

RAK Ceramics (Bangladesh) Limited

**Report and consolidated financial statements
as at and for the year ended 31 December 2012**



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**Independent Auditor's Report
to the Shareholders of
RAK Ceramics (Bangladesh) Limited**

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, 10 February 2013

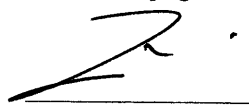
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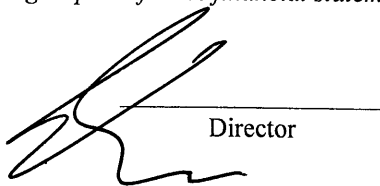
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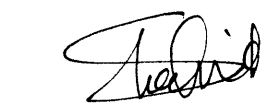
RAK Ceramics (Bangladesh) Limited
Consolidated Statement of Financial Position
as at 31 December 2012

	Note	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

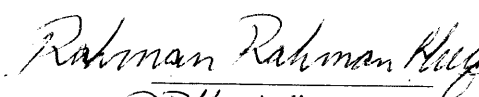
The notes on pages 7 to 41 are an integral part of these financial statements.


 Managing Director


 Director


 Company Secretary

As per our report of same date.


 RRH Auditor

Rahman Rahman Huq
 Chartered Accountants

Dhaka, 10 February 2013

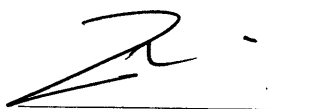


RAK Ceramics (Bangladesh) Limited

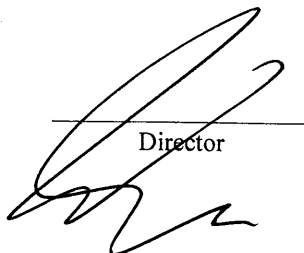
Consolidated Statement of Comprehensive Income for the year ended 31 December 2012

	Note	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 Tk 10)	36	2.18	2.72

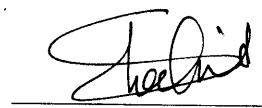
The notes on pages 7 to 41 are an integral part of these financial statements.



Managing Director



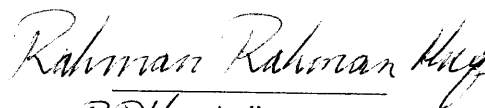
Director



Company Secretary

As per our report of same date.

Dhaka, 10 February 2013



RRH Auditor

Rahman Rahman Huq
Chartered Accountants

RAK Ceramics (Bangladesh) Limited

**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		
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Balance as at 1 January 2011	2,300,735,000	1,473,647,979	1,136,409,713	196,897,286	5,107,689,978
Total comprehensive income for 2011					
Profit/(loss) for the year	-	-	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)	(8,815,000)	(353,925,250)
Stock dividend (2010)	230,073,500	-	(230,073,500)	-	-
Balance as at 31 December 2011	<u>2,530,808,500</u>	<u>1,473,647,979</u>	<u>1,318,178,608</u>	<u>173,866,834</u>	<u>5,496,501,921</u>
Total comprehensive income for 2012					
Profit/(loss) for the year	-	-	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)	(17,630,000)	(397,251,275)
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>1,293,599,640</u>	<u>108,824,662</u>	<u>5,659,961,631</u>

The notes on pages 7 to 41 are an integral part of these financial statements.



RAK Ceramics (Bangladesh) Limited

Consolidated Statement of Cash Flows for the year ended 31 December 2012

	<u>Note</u>	<u>2012</u>	<u>2011</u>
		<u>Taka</u>	<u>Taka</u>
Cash flows from operating activities			
Cash receipts from customers		4,790,662,464	4,316,317,016
Cash payments to suppliers and employees		<u>(3,790,775,536)</u>	<u>(3,572,552,751)</u>
Cash generated from operating activities		<u>999,886,928</u>	<u>743,764,265</u>
Interest received from bank deposit		6,174,052	4,632,128
Income tax paid		<u>(355,888,317)</u>	<u>(349,889,015)</u>
Net cash from operating activities		<u>650,172,663</u>	<u>398,507,378</u>
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		<u>(687,484,247)</u>	<u>(134,452,131)</u>
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		<u>(931,205)</u>	<u>(15,136,329)</u>
Net cash used in financing activities		<u>(416,425,190)</u>	<u>(309,679,471)</u>
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)		<u>988,298,905</u>	<u>1,442,035,679</u>

The notes on pages 7 to 41 are an integral part of these financial statements.



