

LEADING
FROM
THE
FRONT



ANNUAL
REPORT
2013

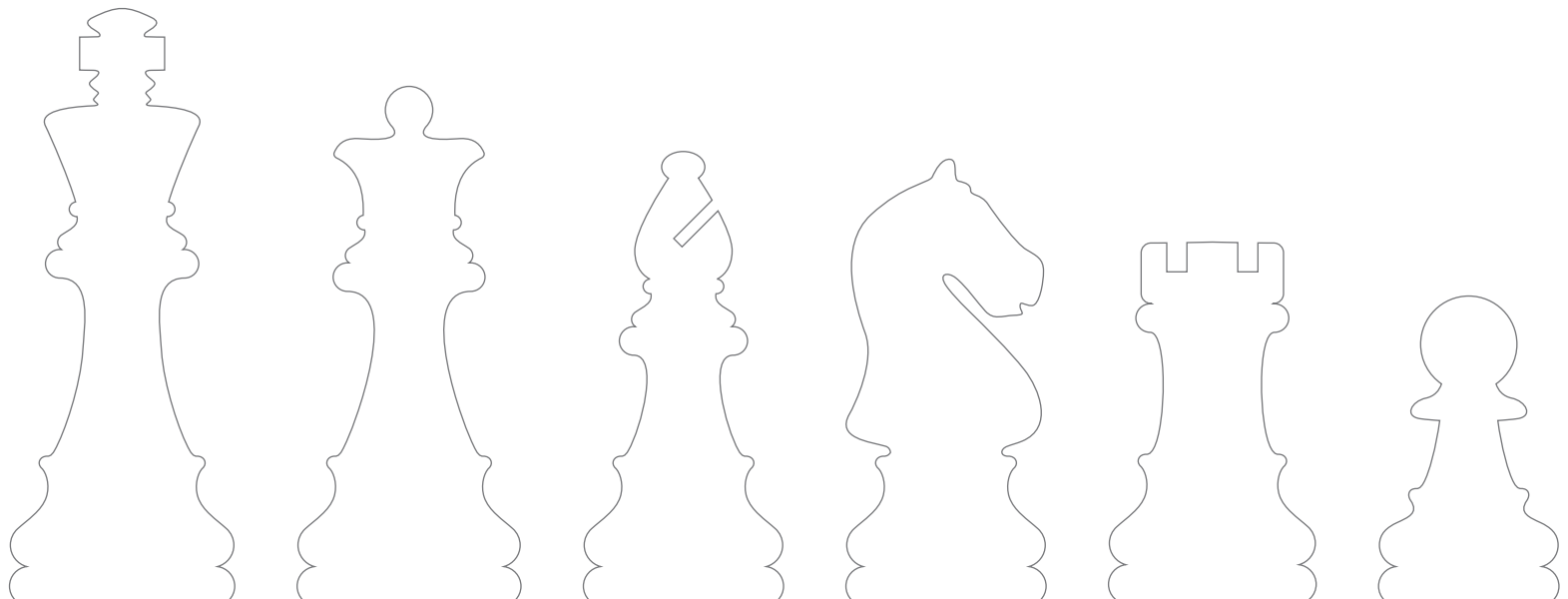


RAK
CERAMICS

Close to you worldwide

DISCLAIMER

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’ and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks and/or uncertainties. Should known or unknown risks or uncertainties materialise, or should underlying assumptions become inappropriate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or anything else.





LEADING FROM THE FRONT

The game of chess is much like the life of business, requiring strategic planning, hawk-like execution and the ability to plan well in advance. Hence, 'Leading from the front' is not just our philosophy of conducting business but is also our core ability to stay ahead of the competition curve and carve out a leading and pioneering role in the country's tiles industry.

The year 2013 was a tough one for the overall industry and RAK was no different as we were faced with the twin challenges of severe competitive pressures on the one hand and declining consumption demand on the other.

However, we continued to do what we do best – overcame the odds, worked around obstacles, innovated growth opportunities, empowered our customers through a wide range of products and solutions and reinforced our growth story and investment case.

The result is that amidst difficult circumstances, we led the industry from the front, registering a near 5 percent turnover growth in 2013.

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5.32%

TURNOVER GROWTH

12.22%

PROFIT GROWTH

6.00%

CASH PROFIT GROWTH

11.29%

TILES REALISATION GROWTH

16.09%

SANITARYWARE REALISATION GROWTH

12.06%

EARNINGS PER SHARE GROWTH

WWE

STRATEGISED PRUDENTLY.
THOUGHT DECISIVELY.
IMPLEMENTED WATCHFULLY.
COUNTER-ATTACKED RESOLUTELY.
NAVIGATED SKILLFULLY.
PLANNED JUDICIOUSLY.
COMBATED TENACIOUSLY.
JUDGED OBJECTIVELY.
PLAYED FAIRLY.
TRIUMPHED EXPECTANTLY!



KING

THE PILLAR

Though the king can move only one step either way on the chessboard, it is the only and the most important piece that determines the ultimate outcome of the game. At RAK Ceramics (Bangladesh), our king is our stakeholder as we concentrate our efforts on protecting their interests and positioning our business on the premise of maximising value in the hands of all those who invest in us, work with us and depend upon us.



2013-A YEAR OF CONTRAST
FOR RAK CERAMICS (BANGLADESH).
TIGHT AND CHALLENGING MARKET
SCENARIO ON ONE HAND.
CONSISTENT AND SUSTAINABLE
PERFORMANCE ON THE OTHER!

VISION

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

MISSION

Our **R**esponsible **A**nd **K**nowledge-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.
-

ABOUT US

RAK Ceramics (Bangladesh) is the largest, fastest-growing and most respected ceramics brand in Bangladesh. The Company specialises in the manufacture, branding and marketing of the largest range of tiles and sanitaryware products.

CAPACITY

The Company's cumulative annual tiles production capacity stands at 8.03 mn sqm and sanitaryware production capacity at 1.10 mn pcs.

FINANCIAL PERFORMANCE 2013

Revenue growth of 5.32 percent

Taka 5,169.23 mn

Operating profit growth of 4.93 percent

Taka 970.59 mn

Operating profit margin of

18.78 percent, one of the highest in the industry

Profit after tax growth of 12.22 percent

Taka 682.42 mn

Return on capital employed

18.43 percent

OPERATIONAL PERFORMANCE 2013

Tiles (ceramics and GP) realisations up by 11.29 percent to Taka
492 per sqm

Sanitaryware realisations up by 16.09 percent to Taka
1,397 per pcs

Tiles (including granite) capacity utilisation stood at 79
percent while sanitaryware capacity utilisation grew to
100 percent

Invested a capex of Taka
106.14 mn with significant additions to plant and machinery,
land and factory office building



CHAIRMAN'S VIEWPOINT

AT RAK CERAMICS (BANGLADESH), OUR SENSE OF PRIDE IS DERIVED FROM THE FACT THAT WE NOT ONLY CAPITALISED ON THE PREVAILING ECONOMIC GROWTH OF THE COUNTRY; WE HELPED TRANSFORM THE DOMESTIC TILES AND SANITARYWARE INDUSTRY ITSELF.

Dear fellow stakeholders of RAK Ceramics (Bangladesh),

In a dynamic environment where competitive forces shape the marketplace every day, there is but one strategy that we embraced to succeed in this space.

Be a game-changer.

There is an emerging reality about our business today. A tile is no longer a 'restricted-to-a-particular place' product; on the contrary it is now widely used in residential and commercial areas as well. A tile is no longer perceived to be a functional flooring material; on the contrary it is a statement of pride and even affluence. A tile is no longer a commodity with a 'one-size-fits-all' tag; on the contrary, with growing technology sophistication, a consumer can effectively customise tile and décor designs virtually and then select the right combination for actual spaces.

These fast-evolving consumer-led requirements have sprung up multiple competitive pressures; however we have reinforced the solidity of our business through leveraging our knowledge to think deep on our strategies; implementing these strategies decisively and resolutely; capturing opportunities through competitor weaknesses and setting the stage for ultimate conquest or sustainability.

Leveraging knowledge, thinking deep

At RAK Ceramics (Bangladesh), our sense of pride is derived from the fact that we not only capitalised on the prevailing economic growth of the country; we helped transform the domestic tiles and sanitaryware industry itself.

It is quite interesting how our Company is a faithful microcosm of the Bangladesh economy. When we started out our business back in year 2000, our foremost intent was to provide a basic homebuilding resource to our citizens so that they could live and work in better environments. Though the roots of this philosophy continue to remain embedded

in our organisation, today we are in-step with the times and have evolved as a design and aesthetics powerhouse as our products are no longer seen as mere functional but attractive lifestyle statements.

Our dynamic product portfolio – which is perhaps one of the largest such repertoires in our industry in the country today – boasts of dozens of varieties of ceramic wall and floor tiles, décors, listellos, pencils, cappings, borders and corners. Our portfolio comprises over 1,000 active tiles (ceramic and granite) across a range of tremendous range of sizes (13x13 cm to 60x60 cm) backed by a variety of Gres Porcellanato (porcelain/ fully vitrified tiles) across several hundreds of finishes. Our sanitaryware portfolio features more over 30 models of various bathroom utility and luxury products. What it means for our customers is that they have an incredible range to choose from, suiting their diverse sensitivities and budgets.

Implementing strategies decisively and resolutely

Over the years, as income rose and aspirations increased, we clearly identified a small pattern that would grow bigger over the passage of time. We diligently got down to work and focused on building our capacities and capabilities in response to what was then unseen to most value addition.

Even as most of our competitors focused on tiles and sanitaryware as commoditised products, we devoted our time and attention to enhancing sales of value-added products. These are defined by their consistency, design characteristics, aesthetic appeal, finishes and visual value and are clearly sold at premium over prevailing realisations. Growing sales of value-added products would not only elevate our brand among our customers but would also enhance its aspirational appeal – something that our potential customers would aspire to and as they rose up life's value chain, we would remain as their natural choice. This not only created strong customer connectedness but also enabled us to create a favourable

word-of-mouth goodwill in the market.

There was yet another advantage of having a value-added portfolio. As input resource costs increased with inflationary pressures, most found it extremely difficult to pass on the growing costs to customers. Even in this scenario, we firmly cemented our value-for-money proposition, which enabled us to not just grow offtake, but to do so at higher realisations.

Years of an active focus on this strategy held us in good stead during what was one of the most challenging years of our existence: increase of 11.29 percent in tiles realisations and growth of 16.09 percent in sanitaryware realisations.

Capturing opportunities through competitor weaknesses

Technology obsolescence is a critical feature in our industry. Ageing machinery and equipment can wreak cost structures, increase wastages and dampen morale of a factory environment. It can also lead to slow death as costs would slowly rule higher than prices, rendering the Company uncompetitive.

At RAK Ceramics (Bangladesh), we enjoy a strong parent lineage and global experience, enabling us to remain abreast with the latest in technological advancements and one step ahead of the competition. We consciously invested in the state-of-the-art SACMI technology from Italy, which enabled us to manufacture superior quality products, cost-effectively. The divergence of these seemingly non-concurrent factors is what makes this technology great and much-sought after worldwide. However the costs of incorporation of this technology are also relatively high and so is the need for operating it optimally and maintaining it prudently – factors which deter others from setting up similar capacities.

We have assimilated our technology well with the result that Grade A production stood at an industry-high and combined Grade A and Grade B production also represented one of the

best in the industry. This not only lead to minimising wastages and costs, but also enables us to generate a strong profitability-accretive premium.

Setting the stage for ultimate conquest or sustainability

At RAK Ceramics (Bangladesh), we have prepared a robust blueprint for the future.

In a milestone development, we have received approval of gas (fuel) connection for the enhancement of our production capacity at each of our two divisions. While the estimated cost for the tiles plant works out to about Taka 1,800 mn for capacity enhancement by 10,000 sqm per day, representing a capex of Taka 0.18 mn per sqm, which is reasonable as compared with global standards. We are also investing around Taka 270 mn for enhancing our sanitaryware production capacity to 1,000 pieces per day. These capacities are expected to come on-stream within the next two years. We are working out on the best available mobilisation plan of these funds and will do so without compromising our Balance Sheet strength or diluting shareholder value accretion potential.

Going into 2014, we will continue to focus on enhancing production and sales volumes, increasing our offtake and realisations, reinforcing our distribution network, augmenting

our human resources and creating value for the communities in which we operate.

Acknowledgements

On behalf of the Board, I would like to finish by thanking all of our employees for their hard work, sincerity and dedication in what has been a tougher year than most. With so many committed, professional and enthusiastic people supporting our management, I am confident that we are better placed than most in addressing the current market uncertainties and ensuring that growth continues well into the future.

With warm regards,



Abdallah Massaad
Chairman



CHECKMATE!

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 0.05 percent compared with the normal benchmark of 0.5 percent)



We are among the few in the country to be equipped with a modern R&D laboratory



We are the only company in Bangladesh to import as high as 90 percent of raw material needs from the best global suppliers



We use the cutting-edge SACMI (Italy) technology, best known for manufacturing benchmark products

OUR WINNING STRATEGY ENDORSED BY AWARDS AND ACCOLADES

11th ICAB Award – 1st position in the non-financial sector in manufacturing – appreciation in 2011

12th ICAB Award – 2nd position in the manufacturing sector – appreciation in 2012

13th ICAB Award – 1st position in the non-financial sector in manufacturing – appreciation in 2013

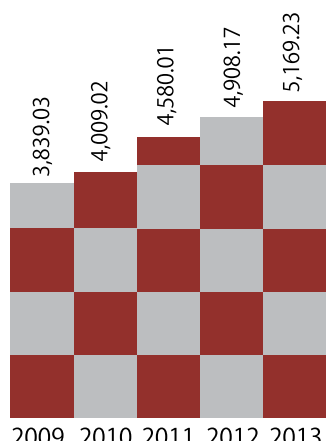
SAFA Award 2010 – Certificate of Merit in the manufacturing sector – appreciation in 2011

SAFA Award 2011 – Certificate of Merit in the manufacturing sector – appreciation in 2013



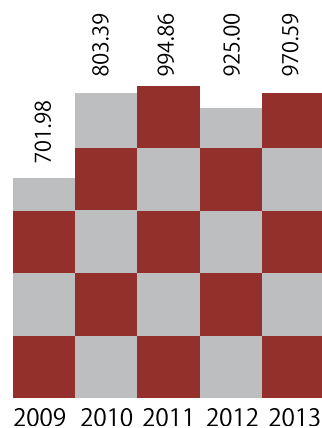
POSITIONING OUR GAME MOVE-BY-MOVE

Revenue (net)
(Taka mn)



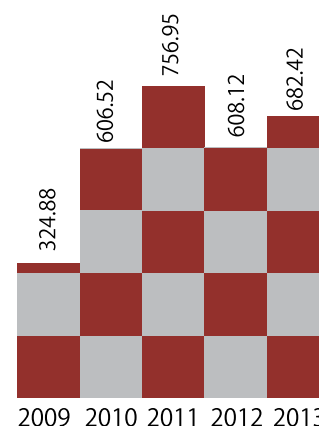
REVENUE CAGR OF
10%

Operating profit
(Taka mn)



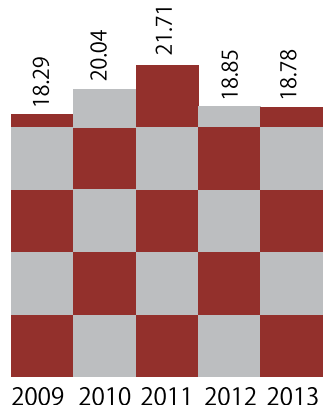
OPERATING PROFIT CAGR OF
13%

Net profit
(Taka mn)



NET PROFIT CAGR OF
19%

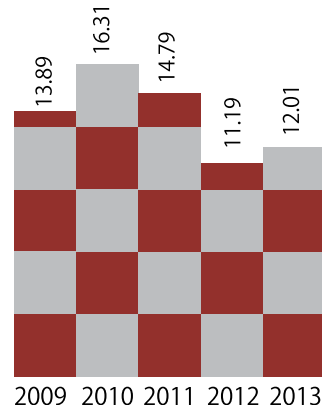
Operating profit margin
(percent)



BPS GROWTH

(7)

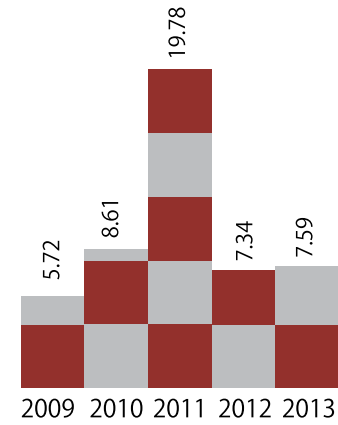
Return on equity
(percent)



BPS GROWTH

82

Return on total assets
(percent)



BPS GROWTH

25



QUEEN

THE MASTERMIND

The importance of strategy cannot be emphasised in any other game more than the game of chess. And the queen is the mastermind by virtue of its ability to find a way across the length and breadth of the chessboard. At RAK Ceramics (Bangladesh), our Board represents the symbol of the queen as we leverage their insights and foresight to navigate the Company to higher levels, steering it through and staying ahead of competitive forces and barriers and reinforcing our leadership position to play a pioneering role in the country's tiles industry.



PROFILE OF OUR BOARD OF DIRECTORS



Mr. Abdallah Massaad

Chairman

Mr. Abdallah Massaad, Chairman of the Company is also the member of the Board of Directors and Chairman of the subsidiary and associate companies of RAK Ceramics (Bangladesh) Limited. Mr. Massaad assumed charge as the Chief Executive Officer of RAK Ceramics PSC, UAE since June 2012. He is also the representative in Board and management of several subsidiary companies of RAK Ceramics PSC, UAE in Ceramics and industrial manufacturing as well as companies engaged in forward and backward integration of ceramics supply chain.

Prior to assuming his current role as the Chief Executive Officer of RAK Ceramics PSC, UAE, he was the Deputy CEO of the Company looking after the global Ceramics and building material related business interests of the Company and assisting the Chairman and CEO in strategic planning and implementing/overseeing strategic initiatives to reach the prestigious milestone of 1 billion square meters global sales from the level of 500 million square meters, implementing the Corporate Governance Regulations besides overseeing the strategic refocusing of the Business portfolio.

Mr. Massaad was invited by RAK Ceramics PSC, UAE in 2004 as Marketing Consultant to the CEO office to upgrade the branding and positioning of the Company and to prepare it to deal with future marketing challenges arising out of the expansion of company's ceramic business during 2004-09. He formally joined RAK Ceramics in 2006 as Deputy CEO responsible for operating management control and strategy development and implementation.

Mr. Massaad has over 18 years of experience from field sales to sales management to product marketing growing to business leadership in national and international markets. Before joining RAK Ceramics, Mr. Massaad was the General Manager of International Ceramics Company SARL (ICC) Lebanon since 1998 which led the team to grow the company to a position of national leadership and with Asian Industrial Company (1992-96) where he was Area Sales Manager responsible for national market of Lebanon and opened new markets for the Company.

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



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 Chamber of Commerce, Ras Al Khaimah.

Mr. Khaled is a local businessman based in Ras Al Khaima and the founder of KAY Group, a private business entity specializes in General Trading, Services and Properties. Currently, he is also the CEO of Majan Printing & Packaging Co. and through his strategic management, Majan, maintains its status as one of the largest printing and packaging company in

the Middle East.

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 22 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 is the Chief Financial Officer of RAK Ceramics Group and officio director of a number of subsidiaries of the Company, where he has spent over 10 years. RAK Ceramics is a global leader in ceramics tiles, sanitary ware, table ware with a product portfolio comprising over 15,000 products, a large global supply chain and market presence in over 150 countries. The group corporate structure includes over 40 subsidiaries in Asia, Europe, Africa and Australia engaged in manufacturing, sales and distribution of products and services.

Mr. Manoj has been an important member of the senior management team of the Company growing the company's business to its global leadership position along with strategies to diversify the market, supply chain and financial risks of the Company. He has wide experience in dealing with corporate finance matters including treasury/ working capital financing, project finance, venture capital, debt and

equity capital market instruments and fund raising processes.

Mr. Manoj's professional credentials span over 21 years post qualification experience with blue chip employers including ACC Limited, Thyssenkrupp, Raymonds and IDBI Venture capital projects.

Mr. Manoj has a Bachelors qualification in UK restructured syllabi commerce (Banking & Finance). His professional qualifications also include, memberships of Institute of Chartered Accountants of India (CA), Institute of Cost and Works Accountants of India (ICWA), Institute of Cost and Management Accountants of Australia (CMA), Institute of Management Accountants of United States (IMA), Institute of Company Secretaries of India (CS). He is also certified in risk and information systems control, USA (CIRCS) and certified SAP professional in FICO.

Mr. Rafique-ul Huq

Barrister-at-Law, Independent Director

Mr. Rafique-ul Huq, Barrister-at-Law, is the Independent Director of the Company and also the Independent Director of subsidiary companies of RAK Ceramics (Bangladesh) Limited. He is the Chairman of the Audit Committee 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, UK 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 Advocates in the Supreme Court of Bangladesh with more than 53 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/ was 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.





BISHOP

THE CHALLENGER

By virtue of its ability to move sideways diagonally, the bishop is literally a 'lateral' mover as it can move any number of pieces sideways in the quest for challenging the opponent to make a judgment error and then razing the piece to the ground. At RAK Ceramics (Bangladesh), our ability to think laterally and out-of-the-box paired with our strong focus on operational management are some of the virtues extolled by our top management. Their ability to see through the challenges represents the key driving force behind our divisional excellence.



EXECUTIVE MANAGEMENT



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

2 **Mr. Imtiaz Hussain**
Chief Operating Officer

3 **Mr. P.K. Chand**
Chief Financial Officer

4 **Mr. Mahburur Rahman**
General Manager-HR & Admin

5 **Mr. Mohammad Jahirull Reza**
General Manager-Purchase

6 **Mr. Abhijit Chakrobarty**
Head of Finance & Accounts

7 **Mr. Zakir Hossain**
Head of Internal Audit

8 **Mr. Muhammad Shahidul Islam**
Company Secretary

9 **Mr. Mohammed Shamsuddin**
Manager-Taxation

10 **Mr. Henry Fernandez**
Production Manager (Tiles)

11 **Mr. Mallikarjuna Rao Byna**
Production Manager (SW)

AT RAK CERAMICS (BANGLADESH),
OUR CUSTOMER IS OUR KING!

At our Company, we understand **our customer**.

They love the thrill of discovering **new products**.

Checking styles and designs across a vast **product portfolio**.

Finding the right products at the right **price range**.

For their **new home, second home**, refurbishment of their existing residence or for their offices.

AT RAK CERAMICS (BANGLADESH),
OUR BRANDS ARE FIT FOR THE MIGHTIEST OF CASTLES!

At our Company, we are in the business of **building brands**.

Appreciated. Reliable. Trustworthy. **Artistic**.

They are an extension of our **customers' lifestyles**.

Enabling them to make a **strong style statement**.

And **imprinting their legacy**.

AT RAK CERAMICS (BANGLADESH),
WE'RE ADVANCING OUR PIECES EVERY DAY!

At our Company, we are passionate about **our business**.

We are proactively anticipating trends and patterns and translating these into sought-after **products**.

In doing so, we are catering to a wide range of **tastes and lifestyles**.

We are emerging as the most preferred home-building destination for **our customers**.

We are also enhancing productivity, scale, efficiency and cost controls across our operations and focusing on strengthening our **Balance Sheet**.



KNIGHT

THE ASTUTE

In the game of chess, the knight is the only piece that has the ability to outmaneuver the opponent through jumping across the ranks and forcing an 'L-shaped' trapping, drawing the adversary to painful defeat. At RAK Ceramics (Bangladesh), our strategic planning and focused management skills are ideal examples of the qualities of the knight, whose capabilities of literally staying a step ahead corroborates with our departmental focus on teamwork and collaboration.



CONVERSATIONS ON STRATEGY, SCALABILITY, SECURITY AND SUSTAINABILITY

Mr. S. A. K. Ekramuzzaman, our Managing Director and Mr. Imtiaz Hussain, our Chief Operating Officer, look back on the performance of RAK Ceramics (Bangladesh) in 2013 and share their optimism with shareholders going into 2014 and beyond.

? **Mr. Imtiaz Hussain:** We have performed respectably during 2013. What do you think has been our biggest success driver?

Mr. S. A. K. Ekramuzzaman:

Undoubtedly I think our ability to drive performance even in the most challenging times. I would like to use the analogy of chess here to demonstrate my viewpoint. On the chessboard, it is important for one to be on top of their game, be a game-changer; attack and advance where necessary and withhold and sustain when required. One needs to construct their game watchfully and, at the same time, resolutely be able to move forward towards conquest.

At our Company, we precisely did this, through leveraging years of knowledge and insight, focusing on strengthening our production and operational capabilities, reinforcing our marketplace brand recall and equity and tightening our financial cost structures and controls. In this light, what do you see as our tallest achievement over the past and specifically in 2013?

Mr. Imtiaz Hussain:

Our robust Balance Sheet is definitely a core competence driver. As on 31 December, 2013, we had a debt-equity ratio of 0.08, as compared with 0.07 at the close of the previous year. Most importantly, I must tell our shareholders that we have zero long-term debt on our standalone books. This represents a significant advantage on account

of the fact that our interest expenses are well within our control – in fact, these actually declined by about 24 percent during the year under review to Taka 11.70 mn, despite a relatively high interest rate environment. A comfortable leverage not only strengthens our bargaining power but also empowers us to seek attractive low-cost funding for securing capital formation at competitive costs.

Mr. S. A. K. Ekramuzzaman:

Precisely, we mobilised Taka 256 mn as offshore financing facility from banks for import payments, during 2013. The interest rate for this facilitation stands at an attractive Libor plus 3.5 percent. Moreover, we also have cash and cash equivalents of Taka 1438 mn on our Balance Sheet and our unutilised working capital funded limits stands at 77.73 percent at the close of 2013.

Mr. Imtiaz Hussain:

These definitely represent the core strengths of our Balance Sheet. I must also draw the attention of our shareholders to the fact that though our sales of ceramic tiles and granite declined by 12.75 percent, we more than offset this fall through a healthy 11.75 percent growth in realisations to Taka 492 per sqm. Moreover, we also registered both sales volume and realisations growth at our sanitaryware

division to the extent of about 1 percent and 16 percent, respectively, during the year under consideration.

Mr. S. A. K. Ekramuzzaman:

Our performance can be better understood when one appraises the extremely challenging political and economic environment of Bangladesh. As the country was on the throes of its national elections, there were a number of disruptions and agitations which hampered both production and sales. Moreover, relatively high inflation and a depressed consumption environment forced many of our customers to withhold and postpone purchases. Despite these micro and macro challenges, we were able to grow our realisations across both our business segments, which is a creditable achievement of 2013.

Mr. Imtiaz Hussain:

Just to add on to what you said, we were able to enhance our prices on the strength of our brand recall and equity among our customers and on the back of a 'cost push' as most raw material prices witnessed 14 percent increases during the year under review. While we absorbed some of the cost increases, we were able to pass on a large percentage of the increment to the market, which just goes on to demonstrate the strength of the RAK brand.

Mr. S. A. K. Ekramuzzaman:

Even as the marketplace was governed by rising competitive pressures, we looked within to further tighten our cost structures, fine-tune our processes and improve our working environment all with the important intent of optimising our costs and passing on our 'factory-led' benefits right into the hands of our consumers. With a view to keep alive the market excitement, we also introduced several new tile models, décor and borders. We also launched the Contempo WB and Half Pedestal Karla models at our sanitary division.

Mr. Imtiaz Hussain:

With a view to generate strong customer surplus, we also took our presence, products and services far and wide across Bangladesh with 4 specious showrooms and strong dealer network as well.

The result is that the Company's vibrant distribution infrastructure translates into widespread availability of our products and also represents one of the largest sales networks in our country.

Mr. S. A. K. Ekramuzzaman:

Yes, a strong distribution and logistical infrastructure surely represent a robust competitive advantage in a high product throughput market. Significantly, all-time product availability is critical to our business as it not only directly influences on-spot decision-making but also subtly sways decisions among prospective consumers when they see high and sustained visibility of our products.

Mr. Imtiaz Hussain:

With a view to meet the domestic demand growth we are shoring up our capacities. In a big positive development, we have received the approval for gas connection for the enhancement of our production capacity, which secures our confidence in enhancing our product output at relatively stable fuel prices. This is in light of the fact that gas cost constitute around 4 percent of the operating cost. The capex programme envisaged within next two years includes the following:

- Estimated capex for the tiles plant with added production capacity of 10,000 sqm per day at Taka 1,800 mn
- Estimated capex for the sanitaryware facility with increased production capacity of 1,000 pieces per day at Taka 270 mn

We are analysing the various ways to mobilise funds for this investment and we will do so in a way that protects our Balance Sheet and emerge as a shareholder value accretion measure.

Mr. S. A. K. Ekramuzzaman:

In fact at our Company, all our measures are directed at augmenting stakeholder value. For our shareholders, we represent an attractive investment case riding on the country's robust long-term consumption story. We have also recommended a dividend of 15% in cash and 10% in stock for

the year under consideration. For our employees, we represent an attractive career progression opportunity for them to fulfill both their personal and professional ambitions and goals. For our society, we remain conscious of their unmet needs and requirements and invest both time and money in their social as well as economic uplift. For our country, we represent a national success story as we continue to enhance life quality of its citizens and contribute to the state exchequer for the development of our nation.

At the end, we must tell you that we will continue to do what we do best-create a long-term sustainable organisation that drives value for all stakeholders.



OUR COST REDUCTION INITIATIVES:

Introduction of wrap-up seat and cover in our various water closet models, imparting an elegant look

Re-cycle and re-use of in-process waste water in production through ETP



Installation of a new seat and cover machine to optimise import cost of the accessories



Installation work is under process for two new digital tiles printing machines, which will improve our printing quality from 95-98%



Installation of four new squaring machines in the tiles division with an output of 100 percent squaring of tiles, providing an aesthetically perfect look even after use

Use of dual flushing unit in water tank instead of single flush, promoting reduced water consumption

Effective changes in raw material formulations



ROOK

THE STRATEGIST

The role of the strategist in the game of chess usually influences the creation of a successful 'stage' for progressive triumph. The rook, paired with the king, is usually involved in 'castling', a move considered to reinforce the king's security. At RAK Ceramics (Bangladesh), each of our divisional managers can be compared to a knight, a stalwart in their respective fields of operation and an important contributor to reinforcing our stakeholders' security and faith.



