000	2,062
		(1,163,920)	(122,579)
Add: Other income/(loss)	11	(938,389)	(2,636,788)
Net Profit/(Loss) before tax		(2,102,309)	(2,759,367)
Less: Provision for income tax		9,684	-
Net Profit/(Loss) after tax for the year transferred to Retained earnings		(2,111,993)	(2,759,367)
Earnings Per Share (EPS) for the year	12	(21.12)	(27.59)
Significant Accounting policies and Notes forming part of accounts	1		

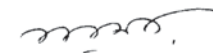
For Classic Porcelain Pvt. Limited



Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated: 10 February 2013



Managing Director


K.M. HASAN & CO.
Chartered Accountants

CLASSIC PORCELAIN PVT. LIMITED
Statement of Changes in Equity

For the year ended 31 December 2012

Amount in Taka

Particulars	No. of shares	Share capital	Retained earnings/ (losses)	Total
Balance as at 01 January, 2012	100,000	10,000,000	(1,981,824)	8,018,176
Profit/(loss) for the year	-	-	(2,111,993)	(2,111,993)
Balance as at 31 December, 2012	100,000	10,000,000	(4,093,817)	5,906,183
Balance as at 01 January, 2011	100,000	10,000,000	777,543	10,777,543
Profit/(loss) for the year	-	-	(2,759,367)	(2,759,367)
Balance as at 01 January, 2011	100,000	10,000,000	(1,981,824)	8,018,176

For Classic Porcelain Pvt. Limited



Director

Signed in terms of our report of even date annexed



Managing Director



K.M. HASAN & CO.
Chartered Accountants

Dhaka , Bangladesh
Dated: 10 February 2013

CLASSIC PORCELAIN PVT. LIMITED
Statement of Cash Flows

For the year ended 31 December 2012

	Amount in Taka	
	for the year ended 31 December	
	2012	2011
Cash flows from operating activities		
Net profit/(Loss) before tax for the year	(2,102,309)	(2,759,367)
Adjustments:		
Preliminary expenses write off	676,333	-
Pre-operating expenses write off	415,647	-
Net loss on share business	987,930	2,649,173
Change in provision for expenses	(24,000)	(78,911)
	2,055,910	2,570,262
Income tax paid	(10,162)	(1,202)
Net cash from operating activities	(56,561)	(190,307)
Cash flows from investing activities	B	-
Cash flows from financing activities	C	-
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)	(56,561)	(190,307)
Cash and cash equivalents at the beginning of the year	1,239,346	1,429,653
Cash and Cash equivalents at the end of the year	1,182,785	1,239,346

For Classic Porcelain Pvt. Limited



Director

Signed in terms of our report of even date annexed

Dhaka , Bangladesh
Dated: 10 February 2013



Managing Director


K.M. HASAN & CO.
Chartered Accountants

CLASSIC PORCELAIN PVT. LIMITED

Notes to the financial statements

As at and for the year ended 31 December 2012

01. 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 authorized capital of Taka 1,000,000,000 divided into 10,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 10,000,000 as on 31 December 2012. The main objects of the company is to import required raw materials & machinery to produce, manufacture, sale and export of 100% export oriented all types of porcelain/ceramic-made, table ware such as bone china, porcelain white ware, crockery, pottery, hand painted wares, mugs, cup and saucer, plates 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 (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), 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 Others

1. These notes form an integral part of these annexed Financial Statements and accordingly are to be read in conjunction therewith.
2. Figures in these notes and annexed statement of financial position have been rounded off to the nearest Taka.
3. Previous year's figures have been regrouped, rearranged and/or restated wherever considered necessary for the purpose of current year's financial presentation.

	Amount in Taka	
	As at 31 December	
	2012	2011
02. Investment		
Investment in Shares at Market Value:		
Opening balance at cost	3,176,995	5,826,168
Add : Purchase at cost	-	3,467,247
	3,176,995	9,293,415
Less: Sales at cost	-	4,289,022
Closing Balance at cost	3,176,995	5,004,393
Less: Unrealised Loss	987,930	1,827,398
Market Value as on 31-12-2012	2,189,065	3,176,995