RAK Ceramics (Bangladesh) Limited

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 BDT 500 million divided into 5 million ordinary shares of Taka 100 each. Authorised capital of the Company has been increased from Taka 500 million to 1,500 million divided into 150 million ordinary shares of Taka 10 each in the year 2011. The Company has gone into operation from 15 July 2009. The paid up capital stands at Taka 468.54 million 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.

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

2.4 Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the 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 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 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
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.



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.

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.

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.



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	Charged during the year	Adjustment/disposal during the year	
Land	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Factory building	236,618,242	512,101,902	-	748,720,144	-	-	748,720,144
Factory office building	664,746,200	24,813,813	-	689,560,013	30,845,410	-	484,488,331
Head office building	66,191,156	5,041,257	-	71,232,413	3,012,451	-	43,567,973
Plant and machinery	171,556,721	-	-	171,556,721	6,880,106	-	137,729,031
Mobile plant	3,248,192,833	82,975,835	32,000	3,331,136,668	267,919,057	4,524	1,359,617,795
Electrical installation	89,121,262	-	-	89,121,262	7,578,975	-	35,746,104
Gas pipeline	222,723,445	-	-	222,723,445	22,324,626	-	87,352,640
Furniture and fixtures	42,550,307	1,417,520	-	43,967,827	4,032,209	-	7,029,042
Office equipment	50,482,769	2,390,776	-	52,873,545	5,038,737	-	30,255,467
Communication equipment	32,103,391	2,788,928	926,775	33,965,544	5,433,017	475,165	11,840,956
Tools and appliances	3,441,696	642,133	-	4,083,829	359,593	-	2,086,936
Vehicles	7,036,968	-	-	7,036,968	653,721	-	3,240,186
Fire fighting equipments	78,040,597	11,963,610	4,577,920	85,426,287	11,050,658	2,194,727	48,594,025
Total	4,916,436,599	644,135,774	5,536,695	5,555,025,678	365,854,762	2,674,416	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	Charged during the year	Adjustment/disposal during the year	
Land	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Factory building	214,568,442	22,049,800	-	236,618,242	-	-	236,618,242
Factory office building	664,102,137	644,063	-	664,746,200	30,122,987	-	490,519,928
Head office building	65,049,792	1,141,364	-	66,191,156	2,954,850	-	41,539,167
Plant and machinery	170,715,345	841,376	-	171,556,721	6,880,106	-	144,609,137
Mobile plant	3,079,236,936	169,172,251	216,354	3,248,192,833	261,263,296	45,168	1,544,588,493
Electrical installation	88,950,076	171,186	-	89,121,262	8,909,271	-	43,325,079
Gas pipeline	215,983,793	6,739,652	-	222,723,445	22,411,978	-	109,677,266
Furniture and fixtures	42,550,307	-	-	42,550,307	4,025,238	-	9,643,731
Office equipment	47,497,181	2,985,588	-	50,482,769	4,821,495	-	32,903,428
Communication equipment	27,964,242	4,449,749	310,600	32,103,391	6,117,847	144,851	14,936,656
Tools and appliances	3,084,404	357,292	-	3,441,696	327,072	-	1,804,396
Vehicles	6,441,035	595,933	-	7,036,968	643,507	-	3,893,907
Fire fighting equipments	55,622,062	22,640,935	222,400	78,040,597	9,943,545	104,991	50,064,266
Total	4,685,396,764	231,789,189	749,354	4,916,436,599	359,147,395	295,010	2,725,576,102