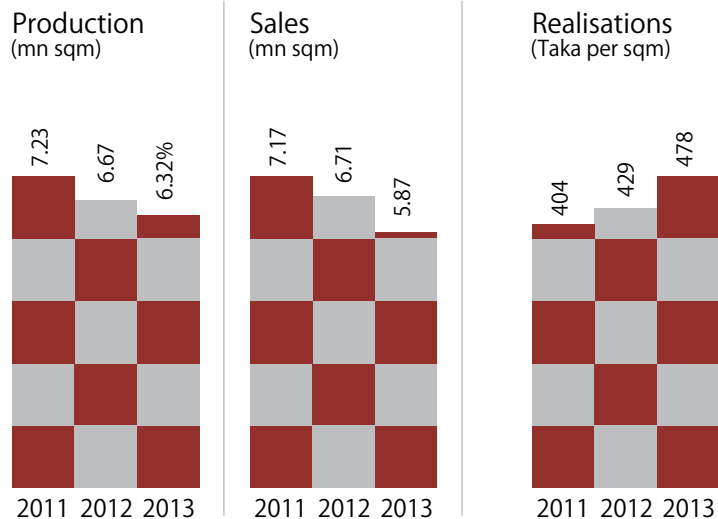
SEGMENT-WISE PRODUCT REVIEW

I: CERAMIC AND GRES PORCELLANATO (GP) TILES

60 percent of topline contribution in 2013

Because of their high porosity, ceramic tiles create stronger bonding with walls and also provide consumers with a wide array of colours and finishes, suiting tastes and requirements. Furthermore, digital printing technology and a prevalence of large-format tiles have enabled ceramic tiles to gain significant market share. Ceramic tiles are also being increasingly used in exterior walls, replacing stone tiles, terracotta tiles and natural stones among others.

At RAK Ceramics (Bangladesh), we manufacture the widest range of ceramic and GP tiles available in the industry and enjoy a dominant market share for these products in the country. The Company serves a healthy mix of reputed institutional customers in addition to several retail consumers and offers its products across multiple price range.

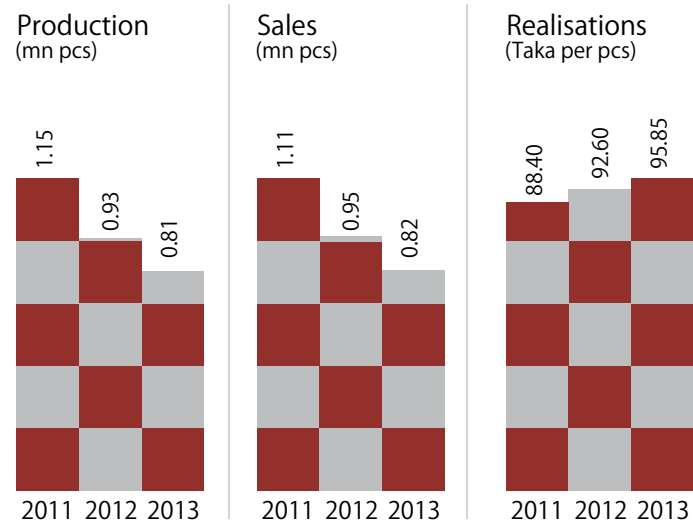


“Our blueprint for 2014 comprises a strong focus on growing profitability through larger volume sales of value-added tiles and reducing costs through various efficiency-driven shop-floor initiatives.”

II: DÉCOR AND BORDERS

2 percent of topline contribution in 2013

We produce a large quantity of décor and borders, enabling us to strengthen customer convenience in terms of one-stop product availability. Through these products, we also widen our bouquet of offering as these products complement our range of tiles and GP.



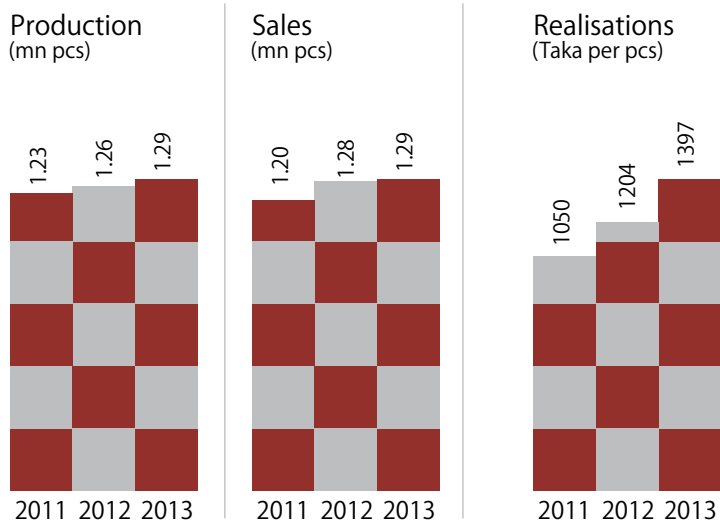
“In 2014, we will continue to launch newer assortments of décor and borders in-step with our launch of newer varieties of tiles. This will not just ensure larger product availability but also enable us to get a larger share of the customer’s budget.”

III: SANITARYWARE PRODUCTS

38 percent of topline contribution in 2013

At RAK Ceramics (Bangladesh), our sanitaryware portfolio features more than 30 models comprising wash basins (mounted and pedestal), water closets, bidets, water tanks, bathroom sets and counter basins. These are increasingly preferred on account of attractive designs, diverse range and various functional applications.

Our sanitaryware range completes our presence in the interior home building products industry and opens up several new exciting opportunities to interact and connect to our customers.



“We expect to continuously enhance our offerings with new products that our consumers desire such as the Contempo WB and Half Pedestal Karla brands and a new color (Coral Pink) introduce in 2013. Through these launches, we intend to grow customer connectedness and drive topline growth for this segment.”

MANAGING RISKS AT RAK CERAMICS (BANGLADESH)

Industry risks

Industry risk refers to the risk of increased competition from foreign and domestic sources leading to lower prices, revenues, profit margins, market share etc which could have an adverse impact on the business, financial condition and results of operation.

Mitigation

RAK Ceramics (Bangladesh) is known in the market as innovative technology driven capital intensive company, it has track record to upkeep with technology investment which proven them as trend setters. Also due to its superior quality and competitive pricing, wide variety of product range, the Company has been able to capture a dominant position in the market and has a brand equity presence in the local market.

Globally-benchmarked product quality ensures that the Company provides quality matching with imports at a lower price.

The strong world-wide network of the parent company brings the latest designs in Europe to the Company's manufacturing facilities and makes the same available locally.

The Company is continuously working on product development through research and development (R&D), improved designs and service to keep pace with the customer choices, fashion and design. The company being a market leader in the ceramic tiles and sanitary ware products in Bangladesh has already captured over one fourth of the tiles market and more than two third of the sanitary ware market. As a result, company is quite well insulated from the risks of greater competition from both local and foreign sources.

Market Risks

Market risk refers to the risk of adverse market conditions affecting the sales and profitability of the company. Mostly, the risk arises from falling demand for the product or service which would harm the performance of the company.

Mitigation

RAK has strong brand equity in the local market and due to their foreign affiliation; they are able to produce quality products at affordable prices. Moreover, for a growing

economy like Bangladesh, there would always be demand for Tiles and Sanitary Ware.

The Company enjoys brand equity owing to its foreign affiliation and is continuously capturing new markets with new products.

Competitive pressures and margin erosion

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

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 marketing staffs.

Continuous improvement of processes through cost saving/reduction exercise.

Reaching wider and deeper into even the remotest corners of Bangladesh.

Quality risks

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

Mitigation

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's operations adhere to global quality standards, the only company in its space to do so.

We have assimilated our technology well with the result that Grade A production stood at an industry-high and combined Grade A and Grade B production also represented one of the best in the industry.

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

Cost inflation risks

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

Mitigation

The 10 MW captive power units provide an uninterrupted supply of low-cost energy to all its units, protecting the Company from rate revisions by government authorities.

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

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

Capital expenditure and return on investment

A core element of the Company's strategy is a focus on eco-friendly growth through capturing process and value chain synergies.

Mitigation

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 18.43 percent in 2013.

Interest rate risks

Interest rate risk is concerned with borrowed funds of short term and long-term maturity. Interest rate risk is the risk that company faces due to unfavorable movements in the interest rates.

Unfavourable interest rate movements caused by volatile money markets and a growing demand for capital could impact the Company's ability to raise cheap funds.

Mitigation

RAK Ceramics (Bangladesh) is a cash rich company and operates with low independence on long term debt.

The Company possess robust retained earnings of Taka 1,280.05 mn, strong cash and bank balance of Taka 1,493.89 mn and a low debt-equity ratio of 0.08 as at 31 December 2013, showcasing its ability to raise low-cost debt for prospective needs.

Currency risk

Exchange rate risk is quite relevant for RAK Ceramics (Bangladesh) Limited since a large proportion of its raw material requirements in foreign currency. Unfavorable currency fluctuations could affect profitability.

Mitigation

The Company has the policy to enter into safe forward contracts allowed as per the forex policy of the Central Bank in order to cushion itself against foreign currency and price escalation risks.

The parent Company possesses a database of over 2,500 global suppliers dealing with it for more than 18 years. The Company leverages its parent Company's monthly global resource planning exercise, which takes care of resource procurement schedules and currency fluctuation escalations.

The Company hedges exchange rate risks through the strategic procurement of raw materials and consumables as well as the forward booking of foreign currency.

Input sourcing risks

RAK is greatly dependent on imported raw materials and also, supply of those raw materials cannot be ensured locally in case of crisis. Additionally, there is always a natural resources constraint in any specific area.

Mitigation

The Company continues to import almost over 90 percent (by value) of its raw material requirements and has not faced any threat in this area. It enjoys a diversified procurement base and leverages purchases through its parent company (RAK Ceramics Co. PSC).

The parent has been in business with more than 2,500 global suppliers for the last 22 years. The Company's resource procurement is merged along with its parent, which ensures competitive pricing and hedging against adverse currency fluctuations.

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

Credit risks

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 Companies trade receivables and other receivables.

Mitigation

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.

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 Companies reputation.

Mitigation

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 based on timeline of payment of the financial obligation and accordingly arrange for sufficient liquidity 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.

Potential or existing government regulation risks

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

Mitigation

The government has targeted GDP growth of 10 percent by 2017. It has also targeted the country's industry contribution at 40 percent of GDP.

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

The health of Bangladesh's real estate sector is directly affected by the prospects of its ancillary Industries (including tiles and sanitaryware).

Technology related Risks

Technology always plays a vital role for the existence of any industrial concern, ensuring better services to the customers and minimizing the cost in various aspects. The production facilities of the company are based on currently available technology. Any invention of new and more cost effective technology may cause technological obsolescence and negative operational efficiency.

Mitigation

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

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

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

The Company has access to international/multinational companies for supplying appropriate technology and technical management support for operation of new projects & its foreign affiliation with RAK Ceramics Co. PSC, UAE for

technical know-how and technical assistance, the company is expected to be always ahead of the other producers in the local market which ultimately reduces the technology related risks for the company.

Management risks

Turnover of key managerial personnel, executives and officers may have adverse impact on business, operating results and future growth.

Mitigation

The Company places a priority on developing human resources. Importance is given to on-the-job, in-house and external training programmes for members to enhance their knowledge curve.

The company has reputation for cordial and congenial working environment. The staff turnover ratio is at its lowest point. The company has been arranging training of its core personnel on a continuous basis to cope with the growing challenges of the changing work environment.

The Company has been offering competitive emoluments to employees of all ranks, encouraging professionalism.

The Company provided 5 percent of profit before tax towards employees' profit participation and welfare fund.



PAWN

THE GAME-CHANGER

Though a piece with the least points, the pawn is a significant game-changer. It not only protects the pieces it lines during the first few phases of the game but can also manipulate the opponent's moves by calibrating its own pace – either moving two steps during the first move or one. At RAK Ceramics (Bangladesh), our employees, who, being strategically guided by our supervisors, form the foundation of our Company. Their deep levels of commitment and the ability to make the right move at the right time represent our pillars of strength and reinforce the backbone of our Company.



CORPORATE SOCIAL AND INDIVIDUAL 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 to translate results and improvement: We listen and respond to the needs of our customers, then exceed their expectations; we also 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
- 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 contributes 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 odours.
- 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 employee and his immediate family members for medical and educational purposes from the Employees' Welfare Fund maintained by the Company.
- **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 3 mn for CSR activities in 2013 that encompass medicine and medical treatment, donations to hospitals and medical units, education, social and cultural activities of our country, distributing the blanket to the poverty stricken people and donations to autistic and differently-abled children organizations.

INDUSTRY REVIEW

Bangladesh economy review

Despite the economic turmoil and political strife that characterised most part of 2013, paired with the continuing global economic slowdown, the Bangladesh economy stood relatively resilient. Some of the other factors that played a key role during the year under review include volatility in interest rates and capital markets, change in commodities price levels due to inflationary expectations and an overall depressed consumer sentiment.

A point to note is that inflation was brought under control due to a drastic reduction in food prices, complementing with the overall growth of Bangladesh's GDP, which stood at a healthy 6.3 percent in 2012. Seeing the volatility of the global markets including the Euro Zone crisis, escalation of global food and oil prices, bank instability due to credit and market risks, labour unrest and the depreciation of the dollar, the country performed well in terms of exports, which showed a growth of 7 percent during the year under review. However, imports rose by only 0.8 percent during the same period. Remittances from expatriates also declined a sharp 8.4 percent in the first six months of the fiscal 2013-14 after rising a healthy 12.6 percent in 2012-13.

The capital markets experienced a depressed trend continuing from 2012, due to restrictive monetary policies, currency devaluation, rising interest rates and a liquidity crunch.

Global tiles review in brief

The global ceramics industry of over USD 55 billion grew at a CAGR (compounded annual growth rate) of 9.2 percent in 2012. Global demand for ceramic tiles has been fuelled by the growing infrastructure and construction industry, mainly in countries like China, Indonesia and India. Shift in mindset in terms of change from paints, metal slabs, marble floors and other decorative products to ceramic tiles is also driving industry growth. However, increasing production costs on the back of volatility in raw material prices and regulatory policies are likely to emerge as key threats to the industry in the coming years.

Interestingly, Bangladesh is rightly positioned to expand further in the rapidly growing global market with high quality products

and manageable cost ratios, primarily driven by the fact that the country uses natural gas as fuel, which is cheaper than most fossil fuels, and hence is most cost-competitive. One of the other chief advantages of the industry as a whole is the country's geographical proximity to the rapidly growing South East Asian countries, making it an ideal gateway for supply of tiles and other homebuilding products.

Bangladesh tiles industry review

The ceramics industry in Bangladesh has witnessed tremendous growth since 1991. Exporting around USD 1 million worth of ceramic products during that year, the industry had surged to report a triple digit growth over the next decades. This amply demonstrates the quality of the country's products across global markets.

The ceramics industry is labour-intensive and global economies find it difficult to remain competitive due to rising labour costs and increasing financial instabilities. However Bangladesh, with its positioning as a gas-rich and low labour-cost economy, is poised at an interesting cusp of growth among emerging economies. Rightly so, the sector has witnessed a strong 12-15 percent growth of the industry up to 2011, narrowing down the demand-supply gap of the construction material (Financial Express, 19 December, 2012), one of the fastest growth rates in the world, and this growth rate is expected to continue over the foreseeable future too. However despite this growth rate, about 25-35 percent of the tiles consumption in the country is still met through imports from China.

According to an article in the Financial Express, 19 December, 2012, the total investments in the sector amount to Taka 10 billion and the sector employs more than one million people. The industry sells an approximate Taka 10,000 mn worth of products annually in the domestic market, paying taxes close to Taka 3,000 mn and Taka 1,000 mn to utility services, including gas. The industry in Bangladesh has grown steadily and expects a USD 100 million return from exports by 2015.

The sheer optimism resident in the Bangladeshi tiles industry is the fact that despite a double digit growth reported by the sector over the past few years, per capita consumption

of ceramic tiles in the country is miniscule at 0.20 sqm, as compared with 2.6 sqm in China, 3.6 sqm in Brazil and 1.4 sqm in Malaysia (Source: Ceramics World Review, World Bank and Credit Suisse).

Key trends influencing the industry:

The tiles sector is ever-dynamic, marked by a number of ongoing preference changes. Some of the emerging growing drivers comprise the following:

Housing and commercial real estate: The real estate and housing sectors are one of the big drivers of economic growth in Bangladesh. The sector has been contributing 12-15 percent to Bangladesh's GDP over the past few years and provides employment to over 2.5 mn people. It also offers a growth support to over 250 ancillary industries like steel, cement, tiles and sanitaryware. The sector has an annual turnover of around Taka 20 billion. The growth of urbanisation has been observed at approximately 3.7 percent per annum over the last decade and the sector possesses a huge growth potential for the tiles industry.

Hospitality: The hotel, restaurant and institutional sectors of Bangladesh are growing consistently at over 7.5 percent per annum. The sector's contribution to the country's GDP stood at USD 924 million in 2011-12. With consistent tourism growth, the hospitality industry expects to substantially add rooms to their inventory, going forward into the future.

Rising per capita incomes: In December 2013, the per capita income of Bangladesh crossed the USD 1,000 mark with its annual income rising to USD 1,044 in 2012-13. With the Government focused on realising the potential of the country's GDP growth to over 7 percent, the per capita incomes are bound to go up over the years.

Healthcare: The pharmaceutical industry is the most technologically advanced sector in Bangladesh and the third largest industry in terms of contribution to government revenue. The industry contributes around 1 percent to the GDP. According to IMS, a US based market research firm, the retail healthcare market size was estimated at around Taka 84 bn as on 2011. With rising healthcare needs, the country's requires sizeable addition to hospital beds, driving potential for the country's tiles industry.

Aviation: The Bangladesh aviation market stood at Taka 300,000 mn as of 2011. According to the Centre for Asia Pacific Aviation (CAPA), the country saw the launch of a fourth domestic operator in 2013. The domestic market remains small with less than a million passengers a year, although international traffic has witnessed steady growth in the country over the recent years, dominated by foreign operators. With steady business and tourist arrivals, the country's airports need sprucing up, driving potential demand for tiles and sanitaryware products.

ANALYSIS OF FINANCIAL STATEMENTS

KEY HIGHLIGHTS 2013

(Taka mn)

Particulars	2013	2012	Change (%)
Net Sales	5,169.22	4,908.17	5.32
Gross Profit	2,096.22	1,943.50	7.86
EBIDTA	1,464.26	1,379.84	6.12
PAT	682.42	608.12	12.22
EPS	2.23	1.99	12.06

Revenues increased by 5.32 percent to Taka 5,169.22 mn in 2013 from Taka 4,908.17 mn in 2012.

Gross profit increased by 7.86 percent to Taka 2,096.22 mn in 2013 from Taka 1,943.50 mn in 2012.

EBIDTA increased by 6.12 percent to Taka 1,464.26 mn in 2013 from Taka 1,379.84 mn in 2012.

Profit after tax (PAT) increased by 12.22 percent to Taka 682.42 mn in 2013 from Taka 608.12 mn in 2012.

EPS increased by 12.06 percent to Taka 2.23/share in 2013 from Taka 1.99/share in 2012.

Derivates

EBIDTA margin increased by 22 bps to 28.33 percent in 2013 from 28.11 percent in 2012.

PAT margin increased by 81 bps to 13.20 percent in 2013 from 12.39 percent in 2012.

ROCE increased 113 bps to 18.43 percent in 2013 from 17.30 percent in 2012.

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 5.32 percent.

Interest income at Taka 125.11 mn was significantly higher

than interest payout Taka 42.27 mn thereby making the Company a net interest earner.

Invested Taka 278.39 mn (Taka 3,062.28 mn as on 31 December 2013 from Taka 2,783.89 mn as on 31 December 2012) in its gross block in 2013.

Maintained a strong debt-equity ratio to 0.08 (0.07 as on 31 December 2012).

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 5.32 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 from ceramics also increased to Taka 26.14 mn in 2013 from Taka 18.39 mn in 2012, as a result of catering to the demand of the export market.

Finance income (non-manufacturing) increased to 125.11mn in 2013 from 91.78mn in 2012.

Share of loss of associate companies decreased to Taka 49.67 mn in 2013 from 73.02 mn in 2012.

Foreign exchange gain in 2013 is Taka 5.64 mn as compared to gain of 11.54 mn in 2012.

Other income also includes toll manufacturing from subsidiary which amounted to Taka 7.33 mn in 2013.

Power: Profit after tax increased by 24.25 percent to Taka 74.09 in 2013 from Taka 59.63 in 2012 with increase in sales by 5.08 percent in 2013 compared to 2012.

Pharmaceuticals: Revenue growth was robust at 21.67 percent in 2013 compared to 2012 as the venture was initiated only in the second half of 2009; 2010, 2011, 2012 and 2013 reflect the full year of operations of this business.

Operating expenses

The Company's operating expenses (operating, marketing and administrative) increased by 5.51 percent to Taka 4,212.83 mn in 2013 from Taka 3,992.74 mn in 2012 in tandem with operational volume and country inflation. Operating cost as a proportion of sales increased by 16 bps to 81.50 percent in 2013 from 81.34 percent in 2012.

Operating cost matrix

Particulars	2013		2012		Increase/ (Decrease) (%)
	Amount (Taka mn)	Proportion of sales (%)	Amount (Taka mn)	Proportion of sales (%)	
Cost of Goods Sold	3,073.00	59.45	2,964.67	60.40	(0.95)
Marketing Expenses	854.92	16.54	730.82	14.89	1.65
Administration Expenses	284.91	5.51	297.25	6.06	(0.55)

Cost of goods sold: Cost of goods sold has increased by Taka 108.33 mn in 2013 than 2012 in tandem with revenues.

Raw materials: Raw Materials cost increased by Taka 221.82 mn in 2013, due to production of bigger size tiles and increase in production volume in group companies. Operational efficiency and innovative waste management optimized input consumption volume.

Labour costs: Labour cost increased by Taka 27.90 mn as a result of increase in headcount by 7 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) decreased by Taka 36.24 mn in 2013 mainly due to decrease in royalty expenses.

Administrative expenses: Administrative expenses decreased by Taka 12.34 mn mainly due to rigorous cost reduction policy.

Marketing expenses: Marketing expenses increased by Taka 124.09 mn mainly due to increase in advertisement expenses by 7.71 mn, business promotion expense Taka 12.07 mn, local freight cost by Taka 26.72 mn and annual increment of 10 percent on staff cost.

Financial expenses

Interest expenses increased to Taka 42.27 mn in 2013 from Taka 38.31 mn in 2012 due to increase in bank borrowings. This loan was availed by the subsidiary/associate to meet their working capital requirements. There was no foreign exchange losses in 2013. Bank charges increased by Taka 0.41 mn to Taka 2.46 in 2013 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 106.14 mn in 2013 to the gross block of the fixed assets in the following areas:

Land proximal to the present existing manufacturing facilities to expand tile and sanitaryware capacities by Taka 21.73 mn, Factory admin and stores building Taka 17.83 mn, additions to plant & machinery and furniture and fixtures by Taka 51.53 mn and Taka 3.22 mn respectively. In 2013 there has also been installation of new communication equipments of Taka 2.73mn for added data connectivity between factory and head office and purchase of new vehicles for staff of Taka 7.10 mn.

Intangible assets: Expenditures to acquire designs, developments, brand, trademarks and various licenses for manufacturing of ceramic tiles, sanitaryware and pharmaceutical products are capitalised. The amortization policy covers the period to the maximum extent of 15 years being the expected tenure of accrual of benefits derived from the particular asset.

Capital work-in-progress: The Company invested Taka 4.13 mn in heavy equipment in its ceramic tiles facility which is expected to be commissioned in the coming year. Capital work in progress also includes construction work for factory building, plant & machinery, air conditioner, communication equipment to Taka 59.17 mn apart from constructing an administrative and stores block in the manufacturing facility amounting to Taka 17.83 mn to facilitate added production and storage facilities due to expansion.

Investments in associates: The Company increased its investment from 40% in 2012 to 47% in 2013 by contributing Taka 36.75 mn in RAK Paints, an associate company.

Current assets

Inventory: Inventory comprises of Finished Goods Taka 237.09 mn, Raw Materials Taka 901.07 mn and Stores & Spares Taka 801.59 mn. The major inventory of Stores & Spares is with Ceramic Segment amounting to Taka 744.31mn. 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 (89 percent) where average receivables cycle is 45 days.

Asset composition

Particulars	2013		2012		Increase/ (Decrease) (%)
	Amount (Taka mn)	Proportion of assets (%)	Amount (Taka mn)	Proportion of assets (%)	
Non-Current assets	3,022.12	33.62	3,341.95	40.31	(6.69)
Current assets	5,967.94	66.38	4,948.09	59.69	6.69
Total	8,990.06	100.00	8,290.04	100.00	-

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

Company	Relation	As on 1 January 2013	Net addition during 2013	As on 31 December 2013
RAK Pharmaceuticals Pvt. Ltd.	Subsidiary	517.02	-	517.02
RAK Paints Pvt. Ltd.	Associate	210.00	36.75	246.75
RAK Mosfly (BD) Pvt. Ltd.	Associate	19.25	-	19.25

Cash and bank balance: Cash and bank balances include cash in hand Taka 3.91 mn, balances in bank accounts Taka 289.22 mn and Fixed Deposits Taka 1200.76 mn. The liquid balances of cash and bank are in commensurate with the smooth functioning of the business.

Equity and liabilities

Capital and reserves: The equity capital comprised 306,227,829 equity shares of Taka 10 each (face value). During the year, equity capital increased by 27,838,894 shares issued as bonus shares. The market value of the share is Taka 53.90 (31 December 2013) resulting into market capitalization of Taka 16.50 bn.

Non-current borrowings: Non-current borrowings decreased from Taka 18.57 mn in 2012 to Taka 18.48 mn in 2013 which was utilized mainly to purchase motor cycles in a subsidiary for marketing field force.

Current borrowings: Current borrowings include short term loans Taka 285.86 mn, overdrafts Taka 164.67 mn and current portion of long term loans Taka 12.69 mn.

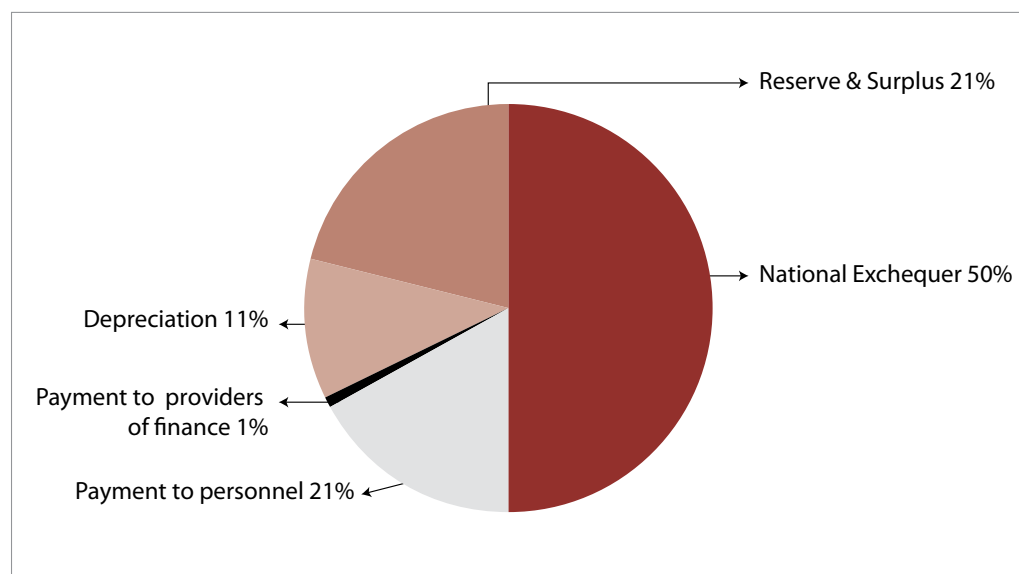
STATEMENT OF SUBSIDIARIES AND ASSOCIATES

The Company has the following subsidiaries and associates as on 31 December 2013

Company Name	Share Holding (%)	Relation-ship	Investment Taka (mn)	Nature of Business	Present Status
RAK Pharmaceuticals Pvt. Ltd.	55	Subsidiary	517.02	Manufacturing, Sales and Marketing of Pharmaceuticals products	On production
RAK Power Pvt. Ltd.	57	Subsidiary	116.85	Electricity generation	On production
RAK Paints Pvt. Ltd.	47	Associate	246.75	Manufacturing, Sales and Marketing of 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	Manufacturing, Sales and Marketing of Pesticides products	On production

VALUE ADDED STATEMENT

Particulars	31 December 2013	
	Taka	%
Turnover	6,535,746,468	
Less: Cost of Materials & Service	(3,259,096,995)	
Value Added	3,276,649,473	100
Applications:		
National Exchequer	1,629,544,749	50
Payment to personnel	548,232,237	17
Payment to providers of finance	44,737,610	1
Retained earnings -		
- Depreciation	371,716,567	11
- Reserve & Surplus	682,418,310	21
Total	3,276,649,473	100



DIRECTORS' REPORT

Dear Members,

Assalamu Alaikum.

It is a great pleasure and privilege on the part of the Board of Directors of RAK Ceramics (Bangladesh) Limited to welcome you all to this august occasion of the Fifteenth Annual General Meeting of the Company and to place before you the Annual Report together with the Audited Financial Statements and the Auditors' Report thereon for the year ended 31 December 2013.