	Amount in Taka	
	As at 31 December	
	2012	2011
03. Preliminary expenses		
Company Formation	-	668,033
Trade Licence	-	5,300
TIN Certificate	-	3,000
Total	-	676,333
04. Pre-operating expenses		
Salary and Allowance	-	330,000
Conveyance	-	770
Stamp expenses	-	20,350
Office expenses	-	3,700
Board meeting fees	-	1,000
Legal and Professional fees	-	22,260
Audit fees	-	13,000
RJSC expenses	-	3,330
Bank charges	-	2,537
Miscellaneous expenses	-	18,700
Total	-	415,647
05. Loan and advances		
Masrum Agro (Pvt.) Ltd.	2,550,000	2,550,000
	2,550,000	2,550,000
06. Cash & Cash equivalents		
Cash in Hand	1,240	22,189
Margin Account-Greenland Equity	30,863	31,363
Current Account-HSBC	1,150,682	1,185,794
Total	1,182,785	1,239,346
07. Share capital		
Authorized share capital		
10,000,000 ordinary shares @ Taka. 100 each	1,000,000,000	1,000,000,000
Issued Subscribed and Paid up capital		
100,000 ordinary shares @ Taka. 100 each	10,000,000	10,000,000

Name of shareholders	No. of shares		Value per share	Amount in Taka	
	2012	2011		2012	2011
RAK Ceramics (Bangladesh) Ltd.	51,000	51,000	100	5,100,000	5,100,000
S.A.K Ekramuzzaman	39,000	39,000	100	3,900,000	3,900,000
Md. Amir Hossain	5,000	5,000	100	500,000	500,000
Engr. Syyed Ahmed	5,000	5,000	100	500,000	500,000
Total	100,000	100,000		10,000,000	10,000,000

	Amount in Taka	
	As at 31 December	
	2012	2011
08. Provision for expenses		
Legal and Professional fees	12,400	37,900
Audit fees	11,500	10,000
Total	23,900	47,900
09. Administrative expenses		
Rent ,Rates & Taxes	-	89,497
Printing & Stationery	-	120
Legal and Professional expenses	44,200	30,900
Audit fees	11,500	-
Registration and Renewal fees	12,215	-
Miscellaneous expenses	3,025	-
Preliminary expenses write off	676,333	-
Pre-operating expenses write off	415,647	-
Total	1,162,920	120,517
10. Finance expenses		
Bank charges	1,000	2,062
Total	1,000	2,062
11. Other income		
Net Income/(Loss) from Share business	(987,930)	(2,639,826)
Sales proceeds of fractional bonus share	1,225	-
Dividend Income	48,200	3,000
Interest income	116	38
Total	(938,389)	(2,636,788)

	Amount in Taka	
	As at 31 December	
	2012	2011
12. Basic earnings per share (EPS)		
Earnings per share (EPS) has been calculated in accordance with Bangladesh Accounting Standards (BAS) 33. This has been calculated by dividing the basic earnings by the number of ordinary shares outstandings during the year.		
Earnings for the year attributable to shareholders (Net profit/(loss) after tax)	(2,111,993)	(2,759,367)
Number of share outstanding during the year	100,000	100,000
Basic earnings per share	(21.12)	(27.59)

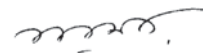
For Classic Porcelain Pvt. Limited



Director

Signed in terms of our report of even date annexed

Dhaka , Bangladesh
Dated: 10 February 2013



Managing Director


K.M. HASAN & CO.
Chartered Accountants

Statement Pursuant to Section 186 (1) (e) of the Companies Act, 1994

Name of the subsidiary	RAK Pharmaceuticals Pvt. Ltd.	RAK Power Pvt. Ltd.	RAK Food & Beverage Pvt. Ltd.	Classic Porcelain Pvt. Ltd.
Name of the holding company	RAK Ceramics (Bangladesh) 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, 2012	December 31, 2012	December 31,2012	December 31, 2012
Net aggregate amount of the subsidiary company's profits/ (losses) dealt with in the holding company's accounts	NIL	11.69 mn	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 mn	NIL	NIL
Net aggregate amount of the subsidiary company's profits/ (losses) not dealt with in the holding company's accounts	(465.24) mn	57.95 mn	(1.02) mn	(2.09) mn
For the subsidiary's aforesaid financial year	(160.15) mn	33.99 mn	(0.14) mn	(1.08) mn
For the previous financial years since it became subsidiary	(305.09) mn	23.96 mn	(0.88) mn	(1.01) mn
Changes, if any, in the holding company's interest in the subsidiary between the end of the financial year of the subsidiary and that of the holding company	N/A	N/A	N/A	N/A
Material changes, if any, between the end of the financial year of the subsidiary and that of the holding company	N/A	N/A	N/A	N/A

for RAK Ceramics (Bangladesh) Ltd.