	<u>2012</u>	<u>2011</u>
	<u>Taka</u>	<u>Taka</u>
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
	<u>365,854,762</u>	<u>359,147,395</u>

4.2 Disposal of property, plant and equipment

Year 2012

Particulars	Original cost	Accumulated depreciation	Book value	Sale/Insurance claim receipt
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
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
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
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



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						
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	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	207,826,748	(36,253,047)	7,559,391			
											99,935,330

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

Share of net profit/(loss):	Ownership	Reporting date	Nature of investment	Income	Expenses	Tax expenses	Profit or (loss)	Share of profit/(loss)
31 December 2011								
RAK Security and Services Pvt. Ltd.	35%	31 December 2012	Associate	54,815,835	49,331,907	2,056,431	3,427,497	2,289,413
RAK Paints Pvt. Ltd.	40%	31 December 2012	Associate	591,987,568	756,746,190	-	(164,758,622)	(65,903,449)
RAK-Mosfly (Bangladesh) Pvt. Ltd.	20%	31 December 2012	Associate	133,439,119	199,495,556	-	(46,056,437)	(9,405,988)
								(73,020,024)

Share of net profit/(loss):	Ownership	Reporting date	Nature of investment	Income	Expenses	Tax expenses	Profit or (loss)	Share of profit/(loss)
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	1,007,778
RAK Paints Pvt. Ltd.	40%	31 December 2011	Associate	177,077,701	315,497,212	-	(138,419,511)	(55,367,804)
RAK-Mosfly (Bangladesh) Pvt. Ltd.	20%	31 December 2011	Associate	-	11,423,107	-	(11,423,107)	(2,284,621)
								(56,644,648)



	<u>2012</u> Taka	<u>2011</u> 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
	<u>123,473,404</u>	<u>123,748,243</u>
Less: Amortisation for the year	10,803,070	9,819,520
Balance as at 31 December	<u>112,670,334</u>	<u>113,928,723</u>
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
	<u>127,631,177</u>	<u>204,490,348</u>
Less: Transfer to property, plant & equipment during the year (Note 7.1)	96,675,474	167,912,143
Balance as at 31 December	<u>30,955,703</u>	<u>36,578,205</u>
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
	<u>96,675,474</u>	<u>167,912,143</u>
8. Investment in shares of listed companies		
Cost price	5,004,427	5,004,427
Less: Unrealised loss	(2,815,362)	(1,827,432)
	<u>2,189,065</u>	<u>3,176,995</u>

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	<u>37,858</u>	<u>5,004,427</u>	<u>2,189,065</u>	<u>(2,815,362)</u>

2011

Name of companies	No. of Shares	Cost price	Market value as at 31 December 2011	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)
Total	<u>35,855</u>	<u>5,004,427</u>	<u>3,176,995</u>	<u>(1,827,432)</u>



	<u>2012</u> <u>Taka</u>	<u>2011</u> <u>Taka</u>
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
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



	<u>2012</u> Taka	<u>2011</u> Taka
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
	<u>1,412,215,705</u>	<u>1,464,183,963</u>
Less: VAT & SD on sales	1,368,054,273	1,423,300,445
Other payable *	2,258,935	-
	<u>1,370,313,208</u>	<u>1,423,300,445</u>
	<u>41,902,497</u>	<u>40,883,518</u>

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

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)	<u>1,303,890,755</u>	<u>948,002,438</u>

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
	<u>1,303,890,755</u>	<u>948,002,438</u>

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
	<u>1,303,890,755</u>	<u>948,002,438</u>