Principal activities

RAK Ceramics (Bangladesh) Limited has been engaged in the manufacture and marketing of ceramics tiles, bathroom sets and sanitary ware products. The Company has been supplying a wide range of tiles and sanitary wares in ceramic sector of Bangladesh since 2000. Excellent designs and patterns has been created using specially selected wall and floor tiles, borders, corners. Many of RAK Ceramic's models come in modular designs make it easier for the customers to choose our products easily. 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.

Production capacity

RAK Ceramics (Bangladesh) Limited presently operates with an annual standard production capacity of 22,000 sqm of tiles and 3,000 pieces of sanitary ware per day with over 1,000 active designs and widest ranges. Now, the Company is in position to enhance its existing production capacity by around 10,000 sqm/day of tiles and 1,000 pcs/day of sanitaryware for which additional allocation of gas supply has been approved by the Government. The detail of segment-wise performance of the Company is disclosed in Segmental review of our products on page 31 in this annual report.

Operational results

The Company reported consolidated sales of Taka 5,169.22 mn in 2013 against Taka 4,908.17 mn in 2012 with a growth of 5.32 percent compared to 2012. The consolidated net profit after tax attributable to the equity holders of the Company was Taka 682.42 mn against Taka 608.12 mn in 2012 with a

growth of 12.22 percent. The detail of operational results of the Company is discussed in Analysis of Financial Statements on page 44 in this annual report.

Industry outlook and possible future developments of the industry

The detail about industry outlook and possible future developments of the industry is discussed in Industry Review on page 42 in this annual report.

Financial results and appropriations

The Directors are pleased to report the financial results for the year 2013 and recommend the following appropriations:

(Taka mn)

Particulars	2013	2012
Profit before tax *	947.82	856.95
Less: Provision for tax	358.29	356.74
Profit after tax *	589.53	500.21
Add: Un-appropriated profit brought forward	1,293.60	1,318.18
Profit available for distribution	1,976.02	1,926.30
Less: Appropriation of dividend	695.97	632.70
Un-appropriated profit C/F	1,280.05	1,293.60

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

The key operating and financial data of preceding five years is given in Annexure-1 on page 53 in this annual report.

Issuance of shares

RAK Ceramics (Bangladesh) Limited paid dividend @15 percent in cash and @10 percent in stock of the paid up capital of the Company for the year 2012. Hence, total 27,838,894 number of ordinary shares of Taka 10 each is increased in the paid up capital due to stock dividend 2012.

Fixed assets additions

During the year 2013 total additions to the fixed assets including subsidiary and associate companies was Taka 106.14 mn, out of which land acquisitions beside factory is

Taka 21.73 mn, additions to factory office building is Taka 17.83 mn, purchase of plant and machinery and furniture & fixture by Taka 51.53 mn and Taka 3.22 mn respectively. Office vehicles for Taka 7.10 mn, installation of high bandwidth communication network device between factory and office Taka 2.73 mn.

Reserve and surplus

Retained earnings of the Company in 2013 stood at Taka 1280.04 mn against Taka 1293.60 mn in 2012.

Dividend

The Board of Directors of the Company is pleased to recommend dividend @15 percent in cash and @ 10 percent in stock of paid up capital of the Company for the year 2013. The Company paid dividend @ 15 percent in cash and @ 10 percent in stock of paid up capital of the Company for the year 2012 also.

Contribution to national exchequer

RAK Ceramics (Bangladesh) Limited regularly pays its direct and indirect tax obligations in time. During the year 2013, RAK Ceramics (Bangladesh) Ltd. had contributed to National Exchequer total of Taka 1,793.46 mn, by way of Corporate Income tax of Taka 313.77 mn, withholding tax and vat from suppliers and service providers of Taka 145.40 mn, VAT of Taka 765.22 mn, supplementary duty of Taka 430.76 mn and other duties/taxes of Taka 138.31 mn.

Risks and concerns

The detail of risks and concerns of the Company is discussed in Managing Risks on page 33 in this annual report.

Auditors

M/s Rahman Rahman Huq, Chartered Accountants (a member firm of KPMG International in Bangladesh) shall retire in 15th AGM, being eligible, they offered themselves for re-appointment and the Board also recommended re-appointing them for the year 2014. Remuneration of the auditor will be fixed by the shareholders at this Annual General Meeting.

Parent, subsidiary and associate companies

RAK Ceramics Co. PSC, UAE is the parent company of RAK Ceramics (Bangladesh) Limited. Ras Al Khaimah (RAK) Ceramics Public Shareholding Company (RAKC, PSC), is a UAE

based leading tiles and sanitaryware manufacturing company. Established in 1989, the Company commenced operations in 1991, at its state-of-the-art facility in UAE. The Company'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 two subsidiaries namely RAK Pharmaceuticals Pvt. Ltd and RAK Power Pvt. Ltd and three associates namely RAK Paints Pvt. Ltd., RAK-Mosfly (Bangladesh) Pvt. Ltd. and RAK Security & Services (Pvt.) Ltd. The principal activities and status of these subsidiaries and associates are separately disclosed in Statement of Subsidiaries and Associates on page 47 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 management is disclosed in Related party disclosures under BAS-24 on page 108 in this annual report.

Corporate Social Responsibility (CSR)

The Company understands its responsibility towards social welfare and contributed an amount of Taka 3.09 mn as CSR during the year under review. The detail of the CSR activities of the Company during the year is discussed in Corporate Social and Individual Responsibility on page 38 in this annual report.

Human resources and staff welfare

RAK Ceramics (Bangladesh) Limited is currently staffed with 1,112 full time employees. It strongly believes that employees are the strength of the Company. In line with these beliefs, the Company has a well-designed compensation package for the employees to encourage professionalism, stimulate team work and promote innovation reinforced with high ethical standards.

The Company's remuneration benefits include salary and allowances, festival bonus and performance bonus. The workforce of the Company also has Contributory Provident Fund, Gratuity Scheme and Group Life Insurance, among others. The Company also established the "Workers' Profit Participation Fund and Welfare Fund". The Company provided 5 (five) percent of profit before tax towards Workers' Profit Participation and Welfare Fund amounting to Taka 59.11 mn for 2013.

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 expertise in specific functional areas of the Directors of the Company are shown in Profile of our Board of Directors on page 19 in this annual report. A statement for each of their involvement in other corporate bodies within the group is disclosed in Annexure-4 on page 56 in this annual report.

The Board of Directors of the Company met together 6 (six) times for meeting during the year under review. The number of Board meeting held and the attendance by each director during the year 2013 is disclosed in Annexure-2 on page 54 in this annual report.

In compliance with the corporate governance, the Board has 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 the independent director, except board meeting attendance fee and 3% of profit before tax to Managing Director.

Appointment/re-appointment of directors

In accordance with the Article 94 of the Articles of Association of the Company, Mr. Manoj Uttam Rao Ahire will retire from his office as Director by rotation in the 15th 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.

Barrister Rafique-ul Huq has been re-appointed by the Board on October 22, 2013 as independent director of the Company for further 3 (three) years and shall be placed for approval

by the shareholders in the 15th 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 55 in this annual report.

Financial reporting standards

The Directors, in accordance with BSEC's notification No. SEC/CMRRC/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 57 in this annual report. The Company also complied with all the requirements of corporate governance as required by BSEC. Accordingly a status report of compliance of conditions of corporate governance is disclosed on page 61 in this annual report.

Post balance sheet events

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

Appreciation

The Board would like to take this opportunity to thank 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
03 February 2014

ANNEXURE-1

Key operating and financial data of preceding five years

Amount in Taka

Particulars	2013	2012	2011	2010	2009
Sales	5,169,225,208	4,908,171,279	4,580,008,209	4,009,021,454	3,839,025,765
Cost of sales	3,073,003,258	2,964,666,370	2,693,596,290	2,505,064,934	2,631,107,917
Gross profit	2,096,221,950	1,943,504,909	1,886,411,919	1,503,956,520	1,207,917,848
Administration expenses	344,017,252	354,750,752	319,016,382	241,668,871	82,800,380
Marketing and selling expenses	854,918,221	730,822,714	641,800,857	509,086,847	425,856,574
Net profit before financial expenses	897,286,477	857,931,443	925,594,680	753,200,802	699,260,894
Financial expense	44,737,610	40,361,152	61,462,608	97,574,871	185,707,263
Other income*	95,273,113	39,382,333	96,568,631	148,471,774	7,160,230
Net profit before taxation	947,821,980	856,952,624	960,700,703	804,097,705	520,713,861
Income tax expenses	358,296,602	356,741,639	318,963,510	294,245,394	207,143,340
Non controlling interest	(92,892,932)	(107,912,172)	(115,215,452)	(96,668,798)	(11,305,618)
Net profit after taxation	682,418,310	608,123,157	756,952,645	606,521,109	324,876,139

*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 2013

Name of directors	Position	Number of meetings held while a member	Number of meetings attended
Mr. Abdallah Massaad (Nominee of RAK Ceramics Co. PSC, UAE)	Chairman	06	06
Mr. S.A.K. Ekramuzzaman	Managing Director	06	06
Mr. Khaled Abdulla Yousef Aal Abdulla Aal Abdulla (Nominee of RAK Ceramics Co. PSC, UAE)	Director	06	05
Mr. Manoj Uttamrao Ahire (Nominee of RAK Ceramics Co. PSC, UAE)	Director	06	06
Mr. Rafique-ul Huq Barrister-at-Law	Independent Director	06	06

ANNEXURE-3

The pattern of Shareholding as on 31 December 2013

Name	Status/Position	No. of Shares held
(a) Parent/Subsidiary/Associated Companies and other related parties		
RAK Ceramics Co. PSC, UAE	Parent Company	221,736,383
(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 Co. PSC, UAE)	Chairman	13
Mr. S.A.K. Ekramuzzaman	Managing Director	16,556,350
Mr. Khaled Abdulla Yousef Aal Abdulla Aal Abdulla (Nominee of RAK Ceramics Co. PSC, UAE)	Director	Nil
Mr. Manoj Uttamrao Ahire (Nominee of RAK Ceramics Co. PSC, UAE)	Director	13
Mr. Rafique-ul Huq, Barrister-at-Law	Independent Director	Nil
Mr. Imtiaz Hussain	Chief Operating 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. Mahbubur Rahman	GM-HR & Admin	37,026
Mr. Mohammad Jahirull Reza	GM-Purchase	Nil
Mr. Mohammed Shamsuddin	Manager-Taxation	1,113
Mr. Sk. Rafiq Uddin	Manager- Consolidation and Control	Nil
(d) Shareholders holding ten percent (10%) or more voting interest in the Company		
RAK Ceramics Co. PSC, UAE	Parent Company	221,736,383

ANNEXURE-4

Directors' involvement in other organization within the group

Directors		Involvement in other organization within the group					
Name	Position	Name of the Company	Position	Shareholding on 01.01.2013		Shareholding on 31.12.2013	
				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
Mr. S.A.K. Ekramuzzaman	Managing Director	RAK Pharmaceuticals Pvt. Ltd.	Director	14,056,080	140.56	15,227,420	152.27
		RAK Power Pvt. Ltd.	Director	573,995	57.40	573,995	57.40
		RAK Paints Pvt. Ltd.	Managing Director	200,000	20.00	235,000	23.50
		RAK Security and Services (Pvt.) Ltd.	Managing Director	5,000	0.50	5,000	0.50
		RAK-Mosfly (BD) Pvt. Ltd.	Managing Director	150,960	15.10	150,960	15.10
Mr. Khaled Abdulla Yousef Aal Abdulla Aal Abdulla [Nominee of RAK Ceramics (Bangladesh) Limited]	Director	RAK Pharmaceuticals Pvt. Ltd.	Director	Nil	Nil	Nil	Nil
		RAK Power Pvt. Ltd.	Director	Nil	Nil	Nil	Nil
		RAK Paints Pvt. Ltd.	Director	Nil	Nil	Nil	Nil
		RAK Security and Services (Pvt.) Ltd.	Director	Nil	Nil	Nil	Nil
		RAK-Mosfly (BD) Pvt. Ltd.	Director	Nil	Nil	Nil	Nil
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

CORPORATE GOVERNANCE REPORT

Corporate governance refers to the set of systems, principles and processes by which a company is governed. Its provide the guidelines as to how the company can be directed or controlled such that it can fulfill its goals and objectives in a manner that adds to the value of the company and is also beneficial for all stakeholders in the long term. Stakeholders in this case would include everyone ranging from the board of directors, management, shareholders to customers, employees and society. The management of the company hence assumes the role of a trustee for all the others.

Corporate governance is based on principles such as conducting the business with all integrity and fairness, being transparent with regard to all transactions, making all the necessary disclosures and decisions, complying with all the laws of the land, accountability and responsibility towards the stakeholders and commitment to conducting business in an ethical manner. 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 Company's business is managed under the direction of the Board of Directors. The Board delegates to the Managing Director, and through that individual to other senior management, the authority and responsibility for managing the Company's business. Directors are elected or appointed by the shareholders. The role of the Board of Directors is to oversee the management and governance of the Company and is responsible for operation of the company for the 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 nonexecutive 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 appraised by 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 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 Operating Officer (COO) of the Company. The Board of Directors also clearly defined respective roles and responsibilities of the Chairman, the Managing Director and the COO 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 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.

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 did not engage its statutory auditors to perform the following services:

- (i) Appraisal or valuation services or fairness opinions;
- (ii) Financial information systems design and implementation;
- (iii) Book-keeping or other services related to the accounting records or financial statements;
- (iv) Broker-dealer services;
- (v) Actuarial services;
- (vi) Internal audit services; and
- (vii) Any other service that the Audit Committee determines.
- (viii) No partner or employees of the auditors are holding any shares of RAK Ceramics (Bangladesh) Limited during the tenure of their audit assignment.
- (ix) Audit/certification services on compliance of corporate governance.

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

Internal Audit and 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 two 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 on page 60 in this annual report.

Conclusion

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 report to whistle blowing, when they suspect wrong doings by other employees.

CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE GUIDELINES TO THE SHAREHOLDERS OF RAK CERAMICS (BANGLADESH) LIMITED

We have examined the compliance of conditions of corporate governance guidelines of the Bangladesh Securities and Exchange Commission ("BSEC") by RAK Ceramics (Bangladesh) Limited (the "Company") for the year ended 31 December 2013 as stipulated in clause 7(i) of the BSEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012.

The compliance of conditions of corporate governance guidelines as stated in the aforesaid notification and reporting of the status of compliance is the responsibility of the Company's management. Our examination for the purpose of issuing this certification was limited to the checking of procedures and implementations thereof, adopted by the Company for ensuring the compliance of conditions of corporate governance and correct reporting of compliance status on the attached statement on the basis of evidence gathered and representation received.

To the best of our information and according to the explanations given to us, we certify that, as reported on the attached status of compliance statement, the Company has complied with the conditions of corporate governance stipulated in the above mentioned BSEC notification dated 07 August 2012.



A F Nesaruddin, FCA

Partner

ICAB Enrolment Number - 469

For Hoda Vasi Chowdhury & Co

Chartered Accountants

Dated: 03 February 2014

ANNEXURE

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	√		Independent Director of subsidiary 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 as a defaulter in payment of any loan to a bank or an Non-Bank Financial Institution (NBFI)	√		
1.2(ii) i)	Not 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	√		Re-appointed by the Board on October 22, 2013 and will be placed for approval in forthcoming AGM
1.2(iv)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days	√		
1.2(v)	Lay down a code of conduct of all Board members and annual compliance thereof in recorded	√		
1.2(vi)	Tenure of office of an independent director	√		
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 laws	√		
1.3(ii)	Qualification/background of independent director	√		

Condition	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
1.3(iii)	Relaxation the qualification of independent director in special cases	√		No such matter
1.4	Chairman of the Board and Chief Executive Officer be different person	√		CEO resigned on 11 April 2013 and Chief Operating Officer (COO) is currently acting as CEO of the Company
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(iii)	Risk and concerns	√		
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 matter
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 matter
1.5(viii)	Explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing etc	√		No such matter
1.5(ix)	Explanation of significant variance between Quarterly and Annual Financial Statements	√		No such matter
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	√		No such matter
1.5(xvii)	Explanation of significant deviations from last year in operating results	√		No such matter
1.5(xviii)	Presentation of key operating and financial data for last 5 (five) years	√		
1.5(xix)	Reason for not declaration of dividend	√		No such matter
1.5(xx)	Disclosed number of Board meeting held during the year and attendance by each Director	√		
1.5(xxi) a)	Disclosed shareholding pattern of Parent/Subsidiary/ Associate Companies and other related parties	√		

Condition	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
1.5(xxi) b)	Disclosed 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)	Disclosed shareholding pattern of Executives	√		
1.5(xxi) d)	Disclosed shareholding pattern of shareholder holding ten percent (10%) or more voting interest in the company	√		
1.5(xxii) a)	Disclosed brief resume of the director	√		
1.5(xxii) b)	Disclosed nature of Directors expertise in specific functional areas	√		
1.5(xxii) c)	Disclosed name of companies in which the director 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)	The Audit Committee Assist the Board of Directors 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 set forth in writing	√		
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 matter
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	√		
3.3	Role of the 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	√		

Condition	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
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
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	√		No such matter
3.4.1(ii) b)	Report on suspected or presumed fraud or irregularity or material defect in the internal control system	√		No such matter
3.4.1(ii) c)	Report on suspected infringement of laws, including securities related laws, rules and regulations	√		No such matter
3.4.1(ii) d)	Report on any other matter which shall be disclosed	√		No such matter
3.4.2	Reporting to the Authorities	√		No such matter
3.5	Reporting to the shareholders and general investors	√		
4.	STATUTORY AUDITORS:			
4(i)	Not engaged appraisal or valuation services or fairness opinion	√		
4(ii)	Not engaged financial information systems design and implementation	√		
4(iii)	Not engaged book keeping or other services related to accounting records or financial statements	√		
4(iv)	Not engaged broker-dealer services	√		
4(v)	Not engaged actuarial services	√		
4(vi)	Not engaged internal audit services	√		
4(vii)	Not engaged 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	√		

Condition	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
4(ix)	Not engaged audit/certification services on compliance of corporate governance	√		
5.	SUBSIDIARY COMPANY:			
5(i)	Composition of the Board of Directors of the subsidiary company	√		
5(ii)	Appointment of 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 for review	√		
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 OPERATING OFFICER (COO) AND CHIEF FINANCIAL OFFICER (CFO):			
6(i)	Review the financial statements for the year	√		
6(i) a)	Financial statements do not contain any materially untrue or omit any material fact	√		
6(ii) 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)	Obtain a compliance certificate on corporate governance and send the same to the shareholders	√		
7(ii)	Status report of compliance on corporate governance.	√		

REPORT OF AUDIT COMMITTEE

RAK Ceramics (Bangladesh) Limited established an Audit Committee as a sub-committee of the Board of Directors. The Audit Committee is responsible to the Board and they assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business. The duties and responsibilities of the Audit Committee are clearly set forth in writing by the Board in the Audit Committee Charter.

Background

The 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/CMRRCD/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 the 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 defined 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 legislations and regulations, 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 process and performance of statutory 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 the 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 Operating Officer, Chief Financial Officer, Head of Finance & Accounts and Head of Internal Audit were the permanent invitees of the meeting. 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 2013 contained full disclosures and these are prepared in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) as adopted by the Institute of Chartered Accountants of Bangladesh.
- Appropriate Management Information Systems (MIS) are in place and in effect.
- Existing risk management procedures are effective to capture and mitigate risk.
- Adequate internal control systems are put in place to detect, correct and prevent fraud and errors on timely manner.
- The Committee considered the recommendations made by the statutory and internal auditors of the Company in their respective reports.

The findings and recommendations of the Committee were reported to the Board of Directors meetings and the Board of Directors had taken appropriate measures thereof. The minutes of all Audit Committee meetings were circulated among the members of the Committee.

Statutory Auditor

The Committee has satisfied itself through enquiry that the statutory auditor of the Company is independent as defined by the related 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 2014 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 practice.

Financial Management

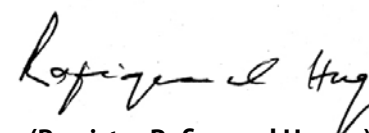
The financial management/activities of the Company are running under the supervision of Mr. Abhijit Chakrobarty, Head of Finance & Accounts of the Company. The Audit Committee has satisfied itself that Mr. Abhijit Chakrobarty has the appropriate expertise and knowledge to fulfill his role efficiently.

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.

Appreciation

The Audit Committee expressed their sincere thanks to the members of the Board, Management and the statutory auditors for their support in carrying out its duties and responsibilities effectively.



(Barrister Rafique-ul Haque)

Chairman

Audit Committee

Dated: February 03, 2014

CERTIFICATE FOR FINANCIAL STATEMENTS

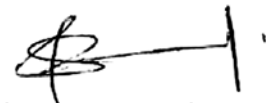
Date: 03.02.2014

This is to certify that:-

- (i) We have reviewed the financial statements for the year ended 31 December 2013 and that to the best of our knowledge and belief:
- a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.
- (ii) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violation of the company's code of conduct.



(P.K. Chand)
Chief Financial Officer



(Imtiaz Hussain)
Chief Operating Officer



RAK CERAMICS (BANGLADESH) LIMITED

AUDITORS' REPORT AND
CONSOLIDATED FINANCIAL
STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

INDEPENDENT AUDITORS' 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 2013, 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.

Auditors' 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 2013 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 explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) in our opinion, 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
3 February 2014

Rahman Rahman Huq
Chartered Accountants

RAK Ceramics (Bangladesh) Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	Notes	2013	2012
		Taka	Taka
Assets			
Property, plant and equipment	4	2,734,360,116	3,000,994,834
Equity-accounted investees	5	87,010,905	99,935,330
Intangible assets	6	106,059,779	112,670,334
Capital work in progress	7	35,091,397	30,955,703
Investment in shares of listed companies	8	-	2,189,065
Loan to associate	9	59,597,389	95,204,185
Total non-current assets		3,022,119,586	3,341,949,451
Inventories	10	1,990,139,724	1,777,888,718
Trade and other receivables	11	560,988,386	629,958,652
Loan to associate	12	35,606,796	4,795,815
Advances, deposits and prepayments	13	231,316,170	243,258,995
Advance income tax	14	1,656,003,346	1,303,890,755
Cash and cash equivalents	15	1,493,885,366	988,298,905
Total current assets		5,967,939,788	4,948,091,840
Total assets		8,990,059,374	8,290,041,291
Equity			
Share capital	16	3,062,278,290	2,783,889,350
Share premium		1,473,647,979	1,473,647,979
Retained earnings		1,280,045,607	1,293,599,640
Equity attributable to equity holders of the Company		5,815,971,876	5,551,136,969
Non-controlling interests		26,333,826	108,824,662
Total equity		5,842,305,702	5,659,961,631
Liabilities			
Borrowings	19	18,483,567	18,567,275
Deferred tax liability	17	94,326,905	121,162,388
Total non-current liabilities		112,810,472	139,729,663
Employees benefit payable	18	30,621,832	21,856,218
Borrowings	19	463,219,346	389,152,953
Trade and other payables	20	278,661,728	231,631,258
Accrued expenses	21	195,958,680	172,927,231
Provision for royalty and technical know-how fee	22	225,676,743	219,094,868
Provision for income tax	23	1,840,804,871	1,455,687,469
Total current liabilities		3,034,943,200	2,490,349,997
Total equity and liabilities		8,990,059,374	8,290,041,291

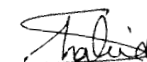
The notes on pages 75 to 111 are an integral part of these financial statements.



Managing Director



Director



Company Secretary

As per our report of same date.



Rahman Rahman Huq
Auditor
Rahman Rahman Huq
Chartered Accountants

Dhaka
Dated: 3 February 2013

RAK Ceramics (Bangladesh) Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

	Notes	2013	2012
		Taka	Taka
Sales	24	5,169,225,208	4,908,171,279
Cost of sales	25	(3,073,003,258)	(2,964,666,370)
Gross profit		2,096,221,950	1,943,504,909
Other income	26	14,194,876	9,570,670
Administrative expenses	27	(284,905,923)	(297,250,162)
Marketing and selling expenses	28	(854,918,221)	(730,822,714)
		(1,125,629,268)	(1,018,502,206)
Profit from operating activities		970,592,682	925,002,703
Finance income	29	130,752,662	102,831,687
Finance expenses	30	(44,737,610)	(40,361,152)
Net finance income		86,015,052	62,470,535
Share of profit/(loss) of equity-accounted investees	5	(49,674,425)	(73,020,024)
Profit before contribution to Workers' Profit Participation and Welfare Fund		1,006,933,309	914,453,214
Contribution to Workers' Profit Participation and Welfare Fund		(59,111,329)	(57,500,590)
Profit before income tax		947,821,980	856,952,624
Income tax expense:			
Current tax	31	(385,132,085)	(370,221,049)
Deferred tax	17	26,835,483	13,479,410
		(358,296,602)	(356,741,639)
Profit for the year		589,525,378	500,210,985
Profit attributable to:			
Equity holders of the Company		682,418,310	608,123,157
Non-controlling interests		(92,892,932)	(107,912,172)
Profit after tax for the year		589,525,378	500,210,985
Basic earnings per share (par value Tk 10)	35	2.23	1.99

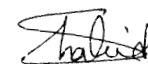
The notes on pages 75 to 111 are an integral part of these financial statements.



Managing Director



Director



Company Secretary

As per our report of same date.



Rahman Rahman Huq
Auditor
Rahman Rahman Huq
Chartered Accountants

Dhaka
Dated: 3 February 2013

RAK Ceramics (Bangladesh) Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Total		
	Taka	Taka	Taka	Taka		
Balance as at 1 January 2012	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	<u>2,783,889,350</u>	<u>1,473,647,979</u>	<u>1,293,599,640</u>	<u>5,551,136,969</u>	<u>108,824,662</u>	<u>5,659,961,631</u>
Total comprehensive income for 2013						
Profit/(loss) for the year	-	-	682,418,310	682,418,310	(92,892,932)	589,525,378
Share money deposit	-	-	-	-	35,290,000	35,290,000
Elimination on disposal of subsidiary (Note 37.3.1)	-	-	-	-	(2,850,404)	(2,850,404)
Transactions with the shareholders						
Cash dividend (2012)	-	-	(417,583,403)	(417,583,403)	(22,037,500)	(439,620,903)
Stock dividend (2012)	278,388,940	-	(278,388,940)	-	-	-
Balance as at 31 December 2013	<u>3,062,278,290</u>	<u>1,473,647,979</u>	<u>1,280,045,607</u>	<u>5,815,971,876</u>	<u>26,333,826</u>	<u>5,842,305,702</u>

The notes on pages 75 to 111 are an integral part of these financial statements.

RAK Ceramics (Bangladesh) Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2013

	2013	2012
	Taka	Taka
Cash flows from operating activities		
Cash receipts from customers	5,259,506,963	4,790,662,464
Cash payments to suppliers and employees	(4,014,755,159)	(3,776,281,817)
Cash generated from operating activities	1,244,751,804	1,014,380,647
Interest received from bank deposit	3,710,941	6,174,052
Income tax paid	(352,112,591)	(355,888,317)
Net cash from operating activities	896,350,154	664,666,382
Cash flows from investing activities		
Acquisition of property, plant and equipment	(110,273,048)	(638,513,274)
Sale of property, plant and equipment	3,774,808	4,119,365
Loan to associates	4,795,815	(89,073,637)
Investment in associate companies	(36,750,000)	(90,000,000)
Interest received from FDR	123,112,886	92,259,780
Intangible assets	(2,951,177)	(9,544,681)
Adjustments related to non-controlling interests	12,752,500	42,870,000
Dividend received	394,520	398,200
Net cash used in investing activities	(5,143,696)	(687,484,247)
Cash flows from financing activities		
Finance charges	(44,737,610)	(40,361,154)
Repayment of term loan	(83,709)	(14,364,639)
Repayment of short term loan	25,324,646	4,123,163
Dividend paid	(414,001,075)	(371,732,823)
Unclaimed share application refund	(863,996)	(931,205)
Net cash used in financing activities	(434,361,744)	(423,266,658)
Net increase/(decrease) in cash and cash equivalents	456,844,714	(446,084,523)
Cash and cash equivalents as at 1 January	872,372,984	1,318,457,507
Cash and cash equivalents at 31 December	1,329,217,698	872,372,984
Closing cash & cash equivalents have been arrived at as follows:		
Cash & cash equivalents as at 31 December (Note 15)	1,493,885,366	988,298,905
Bank overdraft (Note 19)	(164,667,668)	(115,925,921)
	1,329,217,698	872,372,984

The notes on pages 75 to 111 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 2013

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 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 2013. 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 2013. 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 of the Company is Taka 10,000,000. 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 was held by RAK Ceramics (Bangladesh) Limited at the beginning of the year which was fully sold off as at 03 November 2013.

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 of the Company is Taka 2,000,000. 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. was held by RAK Ceramics (Bangladesh) Limited at the beginning of the year which was fully sold off as at 03 November 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2013

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 3 February 2014.

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/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 17	Deferred tax liability
Note 18	Employees benefit payable
Note 23	Provision for 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2013

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.

BFRS 10 introduces a new control model that focuses on whether the group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. An investor has power over an investee when the investor has existing rights that gives it the current ability to direct the relevant activities that significantly affect the investee’s returns. Power arises from rights. An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor’s returns from its involvement have the potential to vary as a result of the investee’s performance. An investor controls an investee if the investor not only has the power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor’s return from its involvement with the investee.

Subsidiaries

Subsidiaries are enterprises controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. The results of operations and total assets and liabilities of subsidiary companies are included in the consolidated financial statements on a line-by-line basis and the interest of minority shareholders, if any, in the results and net assets of subsidiaries is stated separately. The financial 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2013

against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Financial 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.

3.2.1 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.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in the statement of comprehensive income.

Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented by the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

Loans and receivables

Loans and 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, loans and receivables are

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2013

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

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.

3.2.2 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 Group 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.

3.3 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

3.4 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.

3.4.1 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2013

3.5 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.

3.6 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.

3.7 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.

3.8 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.

3.9 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2013

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.