Managing Director

Dhaka , Bangladesh

Dated: February 10, 2013



Director



Company Secretary



Corporate Information

Board of Directors

Chairman

Mr. Abdallah Massaad

Managing Director

Mr. S.A.K. Ekramuzzaman

Directors

Mr. Khaled Abdulla Yousef Aal Abdulla Aal Abdulla

Mr. Manoj Uttamrao Ahire

Independent Director

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

Company Secretary

Mr. Muhammad Shahidul Islam ACS

Audit Committee

Chairman

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

Members

Mr. Khaled Abdulla Yousef Aal Abdulla Aal Abdulla

Mr. Manoj Uttamrao Ahire

Member Secretary

Mr. Muhammad Shahidul Islam ACS

Chief Financial Officer

Mr. P.K. Chand

Head of Finance & Accounts

Mr. Abhijit Chakrobarty

Head of Internal Audit

Mr. Zakir Hossain FCA

Statutory Auditor

Rahman Rahman Huq

Chartered Accountants

(A member firm of KPMG International in Bangladesh)

9 Mohakhali C/A (11th & 12th Floor)

Dhaka-1212, Bangladesh

Principal Bankers

HSBC

Standard Chartered Bank

Citibank, N.A.

Credit Rating Agency

Credit Rating Information and Services Limited (CRISL)

Nakshi Homes (4th & 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 & 9th floor)

1/A Jasimuddin Avenue

Sector-3, Uttara Model Town

Dhaka-1230.

Factory

Dhanua, Sreepur, Gazipur, Bangladesh



RAK Ceramics (Bangladesh) Limited

NOTICE OF THE 14th ANNUAL GENERAL MEETING

Notice is hereby given that the 14th Annual General Meeting of RAK Ceramics (Bangladesh) Limited will be held on Wednesday, April 10, 2013 at 10:00 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 2012 together with the reports of the Auditor and the Directors.
2. To declare dividend for the year ended 31 December 2012.
3. To elect/re-elect Director(s) of the Company.
4. To appoint Auditors for the year 2013 and fix their remuneration.

Special Business

5. To approve the remittance of Technical Know-how and Technical Assistance fees for the year 2011.
6. To transact any other business of the Company with the permission of the Chair.

By order of the Board of Directors

Sd/-

(Muhammad Shahidul Islam ACS)

Company Secretary

Dhaka, Bangladesh

March 19, 2013

Notes:

1. The Members whose name appeared in the Share Register of the Company or in the Depository Register on the 'Record Date' (i.e. February 24, 2013) will be entitled to attend the meeting and receive the dividend.
2. The Board unanimously recommended cash dividend 15 percent and stock dividend 10 percent of the paidup capital of the Company.
3. 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.
4. Admission to the meeting will be strictly on production of the attendance slip attached with the Annual Report.
5. Members are requested to submit to the Registered Office of the Company on or before April 07, 2013, 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.
6. 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 April 07, 2013. 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) Limited

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

Proxy Form

I/We

of

being a member of RAK Ceramics (Bangladesh) Limited, do hereby appoint Mr. /Ms.....

of.....as my/our proxy

to attend and vote on my/our behalf at the 14th Annual General Meeting (AGM) of the Company to be held on 10 April 2013 at 10.00 a.m. 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 of2013.

.....
(Signature of Proxy)



.....
(Signature of Member)

BO ID No.

BO ID No.

No. of Shares held:

Notes:

- 1. A member entitled to attend and vote in the AGM may appoint a Proxy to attend and vote on his/her behalf.
- 2. The Proxy Form, duly filed and stamped must be deposited at the Registered Office of the Company, not later than 48 (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.

(Authorized Signature)
RAK Ceramics (Bangladesh) Limited

.....
(Signature Verified)



RAK Ceramics (Bangladesh) Limited

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

Attendance Slip

I/We do hereby record my/our attendance at the 14th Annual General Meeting (AGM) of the Company being held on 10 April 2013 at 10.00 a.m. at Bashundhara Convention Center, Block # C, Umme Kulsum Road, Bashundhara R/A, Dhaka- 1229, Bangladesh.

Name of the Member(s)/Proxy:

BO ID No. of Member:

BO ID No. of Proxy holder:

No. of Shares held:

.....
Signature of member(s)/Proxy

Note: Please present this attendance slip at the registration counter on or before 10:00 a.m. on the AGM date.