	<u>2012</u> <u>Taka</u>	<u>2011</u> <u>Taka</u>
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 - BDT)	43,152,289	108,170,350
Standard Chartered Bank (current a/c - 01-6162940-01, 01-3767272-01 - BDT)	38,928,111	46,732,201
Agrani Bank (current a/c - 075533005368 - BDT)	1,455	2,605
Citibank N.A. (current a/c - G0100001200262018 - BDT)	14,278,278	17,721,439
Dutch Bangla Bank Ltd. (current a/c - 117-110-12733, 117-110-2481, 117.110.23474 - BDT)	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 - BDT)	432,044	1,219,550
EXIM Bank (MSND a/c - 01513100031877 - BDT)	498,889	3,366,011
Dutch Bangla Bank Ltd. (STD a/c - 117-120-589, 117-120-330 - BDT)	42,434,784	31,802,952
BRAC Bank (STD - 1513101731248001 - BDT)	8,274,968	41,868,607
Prime Bank Ltd. (SND - 12531010022563 - BDT)	7,511,422	3,064,801
HSBC (STD - 001-066331-067, 001-107580-067, 001-096015-067 - BDT)	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-BDT)	30,863	31,363
	178,531,465	257,953,054
IPO bank a/c		
Citibank N.A. (RAK-IPO Central a/c - G010001200262022 - BDT)	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 - BDT) - 2010	12,171,174	11,648,957
BRAC Bank (Current - 1513201731248001 - BDT) - 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



17. Share capital

2012
Taka

2011
Taka

Authorised:

600,000,000 ordinary shares of Tk 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 Tk 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
	<u>100.00</u>	<u>2,783,889,350</u>	<u>100.00</u>	<u>2,530,808,500</u>

Classification of shareholders by range:

Shareholder's range	Number of shareholders		Number of shares	
	2012	2011	2012	2011
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
	<u>61,247</u>	<u>65,366</u>	<u>278,388,935</u>	<u>253,080,850</u>



	2012 Taka	2011 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	<u>121,162,388</u>	<u>134,641,798</u>

19. Provision for employees benefit

Provident fund	5,372,511	1,618,309
Gratuity fund	16,483,707	9,738,073
	<u>21,856,218</u>	<u>11,356,382</u>

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

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

20. Borrowings

Non-current:		
Term loan	33,097,082	45,710,761
Current portion of term loan	(14,529,807)	(12,778,847)
	<u>18,567,275</u>	<u>32,931,914</u>
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
	<u>389,152,953</u>	<u>392,682,041</u>

20.1 Borrowings by maturity

At 31 December 2012	Amounts in Taka				Total
	< 1 year	1-2 years	2-5 years	> 5 years	
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
	<u>389,152,953</u>	<u>9,768,474</u>	<u>8,798,801</u>	-	<u>407,720,228</u>

At 31 December 2011	Amounts in Taka				Total
	< 1 year	1-2 years	2-5 years	> 5 years	
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
	<u>392,682,041</u>	<u>14,612,037</u>	<u>18,319,877</u>	-	<u>425,613,955</u>



	<u>2012</u> <u>Taka</u>	<u>2011</u> <u>Taka</u>
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
	<u>144,345,387</u>	<u>274,300,135</u>
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
	<u>53,178,359</u>	<u>42,206,167</u>
	<u>197,523,746</u>	<u>316,506,302</u>
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
	<u>172,927,231</u>	<u>165,098,899</u>
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
	<u>76,037,168</u>	<u>92,514,146</u>
Less: Paid to Managing Director	39,811,796	52,702,350
Balance as at 31 December	<u>36,225,372</u>	<u>39,811,796</u>
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
	<u>120,693,916</u>	<u>113,386,041</u>
Less: Payment made from the fund during the year	63,193,326	50,192,715
Balance as at 31 December	<u>57,500,590</u>	<u>63,193,326</u>
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
	<u>219,094,868</u>	<u>106,399,330</u>

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.