3.10 Employee benefit schemes

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

Defined contribution plan (Provident Fund)

Defined contribution plan is a post employment benefit plan under which the Group provides benefits to one or more employees. The recognised Employees Provident Fund is considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10 percent of their basic salary to the provident fund and the 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 Group. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

Defined benefit plan (Gratuity Fund)

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

Permanent employees are entitled to gratuity after completion of minimum three years of service in the Group. 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 and Welfare Fund

The Company provides 5% of its net profit before tax after charging such expense as Workers' Profit Participation and Welfare Fund in accordance with "The Bangladesh Labour Act 2006".

3.12 Provisions

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

3.13 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".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2013

3.14 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, Loans Against Trust Receipts (LATR), 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.

3.15 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".

3.16 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 for the Company following the rate applicable for a publicly-traded company and for the subsidiaries following the standard rate applicable for a 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2013

3.18 Determination and presentation of operating segment

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

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 adopted

The following new standards are effective for annual periods beginning after 1 January 2013 and have been applied in preparing these financial statements.

BFRS 10	"Consolidated Financial Statements"
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 Group's position at the reporting date are reflected in the financial statements. Material events after the reporting period that are not adjusting events are disclosed by way of note.

3.23 Comparatives and reclassification

Comparative information have been disclosed in respect of 2013 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 conform to current year's presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

4. Property, plant and equipment
2013

Particulars	Cost				Depreciation				Written down value as at 31 December 2013
	"Balance as at 1 January 2013 "	Additions during the year	Adjustment/ disposal during the year	"Balance as at 31 December 2013 "	"Balance as at 1 January 2013 "	Charged during the year	Adjustment/ disposal during the year	"Balance as at 31 December 2013 "	
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Land	748,720,144	21,729,827	-	770,449,971	-	-	-	-	770,449,971
Factory building	689,560,013	-	-	689,560,013	205,071,682	31,348,593	-	236,420,275	453,139,738
Factory office building	71,232,413	17,833,416	-	89,065,829	27,664,440	3,424,637	-	31,089,077	57,976,752
Head office building	171,556,721	-	-	171,556,721	33,827,690	6,880,106	-	40,707,796	130,848,925
Plant and machinery	3,331,136,668	51,532,120	-	3,382,668,788	1,971,518,873	273,582,211	-	2,245,101,084	1,137,567,704
Mobile plant	89,121,262	186,079	-	89,307,341	53,375,158	7,570,861	-	60,946,019	28,361,322
Electrical installation	222,723,445	-	-	222,723,445	135,370,805	22,324,625	-	157,695,430	65,028,015
Gas pipeline	43,967,827	17,552	-	43,985,379	36,938,785	4,311,108	-	41,249,893	2,735,486
Furniture and fixtures	52,873,545	3,219,548	-	56,093,093	22,618,078	5,202,683	-	27,820,761	28,272,332
Office equipment	33,965,544	1,703,135	307,500	35,361,179	22,124,588	3,494,811	152,710	25,466,689	9,894,490
Communication equipment	4,083,829	2,727,738	-	6,811,567	1,996,893	664,886	-	2,661,779	4,149,788
Tools and appliances	7,036,968	82,292	-	7,119,260	3,796,782	656,017	-	4,452,799	2,666,461
Vehicles	85,426,287	7,105,647	6,127,101	86,404,833	36,832,262	11,529,825	5,226,386	43,135,701	43,269,132
Fire fighting equipments	3,631,012	-	-	3,631,012	2,904,808	726,204	-	3,631,012	-
Total	5,555,035,678	106,137,354	6,434,601	5,654,738,431	2,554,040,844	371,716,567	5,379,096	2,920,378,315	2,734,360,116

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

4.1 Depreciation charged to

Cost of goods manufactured (Note 25.1)
Administrative expenses (Note 27)
Marketing & selling expenses (Note 28)

	2013	2012
	Taka	Taka
	340,713,727	334,263,662
	27,077,852	27,764,450
	3,924,988	3,826,650
	<u>371,716,567</u>	<u>365,854,762</u>

4.2 Disposal of property, plant and equipment

Year 2013

Particulars	Original cost	Accumulated depreciation	Book value	Sale/Insurance claim receipt	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Motor cycle	828,283	375,753	452,530	455,299	2,769
Vehicles	5,298,818	4,850,633	448,185	3,234,274	2,786,089
Office equipment	307,500	152,710	154,790	85,235	(69,555)
Total	6,434,601	5,379,096	1,055,505	3,774,808	2,719,303

Year 2012

Particulars	Original cost	Accumulated depreciation	Book value	Sale/Insurance claim receipt	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Motor cycle	254,838	91,535	163,303	217,203	53,900
Vehicles	4,323,082	2,103,192	2,219,890	3,423,076	1,203,186
Office equipment	958,775	479,689	479,086	479,086	-
Total	5,536,695	2,674,416	2,862,279	4,119,365	1,257,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

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 2013									
RAK Security and Services Pvt. Ltd.	35	27,829,104	3,686,947	31,516,051	17,689,675	-	17,689,675	13,826,376	4,839,232
RAK Paints Pvt. Ltd.*	47	363,239,232	272,712,697	635,951,929	398,444,981	589,668,848	988,113,829	(352,161,900)	81,614,022
RAK-Mosfly (Bangladesh) Pvt. Ltd.*	20	36,712,395	128,066,427	164,778,822	118,058,490	117,982,077	236,040,567	(71,261,745)	557,651
									<u>87,010,905</u>

*Share of net assets is arrived at adding share money deposit of RAK Ceramics (Bangladesh) Limited of Tk 223,250,000 and Tk 14,810,000 respectively.

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 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 2013								
RAK Security and Services Pvt. Ltd.	35	31 December 2013	Associate	61,696,869	54,647,544	2,643,497	4,405,828	1,192,040
RAK Paints Pvt. Ltd.	47	31 December 2013	Associate	630,332,444	729,316,211	-	(98,983,767)	(43,864,725)
RAK-Mosfly (Bangladesh) Pvt. Ltd.	20	31 December 2013	Associate	224,000,734	258,992,232	17,200	(35,008,698)	(7,001,740)
								<u>(49,674,425)</u>
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	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	153,439,119	199,495,556	-	(46,056,437)	(9,405,988)
								<u>(73,020,024)</u>

There is no impact over the classifications of its existing associates although the shareholding percentage in RAK Paints increased from 40% to 47%, because the Company does not involve itself directly with the activities of RAK Paints nor affects its return from its involvement with the investee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	2013	2012
	Taka	Taka
6. Intangible assets		
Balance as at 1 January	112,670,334	113,928,723
Add: Addition during the year	2,951,177	9,544,681
	115,621,511	123,473,404
Less: Amortisation for the year	9,561,732	10,803,070
Balance as at 31 December	106,059,779	112,670,334
7. Capital work in progress		
Balance as at 1 January	30,955,703	36,578,205
Add: Addition during the year	64,122,346	91,052,972
	95,078,049	127,631,177
Less: Transfer to property, plant and equipment during the year (Note 7.1)	59,175,701	96,675,474
Discontinued project	810,951	-
Balance as at 31 December	35,091,397	30,955,703
Capital work in progress includes construction work for factory building, plant and machinery, air conditioner, communication equipment etc.		
7.1 Items transferred from capital work in progress to property, plant and equipment		
Factory building	-	24,210,365
Factory office building	17,833,416	5,041,257
Plant & machinery	37,158,989	67,423,852
Communication equipment	2,347,396	-
Furniture & fixtures	1,835,900	-
	59,175,701	96,675,474
8. Investment in shares of listed companies		
Cost price	-	5,004,427
Less: Unrealised loss	-	(2,815,362)
	-	2,189,065

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2012

Amount in taka

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)

	2013	2012
	Taka	Taka
9. Loan to associate		
RAK Paints Pvt. Ltd.	59,597,389	95,204,185
10. Inventories		
Raw materials	901,067,829	914,539,779
Stores and consumable spares	801,590,998	691,507,987
Finished goods	237,095,258	125,399,406
Work-in-process	35,412,055	34,017,206
Goods-in-transit	14,973,584	12,424,340
	1,990,139,724	1,777,888,718
11. Trade & other receivables		
Trade receivables (Note 11.1)	536,206,848	605,862,856
Claim receivables	2,368,635	5,063,730
Accrued interest (Note 11.2)	15,525,368	17,237,758
Accrued rental income	190,000	-
Receivable against disposal of investment	6,120,000	-
Other receivable	577,535	1,794,308
	560,988,386	629,958,652

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

	2013	2012
	Taka	Taka
11.1 Trade receivables		
Receivables from dealers	536,206,848	602,457,971
Receivables from export sales	-	3,404,885
	<u>536,206,848</u>	<u>605,862,856</u>
11.2 Accrued interest		
Interest accrued on FDR	15,525,368	9,326,431
Interest accrued on loan to associates	-	7,911,327
	<u>15,525,368</u>	<u>17,237,758</u>
12. Loan to associate		
RAK Paints Pvt. Ltd.	35,606,796	4,795,815
13. Advances, deposits and prepayments		
Advances:		
Employees	16,899,108	19,404,749
Landlord for factory building and others	20,986,852	29,094,223
Suppliers against materials and services	78,397,462	46,795,105
	<u>116,283,422</u>	<u>95,294,077</u>
Security and other deposits:		
Titas Gas	20,215,520	19,217,750
Mymensingh Palli Bidyut Samity-2	1,991,090	1,991,090
VAT and supplementary duty (Note 13.1)	33,418,079	41,902,497
Deposited with Income tax authority	9,705,739	9,705,739
Deposited with VAT authority	8,228,687	8,596,796
Other deposits	1,700,425	1,700,157
	<u>75,259,540</u>	<u>83,114,029</u>
Prepayments:		
House rent	9,440,076	10,715,152
Insurance	27,081,166	33,818,050
Others	3,251,966	20,317,687
	<u>39,773,208</u>	<u>64,850,889</u>
	<u>231,316,170</u>	<u>243,258,995</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

	2013	2012
	Taka	Taka
13.1 VAT and supplementary duty		
Balance as at 1 January	41,902,497	40,883,518
Add: Treasury deposit for VAT & SD purpose	957,595,000	1,066,586,946
Rebate of input VAT	308,017,080	304,745,241
	1,307,514,577	1,412,215,705
Add: Receivable - SD & VAT	73,330	-
	1,307,587,907	1,412,215,705
Less: VAT & SD on sales	1,271,248,147	1,368,054,273
Payable - SD & VAT	2,921,681	-
Other payable *	-	2,258,935
	1,274,169,828	1,370,313,208
	33,418,079	41,902,497
*Other payable for 2012 represents amount paid to file appeal before Appellate Tribunal of Customs, Excise & VAT Authority.		
14. Advance income tax		
Balance as at 1 January	1,303,890,755	948,002,438
Add: Paid during the year	352,131,008	355,888,317
Less: Adjusted during the year	18,417	-
Balance as at 31 December (Notes 14.1 & 14.2)	1,656,003,346	1,303,890,755
14.1 Head wise payment		
Import	415,459,961	341,524,750
Export	754,981	519,050
Supplies	780,254	456,387
Interest on bank deposit	50,546,251	39,914,208
Rental income	1,057,173	753,261
Registration	1,210,700	684,700
Dividend	13,063,500	7,151,000
Paid in cash	1,173,130,526	912,887,399
	1,656,003,346	1,303,890,755
14.2 Payment for the year		
<u>Income year</u>		
Year 2013	237,971,641	-
Year 2012	337,866,431	262,663,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

	2013	2012
	Taka	Taka
Year 2011	330,585,731	330,587,709
Year 2010	263,861,908	263,867,684
Year 2009	156,292,148	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
	1,656,003,346	1,303,890,755
15. Cash and cash equivalents		
Cash in hand	3,908,760	3,680,020
Cash at banks		
HSBC (current account - 001-013432-011, 001-107580-011, 001-096015-011, 001-096007-011 - taka)	17,403,428	43,152,289
Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - taka)	158,129,932	38,928,111
Agrani Bank (current account - 075533005368 - taka)	305	1,455
Citibank N.A. (current account - G0100001200262018 - taka)	22,603,156	14,278,278
Dutch Bangla Bank Ltd. (current account - 117-110-12733, 117-110-2481, 117.110.23474 - taka)	5,917,265	13,312,403
HSBC (ERQ account - 001-013432-047 - USD)	984,551	8,813,226
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	2,134,362	184,766
HSBC (margin money - 001-013432-047, 001-107580-011 - taka)	-	432,044
EXIM Bank (SND account - 01513100031877 - taka)	514,269	498,889
Dutch Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330, 117-120.2550 - taka)	38,200,856	42,434,784
BRAC Bank (SND - 1513101731248001 - taka)	338,895	8,274,968
Prime Bank Ltd. (SND - 12531010022563 - taka)	26,880,635	7,511,422
HSBC (SND - 001-066331-067, 001-107580-067, 001-096015-067 - taka)	1,909	8,018
Islami Bank Bangladesh Limited (current account- 20502070100405600)	1,454,727	638,279
Dhaka Bank Limited (current account- 0204100000014484)	4,079	31,670
Premier Bank Ltd. (Current account - 10211100015136- taka)	8,250	-
Greenland Equity (Margin account - 1202190030388191-taka)	-	30,863
	274,576,619	178,531,465

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	2013	2012
	Taka	Taka
IPO bank a/c		
Citibank N.A. (RAK-IPO Central a/c - G010001200262022 - taka)	1,804,384	2,543,384
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262042 - USD)	3,951,074	4,047,070
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
	6,035,659	6,870,655
Dividend bank a/c		
BRAC Bank (Current - 1510201731248001 - taka) - 2010	2,395,744	12,171,174
BRAC Bank (Current - 1513201731248001 - taka) - 2011	2,148,624	9,785,117
SCB (Current - 02-6162940-02- taka) - 2012	4,057,880	-
	8,602,248	21,956,291
Investment in Fixed Deposit Receipt (FDR)		
HSBC	60,000,000	250,956,245
SCB	762,080	210,762,080
Prime Bank Ltd.	260,000,000	265,542,149
Dutch Bangla Bank Ltd.	880,000,000	50,000,000
	1,200,762,080	777,260,474
Total	1,493,885,366	988,298,905
16. Share capital		
Authorised:		
600,000,000 ordinary shares of Tk 10 each	6,000,000,000	6,000,000,000
Issued, subscribed, called and paid up:		
306,227,829 ordinary shares of Tk 10 each (2012: 278,388,935 ordinary shares)	3,062,278,290	2,783,889,350

Percentage of shareholdings:

Name of Shareholders	2013		2012	
	%	Taka	%	Taka
RAK Ceramics PSC, UAE	72.41	2,217,363,830	72.41	2,015,785,305
SAK Ekramuzzaman	5.41	165,563,500	6.67	185,563,500
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	260	0.00	242
Sheikh Omer Bin Saqr Al Qassimi	0.00	260	0.00	242
Sheikh Ahmad Bin Humaid al Qassimi	0.00	260	0.00	242
Hamad Abdulla Al Muttawa	0.00	130	0.00	121
Dr. Khater Massaad	0.00	130	0.00	121

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Percentage of shareholdings:

Name of Shareholders	2013		2012	
	%	Taka	%	Taka
Abdallah Massaad	0.00	130	0.00	121
Manoj Uttamrao Ahire	0.00	130	0.00	121
General Public (including eligible institutional investors & employees)	22.18	679,349,660	20.93	582,539,335
	100.00	3,062,278,290	100.00	2,783,889,350

Classification of shareholders by range:

Shareholder's range	Number of shareholders		Number of shares	
	2013	2012	2013	2012
Less than 500 shares	46,960	51,525	9,717,485	11,231,793
501 to 5,000 shares	10,381	8,933	13,119,635	12,470,010
5,001 to 10,000 shares	514	449	3,599,643	3,094,240
10,001 to 20,000 shares	186	158	2,580,341	2,175,085
20,001 to 30,000 shares	58	53	1,432,712	1,305,541
30,001 to 40,000 shares	41	29	1,421,481	991,204
40,001 to 50,000 shares	15	19	667,999	849,987
50,001 to 100,000 shares	45	39	3,027,601	2,625,569
100,001 to 1,000,000 shares	39	36	9,727,969	8,823,889
Over 1,000,000 shares	8	6	260,932,963	234,821,617
	58,247	61,247	306,227,829	278,388,935

17. Deferred tax liabilities

Balance as at 1 January
Less: Deferred tax income
Balance as at 31 December

2013	2012
Taka	Taka
121,162,388	134,641,798
26,835,483	13,479,410
94,326,905	121,162,388

18. Employees benefit payable

Provident fund
Gratuity fund

11,613,439	5,372,511
19,008,393	16,483,707
30,621,832	21,856,218

Balance as at 1 January
Add: Provision made during the year

Less: Payments made to fund during the year
Balance as at 31 December

2013		
Provident Fund	Gratuity Fund	Total
Taka	Taka	Taka
5,372,511	16,483,707	21,856,218
31,797,938	12,697,577	44,495,515
37,170,449	29,181,284	66,351,733
25,557,010	10,172,891	35,729,901
11,613,439	19,008,393	30,621,832

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

	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

19. Borrowings

Non-current:

Term loan

Less: Current portion of term loan

Current:

Bank overdrafts

Short-term borrowings

Current portion of term loan

	2013	2012
	Taka	Taka
Term loan	31,177,626	33,097,082
Less: Current portion of term loan	12,694,059	14,529,807
	18,483,567	18,567,275
Bank overdrafts	164,667,668	115,925,921
Short-term borrowings	285,857,619	258,697,225
Current portion of term loan	12,694,059	14,529,807
	463,219,346	389,152,953

19.1 Borrowings by maturity

At 31 December 2013	Amounts in Taka				
	< 1 year	1-2 years	2-5 years	> 5 years	Total
Bank overdrafts	164,667,668	-	-	-	164,667,668
Short-term loans	285,857,619	-	-	-	285,857,619
Term loans and others	12,694,059	7,762,382	10,721,185	-	31,177,626
	463,219,346	7,762,382	10,721,185	-	481,702,913

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

	2013	2012
	Taka	Taka
20. Trade and other payables		
Trade payables		
Payable to local suppliers	116,802,654	116,606,918
Payable to foreign suppliers	49,831,597	29,875,527
Payable to service provider	19,949,818	8,245,099
Payable to C & F agent	8,239,445	15,277,100
	194,823,514	170,004,644
Other payables		
Tax deducted at source	15,551,856	10,102,325
VAT deducted at source	3,289,446	3,017,518
Dividend payable	22,544,009	18,961,681
Unclaimed share application	20,232,839	21,096,835
Advance from customer against sales	11,220,064	8,448,255
Payable to others	11,000,000	-
	83,838,214	61,626,614
	278,661,728	231,631,258
21. Accrued expenses		
Power and gas	16,333,169	15,545,144
Staff cost	63,381,491	49,569,322
Audit fees	586,250	601,750
Professional charges	418,000	357,400
Interest on loans	1,042,997	2,154,464
Telephone	399,250	331,918
Managing Director's remuneration (Note 21.1)	38,340,648	36,225,372
Workers' Profit Participation and Welfare Fund (Note 21.2)	59,111,329	57,500,590
Doubtful debts	3,333,552	2,562,373
Others	13,011,994	8,078,898
	195,958,680	172,927,231
21.1 Managing Director's remuneration		
Balance as at 1 January	36,225,372	39,811,796
Add: Payable to Managing Director	38,340,648	36,225,372
	74,566,020	76,037,168
Less: Paid to Managing Director	36,225,372	39,811,796
Balance as at 31 December	38,340,648	36,225,372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

	2013	2012
	Taka	Taka
21.2 Workers' Profit Participation and Welfare Fund		
Balance as at 1 January	57,500,590	63,193,326
Add: Contribution made to the fund during the year	59,111,329	57,500,590
	116,611,919	120,693,916
Less: Payment made from the fund during the year	57,500,590	63,193,326
Balance as at 31 December	59,111,329	57,500,590
22. Provision for royalty and technical know-how fee		
Balance as at 1 January	219,094,868	106,399,330
Add: Provision made during the year	90,479,404	112,695,538
	309,574,272	219,094,868
Less: Withholding tax on royalty deposited for the year 2011	10,639,933	-
Reversal of excess provision for the year 2012	19,461,872	-
Tax provision on excess royalty paid in the year 2008	31,000,000	-
Tax provision on excess royalty paid in the year 2009	22,795,724	-
Balance as at 31 December	225,676,743	219,094,868
23. Provision for income tax		
Balance as at 1 January	1,455,687,469	1,085,466,420
Add: Provision made during the year	385,132,085	370,221,049
	1,840,819,554	1,455,687,469
Less: Provision released during the year	14,683	-
Balance as at 31 December (Note 23.1)	1,840,804,871	1,455,687,469
23.1 Provision for income tax		
<u>Income year</u>		
Year 2013	385,132,085	-
Year 2012	370,211,365	370,221,049
Year 2011	326,685,217	326,685,217
Year 2010	294,053,668	294,058,668
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
	1,840,804,871	1,455,687,469

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	2013	2012
	Taka	Taka
24. Sales		
Gross sales (Local)	6,414,329,047	6,257,836,082
Gross sales (Export)	26,144,308	18,389,470
Total sales	6,440,473,355	6,276,225,552
Less: Supplementary duty	429,533,344	548,060,589
VAT	841,714,803	819,993,684
Net sales	1,271,248,147	1,368,054,273
	5,169,225,208	4,908,171,279
25. Cost of sales		
Stock of finished goods as at 1 January	125,399,406	116,881,902
Add: Cost of goods manufactured (Note 25.1)	3,184,699,110	2,973,183,874
Cost of finished goods available for sale	3,310,098,516	3,090,065,776
Less: Stock of finished goods as at 31 December	237,095,258	125,399,406
	3,073,003,258	2,964,666,370
25.1 Cost of goods manufactured		
Cost of materials consumed:		
Opening stock	914,539,779	836,271,576
Add: Purchase during the year	1,781,000,401	1,650,918,838
	2,695,540,180	2,487,190,414
Less: Closing stock	901,067,829	914,539,779
	1,794,472,351	1,572,650,635
Manufacturing overhead:		
Direct labour (Note 25.1.1)		
Direct expenses:		
Power and gas	262,959,932	235,056,028
Repairs and indirect materials (Note 25.1.2)	159,037,462	149,798,824
Rental charges	543,812,230	474,789,512
Moulds and punches	821,739	821,739
Depreciation	22,220,803	30,226,862
Royalty and technical know-how fee (Note 25.1.3)	340,713,727	334,263,662
Other production overhead (Note 25.1.4)	17,221,808	112,695,538
	44,833,907	62,303,433
Cost of production	1,391,621,608	1,399,955,598

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	2013	2012
	Taka	Taka
	3,186,093,959	2,972,606,233
Difference in work in process:		
Work in process as at 1 January	34,017,206	34,594,847
Work in process as at 31 December	35,412,055	34,017,206
	(1,394,849)	577,641
Cost of goods manufactured	3,184,699,110	2,973,183,874
25.1.1 Direct labour		
Salary & wages	157,762,276	145,057,308
Overtime	13,482,735	11,398,692
Bonus	25,056,461	15,331,320
Incentive	10,796,433	9,654,918
Temporary labour wages	16,893,108	14,893,821
Temporary labour for production	19,194,867	17,349,936
Gratuity	7,482,257	6,659,309
Employer's contribution to provident fund	8,075,975	7,702,964
Leave encashment	1,918	1,831,872
Group life insurance	1,483,062	1,306,482
Medical expenses	89,079	201,526
Cleaning service factory	2,641,761	3,667,880
	262,959,932	235,056,028
25.1.2 Repairs and indirect materials		
Stores, spares, repair and maintenance	292,454,747	229,431,104
Packing expenses	251,357,483	245,358,408
	543,812,230	474,789,512
25.1.3 Royalty and technical know-how fee		
Royalty and technical know how fee	90,479,404	112,695,538
Less: Reversal of excess provision for the year 2012	(19,461,872)	-
Tax provision on excess royalty paid in the year 2008	(31,000,000)	-
Tax provision on excess royalty paid in the year 2009	(22,795,724)	-
	17,221,808	112,695,538
25.1.4 Other production overhead		
Travelling and training expenses	5,248,647	6,569,037

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	2013	2012
	Taka	Taka
Hotel fare and expenses for technician	4,211,028	6,199,104
Demurrage	3,745,067	3,801,087
Insurance	17,325,287	19,730,347
Fuel and maintenance	185,744	404,928
Other expenses	14,118,134	25,598,930
	<u>44,833,907</u>	<u>62,303,433</u>
26. Other income		
Dividend income	394,520	398,200
Miscellaneous income	7,327,800	7,915,384
Rental income	600,000	-
Profit on sale of property, plant and equipment (Note 4.2)	2,719,303	1,257,086
Gain on disposal of investment (Note 37.3)	3,153,253	-
	<u>14,194,876</u>	<u>9,570,670</u>
27. Administrative expenses		
Staff cost (Note 27.1)	120,153,819	128,148,735
Meeting expenses-admin	23,262,201	21,652,560
Telephone, postage and supplies	6,176,917	5,341,529
Office repair and maintenance (Note 27.2)	14,271,225	14,545,668
Registration and renewal	1,002,235	2,190,531
Security and guard expenses	10,338,724	8,912,698
Electricity, gas and water	6,131,572	5,240,079
Depreciation	27,077,852	27,764,450
Amortisation of intangible assets	9,561,732	10,803,070
Legal and professional fees	4,736,745	3,352,416
Vehicle repair and maintenance	8,363,037	9,696,689
Rent rate and tax	6,734,142	4,796,004
Loss on sale of shares	123,814	987,930
Write off preliminary & pre-operating expenses	-	1,295,431
CSR expenses	3,092,000	8,996,266
Others	5,539,260	7,300,734
Managing Director's remuneration	38,340,648	36,225,372
	<u>284,905,923</u>	<u>297,250,162</u>
27.1 Staff cost		
Salary and wages	87,606,614	91,833,508

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	2013	2012
	Taka	Taka
Overtime	-	32,088
Bonus	11,918,718	9,816,800
Incentive	5,407,763	8,460,810
Gratuity	3,459,702	3,835,105
Employers contribution to provident fund	2,146,794	3,945,140
Leave encashment	-	1,073,252
Group life insurance	698,801	737,135
Canteen expenses	1,115,238	1,047,955
Staff welfare expenses	467,749	519,986
Hotel, tour, food and air ticket	4,001,770	3,355,818
Food expenses	2,166,176	2,262,582
Medical expenses	615,452	559,185
Accommodation	429,200	640,587
Travelling and conveyance	119,842	28,784
	<u>120,153,819</u>	<u>128,148,735</u>
27.2 Office repair and maintenance		
Repairs office equipment	2,341,826	2,558,700
Office maintenance	9,763,731	10,559,781
Rent, rates and taxes	807,259	283,683
Others	1,358,409	1,143,504
	<u>14,271,225</u>	<u>14,545,668</u>
28. Marketing and selling expenses		
Staff cost (Note 28.1)	165,118,486	145,508,390
Advertisement	14,512,359	6,802,505
Freight and transportation	178,614,416	151,886,075
Performance rebates (Note 28.2)	195,608,966	211,395,585
Business promotion	174,624,592	162,548,868
Depreciation	3,924,988	3,826,650
Doubtful debts	3,333,552	2,562,373
Discount	86,996,066	19,618,787
Travel, entertainment and others	32,184,796	26,673,481
	<u>854,918,221</u>	<u>730,822,714</u>
28.1 Staff cost		
Salary and wages	148,217,022	128,059,697

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	2013	2012
	Taka	Taka
Overtime	19,517	22,907
Bonus	8,973,501	7,339,531
Incentive	1,798,107	2,559,089
Gratuity	1,755,618	2,768,062
Employers contribution to provident fund	2,399,385	3,023,037
Leave encashment	-	246,753
Group life insurance	735,943	808,813
Food expenses	1,191,392	596,760
Medical expenses	28,001	83,741
	<u>165,118,486</u>	<u>145,508,390</u>
28.2 Performance rebates		
Compensation	2,564,373	2,499,356
Dealers' commission	94,990,174	109,452,282
Breakage commission	98,054,419	99,443,947
	<u>195,608,966</u>	<u>211,395,585</u>
29. Finance income		
Interest on bank account (SND)	3,710,941	6,174,066
Interest on associate loan	14,150,619	7,911,327
Interest on FDR	107,249,877	77,691,796
Exchange gain	5,641,225	11,054,498
	<u>130,752,662</u>	<u>102,831,687</u>
30. Finance expenses		
Interest expenses (Note 37.2)	42,272,718	38,314,186
Bank charges	2,464,892	2,046,966
	<u>44,737,610</u>	<u>40,361,152</u>
31. Current tax		
Current year provision	362,336,361	338,302,629
Other tax provision	22,795,724	31,918,420
	<u>385,132,085</u>	<u>370,221,049</u>

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32 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

32.1 Credit risk

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, debtors are grouped according to their risk profile, i.e. their legal status, financial condition etc. 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:

	Amount in USD		Amount in Taka	
	As at 31 Dec 2013	As at 31 Dec 2012	As at 31 Dec 2013	As at 31 Dec 2012
Trade receivables				
Customer-Local	-	-	536,206,848	602,457,971
Customer-Export	-	42,991	-	3,404,885
		42,991	536,206,848	605,862,856
Other receivables				
Claim receivable			2,368,635	5,063,730
Accrued interest			15,525,368	17,237,758
Accrued rental income			190,000	-
Receivable against disposal of investment			6,120,000	-
Others			577,535	1,794,308
			24,781,538	24,095,796
Loan to associate				
RAK Paints Pvt. Ltd.			95,204,185	100,000,000
			95,204,185	100,000,000
Cash equivalents			1,489,976,606	984,618,885

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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b) **Aging of receivables**

Not past due
0-90 days past due
91-180 days past due
181-365 days past due
over 365 days past due

Amounts in Taka	
As at 31 Dec 2013	As at 31 Dec 2012
525,195,961	596,942,016
1,952,893	1,069,037
3,481,863	387,775
5,576,131	7,464,028
<u>536,206,848</u>	<u>605,862,856</u>

32.2 Liquidity risk

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

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

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

	As at 31 December 2013			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Bank overdraft	164,667,668	164,667,668	164,667,668	-
Trade and other payables	278,661,728	278,661,728	278,661,728	-
Short term borrowing (foreign)	255,783,541	255,783,541	255,783,541	-
Short term borrowing (local)	30,074,078	30,074,078	30,074,078	-
Term loan	31,177,626	31,177,626	12,694,059	18,483,567
	<u>760,364,641</u>	<u>760,364,641</u>	<u>741,881,074</u>	<u>18,483,567</u>

	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	231,631,258	231,631,258	231,631,258	-
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>639,351,486</u>	<u>639,351,486</u>	<u>620,784,211</u>	<u>18,567,275</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

32.3 Market risk

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

a) 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 2013			As at 31 December 2012	
	USD	EURO	AED	USD	EURO
Foreign currency denominated assets					
Receivable from customers-Export	-	-	-	42,991	-
Cash at bank	40,400	-	-	113,611	-
	<u>40,400</u>	<u>-</u>	<u>-</u>	<u>156,602</u>	<u>-</u>
Foreign currency denominated liabilities					
Trade payables	7,056	468,813	33,511	64,980	239,439
Short term bank loan	3,188,661	59,000	-	2,818,981	-
Royalty & Technical Fees	2,885,892	-	-	2,731,856	-
	<u>6,081,609</u>	<u>527,813</u>	<u>33,511</u>	<u>5,615,817</u>	<u>239,439</u>
Net exposure	<u>(6,041,209)</u>	<u>(527,813)</u>	<u>(33,511)</u>	<u>(5,459,215)</u>	<u>(239,439)</u>

The Company has foreign exchange gain of Tk 5,641,225 during the year ended 31 Dec 2013 (31 Dec 2012: Exchange gain Tk 11,054,498).

The following significant exchange rates have been applied:

	Exchange rate	
	As at 31 Dec 2013	As at 31 Dec 2012
	Taka	Taka
US Dollar	77.7000	79.7000
EURO	106.9858	105.4780
AED	21.1587	21.7014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

	As at 31 December 2013		As at 31 December 2012	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
	Taka	Taka	Taka	Taka
At 31 December				
USD (3 percent movement)	(186,842)	175,958	(168,842)	159,006
EURO (3 percent movement)	(16,324)	15,373	(7,405)	6,974
AED (3 percent movement)	(1,036)	976	-	-

b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The Company is not significantly exposed to fluctuation in interest rates as 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 Dec 2013	As at 31 Dec 2012
	Taka	Taka
Fixed rate instruments		
Financial assets		
Investment in FDR	1,200,762,080	777,260,474
Cash at banks	289,214,526	207,358,411
Financial liabilities		
Term loan	31,177,626	33,097,082
Bank overdraft	164,667,668	115,925,921
Short term borrowing (foreign)	255,783,541	226,107,635
Short term borrowing (local)	30,074,078	32,589,590

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

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 2013		As at 31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	Taka	Taka	Taka	Taka
Financial assets				
Held to maturity assets				
Investment in FDR	1,200,762,080	1,200,762,080	777,260,474	777,260,474
Loans and receivables				
Trade receivables	536,206,848	536,206,848	605,862,856	605,862,856
Other receivables	24,781,538	24,781,538	24,095,796	24,095,796
Loan to associates	95,204,185	95,204,185	100,000,000	100,000,000
Cash equivalents	1,489,976,606	1,489,976,606	984,618,885	984,618,885
Financial liabilities				
Liabilities carried at amortised costs				
Term loan	31,177,626	31,177,626	33,097,082	33,097,082
Bank overdraft	164,667,668	164,667,668	115,925,921	115,925,921
Trade and other payables	278,661,728	278,661,728	231,631,258	231,631,258
Short term borrowing (foreign)	255,783,541	255,783,541	226,107,635	226,107,635
Short term borrowing (local)	30,074,078	30,074,078	32,589,590	32,589,590

Interest rates used for determining amortised cost

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

	31-Dec-13	31-Dec-12
Investment in FDR	7.25%-11.25%	3.25%-12.50%
Term loan	12.00%-17.00%	12.00%-16.00%
Bank overdraft	14.25%-15.50%	14.25%-15.50%
Short term bank loan (local currency)	14.50%-15.50%	14.50%-15.50%
Short term bank loan (foreign currency/USD)	Libor 0.34900%	Libor 0.50825%
Short term bank loan (foreign currency/EURO)	Libor 0.36130%	Libor 0.36129%

33. Related party disclosures

During the year ended 31 December 2013, 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 2013

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

	2013	2012
	Taka	Taka
Subsidiary companies		
Purchase of goods/services	241,455,880	230,515,720
Interest receivables	244,240,792	160,179,499
Rental Income	5,478,261	5,478,261
Loan	500,000,000	500,000,000
Outstanding payables	20,156,862	18,850,687
Associates		
Sales of goods/services	10,538	11,750
Purchase of goods/services	49,079,895	43,382,723
Interest receivables	-	7,911,327
Loan	95,204,185	100,000,000
Outstanding payables	4,612,730	2,763,875
Key management personnel		
Remuneration	51,587,062	53,889,372
Outstanding remuneration payables	38,735,613	36,225,372
Other related parties		
Sales of goods/services	1,915,618,001	2,048,713,923
Purchase of goods/services	213,518,834	217,959,341
Outstanding payables	22,770,358	20,009,914
Outstanding receivables	399,158,670	473,211,146

34. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

2013	Business Segments					
	Ceramics & Sanitary ware	Pharmaceuticals	Power	All other	Inter segment	Entity total
	Taka	Taka	Taka	Taka	Taka	Taka
Revenue - external customers	4,687,262,509	444,371,710	37,590,989	-	-	5,169,225,208
Revenue - inter segment	-	-	249,472,135	-	(249,472,135)	-
Total segment revenue	4,687,262,509	444,371,710	287,063,124	-	(249,472,135)	5,169,225,208
Cost of sales - external customer	(2,707,048,722)	(203,373,320)	(162,581,216)	-	-	(3,073,003,258)
Cost of sales - inter segment	(254,950,396)	-	-	-	254,950,396	-
Total segment cost of sales	(2,961,999,118)	(203,373,320)	(162,581,216)	-	254,950,396	(3,073,003,258)
Gross profit	1,725,263,391	240,998,390	124,481,908	-	-	2,096,221,950
Other income	38,414,466	7,273,398	-	44,520	(31,537,507)	14,194,877
Financial income	213,035,252	542,985	1,235,679	39	(84,061,293)	130,752,662
Financial expenses	(12,722,910)	(115,746,043)	(328,830)	(1,120)	84,061,293	(44,737,610)
Depreciation	(296,422,661)	(45,175,742)	(30,118,164)	-	-	(371,716,567)
Other operating expenses	(485,340,963)	(365,030,809)	23,281,679	(128,814)	-	(827,218,907)
Share of profit of equity-accounted investee	-	-	-	-	-	(49,674,425)
Segment profit before tax	1,182,226,575	(277,137,821)	118,552,272	(85,375)	-	947,821,980
Income tax expense	(340,962,371)	-	(44,169,714)	-	-	(385,132,085)
Deferred tax	27,122,870	-	(287,387)	-	-	26,835,483
Non - Controlling Interest	-	(124,712,020)	31,860,922	(41,834)	-	(92,892,932)
Profit for the year						682,418,310

2012	Business Segments					
	Ceramics & 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	(2,607,592,758)	(192,982,022)	(164,091,590)	-	-	(2,964,666,370)
Cost of sales - inter segment	(243,529,129)	-	-	-	243,529,129	-
Total segment cost of sales	(2,851,121,887)	(192,982,022)	(164,091,590)	-	243,529,129	(2,964,666,370)
Gross profit	1,656,699,641	172,235,272	109,091,735	-	-	1,943,504,909
Other income	29,739,796	8,629,710	-	49,425	(28,848,261)	9,570,670
Financial income	182,261,703	180,820	63,439	115	(79,674,390)	102,831,687
Financial expenses	(16,636,676)	(97,874,364)	(5,523,152)	(1,350)	79,674,390	(40,361,152)
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	1,150,011,794	(291,175,719)	96,882,449	(2,375,876)	-	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

35 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

No. of ordinary equity shares

Weighted average no. of equity shares outstanding (Note 35.1)

Earnings per share (EPS) for the year

2013	2012
Taka	Taka
682,418,310	608,123,157
306,227,829	278,388,935
306,227,829	306,227,829
2.23	1.99

35.1 Weighted average number of ordinary shares

The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-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

Effect of issue of bonus shares for the year 2012

2013	2012
278,388,935	278,388,935
27,838,894	27,838,894
306,227,829	306,227,829

35.2 Diluted earning per share

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

36. Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 542,219,026 (2012: Tk 213,099,667). Considering the merits of the case, 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 423,523,967 (2012: Tk 365,399,628) and letter of guarantee of Tk 40,039,751 (2012: Tk 38,164,522).

37. Other disclosures

37.1 Changes in policy & estimates

Changes of royalty policy from 2.5% of net sales to 8% of PBT or 2.5% of net sales whichever is lower effective from 01 January 2012. Excess amount of royalty provision up to 31 December 2012 for Tk 19,461,872 has been adjusted with current year royalty provision. Tax liabilities for disallowances of royalty expenses charged to the financial for prior years have been adjusted with current year royalty provision.

37.2 Comparatives and reclassification

Interest expenses booked in 2012 as cost of sales is reclassified as finance expenses in 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

37.3 Subsidiary disposal

Sales proceeds
Less: Carrying value (CV) at disposal date:
 Net assets at disposal date
 CV of NCI at disposal date (Note 37.3.1)

Gain on disposal

Classic Porcelain	RAK Food & Beverage	Total
Taka	Taka	Taka
5,100,000	1,020,000	6,120,000
5,822,928	(5,777)	5,817,151
(2,853,235)	2,831	(2,850,404)
2,969,693	(2,946)	2,966,747
2,130,307	1,022,946	3,153,253

37.3.1 Non controlling interest at disposal date

Net asset at disposal date
Less: Group company share 51%
Elimination on disposal of subsidiary

Classic Porcelain	RAK Food & Beverage	Total
Taka	Taka	Taka
5,822,928	(5,777)	5,817,151
(2,969,693)	2,946	(2,966,747)
2,853,235	(2,831)	2,850,404

38. Events after the reporting period

The Board of Directors of RAK Ceramics (Bangladesh) Limited, at its 118th meeting held on 3 February 2014, 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 2013 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 2 April 2014.



RAK CERAMICS (BANGLADESH) LIMITED

AUDITORS' REPORT AND
FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

RAK Ceramics (Bangladesh) Limited

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 2013, 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, 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. 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 judgment, 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 2013, 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 explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) in our opinion, 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
3 February 2014



Rahman Rahman Huq
Chartered Accountants

RAK Ceramics (Bangladesh) Limited

STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	Notes	2013	2012
		Taka	Taka
Assets			
Property, plant and equipment	4	1,899,003,828	2,095,514,009
Intangible assets	5	1,607,014	3,192,520
Capital work in progress	6	35,091,397	30,955,703
Investment in subsidiaries	7	633,870,800	639,990,800
Investment in associates	8	266,350,000	229,600,000
Trade and other receivables	11	43,400,792	-
Loans to subsidiaries and associates	9	559,597,389	595,204,185
Total non-current assets		3,438,921,220	3,594,457,217
Inventories	10	1,858,379,882	1,612,374,337
Trade and other receivables	11	720,608,027	749,283,214
Loan to associate	12	35,606,796	4,795,815
Advances, deposits and prepayments	13	188,900,332	171,717,362
Advance income tax	14	1,586,060,753	1,272,294,902
Cash and cash equivalents	15	1,437,778,798	981,480,125
Total current assets		5,827,334,588	4,791,945,755
Total assets		9,266,255,808	8,386,402,972
Equity			
Share capital	16	3,062,278,290	2,783,889,350
Share premium		1,473,647,979	1,473,647,979
Retained earnings		2,029,441,871	1,857,027,139
Total equity		6,565,368,140	6,114,564,468
Liabilities			
Deferred tax liability	17	56,957,686	84,080,556
Total non-current liabilities		56,957,686	84,080,556
Short term borrowings	18	255,783,541	212,530,328
Employees benefit payable	19	12,843,176	10,959,636
Trade and other payables	20	245,573,276	193,897,478
Accrued expenses	21	145,113,491	133,298,254
Provision for royalty and technical know-how fee	22	225,676,743	219,094,868
Provision for income tax	23	1,758,939,755	1,417,977,384
Total current liabilities		2,643,929,982	2,187,757,948
Total equity and liabilities		9,266,255,808	8,386,402,972

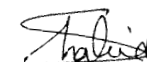
The notes on pages 118 to 151 are an integral part of these financial statements.



Managing Director



Director



Company Secretary

As per our report of same date.



Rahman Rahman Huq
Auditor
Rahman Rahman Huq
Chartered Accountants

Dhaka
Dated: 3 February 2013

RAK Ceramics (Bangladesh) Limited

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

	Notes	2013	2012
		Taka	Taka
Sales	24	4,687,262,509	4,507,821,528
Cost of sales	25	(2,961,999,118)	(2,851,121,887)
Gross profit		1,725,263,391	1,656,699,641
Other income	26	38,414,466	29,739,796
Administrative expenses	27	(235,662,788)	(244,352,062)
Marketing and selling expenses	28	(486,989,506)	(400,200,018)
		(684,237,828)	(614,812,284)
Profit from operating activities		1,041,025,563	1,041,887,357
Finance income	29	213,035,252	182,261,703
Finance expenses	30	(12,722,910)	(16,636,678)
Net finance income		200,312,342	165,625,025
Profit before contribution to Workers' Profit Participation and Welfare Fund		1,241,337,905	1,207,512,382
Contribution to Workers' Profit Participation and Welfare Fund		(59,111,329)	(57,500,590)
Profit before income tax		1,182,226,576	1,150,011,792
Income tax expense:			
Current tax	31	340,962,371	336,056,869
Deferred tax	17	(27,122,870)	(16,574,252)
		313,839,501	319,482,617
Profit for the year		868,387,075	830,529,175
Basic earnings per share (par value Tk 10)	36	2.84	2.71

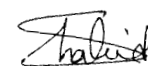
The notes on pages 118 to 151 are an integral part of these financial statements.



Managing Director



Director



Company Secretary

As per our report of same date.



Rahman Rahman Huq
Auditor
Rahman Rahman Huq
Chartered Accountants

Dhaka
Dated: 3 February 2013

RAK Ceramics (Bangladesh) Limited

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

	Share capital	Share premium	Retained earnings	Total
	Taka	Taka	Taka	Taka
Balance as at 1 January 2012	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>
Total comprehensive income for 2013				
Profit for the year	-	-	868,387,075	868,387,075
Transactions with the shareholders				
Cash dividend (2012)	-	-	(417,583,403)	(417,583,403)
Stock dividend (2012)	278,388,940	-	(278,388,940)	-
Balance as at 31 December 2013	<u><u>3,062,278,290</u></u>	<u><u>1,473,647,979</u></u>	<u><u>2,029,441,871</u></u>	<u><u>6,565,368,140</u></u>

The notes on pages 118 to 151 are an integral part of these financial statements.

RAK Ceramics (Bangladesh) Limited
STATEMENT OF CASH FLOWS
for the year ended 31 December 2013

Cash flows from operating activities

Cash receipts from customers
Cash payments to suppliers and employees

Cash generated from operating activities

Interest received from bank deposit
Income tax paid

Net cash from operating activities

Cash flows from investing activities

Acquisition of property, plant and equipment
Sale of property, plant and equipment
Loan to subsidiaries & associates
Investment in subsidiaries/associates
Interest received from FDR
Intangible assets
Dividends received

Net cash (used in)/ from investing activities

Cash flows from financing activities

Finance charges
Repayment of short term loan
Dividends paid
Unclaimed share application fund

Net cash used in financing activities

Net increase/(decrease) in cash and cash equivalents

Cash and cash equivalents as at 1 January

Cash and cash equivalents as at 31 December (Note 15)

	2013	2012
	Taka	Taka
	4,699,771,401	4,408,098,603
	(3,616,812,146)	(3,405,061,873)
	1,082,959,255	1,003,036,730
	3,687,887	6,173,078
	(313,765,850)	(336,150,035)
	772,881,292	673,059,773
	(104,338,624)	(618,719,902)
	3,064,156	734,300
	4,795,815	(25,217,771)
	(30,630,000)	(198,000,000)
	165,893,802	97,121,719
	(595,496)	(5,253,028)
	29,562,500	23,720,000
	67,752,153	(725,614,682)
	(12,722,910)	(16,636,676)
	43,253,213	(13,284,084)
	(414,001,079)	(371,732,823)
	(863,996)	(931,205)
	(384,334,772)	(402,584,788)
	456,298,673	(455,139,697)
	981,480,125	1,436,619,822
	1,437,778,798	981,480,125

The notes on pages 118 to 151 are an integral part of these financial statements.

RAK Ceramics (Bangladesh) Limited

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2013

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 3 February 2014.

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/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:

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2013

Note 4	Property, plant and equipment
Note 17	Deferred tax liability
Note 19	Employees benefit payable
Note 23	Provision for 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 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

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

Category of property, plant and equipment	Rate (%)
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.

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 Non-derivative financial assets

The Company 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 Company 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. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2013

Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented by the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

Loans and receivables

Loans and 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, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Non-derivative financial assets comprise investment in associates, loans to 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 and 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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2013

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 and 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.

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2013

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2013

3.11 Workers' Profit Participation and Welfare Fund

The Company provides 5% of its net profit before tax after charging such expense as Workers' Profit Participation and Welfare Fund in accordance with "The Bangladesh Labour Act 2006".

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 2013

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 adopted

The following new standards are effective for annual periods beginning from 1 January 2013 and have been applied in preparing these financial statements.

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 2013 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 conform to current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

4. Property, plant and equipment
2013

Particulars	Cost				Depreciation				Written down value as at 31 December 2013
	"Balance as at 1 January 2013 "	Additions during the year	Adjustment/ disposal during the year	"Balance as at 31 December 2013 "	"Balance as at 1 January 2013 "	Charged during the year	Adjustment/ disposal during the year	"Balance as at 31 December 2013 "	
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Land	716,945,813	20,739,827	-	737,685,640	-	-	-	-	737,685,640
Factory building	430,017,773	-	-	430,017,773	169,867,368	21,500,889	-	191,368,257	238,649,516
Factory office building	59,320,533	17,833,416	-	77,153,949	26,738,873	3,126,839	-	29,865,712	47,288,237
Head office building	103,647,545	-	-	103,647,545	27,974,612	5,182,377	-	33,156,989	70,490,556
Plant and machinery	2,736,436,881	50,567,820	-	2,787,004,701	1,850,526,561	238,055,731	-	2,088,582,292	698,422,409
Mobile plant	55,710,184	-	-	55,710,184	40,047,817	4,218,792	-	44,266,609	11,443,575
Electrical installation	153,384,563	-	-	153,384,563	101,811,817	13,092,323	-	114,904,140	38,480,423
Gas pipeline	27,115,647	-	-	27,115,647	24,584,085	938,306	-	25,522,391	1,593,256
Furniture and fixtures	22,537,065	2,695,098	-	25,232,163	13,163,523	2,131,253	-	15,294,776	9,937,387
Office equipment	19,987,301	1,100,771	66,000	21,022,072	11,010,020	2,250,581	13,236	13,247,365	7,774,707
Communication equipment	3,959,043	2,727,738	-	6,686,781	1,946,978	652,407	-	2,599,385	4,087,396
Tools and appliances	7,032,524	82,292	-	7,114,816	3,793,226	655,128	-	4,448,354	2,666,462
Vehicles	51,202,501	4,455,968	4,219,018	51,439,451	20,318,483	4,618,035	3,981,331	20,955,187	30,484,264
Total	4,387,297,373	100,202,930	4,285,018	4,483,215,285	2,291,783,363	296,422,661	3,994,567	2,584,211,457	1,899,003,828

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

NOTES TO THE FINANCIAL STATEMENTS
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4.1 Depreciation charged to

Cost of goods manufactured (Note 25.1)
Administrative expenses (Note 27)

2013	2012
Taka	Taka
278,461,166	272,784,193
17,961,495	16,646,218
<u>296,422,661</u>	<u>289,430,411</u>

4.2 Disposal of property, plant and equipment

Year 2013

Particulars	Original cost	Accumulated depreciation	Book value	Receipt against sales	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
iPad	66,000	13,236	52,764	56,082	3,318
Motor Cycle	101,200	75,498	25,702	10,000	(15,702)
Vehicle	4,117,818	3,905,833	211,985	2,998,074	2,786,089
Total	4,285,018	3,994,567	290,451	3,064,156	2,773,705

Year 2012

Particulars	Original cost	Accumulated depreciation	Book value	Insurance claim receipt	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Motor cycle	114,400	44,135	70,265	99,300	29,035
Noah Micro	770,314	647,814	122,500	635,000	512,500
Total	884,714	691,949	192,765	734,300	541,535

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

5. Intangible assets

Balance as at 1 January
Add: Addition during the year

Less: Amortisation for the year (Note 27)
Balance as at 31 December

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
Add: Addition during the year

Less: Transfer to property, plant & equipment during the year (Note 6.1)
Discontinued project
Balance as at 31 December

Capital work in progress includes construction work for factory building, plant and machinery, air conditioner, communication equipment etc.

6.1 Items transferred from capital work in progress to property, plant and equipment

Factory office building
Factory building
Plant and machinery
Communication equipment
Furniture and fixtures

7. Investment in subsidiaries (Note 7.1)

RAK Pharmaceuticals Pvt. Ltd.
RAK Power Pvt. Ltd.
Classic Porcelain Pvt. Ltd.
RAK Food & Beverage Pvt. Ltd.

	2013	2012
	Taka	Taka
	3,192,520	1,071,883
	595,496	5,253,028
	3,788,016	6,324,911
	2,181,002	3,132,391
	1,607,014	3,192,520
	30,955,703	36,578,205
	64,122,346	91,052,972
	95,078,049	127,631,177
	59,175,701	96,675,474
	810,951	-
	35,091,397	30,955,703
	17,833,416	5,041,257
	-	24,210,365
	37,158,989	67,423,852
	2,347,396	-
	1,835,900	-
	59,175,701	96,675,474
	517,020,800	517,020,800
	116,850,000	116,850,000
	-	5,100,000
	-	1,020,000
	633,870,800	639,990,800

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

7.1 Details of investments in subsidiaries

Name of subsidiaries	Nature of business	2013		2012	
		% of holding	Investment Taka	% of holding	Investment Taka
RAK Pharmaceuticals Pvt. Ltd.	Pharmaceuticals business	55	517,020,800	55	517,020,800
RAK Power Pvt. Ltd.	Electricity generation	57	116,850,000	57	116,850,000
Classic Porcelain Pvt. Ltd.	Tableware products	-	-	51	5,100,000
RAK Food & Beverage Pvt. Ltd.	Food & beverage products	-	-	51	1,020,000

8. Investment in associates (Note 8.1)

RAK Security & Services Pvt. Ltd.				350,000	350,000
RAK Paints Pvt. Ltd.				246,750,000	210,000,000
RAK-Mosfly (Bangladesh) Pvt. Ltd.				19,250,000	19,250,000
				<u>266,350,000</u>	<u>229,600,000</u>

8.1 Detail of investments in associates

Name of associates	Nature of business	2013		2012	
		% of holding	Investment Taka	% of holding	Investment Taka
RAK Security & Services Pvt. Ltd.	Security service provider	35	350,000	35	350,000
RAK Paints Pvt. Ltd.	Paints products	47	246,750,000	40	210,000,000
RAK-Mosfly (Bangladesh) Pvt. Ltd.	Pesticides products	20	19,250,000	20	19,250,000

9. Loan to subsidiaries and associates

	2013 Taka	2012 Taka
RAK Pharmaceuticals Pvt. Ltd.	500,000,000	500,000,000
RAK Paints Pvt. Ltd.	59,597,389	95,204,185
	<u>559,597,389</u>	<u>595,204,185</u>

10. Inventories

	2013 Taka	2012 Taka
Raw materials	870,909,534	867,867,575
Stores and consumable spares	744,314,809	632,232,030
Finished goods	201,583,295	72,557,895
Work-in-process	27,666,898	28,575,283
Goods-in-transit	13,905,346	11,141,554
	<u>1,858,379,882</u>	<u>1,612,374,337</u>

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

	2013	2012
	Taka	Taka
11. Trade and other receivables		
Non-current:		
Accrued interest on loan to subsidiary	43,400,792	-
Current		
Trade receivables (Note 11.1)	498,577,089	568,280,010
Claim receivable	-	3,621,474
Accrued interest (Note 11.2)	215,720,938	177,381,730
Accrued rental income	190,000	-
Receivable against disposal of investment (Note 11.3)	6,120,000	-
	<u>720,608,027</u>	<u>749,283,214</u>
11.1 Trade receivables		
Receivables from dealers	498,577,089	564,875,125
Receivables from export sales	-	3,404,885
	<u>498,577,089</u>	<u>568,280,010</u>
11.2 Accrued interest		
Interest accrued on FDR	14,880,938	9,290,904
Interest accrued on loan to subsidiaries & associates	200,840,000	168,090,826
	<u>215,720,938</u>	<u>177,381,730</u>
11.3 Receivable against disposal of investment		
Classic Porcelain Pvt. Ltd.	5,100,000	-
RAK Food & Beverage Pvt. Ltd.	1,020,000	-
	<u>6,120,000</u>	<u>-</u>
12. Loan to associate		
RAK Paints Pvt. Ltd.	35,606,796	4,795,815
13. Advances, deposits and prepayments		
Advances:		
Employees	53,604	1,663,435
Purchase of land and others	19,027,849	23,247,995
Suppliers against materials and services	71,799,596	35,313,942
	<u>90,881,049</u>	<u>60,225,372</u>

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

	2013	2012
	Taka	Taka
Security and other deposits:		
Titas Gas	14,342,370	13,344,600
Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
VAT and supplementary duty (Note 13.1)	28,517,569	35,443,670
Deposited with Income tax authority	9,705,739	9,705,739
Deposited with VAT authority	8,187,661	8,187,661
Other deposits	652,425	652,125
	63,360,764	69,288,795
Prepayments:		
House rent	9,350,076	10,625,152
Insurance	25,308,443	31,578,043
	34,658,519	42,203,195
	188,900,332	171,717,362
13.1 VAT and supplementary duty		
Balance as at 1 January	35,443,670	35,458,511
Add: Treasury deposit for VAT & SD purpose	893,000,000	1,016,226,946
Rebate of input VAT	296,052,997	289,701,661
	1,224,496,667	1,341,387,118
Add: Receivable - SD & VAT	73,330	-
	1,224,569,997	1,341,387,118
Less: VAT & SD on sales	1,193,130,747	1,303,684,513
Payable - SD & VAT	2,921,681	-
Other payable *	-	2,258,935
	1,196,052,428	1,305,943,448
Balance as at 31 December	28,517,569	35,443,670
*Other payable for 2012 represents amount paid to file appeal before Appellate Tribunal of Customs, Excise & VAT Authority.		
14. Advance income tax		
Balance as at 1 January	1,272,294,902	936,144,867
Add: Paid during the year	313,765,851	336,150,035
Balance as at 31 December (Notes 14.1 & 14.2)	1,586,060,753	1,272,294,902

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

	2013	2012
	Taka	Taka
14.1 Head wise payment		
Import	399,186,392	328,965,350
Export	754,981	519,050
Supplies	119,221	119,221
Interest on bank deposit	49,778,920	39,383,467
Rental income	1,057,173	753,261
Registration	1,126,700	630,200
Dividend	13,063,500	7,151,000
Paid in cash	1,120,973,866	894,773,353
	1,586,060,753	1,272,294,902
14.2 Payment for the year		
<u>Income year</u>		
Year 2013	217,565,338	-
Year 2012	301,027,378	243,772,990
Year 2011	322,755,413	322,755,413
Year 2010	260,990,276	260,990,276
Year 2009	155,291,151	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
	1,586,060,753	1,272,294,902

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

	2013	2012
	Taka	Taka
15. Cash and cash equivalents		
Cash in hand	2,761,807	1,376,287
Cash at banks		
HSBC (current account - 001-013432-011 - taka)	16,277,792	41,803,051
Standard Chartered Bank (current account - 01-6162940-01 - taka)	158,101,785	38,924,809
Agrani Bank (current account - 075533005368 - taka)	305	1,455
Citibank N.A. (current account - G010000200262018 - taka)	22,603,156	14,278,278
Dutch Bangla Bank Ltd. (current account - 117 - 110 - 12733 - taka)	5,913,840	12,577,051
HSBC (ERQ account - 001-013432-047 - USD)	984,551	8,813,226
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	2,134,362	184,766
HSBC (margin money - 001-013432-301 - taka)	-	432,044
EXIM Bank (SND account - 01513100031877 - taka)	514,269	498,889
Dutch Bangla Bank Ltd. (SND account - 117-120-589 - taka)	36,629,494	42,434,784
BRAC Bank (SND - 1513101731248001 - taka)	338,895	8,274,968
Prime Bank Ltd. (SND - 12531010022563 - taka)	26,880,635	7,511,422
	270,379,084	175,734,743
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - taka)	1,804,384	2,543,384
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262042 - USD)	3,951,074	4,047,070
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
	6,035,659	6,870,655
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - taka) - 2010	2,395,744	12,171,174
BRAC Bank (Current - 1513201731248001 - taka) - 2011	2,148,624	9,785,117
SCB (Current - 02-6162940-02 - taka) - 2012	4,057,880	-
	8,602,248	21,956,291
Investment in Fixed Deposit Receipt (FDR)		
HSBC	30,000,000	250,000,000
SCB	-	210,000,000
Prime Bank Ltd.	260,000,000	265,542,149
Dutch Bangla Bank Ltd.	860,000,000	50,000,000
	1,150,000,000	775,542,149
Total	1,437,778,798	981,480,125

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

16. Share capital

Authorised:

600,000,000 ordinary shares of Tk 10 each

Issued, subscribed, called and paid up:

306,227,829 ordinary shares of Tk 10 each (2012: 278,388,935 ordinary shares)

2013	2012
Taka	Taka
6,000,000,000	6,000,000,000
3,062,278,290	2,783,889,350
3,062,278,290	2,783,889,350

Percentage of shareholdings:

	2013		2012	
	%	Taka	%	Taka
RAK Ceramics PSC, UAE	72.41	2,217,363,830	72.41	2,015,785,305
SAK Ekramuzzaman	5.41	165,563,500	6.66	185,563,500
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	260	0.00	242
Sheikh Omer Bin Saqr Al Qassimi	0.00	260	0.00	242
Sheikh Ahmad Bin Humaid al Qassimi	0.00	260	0.00	242
Hamad Abdulla Al Muttawa	0.00	130	0.00	121
Dr. Khater Massaad	0.00	130	0.00	121
Abdallah Massaad	0.00	130	0.00	121
Manoj Uttamrao Ahire	0.00	130	0.00	121
General Public (including Eligible Institutional Investor & Employee)	22.18	679,349,660	20.93	582,539,335
	100.00	3,062,278,290	100.00	2,783,889,350

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

Classification of shareholders by range:

Shareholder's range	Number of shareholders		Number of shares	
	2013	2012	2013	2012
Less than 500 shares	46,960	51,525	9,717,485	11,231,793
501 to 5,000 shares	10,381	8,933	13,119,635	12,470,010
5,001 to 10,000 shares	514	449	3,599,643	3,094,240
10,001 to 20,000 shares	186	158	2,580,341	2,175,085
20,001 to 30,000 shares	58	53	1,432,712	1,305,541
30,001 to 40,000 shares	41	29	1,421,481	991,204
40,001 to 50,000 shares	15	19	667,999	849,987
50,001 to 100,000 shares	45	39	3,027,601	2,625,569
100,001 to 1,000,000 shares	39	36	9,727,969	8,823,889
Over 1,000,000 shares	8	6	260,932,963	234,821,617
	<u>58,247</u>	<u>61,247</u>	<u>306,227,829</u>	<u>278,388,935</u>

17. Deferred tax liability

Deferred tax liability is arrived at as follows:

Balance as at 1 January
Less: Deferred tax income
Balance as at 31 December

2013	2012
Taka	Taka
84,080,556	100,654,808
27,122,870	16,574,252
<u>56,957,686</u>	<u>84,080,556</u>

As at 31 December 2013

Property, plant and equipment
(excluding land & others)

1,010,409,454 803,290,595 207,118,859

Net deductible temporary difference

207,118,859

Deferred tax liability (applying tax rate 27.50%)

56,957,686

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

Carrying amount on the date of statement of financial position	Tax base	Taxable/(deductible) temporary difference	Taxable/(deductible) temporary difference
Taka	Taka	Taka	Taka

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

18. Short term borrowings

HSBC
Standard Chartered Bank
Citibank N.A.