	<u>2012</u> <u>Taka</u>	<u>2011</u> <u>Taka</u>
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)	<u>1,455,687,469</u>	<u>1,085,466,420</u>
24.1 Provision for income tax		
<u>Income year</u>		
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
	<u>1,455,687,469</u>	<u>1,085,466,420</u>
25. Sales		
Gross sales (Local)	6,257,836,082	5,998,398,005
Gross sales (Export)	18,389,470	4,910,649
Total sales	<u>6,276,225,552</u>	<u>6,003,308,654</u>
<u>Less: Supplementary duty</u>	<u>548,060,589</u>	<u>637,659,382</u>
VAT	<u>819,993,684</u>	<u>785,641,063</u>
Net sales	<u>4,908,171,279</u>	<u>4,580,008,209</u>
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	<u>3,104,559,494</u>	<u>2,810,478,192</u>
Less: Stock of finished goods as at 31 December	<u>125,399,406</u>	<u>116,881,902</u>
	<u>2,979,160,088</u>	<u>2,693,596,290</u>



	<u>2012</u>	<u>2011</u>
	<u>Taka</u>	<u>Taka</u>
26.1 Cost of goods manufactured		
Cost of materials consumed:		
Opening stock	785,262,959	721,996,152
Add: Purchase during the year	<u>1,632,204,789</u>	<u>1,490,073,061</u>
	2,417,467,748	2,212,069,213
Less: Closing stock	<u>830,323,395</u>	<u>785,262,959</u>
	<u>1,587,144,353</u>	<u>1,426,806,254</u>
 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
	<u>1,399,955,598</u>	<u>1,309,316,249</u>
Cost of production	<u>2,987,099,951</u>	<u>2,736,122,503</u>
 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	<u>34,017,206</u>	<u>34,594,847</u>
	577,641	(3,445,186)
Cost of goods manufactured	<u>2,987,677,592</u>	<u>2,732,677,317</u>
 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
	<u>235,056,028</u>	<u>190,466,314</u>
 26.1.2 Repairs and indirect materials		
Stores, spares, repair and maintenance	229,431,104	222,477,283
Packing expenses	<u>245,358,408</u>	<u>223,962,422</u>
	<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	<u>25,598,930</u>	<u>12,655,198</u>
	<u>62,303,433</u>	<u>46,140,992</u>

	<u>2012</u> <u>Taka</u>	<u>2011</u> <u>Taka</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>
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.		



	<u>2012</u> <u>Taka</u>	<u>2011</u> <u>Taka</u>
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>
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>



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

b) Aging of receivables

i. 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>

	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>

The Company has foreign exchange gain of Tk 11,054,498 during the year ended 31 December 2012 (2011: Exchange loss Tk 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	As at
	31 December 2012	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

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
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.

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

	<u>2012</u> <u>Taka</u>	<u>2011</u> <u>Taka</u>
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: Import 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.

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

2012

	Business Segments					Entity total
	Ceramic & sanitary ware	Pharmaceuticals	Power	All other	Inter segment	
	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	



	<u>2012</u>	<u>2011</u>
	<u>Taka</u>	<u>Taka</u>
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	<u>608,123,157</u>	<u>756,952,645</u>
No. of ordinary equity shares	<u>278,388,935</u>	<u>253,080,850</u>
Weighted average no. of equity shares outstanding (Note 36.1)	<u>278,388,935</u>	<u>278,388,935</u>
Earnings per share (EPS) for the year	<u>2.18</u>	<u>2.72</u>

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.

	<u>2012</u>	<u>2011</u>
	<u>Taka</u>	<u>Taka</u>
Outstanding shares	253,080,850	253,080,850
Effect of issue of bonus shares for the year 2011	<u>25,308,085</u>	<u>25,308,085</u>
	<u>278,388,935</u>	<u>278,388,935</u>

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 Tk 213,099,667 (2011: Tk 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 Tk 365,399,628 (2011: Tk 326,823,722) and letter of guarantee of Tk 38,164,522 (2011: Tk 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. Tk. 1.50 per share of Tk. 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.