The company enjoys off-shore financing from HSBC, SCB & Citibank N.A. on its outstanding import bills as deferred payment bills under letter of credits.

19. Employees benefit payable

Provident fund
Gratuity fund

	2013	2012
	Taka	Taka
	200,335,831	161,165,108
	-	51,365,220
	55,447,710	-
	255,783,541	212,530,328
	2,025,431	1,012,359
	10,817,745	9,947,277
	12,843,176	10,959,636

2013			
Provident Fund	Gratuity Fund	Total	
Taka	Taka	Taka	
Balance as at 1 January	1,012,359	9,947,277	10,959,636
Add: Provision made during the year	24,921,688	10,817,745	35,739,433
	25,934,047	20,765,022	46,699,069
Less: Payments made to fund during the year	23,908,616	9,947,277	33,855,893
Balance as at 31 December	2,025,431	10,817,745	12,843,176

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

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

	2013	2012
	Taka	Taka
20. Trade and other payables		
Trade payables		
Payable to local suppliers	87,013,714	72,793,514
Payable to foreign suppliers	49,831,597	29,875,527
Payable to service provider	30,920,032	17,345,335
Payable to C & F agent	7,408,261	15,053,114
	175,173,604	135,067,490
Other payables		
Tax deducted at source	14,131,416	8,473,161
VAT deducted at source	2,271,344	1,850,056
Dividend Payable	22,544,009	18,961,681
Unclaimed share application	20,232,839	21,096,835
Advance from customer against Sales	11,220,064	8,448,255
	70,399,672	58,829,988
Total	245,573,276	193,897,478
21. Accrued expenses		
Power and gas	11,405,105	11,389,046
Staff cost	34,672,061	27,315,628
Audit fees	500,000	500,000
Taxation Matter	200,000	200,000
Interest on short term loan	583,498	-
Telephone	300,850	167,618
Managing Director's remuneration (Note 21.1)	38,340,648	36,225,372
Workers' Profit Participation and Welfare Fund (Note 21.2)	59,111,329	57,500,590
	145,113,491	133,298,254
21.1 Managing Director's remuneration		
Balance as at 1 January	36,225,372	39,811,796
Add: Payable to Managing Director	38,340,648	36,225,372
	74,566,020	76,037,168
Less: Paid to Managing Director	36,225,372	39,811,796
Balance as at 31 December	38,340,648	36,225,372

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

	2013	2012
	Taka	Taka
21.2 Workers' Profit Participation and Welfare Fund		
Balance as at 1 January	57,500,590	63,193,326
Add: Contribution made to the fund during the year	59,111,329	57,500,590
	116,611,919	120,693,916
Less: Payment made from the fund during the year	57,500,590	63,193,326
Balance as at 31 December	59,111,329	57,500,590
22. Provision for royalty and technical know-how fee		
Balance as at 1 January	219,094,868	106,399,330
Add: Provision made during the year	90,479,404	112,695,538
	309,574,272	219,094,868
Less: Withholding tax on royalty deposited for the year 2011	10,639,933	-
Tax provision on excess royalty paid in the year 2008	31,000,000	-
Tax provision on excess royalty paid in the year 2009	22,795,724	-
Reversal of excess provision for the year 2012	19,461,872	-
Balance as at 31 December	225,676,743	219,094,868
23. Provision for income tax		
Balance as at 1 January	1,417,977,384	1,081,920,515
Add: Provision made during the year	340,962,371	336,056,869
Balance as at 31 December (Note 23.1)	1,758,939,755	1,417,977,384
23.1 Provision for income tax		
<u>Income year</u>		
Year 2013	340,962,371	-
Year 2012	336,056,869	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
	1,758,939,755	1,417,977,384

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

24. Sales

	Unit	2013		2012	
		Quantity	Amount	Quantity	Amount
		in million	Taka	in million	Taka
Local					
Tiles	Sft	62.73	3,682,931,963	71.90	3,785,357,394
Decor/Border	Pcs	0.82	104,122,733	0.95	116,434,898
Sanitary ware	Pcs	1.29	2,067,194,252	1.28	1,891,324,279
			5,854,248,948		5,793,116,571
Less: Supplementary Duty			429,533,344		548,060,589
			5,424,715,604		5,245,055,982
Less: VAT			763,597,403		755,623,924
			4,661,118,201		4,489,432,058
Export			26,144,308		18,389,470
			4,687,262,509		4,507,821,528

25. Cost of sales

Stock of finished goods as at 1 January
Add: Cost of goods manufactured (Note 25.1)
Cost of finished goods available for sale
Less: Stock of finished goods as at 31 December

2013	2012
Taka	Taka
72,557,895	69,474,372
3,091,024,518	2,854,205,410
3,163,582,413	2,923,679,782
201,583,295	72,557,895
2,961,999,118	2,851,121,887

25.1 Cost of goods manufactured

Materials consumed:

Opening stock
Add: Purchase during the year
Less: Closing stock

867,867,575	778,731,176
1,640,220,113	1,504,711,214
870,909,534	867,867,575
1,637,178,154	1,415,574,815

Manufacturing overhead:

Direct labour (Note 25.1.1)
Direct expenses:
Power and gas
Repairs and indirect materials (Note 25.1.2)
Moulds and punches
Depreciation
Royalty and technical know-how fee (Note 25.1.3)
Other production overhead (Note 25.1.4)

231,144,985	202,748,942
391,630,603	368,698,301
491,023,126	425,057,838
22,220,803	30,226,862
278,461,166	272,784,193
17,221,808	112,695,538
21,235,488	25,867,015

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

	2013	2012
	Taka	Taka
Cost of production	1,452,937,979	1,438,078,689
	3,090,116,133	2,853,653,504
Difference in work in process:		
Work in process as at 1 January	28,575,283	29,127,189
Work in process as at 31 December	27,666,898	28,575,283
	908,385	551,906
Cost of goods manufactured	3,091,024,518	2,854,205,410
25.1.1 Direct labour		
Salary and wages	132,833,005	121,284,105
Overtime	13,012,301	10,873,135
Bonus	23,040,055	13,106,032
Incentive	10,441,082	9,356,067
Temporary labour wages	16,893,108	14,893,821
Temporary labour for production	19,194,867	17,349,936
Gratuity	6,974,323	6,045,277
Employers contribution to provident fund	7,578,536	6,928,801
Leave encashment	-	1,762,721
Group life insurance	1,177,708	1,149,047
	231,144,985	202,748,942
25.1.2 Repairs and indirect materials		
Stores, spares, repair and maintenance	239,665,643	179,699,430
Packing expenses	251,357,483	245,358,408
	491,023,126	425,057,838
25.1.3 Royalty and technical know how fee		
Royalty and technical know how fee	90,479,404	112,695,538
Less: Tax provision on excess royalty paid in the year 2008	31,000,000	-
Tax provision on excess royalty paid in the year 2009	22,795,724	-
Reversal of excess provision for the year 2012	19,461,872	-
	17,221,808	112,695,538
25.1.4 Other production overhead		
Hotel fare and expenses for technician	4,211,028	6,199,104
Demurrage	3,745,067	3,801,087
Insurance	13,034,293	14,991,796
Other expenses	245,100	875,028
	21,235,488	25,867,015

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

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

Quantity in million					
Description	Unit	Opening stock	Purchase/ Production	Consumption	Closing stock
		Quantity	Quantity	Quantity	Quantity
Raw materials	KG				
Current year		137.21	151.49	166.27	122.43
Previous year		146.17	169.26	178.21	137.21
Finished goods					
Tiles:	Sft				
Ceramics/granite					
Current year		0.63	68.02	63.17	5.48
Previous year		1.11	71.74	72.22	0.63
Decor/border	Pcs				
Current year		0.12	0.81	0.82	0.11
Previous year		0.14	0.93	0.95	0.12
Sanitary ware:					
Sanitary items	Pcs				
Current year		0.05	1.29	1.29	0.05
Previous year		0.07	1.26	1.28	0.05

25.2.2 Production capacity and actual production are given below:

Production	Unit	Installed Capacity Annual (million)	Utilisation during the Year (million)	% of Utilisation	Over/(Under) Utilisation
Tiles	Sft	86.40	68.02	79%	(18.38)
Sanitary ware	Pcs	1.10	1.29	117%	0.19

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

	2013	2012
	Taka	Taka
26. Other income		
Dividend income	29,562,500	23,720,000
Rental income	6,078,261	5,478,261
Profit on sale of property, plant and equipment	2,773,705	541,535
	38,414,466	29,739,796
27. Administrative expenses		
Staff cost (Note 27.1)	100,340,839	109,262,765
Meeting expenses-Admin	23,251,851	21,644,060
Telephone, postage and supplies	4,994,148	3,945,786
Office repair and maintenance (Note 27.2)	7,906,620	8,222,989
Registration and renewal	631,375	1,574,136
Security and guard expenses	10,338,724	8,912,698
Electricity, gas and water	4,650,653	4,024,138
Depreciation	17,961,495	16,646,218
Amortisation of intangible assets	2,181,002	3,132,391
Legal and professional fees	3,538,757	2,652,263
Vehicle repair and maintenance	7,921,170	9,088,221
Rent rate and tax	6,301,348	4,580,134
CSR expenses	3,092,000	8,996,266
Others	4,212,158	5,444,625
Managing Director's remuneration	38,340,648	36,225,372
	235,662,788	244,352,062
27.1 Staff cost		
Salary and wages	70,765,415	76,265,039
Overtime	-	19,988
Bonus	10,430,572	8,455,502
Incentive	5,196,262	8,102,148
Gratuity	3,172,693	3,383,323
Employers contribution to provident fund	1,763,835	3,430,773
Leave encashment	-	1,055,920
Group life insurance	628,874	649,999
Canteen expenses	1,115,237	1,047,954
Staff welfare expenses	436,231	517,086
Hotel, tour, food and air ticket	4,001,770	3,355,818
Food expenses	1,883,828	1,842,579
Medical expenses	516,922	496,049
Accommodation	429,200	640,587
	100,340,839	109,262,765

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

	2013	2012
	Taka	Taka
27.2 Office repair and maintenance		
Repairs office equipment	490,265	202,786
Office maintenance	7,416,355	8,020,203
	<u>7,906,620</u>	<u>8,222,989</u>
28. Marketing and selling expenses		
Staff cost (Note 28.1)	18,505,004	15,039,317
Advertisement	14,512,359	6,802,505
Freight and transportation	157,666,471	133,395,916
Performance rebates (Note 28.2)	195,608,966	211,395,585
Business promotion	17,374,540	18,982,393
Discount	72,245,943	8,842,696
Travel, entertainment and others	11,076,223	5,741,606
	<u>486,989,506</u>	<u>400,200,018</u>
28.1 Staff cost		
Salary and wages	12,960,339	10,514,570
Bonus	2,276,955	1,189,546
Incentive	1,487,607	1,809,501
Gratuity	670,729	518,677
Employers contribution to provident fund	751,925	543,845
Leave encashment	-	246,753
Group life insurance	111,094	94,545
Food expenses	246,355	121,880
	<u>18,505,004</u>	<u>15,039,317</u>
28.2 Performance rebates		
Compensation	2,564,373	2,499,356
Dealers' commission	94,990,174	109,452,282
Breakage commission	98,054,419	99,443,947
	<u>195,608,966</u>	<u>211,395,585</u>
29. Finance income		
Interest on bank account (SND)	3,687,887	6,173,078
Interest on loans to subsidiary & associate	98,211,912	87,585,716
Interest on FDR	106,021,097	77,628,373
Exchange gain	5,114,356	10,874,536
	<u>213,035,252</u>	<u>182,261,703</u>

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

	2013	2012
	Taka	Taka
30. Finance expenses		
Interest expenses (Note 38.2)	11,696,169	15,369,742
Bank charges	1,026,741	1,266,936
	<u>12,722,910</u>	<u>16,636,678</u>
31. Current tax		
Current year provision	318,166,647	305,056,869
Other tax provision	22,795,724	31,000,000
	<u>340,962,371</u>	<u>336,056,869</u>
32. Transaction in foreign currency		
CIF value of import:		
Raw materials	1,059,742,567	1,162,067,960
Spare parts	231,832,180	128,016,434
Capital machinery	25,928,843	55,994,861
Expenditure:		
Royalty, consultancy & training fees	-	1,422,934
Dividend	287,249,406	220,449,306
Earning in foreign currency:		
FOB value of exports	26,144,308	18,389,470
	<u>1,630,897,304</u>	<u>1,586,340,965</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. 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.

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

a) Exposure to credit risk

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

	USD	USD	Amount in Taka	
	As at 31 Dec 2013	As at 31 Dec 2012	As at 31 Dec 2013	As at 31 Dec 2012
Trade receivables				
Customer-Local	-	-	498,577,089	564,875,125
Customer-Export	-	42,991	-	3,404,885
	-	42,991	498,577,089	568,280,010
Other receivables				
Claim Receivable			-	3,621,474
Accrued rental income			190,000	-
Accrued Interest			259,121,730	177,381,730
Receivable against disposal of investment (Note 11.3)			6,120,000	-
			265,431,730	181,003,204
Loan to subsidiaries & associates				
RAK Pharmaceuticals Pvt. Ltd			500,000,000	500,000,000
RAK Paints Pvt. Ltd.			95,204,185	100,000,000
			595,204,185	600,000,000
Cash equivalents			1,435,016,991	980,103,838
b) Aging of receivables				
The aging of trade receivables as at 31 December was:				
Not past due				
0-90 days past due			498,577,089	568,280,010

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.

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

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

	As at 31 December 2013			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Short term borrowing	255,783,541	255,783,541	255,783,541	-
Trade and other payables	245,573,276	245,573,276	245,573,276	-
	<u>501,356,817</u>	<u>501,356,817</u>	<u>501,356,817</u>	<u>-</u>

	As at 31 December 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	193,897,478	193,897,478	193,897,478	-
	<u>406,427,806</u>	<u>406,427,806</u>	<u>406,427,806</u>	<u>-</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 2013			As at 31 December 2012	
	USD	EURO	AED	USD	EURO
Foreign currency denominated assets					
Receivable from customers-Export	-	-	-	40,395	-
Cash at bank	40,400	-	-	113,611	-
	<u>40,400</u>	<u>-</u>	<u>-</u>	<u>154,006</u>	<u>-</u>

	As at 31 December 2013			As at 31 December 2012	
	USD	EURO	AED	USD	EURO
Foreign currency denominated liabilities					
Trade payables	7,056	445,560	33,511	64,980	229,485
Short term bank loan	3,188,661	59,000	-	2,650,004	-
Royalty & Technical Fees	2,885,892	-	-	2,731,856	-
	<u>6,081,609</u>	<u>504,560</u>	<u>33,511</u>	<u>5,446,840</u>	<u>229,485</u>

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

Net exposure	(6,041,209)	(504,560)	(33,511)	(5,292,834)	(229,485)
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The Company has foreign exchange gain of Tk 5,114,356 during the year ended 31 December 2013 (31 December 2012: Exchange gain Tk 10,874,536).

The following significant exchange rates have been applied:

	Exchange rate	
	As at 31 Dec 2013	As at 31 Dec 2012
US Dollar	77.7000	79.7000
EURO	106.9858	105.4780
AED	21.1587	21.7014

ii) **Foreign exchange rate sensitivity analysis for foreign currency expenditures**

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

	As at 31 Dec 2013		As at 31 Dec 2012	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
At 31 December				
USD (3 percent movement)	(186,842)	175,958	(163,696)	154,160
EURO (3 percent movement)	(15,605)	14,696	(7,097)	6,684
AED (3 percent movement)	(1,036)	976	-	-

b) **Interest rate risk**

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The Company is not significantly exposed to fluctuation in interest rates as 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 2013	As at 31 Dec 2012
Financial assets		
Investment in FDR	1,150,000,000	775,542,149
Cash at banks	285,016,991	204,561,689
Financial liabilities		
Short term bank loan	255,783,541	212,530,328

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

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 As at 31 Dec 2013		Amount in Taka As at 31 Dec 2012	
	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	1,150,000,000	1,150,000,000	775,542,149	775,542,149
Loans and receivables				
Trade receivables	498,577,089	498,577,089	568,280,010	568,280,010
Other receivables	265,431,730	265,431,730	181,003,204	181,003,204
Loan to subsidiaries & associates	595,204,185	595,204,185	600,000,000	600,000,000
Cash equivalents	1,435,016,991	1,435,016,991	980,103,838	980,103,838
Available for sale financial assets				
Financial liabilities				
Liabilities carried at amortised costs				
Short term borrowing	255,783,541	255,783,541	212,530,328	212,530,328
Trade and other payables	245,573,276	245,573,276	193,897,478	193,897,478

Accounting classification and fair values as at 31 December 2012 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 2013	As at 31 Dec 2012
Investment in FDR	9%-11.50%	11%-12.50%
Bank overdraft	15%-15.50%	15%-15.50%
Short term bank loan (local currency)	14.50%-15.50%	14.50%-15.50%
Short term bank loan (foreign currency/USD)	Libor 0.34900%	Libor 0.50825%
Short term bank loan (foreign currency/Euro)	Libor 0.36130%	Libor 0.36129%

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

34. Related party disclosures

During the year ended 31 December 2013, 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:

	2013	2012
	Taka	Taka
Subsidiary		
Purchase of goods/services	241,455,880	230,515,720
Interest receivables	244,240,792	160,179,499
Rental Income	5,478,261	5,478,261
Loan	500,000,000	500,000,000
Outstanding payables	20,156,862	18,850,687
Associates		
Sales of goods/services	10,538	11,750
Purchase of goods/services	49,079,895	43,382,723
Interest receivables	-	7,911,327
Loan	95,204,185	100,000,000
Outstanding payables	4,612,730	2,763,875
Other related Parties		
Sales of goods/services	1,915,618,001	2,048,713,923
Purchase of goods/services	213,518,834	217,959,341
Outstanding payables	22,770,358	20,009,914
Outstanding receivables	399,158,670	473,211,146
Key management personnel		
Remuneration	51,587,062	53,889,372
Outstanding remuneration payables	38,735,613	36,225,372

34.2 Directors remuneration

During the year, Managing Director's remuneration was Taka 38,340,648.

During the year, Board meeting fees of Taka 19,000 was paid to the board members for attending the Board meetings.

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

	2013	2012
	Taka	Taka
35. Number of employees		
The number of employees engaged for the period who received total remuneration of Taka 36,000 and above was 1112 (2012:1106).		
36. Earnings per share (EPS)		
Calculation of earnings per share (EPS) is as under:		
Earnings attributable to the ordinary shareholders		
Profit for the year	868,387,075	830,529,175
No. of ordinary equity shares	306,227,829	278,388,935
Weighted average no. of equity shares outstanding (Note 36.1)	306,227,829	306,227,829
Earnings per share (EPS) for the year	2.84	2.71
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	278,388,935	278,388,935
Effect of issue of bonus shares for the year 2012	27,838,894	27,838,894
	306,227,829	306,227,829

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 542,219,026 (2012: Tk 213,099,667). 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 414,040,711 (2012: Tk 354,575,744) and letter of guarantee of Tk 25,895,501 (2012: Tk 24,020,272).

38. Other disclosures

38.1 Changes in policy and estimates

Change in royalty policy from 2.5% of net sales to 8% of profit before tax or 2.5% of net sales whichever is lower effective from 1 January 2012. Excess amount of royalty provision up to 31 December 2012 for taka 19,461,872 has been adjusted with current year royalty provision. Tax liabilities for disallowances of royalty expenses charged to the financials for prior years have been adjusted with current year royalty provision.

38.2 Comparatives and reclassification

Interest expenses booked in 2012 as cost of sales is reclassified as finance expenses in 2013.

39. Events after the reporting period

The Board of Directors of RAK Ceramics (Bangladesh) Limited, at its 118th meeting held on 3 February 2014, 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 2013 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 2 April 2014.



RAK POWER PVT. LTD.

AUDITORS' REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013.

Review of Business

The plant capacity was available in excess of 90 percent of installed capacity, during 2013. 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 2013.

Operating result:

The operational results of the company for the year ended 2013 as follows:

Particulars	Taka Millions	
	2013	2012
Net Sales	287.06	273.18
Gross profit	124.48	109.09
Net profit after tax	74.10	59.63
Depreciation	30.12	29.99

Sales and net profit after tax growth was 5 percent and 23 percent, respectively compared to year 2012.

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 30 percent for the year 2013. While recommending the dividend, the Board of Directors has taken into consideration the business result, the assets as at that date and the fund requirement for future development and expansion.

Auditors

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

Post statement of financial position events

No material events occurring after statement of financial position date came to our notice which could affect the values in the financial statements.

Appreciation

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

On behalf of the Board of Director

Dhaka, Bangladesh
Dated, February 3, 2014

Abdallah Massaad
Chairman

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 2013 the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management of RAK 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.

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 Standard (BFRS), give a true and fair view of the financial position as at 31 December 2013 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: 03 February 2014


K.M. HASAN & CO.
Chartered Accountants

RAK POWER PVT. LTD.

STATEMENT OF FINANCIAL POSITION

as at 31 December, 2013

Assets

Non - Current Assets

Property, plant and equipment

Total non-current assets

Current Assets

Inventories

Trade and other receivables

Advance , deposits & prepayments

Advance income tax

Cash and cash equivalents

Total current assets

Total assets

Equity and Liabilities

Capital and Reserves

Share capital

Retained earnings

Total equity and liabilities

Non-current liabilities

Deferred tax liability

Total non-current liabilities

Current Liabilities

Provision for employee benefit

Trade and other payables

Provision for expenses

Provision for corporate tax

Total current liabilities

Total equity and liabilities

Notes	2013	2012
	Taka	Taka
4	234,022,258	262,699,653
	234,022,258	262,699,653
5	53,307,145	48,039,988
6	27,720,398	21,836,636
7	7,826,918	9,180,198
8	54,310,847	19,731,546
9	53,462,552	2,736,085
	196,627,860	101,524,453
	430,650,118	364,224,106
10	205,000,000	205,000,000
	83,516,433	60,671,265
	288,516,433	265,671,265
11	37,369,219	37,081,832
	37,369,219	37,081,832
12	307,230	268,736
13	8,822,973	13,123,506
14	13,774,148	10,388,366
15	81,860,115	37,690,401
	104,764,466	61,471,009
	430,650,118	364,224,106


The annexed notes form an integral part of these financial statements (Note 1-24).


Director

Dhaka , Bangladesh
Dated: 03 February 2013

Signed in terms of separate report of even date annexed.


Managing Director


K.M. HASAN & CO.
Chartered Accountants

RAK POWER PVT. LTD.

STATEMENT OF COMPREHENSIVE INCOME

for the year year ended 31 December, 2013

	Notes	2013	2012
		Taka	Taka
Sales	16	287,063,124	273,183,325
Cost of generation of electricity	17	(162,581,219)	(164,091,590)
Gross profit		124,481,905	109,091,735
Administrative expenses	18	(6,836,485)	(6,749,573)
Profit from operating activities		117,645,420	102,342,162
Finance income	19	1,247,214	63,438
Financial expenses	20	(340,365)	(5,523,152)
Net finance income		906,849	(5,459,714)
Profit before income tax		118,552,269	96,882,448
Income tax expenses			
Current tax	21	(44,169,714)	(34,154,496)
Deferred Tax	11	(287,387)	(3,094,842)
		(44,457,101)	(37,249,338)
Profit for the year		74,095,168	59,633,110
Basic earnings per share of Taka 100 each	24.2	36.14	29.09

The annexed notes form an integral part of these financial statements (Note 1-24).



Director

Dhaka , Bangladesh
Dated: 03 February 2013

Signed in terms of separate report of even date annexed.



Managing Director



K.M. HASAN & CO.
Chartered Accountants

RAK POWER PVT. LTD.

STATEMENT OF CHANGES IN EQUITY

for the year year ended 31 December, 2013

Amount in Taka

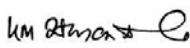
Particulars	Share capital	Retained earnings	Total
Balance as at January 1, 2012	205,000,000	42,038,155	247,038,155
Profit for the year	-	59,633,110	59,633,110
Cash dividend for 2011	-	(41,000,000)	(41,000,000)
Balance as at December 31, 2012	205,000,000	60,671,265	265,671,265
Profit for the year	-	74,095,168	74,095,168
Cash dividend for 2012	-	(51,250,000)	(51,250,000)
Balance as at December 31, 2013	205,000,000	83,516,433	288,516,433


Director

Signed in terms of separate report of even date annexed.


Managing Director

Dhaka , Bangladesh
Dated: 03 February 2014


K.M. HASAN & CO.
Chartered Accountants

RAK POWER PVT. LTD.

STATEMENT OF CASH FLOWS

for the year year ended 31 December, 2013

Cash flow from operating activities

Cash receipts from customers
Cash paid to customer and others

Cash generated from operating activities

Interest received
Income tax paid

Net cash flow from operating activities

Cash flow from investing activities

Acquisition of property, plant and equipments
Sales of property, plant and equipments
Interest received from FDR

Net cash used in investing activities

Cash flow from financing activities

Finance Charge
Dividend Paid
Term loan repaid

Increase/(decrease) in cash and cash equivalents

Cash and cash equivalent as at January 1

Cash and cash equivalent as at December 31


2013	2012
Taka	Taka
281,179,362	272,669,536
(143,821,136)	(134,462,551)
137,358,226	138,206,985
18,434	14
(34,579,301)	(16,124,642)
102,797,359	122,082,357
(1,676,969)	(1,572,088)
236,200	-
619,877	56,330
(820,892)	(1,515,758)
-	(5,010,620)
(51,250,000)	(41,000,000)
-	(74,782,229)
(51,250,000)	(120,792,849)
50,726,467	(226,250)
2,736,085	2,962,335
53,462,552	2,736,085


Director

Signed in terms of separate report of even date annexed.


Managing Director

Dhaka , Bangladesh
Dated: 03 February 2013


K.M. HASAN & CO.
Chartered Accountants

NOTES TO THE FINANCIAL STATEMENTS

for the year year ended 31 December, 2013

1 The company and its activities

RAK Power Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on June 30, 2005 as a private company limited by shares. The company has gone into commercial operation from May 1, 2009.

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

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

2 Significant accounting policies

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

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

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

2.2 Property, plant and equipment

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

Subsequent expenditure for renewals and betterments that enhance the economic useful life of the property, plant and equipment or that improve the capacity, quality or reduce substantially the operating cost or administration expenses are capitalized by adding to the related property, plant and equipment.

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

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

2.3 Depreciation on fixed assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

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

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

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

2.4 Accounts receivable

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

2.5 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".

2.6 Employees' benefit plan

i) Provident fund

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

ii) Gratuity

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

iii) WPPF

As par Bangladesh Labour Act 2006 as ammended in 2013, The Workers Profit Participation Fund is yet to be introduced.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

2.7 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".

2.8 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 as incurred.

2.9 Creditors and accruals

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

2.10 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.

2.11 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.

2.12 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.

2.13 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/BAS-12 is accounted using the tax rates and laws that have been enacted or substantively enacted as on statement of financial position date. Deferred tax is not considered quarterly, rather it is considered as yearly to keep consistency (uniformity) with other related organization.

3 Disclosures

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 Statements) based on accrual basis.

3.1 Segment Reporting

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

3.2 General

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

4 Property, plant and equipment
2013

Amount in Taka

Particulars	C O S T				D E P R E C I A T I O N					"Written down value as at December 31, 2013"
	"Balance as at January 1, 2013"	Additions during the year	Sales/ disposal	"Total as at December 31, 2013"	Rate (%)	"Balance as at January 1, 2013"	To charge in the period	Adjustment during the year	"Total as at December 31, 2013"	
Land	10,304,000	990,000	-	11,294,000	0%	-	-	-	-	11,294,000
Building	19,195,131	-	-	19,195,131	20%	15,027,825	3,839,026	-	18,866,851	328,280
Plant and machinery										
Main GenSet	268,615,599	-	-	268,615,599	5%	53,723,120	13,430,780	-	67,153,900	201,461,699
Auxiliary equipments	33,411,078	186,079	-	33,597,157	10%	13,327,341	3,352,069	-	16,679,410	16,917,747
Electrical installation	22,984,145	-	-	22,984,145	20%	17,493,578	4,596,829	-	22,090,407	893,738
Gas pipeline	16,852,180	17,552	-	16,869,732	20%	12,354,699	3,372,802	-	15,727,501	1,142,231
Furniture and fixtures	1,435,484	92,800	-	1,528,284	10%	539,563	151,139	-	690,702	837,582
Office equipment	649,539	192,464	-	842,003	20%	480,237	146,381	-	626,618	215,385
Communication equipment	124,786	-	-	124,786	10%	49,916	12,479	-	62,395	62,391
Tools and appliances	4,445	-	-	4,445	20%	3,556	889	-	4,445	-
Fire fighting equipments	3,631,012	-	-	3,631,012	20%	2,904,808	726,204	-	3,631,012	-
Vehicles	3,430,757	198,074	1,181,000	2,447,831	20%	2,033,860	489,566	944,800	1,578,626	869,205
Total as at December 31, 2013	380,638,156	1,676,969	1,181,000	381,134,125		117,938,503	30,118,164	944,800	147,111,867	234,022,258

Allocation of depreciation to	
Administrative expenses	799,565
Cost of Generation of Electricity	29,318,599
	30,118,164

2012

Amount in Taka

Particulars	C O S T				D E P R E C I A T I O N					"Written down value as at December 31, 2012"
	"Balance as at January 1, 2012"	Additions during the year	Sales/ disposal	"Total as at December 31, 2012"	Rate (%)	"Balance as at January 1, 2012"	Charge during the period	Adjustment during the year	"Total as at December 31, 2012"	
Land	10,304,000	-	-	10,304,000	0%	-	-	-	-	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 as at December 31, 2012	379,066,068	1,572,088	-	380,638,156		87,947,785	29,990,718	-	117,938,503	262,699,653

Allocation of depreciation to	
Administrative expenses	961,981
Cost of Generation of Electricity	29,028,737
	29,990,718

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

4.1 Disposal of property plant and equipment

Particulars	Original cost	Accumulated Depreciation	Book Value	Sale Value
Vehicle (Toyota Premio DMG 17-5957)				
Sold to RAK Ceramics (BD) Ltd.	1,181,000	944,800	236,200	236,200
	1,181,000	944,800	236,200	236,200

	2013	2012
	Taka	Taka
5 Inventories		
Stores and consumables spares	53,291,556	47,931,680
Goods-in-transit	15,589	108,308
	53,307,145	48,039,988
6 Trade and other receivables		
Trade Receivables (Note-6.1)	27,075,968	21,801,109
Accrued interest	644,430	35,527
	27,720,398	21,836,636
6.1 Trade receivables		
Receivables from Captive Customers	24,462,250	19,646,559
Rural Electrification Board	2,613,718	2,154,550
	27,075,968	21,801,109
7 Advances, deposits and prepayments		
Advances:		
Purchase of land and others	-	990,000
Suppliers against materials and services	627,159	667,159
	627,159	1,657,159
Security and other deposits:		
Titas Gas	5,873,150	5,873,150
VAT and supplementary duty	416,773	416,773
	6,289,923	6,289,923
Prepayments:		
House rent	90,000	90,000
Insurance	789,217	812,393
Registration & Renewal	30,619	330,723
	909,836	1,233,116
	7,826,918	9,180,198

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

	2013	2012
	Taka	Taka
8 Advance income tax		
Balance at January 1	19,731,546	3,606,904
Add: Paid during the year	34,579,301	16,124,624
Balance at December 31	54,310,847	19,731,546
8.1 Head wise payment		
Advance income tax-paid in cash	52,156,660	18,114,046
Against Import	1,836,671	1,393,814
Vehicle Registration	84,000	54,000
TDS on bank interest	233,516	169,685
	54,310,847	19,731,546
8.2 Year wise payment		
Year 2013	16,620,447	-
Year 2012	33,236,075	15,277,221
Year 2011	3,535,904	3,535,904
Year 2010	913,421	913,421
Year 2009	5,000	5,000
	54,310,847	19,731,546
9 Cash and cash equivalents		
Cash in hand	94,990	99,335
Cash at banks:		
HSBC (Current Account-011-107580-011), Main Branch	1,125,636	180,622
SCB (Current Account-01-3767272-01), Main Branch	28,147	3,302
DBBL (Current Account-117.110.23474), Uttara Barnch	2,000	733,352
HSBC (SND Account-001-107580-067), Main Branch	1,166	1,149
DBBL (SND Account-117.120.2550), Uttara Branch	1,448,533	-
	2,605,482	918,425
Investment in Fixed Deposit Receipt (FDR)		
SCB-93767272001, Main Branch	762,080	762,080
DBBL-117.502.31832, Uttara Branch	10,000,000	-
DBBL-117.502.32390, Uttara Branch	10,000,000	-
HSBC-001-107580-101, Main Branch	-	10,215
HSBC-001-107580-102, Main Branch	-	653,900
HSBC-001-107580-103, Main Branch	-	180,390
HSBC-001-107580-104, Main Branch	-	111,740
HSBC-001-107580-106, Main Branch	10,000,000	-
HSBC-001-107580-107, Main Branch	10,000,000	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

HSBC-001-107580-108, Main Branch

2013	2012
Taka	Taka
10,000,000	-
50,762,080	1,718,325
53,462,552	2,736,085
1,000,000,000	1,000,000,000
205,000,000	205,000,000
205,000,000	205,000,000

10 Share capital

Authorised:

10,000,000 ordinary shares of Tk 100 each ordinary shares

Issued, subscribed, called and paid up:

2,050,000 ordinary shares of Take 100/- each ordinary shares

Percentage of shareholdings:

	2013	2012	2013	2012
	%	%	Taka	Taka
RAK Ceramics (Bangladesh) Ltd.	57.00	57.00	116,850,000	116,850,000
SAK Ekramuzzaman	28.00	28.00	57,399,500	57,399,500
Syed. A.K. Anwaruzzaman	10.00	10.00	20,500,000	20,500,000
Md. Amir Hossain	5.00	5.00	10,250,000	10,250,000
Engr. Md Maqsudul Karim	0.00	0.00	500	500
	100.00	100.00	205,000,000	205,000,000

Classification of shareholders by range:

Shareholder's range	Number of shareholders		Number of shares	
	2013	2012	2013	2012
Less than 500 shares	1	1	5	5
100,001 to 1,000,000 shares	3	3	881,495	881,495
Over 1,000,000 shares	1	1	1,168,500	1,168,500
	5	5	2,050,000	2,050,000

11 Deferred tax liabilities

Deferred tax liability is arrived at as follows:

Opening Balance

Deferred tax (income) / expenses

Closing Balance

37,081,832	33,986,990
287,387	3,094,843
37,369,219	37,081,832

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

		2013	2012
		Taka	Taka
14	Provision for expenses		
	Power and gas	4,784,064	4,024,578
	Staff cost	1,500,610	1,266,811
	Audit fee	28,750	28,750
	Professional Charges	46,000	46,000
	Telephone bill & other expenses	7,000	12,000
	Provision for Operation & Maintenance	7,407,724	5,010,227
		13,774,148	10,388,366
15	Provision for corporate tax		
	Balance as at January 1	37,690,401	3,535,905
	Add: Provision made during the year	44,169,714	34,154,496
	Balance as at December 31	81,860,115	37,690,401
15.1	Provision for corporate tax		
	Financial year 2013	44,169,714	-
	Financial year 2012	33,236,076	33,236,076
	Financial year 2011	3,535,904	3,535,904
	Financial year 2010	913,421	913,421
	Financial year 2009	5,000	5,000
		81,860,115	37,690,401
16	Sales		
	Gross sales to group company	253,029,859	241,206,502
	Sales to to Rural Electrification Board	34,033,265	31,976,823
	Net Sales	287,063,124	273,183,325
16.1	Selling electricity to REB is VAT exempted as per SRO 104 -ain/2009/512-VAT, Dated-August-11, 2009		
16.2	Selling electricity to Captive organizations is VAT exempted as per SRO 351 -ain/2010/578, Dated - October 18, 2010		
17	Cost of Sales		
	Cost of generation of electricity (Note 17.1)	162,581,219	164,091,590
		162,581,219	164,091,590
17.1	Cost of generation of electricity		
	Cost of materials consumed		
	Purchase during the year	59,821,536	58,615,104
		59,821,536	58,615,104

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

	2013	2012
	Taka	Taka
Production overheads		
Direct labour (note-17.1.1)	5,792,108	4,946,821
Direct expenses		
Lubricating Oil	6,708,219	7,332,821
Repair & indirect materials (note-17.1.2)	50,580,083	44,091,545
Rental for caterpillar Gensets	6,300,000	6,300,000
Depreciation	29,318,599	29,028,737
Other production overheads (note 17.1.3)	4,060,674	13,776,562
	102,759,683	105,476,486
	162,581,219	164,091,590
17.1.1 Direct labour		
Salary & Wages	4,263,650	3,594,267
Bonus	665,719	559,067
Incentive	355,351	298,851
Gratuity	213,125	179,276
Employers Contribution to provident fund	255,302	215,212
Leave Encashment	1,918	69,151
Group Life Insurance	37,043	30,997
	5,792,108	4,946,821
17.1.2 Repair and indirect materials		
Operation & Maintenance	46,128,959	31,073,531
Spare Parts Cat genset	4,440,526	13,018,014
Water	2,438	-
Diesel	8,160	-
	50,580,083	44,091,545
17.1.3 Other production overheads		
Security & Services	1,284,396	1,213,339
Insurance	2,264,760	2,315,621
Amortization	-	9,630,933
Other Expenses	511,518	616,669
	4,060,674	13,776,562
18 Administrative expenses		
Staff Cost (Note 18.1)	4,201,071	3,537,426
Telephone, postage and supplies	79,738	82,224
Office repairing and maintenance	165,584	92,676
Registration and renewal	366,860	593,915

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

		2013	2012
		Taka	Taka
	Depreciation	799,565	961,981
	Legal and professional fees	230,250	147,350
	Vehicle repairing and maintenance	441,867	608,468
	Meeting fees admin	10,350	8,500
	Rent, rates and taxes	432,794	215,870
	Stationery Expenses	64,464	74,495
	Other expenses	43,942	426,668
		6,836,485	6,749,573
18.1	Staff cost-Admin		
	Salary & Wages	2,996,865	2,310,406
	Bonus	457,586	311,534
	Gratuity	42,883	36,338
	Employers Contribution to provident fund	51,930	43,620
	Leave Encashment	-	17,332
	Incentive	211,501	358,662
	Group Life Insurance	6,598	7,846
	Staff welfare expenses	31,518	2,900
	Food expenses	282,348	420,003
	Travelling & conveyance	119,842	28,785
		4,201,071	3,537,426
19	Other income		
	Interest income on FDR	1,228,780	63,424
	Interest income on SND	18,434	14
		1,247,214	63,438
20	Financial expenses		
	Interest expenses	107,156	5,010,620
	Bank charges	221,674	512,532
	Exchange Loss / (Gain)	11,535	-
		340,365	5,523,152
21	Income Tax		
	Current years	44,169,714	33,236,076
	Prior years	-	918,420
		44,169,714	34,154,496

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

22 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

22.1 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 2013	As at 31 Dec 2012	As at 31 Dec 2013	As at 31 Dec 2012
Trade receivables				
Customer-Local	-	-	287,063,124	273,183,325
	-	-	287,063,124	273,183,325
Other receivables				
Accrued Interest			644,430	35,527
			644,430	35,527
Cash equivalents			53,367,562	2,636,750

b) Aging of receivables

The aging of trade receivables as at 31 December was :

Not past due	-	-
0-90 days past due	24,954,141	21,801,109
91-180 days past due	2,121,827	-
	27,075,968	21,801,109

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

22.2 Liquidity risk

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

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

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

As at December 31, 2013				
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Short term borrowing	-	-	-	-
Trade and other payables	8,822,973	8,822,973	8,822,973	-
	<u>8,822,973</u>	<u>8,822,973</u>	<u>8,822,973</u>	<u>-</u>

As at 31 December 2012				
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Short term borrowing	-	-	-	-
Trade and other payables	13,123,506	13,123,506	13,123,506	-
	<u>13,123,506</u>	<u>13,123,506</u>	<u>13,123,506</u>	<u>-</u>

22.3 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 EURO.

i) Exposure to currency risk

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

	As at December 31, 2013		As at December 31 2012	
	USD	EUR	USD	EUR
Foreign currency denominated assets	-	-	-	-
Receivable from customers-Export	-	-	-	-
Cash at bank	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

	As at December 31, 2013		As at December 31 2012	
	USD	EUR	USD	EUR
Foreign currency denominated liabilities			-	-
Trade payables	-	23,253	-	9,954
Short term bank loan	-	-	-	-
	-	23,253	-	9,954
Net exposure	-	(23,253)	-	(9,954)

The Company has foreign exchange loss or gain. Exchange loss for the year Tk. 11, 535/-

The following significant exchange rates have been applied:

	Exchange rate	
	As at December 31 2013	As at December 31 2012
US Dollar	77.7000	79.7000
EURO	106.9858	105.4780

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 December 31, 2013		As at December 31 2012	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
Closing				
USD (3 percent movement)	-	-	-	-
EUR (3 percent movement)	(719)	677	(308)	290

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 in Taka	
	As at December 31 2013	As at December 31 2012
Fixed rate instruments		
Financial assets		
Investment in FDR	50,762,080	1,718,325
Cash at banks	2,605,482	918,425

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

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 December 31, 2013		As at December 31, 2012	
	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	50,762,080	50,762,080	1,718,325	1,718,325
Loans and receivables				
Trade receivables	27,075,968	27,075,968	21,801,109	21,801,109
Other receivables	644,430	644,430	35,527	35,527
Cash equivalents	53,367,562	53,367,562	2,636,750	2,636,750
Available for sale financial assets	-	-	-	-
Financial liabilities	-	-	-	-
Liabilities carried at amortised cost				
Trade and other payables	8,822,973	8,822,973	13,123,506	13,123,506

Accounting classification and fair values as at December 31, 2013 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 December 31 2013	As at December 31 2012
Investment in FDR	7.25%-10.25%	3.5%-7.25%
Bank overdraft	15%-15.50%	15%-15.50%
Short term bank loan (local currency)	14.50%-15.50%	14.50%-15.50%

23 Related party disclosure under IAS-24

23.1 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
Mr. S.A.K. Ekramuzzaman	Key Management Personnel
Mr. Md. Amir Hossain	Key Management Personnel

23.2 Transaction with related parties

Amount in Taka

Nature of transaction	Parent Company	Key Management Personnel	Other related parties
Purchase of goods/services	429,234	-	1,548,180
Sale of goods/services	241,455,880	-	8,016,255
Genset rental (excluding VAT)	5,478,261	-	-
Outstanding receivables	20,156,862	-	4,015,922
Outstanding payables	-	-	123,453
Dividend payment	29,212,500	22,037,500	-

23.3 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 except the following fees.

Nature of Meeting	Amount in Taka
Executive Meeting	25,000
Board Meeting	10,350

24 Other disclosures

24.1 Number of employees

The number of employees engaged for the period who received a total remuneration of Taka 63,600 and above was 17. None is receiving below Taka 5,300 per month.

24.2 Earning Per Share (EPS)

Amount in Taka

Calculation of earning per share (EPS) is as under:	December 31, 2013	December 31, 2012
Net profit after tax (Taka)	74,095,168	59,633,110
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 (Taka)	100	100
Earning per share (EPS) for the year (Taka)	36.14	29.09

24.3 Transaction in foreign currency

Nature of transaction	Amount in Taka
CIF value of imported spare parts	10,797,077

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

24.4 Trade & Other Receivable

Particulars	Amount inTaka
"Debt outstanding for the period exceeding six month"	nil
Advance, deposit & prepayments	7,826,918

24.5 Contingent liabilities and commitments

Nature of transaction	Amount inTaka
Letter of Credit	1,838,806
Letter of Guarantee	14,144,250

24.6 Amount paid to auditors and other professional service providers

Nature of transaction	Amount inTaka
Audit fee	40,250
Taxation	23,000
Company law matters	172,000

Figures are including VAT

24.7 Capacity utilization

(MW)			(kwh)				
Licensed Capacity	Installed capacity	Available capacity	Standard capacity @ 85% (kwh)	Actual utilization for 2013 (kwh)	Period utilization (on Standard Capacity)	Over/(under) utilization	Actual utilization for 2012 (kwh)
10 MW	9 MW	8.543 MW	63,611,178	52,840,860	83%	(17%)	51,394,600

24.8 Event After Reporting Period

i) The Board of Directors in its meeting held on 03 February 2014 approved the financial statements of the company for the year ended December 31, 2013 and authorised the same issue. The Board of Directors also recommended dividend @ 30% for the shareholders for the year 2013.

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



Director



Managing Director

Dhaka , Bangladesh
Dated: 03 February 2014



RAK PHARMACEUTICALS PVT. LTD.

AUDITORS' REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

RAK PHARMACEUTICALS 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 the auditor's report thereon for the year ended December 31, 2013.

Review of business:

The Company was able to increase product range to 111 during 2013 compared to 105 in 2012. The sales force increased to 542 persons during 2013. The Company focused on doctor based marketing strategy as well as restructured the field forces to boost up the sales. As a result, our product demand increased in the domestic market, accordingly sales volume increased compared to year 2012. Although the company incurred huge losses over the years, the management of the company are trying to overcome the situation through introducing new products, technology etc. The company is exerting its utmost efforts to mobilize its resources to meet working capital requirement to continue its operation for the foreseeable future and trying to explore revenues from various earning sources including boosting production and marketing of products of the company.

Operating result:

The operational results of the company for the year ended 2013 as follows:

Particulars	Taka Millions	
	2013	2012
Sales (net of taxes)	444.37	365.22
Gross profit/(Loss)	240.99	172.24
Net profit/(loss) after tax	(277.13)	(291.17)
Depreciation	45.17	46.43

Sales for 2013 increased by 21.67% compared to 2012.

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 ensuring 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

Abdallah Massaad
Chairman

Dhaka, Bangladesh
Dated, February 03, 2014

AUDITORS' REPORT TO THE SHAREHOLDERS OF

RAK Pharmaceuticals Pvt. Ltd.

We have audited the accompanying Financial Statements of **RAK PHARMACEUTICALS PVT. LTD.**, which comprises the Statement of Financial Position as at 31 December 2013 and Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and Notes comprising 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), The Companies Act, 1994 and other applicable laws and regulation 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 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 judgment, 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.

Emphasis of Matter:

We draw attention to note no. 2.1 enclosed in the financial statements regarding Going Concern matters. The financial statements have been prepared according to BAS-1: "Presentation of Financial Statements" based on accrual basis following going concern concept. Although the company incurred huge losses over the years the management of the company has been trying to overcome the situation through introducing new products, technology etc. The company is exerting its utmost efforts to mobilize its resources to meet working capital requirement to continue its operation for the foreseeable future and trying to explore revenues of various earning sources including boosting production and marketing of products of the company. Our opinion is not qualified in respect of this matter.


OPINION:

In our opinion, the financial statements, prepared in accordance with Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of the result of its operations and its cash flows for the year then ended and comply with the Companies Act, 1994 and other applicable laws and regulations.

We also report that:

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

Dhaka, Bangladesh
Dated: 03 February 2014


K.M. HASAN & CO.
Chartered Accountants

RAK PHARMACEUTICALS PVT. LTD.

STATEMENT OF FINANCIAL POSITION

as at December 31, 2013

	Notes	Amount in Taka	
		As at	
		December 31, 2013	December 31, 2012
Assets			
Property, plant and equipment	4	601,334,029	642,781,170
Intangible assets	5	104,452,765	109,477,814
Total non-current assets		705,786,794	752,258,984
Inventories	6	78,452,695	117,474,396
Trade & other receivables	7	37,672,745	38,384,541
Advances, deposits & prepayments	8	34,588,919	59,811,435
Advance corporate income tax	9	15,631,746	11,845,890
Cash and cash equivalents	10	2,644,016	2,868,567
Total current assets		168,990,121	230,384,829
Total assets		874,776,915	982,643,813
Equity			
Share capital	11	468,536,500	468,536,500
Share money deposits	12	456,116,000	421,326,000
Retained earnings/ (losses)		(1,123,021,479)	(845,883,657)
Total equity		(198,368,979)	43,978,843
Liabilities			
Borrowings	13	518,483,567	518,567,275
Total non-current liabilities		518,483,567	518,567,275
Trade and other payables	14	48,438,263	43,476,514
Borrowings- current portion	13	207,435,805	176,622,625
Provision for expenses	15	281,316,833	189,370,710
Provision for employees benefit	16	17,471,426	10,627,846
Total current liabilities		554,662,327	420,097,695
Total equity and liabilities		874,776,915	982,643,813

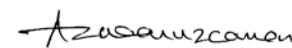
Significant Accounting policies and Notes forming part these financial statements 1-29


For RAK Pharmaceuticals Pvt. Ltd.


Director

Dhaka, Bangladesh
Dated: 03 February 2013

Signed in terms of our report of even date annexed


Managing Director


K.M. HASAN & CO.
Chartered Accountants

RAK PHARMACEUTICALS PVT. LTD.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2013

	Notes	Amount in Taka	
		for the year ended	
		December 31, 2013	December 31, 2012
Net Sales	17	444,371,710	365,217,294
Cost of sales	18	(203,373,320)	(192,982,020)
Gross profit		240,998,390	172,235,274
Other income	19	7,870,785	8,810,530
Administrative expenses	20	(42,332,239)	(43,724,461)
Marketing, selling and distribution expenses	21	(367,928,715)	(330,622,696)
		(402,390,169)	(365,536,627)
Profit/ (loss) from operating activities		(161,391,779)	(193,301,353)
Finance expenses	22	(115,746,043)	(97,874,364)
Profit/ (loss) before income tax		(277,137,822)	(291,175,717)
Provision for Income Tax:			
Current year		-	-
Deferred Tax		-	-
Net profit / (loss) after income tax		(277,137,822)	(291,175,717)

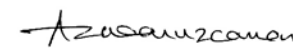
Significant Accounting policies and Notes forming part these financial statements 1-29


For RAK Pharmaceuticals Pvt. Ltd.


Director

Signed in terms of our report of even date annexed

Dhaka, Bangladesh
Dated: 03 February 2013


Managing Director


K.M. HASAN & CO.
Chartered Accountants

RAK PHARMACEUTICALS PVT. LTD.

STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2013

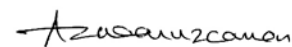
Amount in Taka


Particulars	Number of shares	Share capital	Share money deposit	Retained earnings	Total
Balance as at January 1, 2013	46,853,650	468,536,500	421,326,000	(845,883,657)	43,978,843
Addition during the year	-	-	34,790,000	-	34,790,000
Profit/ (loss) for the year	-	-	-	(277,137,822)	(277,137,822)
As at December 31, 2013	46,853,650	468,536,500	456,116,000	(1,123,021,479)	(198,368,979)
Balance as at 01 January 2012	46,853,650	468,536,500	252,326,000	(554,707,940)	166,154,560
Addition during the year	-	-	169,000,000	-	169,000,000
Profit/ (loss) for the year	-	-	-	(291,175,717)	(291,175,717)
As at December 31, 2012	46,853,650	468,536,500	421,326,000	(845,883,657)	43,978,843

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: 03 February 2013

RAK PHARMACEUTICALS PVT. LTD.
STATEMENT OF CASH FLOWS
for the year ended December 31, 2013

Cash flows from operating activities

Cash receipts from customers & others
Cash payment to suppliers and operating expenses

Cash generated from operating activities

Interest received from bank deposit
Income tax paid- current year

Net cash from operating activities

Cash flows from investing activities

Acquisition of property, plant and equipment
Sale of property, plant and equipment
Intangible assets

Net cash used in investing activities

Cash flows from financing activities

Finance charges
Addition of loans
Share money deposits

Net cash used in financing activities

Net increase/(decrease) in cash & cash equivalents

Opening cash & cash equivalents

Closing cash & cash equivalents

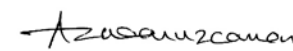
Amount in Taka	
for the year ended	
December 31, 2013	December 31, 2012
478,172,226	360,158,413
(509,212,661)	(412,461,784)
(31,040,435)	(52,303,371)
4,581	858
(3,785,856)	(3,602,977)
(34,821,710)	(55,905,490)
(4,257,455)	(18,221,284)
474,452	3,385,065
5,025,048	3,379,026
1,242,045	(11,457,193)
(32,164,358)	(97,874,364)
30,729,472	(2,003,604)
34,790,000	169,000,000
33,355,114	69,122,032
(224,551)	1,759,349
2,868,567	1,109,218
2,644,016	2,868,567

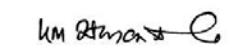
For RAK Pharmaceuticals Pvt. Ltd.


Director

Dhaka, Bangladesh
Dated: 03 February 2013

Signed in terms of our report of even date annexed


Managing Director


K.M. HASAN & CO.
Chartered Accountants

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2013

1 The company and its activities

RAK Pharmaceuticals Pvt. Ltd. was incorporated in Bangladesh under the Companies Act 1994 on June 29, 2005 as a private company limited by shares with an authorized capital of taka 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 July 15, 2009. The paid up capital stands at taka 468.54 million as on December 31, 2013.

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

2.1 Basis of preparation of financial statement

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 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 financial statements have been prepared according to BAS-1: "Presentation of Financial Statements" based on accrual basis following going concern concept. Although the company incurred huge losses over the years, the management of the company are trying to overcome the situation through introducing new products, technology etc. The company is exerting its utmost efforts to mobilize its resources to meet working capital requirement to continue its operation for the foreseeable future and trying to explore revenues of various earning sources including boosting production and marketing of products of the company.

2.2 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.

2.3 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 therefrom are reported in the statement of comprehensive income of that year.

2.4 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

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.

2.5 Intangible assets/Pre-operating Expenses

An intangible assets shall only be recognized if it is probable that future economic benefits that are attributable to the assets will flow to the company and the cost of the assets can be measured reliably in accordance with BAS-38/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 expense are also amortized equally in 15(fifteen) years.

2.6 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.

2.7 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. 18.2

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.

2.8 Revenue recognition

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

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".

2.9 Creditors and accruals

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

2.10 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".

2.11 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.

2.12 Statement of cash flows

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

2.13 Provision for bad debts

Provision has been made @ 10% as bad debts on outstanding receivables at year end.

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

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance leases under BAS-17/ IAS-17.

3 Disclosures

3.1 Impairment

The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each statement of financial

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

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.

3.2 Amount paid to auditors

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

Figures are excluding VAT

3.3 Trade receivables/Trade debtors

Particulars	Amount in Taka
Debts outstanding for a period exceeding six months	9,057,994
Other debts	25,668,581
Total	34,726,575

3.4 Segment reporting

As there is single business and geographical segment within which the company operates as such no segment reporting is felt necessary under BAS-14/ IAS-14.

3.5 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 year figures have been regrouped, rearranged and/or restated wherever considered necessary for the purpose of current year financial presentation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

4 Property, plant and equipment
December 31, 2013

Amount in Taka

Particulars	Cost				Depreciation				Written Down Value as at December 31, 2013
	Balance as at January 1, 2013	Additions during the year	Sale / Adjustment during the year	Balance as on December 31, 2013	Balance as at January 1, 2013	Charged during the year	Sale / Adjustment during the year	Balance as on December 31, 2013	
Land	21,470,330	-	-	21,470,330	-	-	-	-	21,470,330
Factory building	240,347,109	-	-	240,347,109	20,176,489	6,008,678	-	26,185,167	214,161,942
General building (Factory)	11,911,880	-	-	11,911,880	925,567	297,798	-	1,223,365	10,688,515
General building (Corporate)	67,909,176	-	-	67,909,176	5,853,079	1,697,729	-	7,550,808	60,358,368
Plant and machinery	326,084,188	964,300	-	327,048,488	67,269,193	22,095,700	-	89,364,893	237,683,595
Furniture and fixtures	28,900,996	431,650	-	29,332,646	8,914,991	2,920,291	-	11,835,282	17,497,364
Vehicles	19,462,045	67,640	-	19,529,685	10,239,568	3,900,415	-	14,139,983	5,389,702
Motor Cycle	11,330,984	2,383,965	727,083	12,987,866	4,240,352	2,521,809	300,255	6,461,906	6,525,960
Office equipment	13,328,704	409,900	241,500	13,497,104	10,634,330	1,097,849	139,474	11,592,705	1,904,399
Electrical installation	46,354,737	-	-	46,354,737	16,065,410	4,635,473	-	20,700,883	25,653,854
Total	787,100,149	4,257,455	968,583	790,389,021	144,318,979	45,175,742	439,729	189,054,992	601,334,029

December 31, 2012

Amount in Taka

Particulars	Cost				Depreciation				Written Down Value as at December 31, 2012
	Balance as at January 1, 2012	Additions during the year	Sale / Adjustment during the year	Balance as on December 31, 2012	Balance as at January 1, 2012	Charged during the year	Sale / Adjustment during the year	Balance as on December 31, 2012	
Land	21,470,330	-	-	21,470,330	-	-	-	-	21,470,330
Factory building	239,743,661	603,448	-	240,347,109	14,171,892	6,004,597	-	20,176,489	220,170,620
General building (Factory)	11,911,880	-	-	11,911,880	627,769	297,798	-	925,567	10,986,313
General building (Corporate)	67,909,176	-	-	67,909,176	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	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	6,075,432	2,839,559	-	8,914,991	19,986,005
Vehicles	23,014,815	-	3,552,770	19,462,045	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	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	7,936,761	3,172,734	475,165	10,634,330	2,694,374
Electrical installation	46,354,737	-	-	46,354,737	11,429,936	4,635,474	-	16,065,410	30,289,327
Total	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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

4.1 Depreciation Charged to

Cost of goods manufactured (Note 18.1)
Administrative expenses (Note 20)
Marketing, selling and distribution expenses (Note 21)

Total

Amount in Taka	
December 31, 2013	December 31, 2012
32,933,962	32,450,732
8,316,792	10,156,251
3,924,988	3,826,650
45,175,742	46,433,633

4.2 Disposal of property, plant and equipment

December 31, 2013

Amount in Taka

Particulars	Original cost	Accumulated depreciation	Book value	Sale value	Gain/ (Loss)	Mode of disposal	Remarks
Dhaka Metro-HA-35-5750	37,154	19,259	17,895	34,435	16,540	Lost	
Dhaka Metro-HA-39-2460	41,242	12,497	28,745	18,065	(10,680)	Lost	
Dhaka Metro-HA-39-2598	41,242	12,497	28,745	27,037	(1,708)	Lost	
Dhaka Metro-HA-39-3318	41,242	12,497	28,745	22,551	(6,194)	Lost	
Dhaka Metro-HA-39-3329	41,242	12,497	28,745	9,093	(19,652)	Lost	
Dhaka Metro-HA-37-2237	22,044	9,578	12,466	12,466	-	Sale	
Dhaka Metro-HA-37-2230	27,316	11,870	15,446	15,446	-	Sale	
Dhaka Metro-HA-37-2232	27,316	11,870	15,446	15,446	-	Sale	
Dhaka Metro-HA-37-2234	27,316	11,870	15,446	15,446	-	Sale	
Dhaka Metro-HA-37-2236	22,044	9,578	12,466	12,466	-	Sale	
Dhaka Metro-HA-33-6179	36,541	24,167	12,374	12,374	-	Lost	
Dhaka Metro-HA-33-6192	36,541	25,208	11,333	11,333	-	Lost	
Dhaka Metro-HA-35-6154	37,154	21,153	16,001	16,001	-	Lost	
Dhaka Metro-HA-39-2452	41,242	12,836	28,406	28,406	-	Lost	
Dhaka Metro-HA-39-3346	41,242	14,802	26,440	26,440	-	Lost	
Dhaka Metro-HA-39-3373	41,242	12,497	28,745	28,745	-	Lost	
Dhaka Metro-HA-39-2439	41,242	15,570	25,672	36,009	10,337	Lost	
Dhaka Metro-HA-39-3323	41,242	16,067	25,175	27,037	1,862	Lost	
Dhaka Metro-HA-39-3338	41,242	16,067	25,175	36,009	10,834	Lost	
Dhaka Metro-HA-39-3342	41,242	17,875	23,367	40,495	17,128	Lost	
Laptop	45,800	29,571	16,229	16,229	-	Lost	
Laptop	45,800	24,382	21,418	-	(21,418)	Lost	
Laptop	45,800	24,382	21,418	-	(21,418)	Lost	
Laptop	45,800	24,382	21,418	-	(21,418)	Lost	
Laptop	45,800	32,876	12,924	12,924	-	Lost	
Mobile Set	12,500	3,881	8,619	-	(8,619)	Lost	
Total	968,583	439,729	528,854	474,452	(54,403)		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

December 31, 2012

Amount in Taka

Particulars	Original cost	Accumulated depreciation	Book value	Sale value	Gain/ (Loss)	Mode of disposal	Remarks
Vehicle # Dhaka Metro-MA-11-2202	1,232,076	105,317	1,126,759	1,232,076	105,317	Sale	
Vehicle # Dhaka Metro-CHA-53-0391	879,950	507,719	372,231	801,000	428,769	Sale	
Vehicle # Dhaka Metro-CHA-51-1333	1,440,744	842,342	598,402	755,000	156,598	Sale	
Motor Cycle # Dhaka Metro-HA-37-2238	22,044	6,208	15,836	21,786	5,950	Sale	30% of total value
Motor Cycle # Dhaka Metro-HA-37-2245	22,044	6,208	15,836	21,786	5,950	Sale	30% of total value
Office Equipment (Server)	880,975	448,984	431,991	431,991	-	Damaged by fire	Insurance claim received
Office Equipment (Laptop)	45,800	26,181	19,619	19,619	-	Lost	Adjusted against salary
Staphylococcus, Saccharomyces	32,000	4,524	27,476	27,476	-	Inter Transfer	
Motor Cycle # Dhaka Metro-HA-37-2241	22,044	8,177	13,867	19,077	5,210	Sale	
Motor Cycle # Dhaka Metro-HA-37-2242	22,044	9,107	12,937	17,798	4,861	Sale	
Motor Cycle # Dhaka Metro-HA-37-2252	22,044	8,685	13,359	18,379	5,020	Sale	
Motor Cycle # Dhaka Metro-HA-37-2253	22,044	8,177	13,867	19,077	5,210	Sale	
Motor Cycle # Dhaka Metro-HA-39-3314	4,087	419	3,668	-	(3,668)	Lost	
Motor Cycle # Dhaka Metro-HA-39-3377	4,087	419	3,668	-	(3,668)	Lost	
Total	4,651,981	1,982,467	2,669,514	3,385,065	715,551		

5 Intangible assets

Opening balance

Add: Addition during the year

Less: Amortized during the year

Closing Balance

Amount in Taka	
As at	
December 31, 2013	December 31, 2012
109,477,814	112,856,840
2,355,681	4,291,653
111,833,495	117,148,493
7,380,730	7,670,679
104,452,765	109,477,814

The intangible assets represent pre-operating expenses, R&D cost of QA, QC & PPD Lab, and New Product formulation cost which are being amortized equally within a period of 15 years based on the tenure of accrual of benefits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

		Amount in Taka	
		As at	
		December 31, 2013	December 31, 2012
6	Inventories		
	Raw materials	30,158,296	46,672,206
	Stores & consumable spares	1,937,977	2,101,339
	Literature & promotional materials	2,046,653	9,242,939
	Work-in-process	7,745,157	5,441,923
	Finished goods	35,511,963	52,841,511
	Goods-in-transit	1,052,649	1,174,478
		78,452,695	117,474,396
7	Trade & other receivables		
	Trade receivables	34,726,575	35,147,977
	Claim receivables	2,368,635	1,442,256
	Other receivables (Motor Cycle sale)	577,535	1,794,308
		37,672,745	38,384,541
8	Advance, deposits & prepayments		
	Advances:		
	Employees	866,654	149,139
	Advance to employee against Motor Cycle	15,978,850	17,592,175
	Lease advance	1,624,544	1,624,544
	Advances against materials and services	5,970,706	10,814,004
	Other advances	334,459	681,684
		24,775,213	30,861,546
	Security and other deposits:		
	Grameen Phone	2,000	2,000
	Mymensingh Palli Bidyut Samity-2	36,090	36,090
	Land Phone T&T	16,000	16,000
	Deposit against tender	205,000	175,000
	Landlord for depot rent	825,000	855,032
	VAT and supplementary duty (Note 8.1)	4,483,737	6,042,054
	Deposited with VAT authority	41,026	409,135
		5,608,853	7,535,311

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

		Amount in Taka	
		As at	
		December 31, 2013	December 31, 2012
	Prepayments:		
	Business development	3,221,347	19,986,964
	Insurance	983,506	1,427,614
		4,204,853	21,414,578
		34,588,919	59,811,435
8.1	VAT and supplementary duty		
	Opening balance	6,042,054	5,008,234
	Add: Treasury deposit for VAT	64,595,000	50,360,000
	Rebate of input VAT	11,964,083	15,043,580
		82,601,137	70,411,814
	Less: VAT on sales	78,117,400	64,369,760
	Closing balance	4,483,737	6,042,054
9	Advance corporate income tax		
	Opening balance	11,845,890	8,242,912
	Add: Paid during the period	3,785,856	3,602,978
	Closing balance (Note 9.1 & 9.2)	15,631,746	11,845,890
9.1	Head wise payment		
	AIT on import	14,436,898	11,165,584
	TDS on interest & others	533,815	343,140
	TDS on toll manufacturing (Square Pharma)	661,033	337,166
		15,631,746	11,845,890
9.2	Year wise payment		
	Income year		
	Current year	3,785,856	-
	Year 2012	3,602,978	3,602,978
	Year 2011	4,294,414	4,294,414
	Year 2010	1,958,211	1,958,211
	Year 2009	995,997	995,997
	Year 2008	990,923	990,923
	Year 2007	3,367	3,367
		15,631,746	11,845,890

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

			Amount in Taka	
			As at	
			December 31, 2013	December 31, 2012
10	Cash & cash equivalents			
	Cash in hand		1,051,963	2,195,885
	Cash at banks			
	Dutch Bangla Bank Limited (current account- 117.110.2481)		1,425	2,000
	Islami Bank Bangladesh Limited (current account- 20502070100405600)		1,454,727	638,279
	Dhaka Bank Limited (current account- 0204100000014484)		4,079	31,670
	Premier Bank Limited (current account- 10211100015136)		8,250	-
	Dutch Bangla Bank Limited (Short term deposit account- 117.120.330)		122,829	-
	HSBC (Short term deposit- 001-066331-067)		743	733
			1,592,053	672,682
			2,644,016	2,868,567
11	Share capital			
	Authorised:			
	150,000,000 ordinary shares of Taka 10/- each		1,500,000,000	1,500,000,000
	Issued, subscribed, called and paid up:			
	46,853,650 ordinary shares of Taka 10/- each		468,536,500	468,536,500
	Particulars of share holdings are as follows			
	Name of shareholders	No. of shares	%	
	RAK Ceramics (Bangladesh) Ltd.	25,769,480	55.00	257,694,800
	S.A.K. Ekramuzzaman	15,227,420	32.50	152,274,200
	Syed A.K. Anwaruzzaman	4,685,360	10.00	46,853,600
	Md. Amir Hossain	-	-	23,426,800
	Ramisa Faheem Huq	1,171,340	2.50	-
	Muzammal Haque	50	-	500
		46,853,650	100	468,536,500
12	Share money deposit			
	RAK Ceramics (Bangladesh) Ltd.		259,326,000	259,326,000
	S.A.K. Ekramuzzaman		141,000,000	118,000,000
	Syed A.K. Anwaruzzaman		43,500,000	43,500,000
	Ramisa Faheem Huq		11,790,000	-
	Muzammal Haque		500,000	500,000
			456,116,000	421,326,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

		Amount in Taka	
		As at	
		December 31, 2013	December 31, 2012
13 Borrowings			
	Secured		
	Mid term loan- DBBL	15,457,843	21,291,001
	Mid term loan- ULC	3,923,957	11,806,081
	Mid term loan- IDLC	11,795,826	-
	Current portion of term loan	(12,694,059)	(14,529,807)
		18,483,567	18,567,275
	Unsecured		
	Long term loan	500,000,000	500,000,000
		500,000,000	500,000,000
	Total non-current borrowings	518,483,567	518,567,275
	Current		
	Bank overdraft	164,667,668	115,925,921
	Short term borrowings	30,074,078	46,166,897
	Current portion of term loan	12,694,059	14,529,807
	Total current borrowings	207,435,805	176,622,625
	Total borrowings	725,919,372	695,189,900

Maturity profile of borrowings

						Amount in Taka
As at December 31, 2013	Bank overdrafts	1-2 years	2-5 years	> 5 years	Total	
Bank overdrafts	164,667,668	-	-	-	164,667,668	
Short-term loans	30,074,078	-	-	-	30,074,078	
Term loans & others	12,694,059	7,762,382	461,962,185	48,759,000	531,177,626	
	<u>207,435,805</u>	<u>7,762,382</u>	<u>461,962,185</u>	<u>48,759,000</u>	<u>725,919,372</u>	
As at December 31, 2012	Bank overdrafts	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	
	<u>176,622,625</u>	<u>37,548,422</u>	<u>438,123,368</u>	<u>42,895,485</u>	<u>695,189,900</u>	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

		Amount in Taka	
		As at	
		December 31, 2013	December 31, 2012
14	Trade & other payables		
	Trade payables		
	Payable to local suppliers	29,753,332	41,381,012
	Payable to service provider	5,973,057	860,171
	Payable to C&F agent	831,184	223,986
	Payable to others	11,000,000	-
		47,557,573	42,465,169
	Other payables		
	Tax deducted at source	705,911	735,166
	VAT deducted at source	174,779	276,179
		880,690	1,011,345
		48,438,263	43,476,514
15	Provision for expenses		
	Staff cost	27,208,820	20,986,883
	Electricity	144,000	131,520
	Telephone	91,400	152,300
	Interest	244,700,291	162,333,963
	Audit Fees	57,500	50,000
	Professional charges	172,000	80,000
	Hiring charges	119,880	233,800
	Provision for other expenses	5,484,390	2,834,871
	Provision for bad debts	3,333,552	2,562,373
	Provision for corporate tax	5,000	5,000
		281,316,833	189,370,710
16	Provision for employees benefits		
	Provident fund (Note 16.1)	9,536,786	4,317,030
	Gratuity fund (Note 16.2)	7,934,640	6,310,816
		17,471,426	10,627,846

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

		Amount in Taka	
		As at	
		December 31, 2013	December 31, 2012
16.1 Provident fund			
	Opening balance	4,317,030	397,524
	Add: Provision made during the year	6,261,786	8,426,549
		10,578,816	8,824,073
	Less: Payments made to fund during the year	1,042,030	4,507,043
	Closing balance	9,536,786	4,317,030
16.2 Gratuity fund			
	Opening balance	6,310,816	3,221,231
	Add: Provision made during the year	1,623,824	3,089,585
		7,934,640	6,310,816
	Less: Payments made to fund during the year	-	-
	Closing balance	7,934,640	6,310,816

				Amount in Taka		
				As at		
				December 31, 2013	December 31, 2012	
17 Net Sales						
Local	Unit	Qty in mio		Qty in mio		
	Tablets	Pcs	50.69	272,632,713	45.99	216,580,185
	Capsules	Pcs	21.56	152,368,659	18.10	122,977,742
	Topical	Pcs	0.10	4,452,344	0.09	3,886,882
	Dry syrup	Pcs	0.67	47,075,473	0.73	48,120,502
	Injectable	Pcs	0.40	45,959,921	0.33	38,021,743
				522,489,110		429,587,054
	Less: VAT			78,117,400		64,369,760
				444,371,710		365,217,294
18 Cost of sales						
	Opening stock of finished goods			52,841,511		47,407,530
	Add: Cost of goods manufactured (Note 18.1)			186,043,772		198,416,001
	Cost of finished goods available for sales			238,885,283		245,823,531
	Less: Closing stock of finished goods			35,511,963		52,841,511
	Cost of sales			203,373,320		192,982,020

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

	Amount in Taka	
	As at	
	December 31, 2013	December 31, 2012
18.1 Cost of goods manufactured		
Cost of materials consumed:		
Opening stock	46,672,206	57,540,400
Add: Purchase during the year		
Import	67,630,277	66,074,437
Local	13,328,477	21,518,083
	80,958,754	87,592,520
Less: Closing stock	30,158,296	46,672,206
	97,472,664	98,460,714
Manufacturing overhead:		
Direct labour (Note 18.1.1)	26,022,839	27,360,265
Direct expenses:		
Power & gas (Note 18.1.2)	10,170,775	11,818,570
Repairs and indirect material (Note 18.1.3)	2,209,021	5,640,129
Depreciation	32,933,962	32,450,732
Other production overhead (Note 18.1.4)	19,537,745	22,659,856
	90,874,342	99,929,552
Cost of production	188,347,006	198,390,266
Difference in work in process:		
Opening Work-in-process	5,441,923	5,467,658
Closing Work-in-process	7,745,157	5,441,923
	(2,303,234)	25,735
Cost of goods manufactured	186,043,772	198,416,001
18.1.1 Direct labour		
Salary and wages	20,665,621	20,178,936
Overtime	470,434	525,557
Bonus	1,350,687	1,666,221
Cleaning services factory	2,641,761	3,667,880
Gratuity	294,809	434,756
Employer's contribution to Provident fund	242,137	558,951
Group life insurance	268,311	126,438
Medical expenses	89,079	201,526
	26,022,839	27,360,265

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

		Amount in Taka	
		As at	
		December 31, 2013	December 31, 2012
18.1.2 Power & gas			
Electricity		8,087,144	7,590,416
Oil & lubricants		2,083,631	4,228,154
		10,170,775	11,818,570
18.1.3 Repairs and indirect material			
Repairs & maintenance- factory		2,109,065	5,225,491
Vehicle repair & maintenance		99,956	414,638
		2,209,021	5,640,129
18.1.4 Other production overhead			
Insurance		2,026,234	2,422,930
Fuel & vehicle maintenance		185,744	404,928
Training & travelling expenses		2,622,664	3,149,157
Lunch subsidies/ fooding expenses		2,625,983	3,419,880
Other expenses		2,557,538	4,809,337
Contract manufacturing charges		9,519,582	8,453,624
		19,537,745	22,659,856

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

Description	Unit	Opening stock	Production/ Purchase	Sales/ Consumption	Closing stock
		Qty	Qty	Qty	Qty
a) Finished goods:					
Tablet					
Year 2013	Pcs	12.40	47.38	50.69	9.09
Year 2012	Pcs	12.89	45.50	45.99	12.40
Capsule					
Year 2013	Pcs	4.42	19.61	21.56	2.47
Year 2012	Pcs	1.86	20.66	18.10	4.42
Dry syrup					
Year 2013	Pcs	0.16	0.62	0.67	0.11
Year 2012	Pcs	0.12	0.77	0.73	0.16
Topical					
Year 2013	Pcs	0.03	0.11	0.10	0.04
Year 2012	Pcs	0.04	0.08	0.09	0.03

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

Description	Unit	Opening stock	Production/ Purchase	Sales/ Consumption	Closing stock
		Qty	Qty	Qty	Qty
Injectable					
Year 2013	Pcs	0.11	0.37	0.40	0.08
Year 2012	Pcs	0.07	0.37	0.33	0.11
b) Raw materials:					
Active					
Year 2013	Kg	0.005	0.020	0.023	0.002
Year 2012	Kg	0.008	0.024	0.027	0.005
Excipient					
Year 2013	Kg	0.011	0.032	0.033	0.010
	Pcs	15.069	13.950	19.686	9.333
Year 2012	Kg	0.040	0.015	0.044	0.011
	Pcs	12.101	22.834	19.866	15.069
c) Packaging materials:					
Primary					
Year 2013	Kg	0.004	0.020	0.020	0.004
	Pcs	0.217	1.307	1.365	0.159
Year 2012	Kg	0.005	0.023	0.024	0.004
	Pcs	0.972	0.893	1.648	0.217
Secondary					
Year 2013	Pcs	6.087	12.912	13.919	5.080
Year 2012	Pcs	5.413	14.382	13.708	6.087

18.3 Production capacity and actual production are given below (single shift):

December 31, 2013

Production	Unit	Installed Capacity Actual (mio)	Utilization during the Year (mio)	% of utilization	Over/ (Under) utilisation
Tablet	Pcs	173.00	46.29	26.76%	(126.71)
Capsule	Pcs	33.00	19.34	58.61%	(13.66)
Dry syrup	Pcs	14.88	0.62	4.17%	(14.26)
Topical	Pcs	1.12	0.11	9.82%	(1.01)

19 Other income

Interest income
Rental income (Toll charges)
Foreign exchange gain
Profit on sale of fixed assets

Amount in Taka	
for the year ended	
December 31, 2013	December 31, 2012
4,581	858
7,327,800	7,914,159
538,404	179,962
-	715,551
7,870,785	8,810,530

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

		Amount in Taka	
		for the year ended	
		December 31, 2013	December 31, 2012
20	Administrative expenses		
	Staff cost (Note 20.1)	15,611,909	15,348,544
	Telephone, Internet & Fax	1,038,567	1,239,024
	Office repair and maintenance (Note 20.2)	6,199,021	6,230,003
	Depreciation	8,316,792	10,156,251
	Amortization	7,380,730	7,670,679
	Legal and professional fees	967,738	437,603
	Electricity, Gas & Wasa	1,480,919	1,215,941
	Other expenses	1,282,160	1,426,416
	Impairment loss	54,403	-
		42,332,239	43,724,461
20.1	Staff cost		
	Salary and wages	13,844,334	13,258,063
	Bonus	1,030,560	1,049,764
	Medical expenses	98,531	63,136
	Gratuity	244,126	415,444
	Employer's contribution to Provident fund	331,029	470,747
	Group life insurance	63,329	79,290
	Overtime	-	12,100
		15,611,909	15,348,544
20.2	Office repair and maintenance		
	Repairs office equipment	1,685,977	2,263,238
	Office maintenance	2,347,376	2,539,578
	Fees, renewals and holding tax	807,259	283,683
	Other expenses	1,358,409	1,143,504
		6,199,021	6,230,003
21	Marketing, selling and distribution expenses		
	Staff cost (Note 21.1)	146,613,482	130,469,073
	Field expenses	59,870,720	45,460,133
	Physician sample	2,154,856	8,618,142
	Business promotional expenses	95,224,476	89,488,200

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

		Amount in Taka	
		for the year ended	
		December 31, 2013	December 31, 2012
	Freight and transportation	20,947,945	18,490,159
	Performance rebates (Note 21.2)	14,750,123	10,776,091
	Other expenses	21,108,573	20,931,875
	Bad debts	3,333,552	2,562,373
	Depreciation	3,924,988	3,826,650
		367,928,715	330,622,696
21.1	Staff cost		
	Salary and wages	135,256,683	117,545,127
	Overtime	19,517	22,907
	Bonus	6,696,546	6,149,985
	Incentive	310,500	749,588
	Gratuity	1,084,889	2,249,385
	Employer's contribution to Provident fund	1,647,460	2,479,192
	Group life insurance	624,849	714,268
	Fooding expenses	945,037	474,880
	Medical expenses	28,001	83,741
		146,613,482	130,469,073
21.2	Performance rebates		
	Discount	14,750,123	10,776,091
		14,750,123	10,776,091
22	Finance expenses		
	Bank charges	1,215,357	266,148
	Interest charges	114,530,686	97,608,216
		115,746,043	97,874,364
23	Transaction in foreign currency		
	CIF value of import		
	Raw & packaging materials	63,069,647	71,529,845
	Spare parts	-	2,166,676
		63,069,647	73,696,521

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

24 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

24.1 Credit risk

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

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

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

a) Exposure to credit risk

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

	Amount in Taka	
	December 31, 2013	December 31, 2012
Trade receivables		
Customer- Local	34,726,575	35,147,977
Customer- Export	-	-
	34,726,575	35,147,977
Other receivables		
Claim Receivable	2,368,635	1,442,256
Receivable against MC sale	577,535	1,794,308
Cash & cash equivalent	2,644,016	2,868,567
	40,316,761	41,253,108
b) Ageing of receivables		
Not past due		
0-90 days past due	23,715,688	26,227,137
91-180 days past due	1,952,893	1,069,037
181-365 days past due	3,481,863	387,775
over 365 days past due	5,576,131	7,464,028
	34,726,575	35,147,977

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

24.2 Liquidity risk

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

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

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

	As at December 31, 2013			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Bank overdraft	164,667,668	164,667,668	164,667,668	-
Trade payables & other payable	31,549,247	31,549,247	31,549,247	-
Other payables	-	-	-	-
Advances and deposits from customers	-	-	-	-
Short term bank loan- Offshore	-	-	-	-
Short term bank loan	30,074,078	30,074,078	30,074,078	-
Inter-company payables	16,889,016	16,889,016	16,889,016	-
Term Loan	31,177,626	31,177,626	12,694,059	18,483,567
	274,357,635	274,357,635	255,874,068	18,483,567

	as at December 31, 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 payables & other payable	42,379,809	42,379,809	42,379,809	-
Other payables	-	-	-	-
Advances and deposits from customers	-	-	-	-
Short term bank loan- Offshore	13,577,307	13,577,307	13,577,307	-
Short term bank loan	32,589,590	32,589,590	32,589,590	-
Inter-company payables	1,096,705	1,096,705	1,096,705	-
Term Loan	33,097,082	33,097,082	14,529,807	18,567,275
	238,666,414	238,666,414	220,099,139	18,567,275

24.3 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

a) **Currency risk**

The Company is exposed to currency risk on purchase of raw material, spare parts, accessories and capital item. Majority of the company's foreign currency purchase are denominated in USD and EURO.

i) **Exposure to currency risk**

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

	As at December 31, 2013		As at December 31 2012	
	USD	EUR	USD	EUR
Foreign currency denominated assets				
Receivable from customers- Export	-	-	-	-
Cash at bank	-	-	-	-
	-	-	-	-
Foreign currency denominated liabilities				
Trade payables	-	-	-	-
Short term bank loan- Offshore	-	-	170,355	-
Royalty & Technical Fees	-	-	-	-
	-	-	170,355	-
Net exposure	-	-	(170,355)	-

The Company has foreign exchange gain of Tk 538,404 during the year ended December 31, 2013 & Tk 179,962 during the year ended December 31, 2012
The following significant exchange rates have been applied:

	Exchange rate as at	
	December 31, 2013	December 31, 2012
	Taka	Taka
US Dollar	77.7500	79.7000
EURO	104.3259	105.4780
GBP	124.7849	128.4497

ii) **Foreign exchange rate sensitivity analysis for foreign currency expenditures**

A change of 10 basis points in foreign currencies would have increased/ (decreased) equity and profit or loss of the Company by the amount shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss		Equity	
	10 bp increase	10 bp decrease	10 bp increase	10 bp decrease
	Taka	Taka	Taka	Taka
December 31, 2013				
Expenditures denominated in USD				
Expenditures denominated in EUR				
December 31, 2012				
Expenditures denominated in USD				
Expenditures denominated in EUR				

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

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:

	Amount in Taka	
	As at December 31, 2013	As at December 31, 2012
	Taka	Taka
Fixed rate instruments		
Financial assets		
Investment in FDR	-	-
Cash at banks	1,592,053	672,682
Financial liabilities		
Term loan	531,177,626	533,097,082
Bank overdraft	164,667,668	115,925,921
Short term bank loan- Offshore	-	13,577,307
Short term bank loan	30,074,078	32,589,590
Finance lease obligation	-	-

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 December 31, 2013		As at December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	Taka	Taka	Taka	Taka
Financial assets				
Assets carried at fair value through profit or loss	-	-	-	-
Held to maturity assets				
Investment in FDR	-	-	-	-
Loans and receivables				
Investment in non- listed companies	-	-	-	-
Trade receivables	34,726,575		35,147,977	
Claim Receivable	2,368,635		1,442,256	
Receivable against MC sale	487,947		397,697	
Inter-company receivables	89,588		1,396,611	
Cash equivalents	1,592,053		672,682	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

As at December 31, 2013		As at December 31, 2012	
Carrying amount	Fair value	Carrying amount	Fair value
Taka	Taka	Taka	Taka

Financial liabilities

Liabilities carried at amortised costs

	As at December 31, 2013	As at December 31, 2012
Term loan	531,177,626	533,097,082
Bank overdraft	164,667,668	115,925,921
Trade payables & other payable	31,549,247	42,379,809
Other payables	-	-
Short term bank loan- Offshore	-	13,577,307
Short term bank loan	30,074,078	32,589,590
Inter- company payables	261,129,808	161,276,204
Finance lease obligation	-	-

Interest rates used for determining amortised cost

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

	December 31, 2013	December 31, 2012
Investment in FDR	-	-
Term loan	12.00%-17.00%	12.00%-16.00%
Bank overdraft	14.25%-15.50%	14.25%-15.50%
Short term bank loan Offshore	0.4400%-0.7500%	0.4400%-0.7500%
Short term bank loan LATR with DBBL	14.50%-15.00%	14.50%-15.00%
Short term bank loan CIL with HSBC	12.50%-14.50%	12.50%-14.50%
Finance lease obligation	-	-

25

Related party disclosures

During the year ended December 31, 2013 company entered into a number of transactions with related parties in the normal course of business. Nature of these transactions and amount thereof have been set out below in accordance with the provisions of BAS 24: Related Party Disclosures.

Transaction with related parties

Parent company

	December 31, 2013	December 31, 2012
Loans	500,000,000	500,000,000
Interest on loans	244,240,792	160,179,499
Sale of goods/ Services	100,000	356,865

Other related parties

	December 31, 2013	December 31, 2012
Purchase of goods/ services	13,732,815	14,237,402
Sale of goods/ services	22,250	1,396,611
Outstanding receivables	89,588	1,396,611
Outstanding payable	16,889,016	1,096,705

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2013

25.2 Paid to directors

During the period, Board meeting fees Tk. 8,690/- was paid to the board members for attending the Board meetings.

26 Number of employees

The number of employees engaged for the year who received total remuneration of Taka 36,000/- and above was 894. None are receiving below Taka 3,000/- per month.

27 Earning per share (EPS)

Earnings attributable to the ordinary shareholders

Profit for the year

No. of equity shares

Weighted average no. of equity shares outstanding

Earnings per share (EPS) for the year

Amount in Taka	
As at	
December 31, 2013	December 31, 2012
(277,137,822)	(291,175,717)
46,853,650	46,853,650
46,853,650	46,853,650
(5.91)	(6.21)

28 Contingent liabilities

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 :

Letter of Credit

7,644,450	3,507,400
7,644,450	3,507,400

29 Other disclosures

29.1 Events the reporting date

The Board of directors in its meeting held on 03 February 2014 as approved the financial statements of the company for the year ended December 31,2013 and authorised the same for issue.

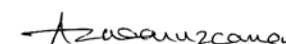
29.2 Events after the reporting period

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.

For RAK Pharmaceuticals Pvt. Ltd.



Director



Managing Director

Dhaka , Bangladesh
Dated: 03 February 2013

STATEMENT PURSUANT TO SECTION 186(1) (e) OF THE COMPANIES ACT 1994

Name of the subsidiary	RAK Pharmaceuticals Pvt. Ltd.	RAK Power Pvt. Ltd.
Name of the holding company	RAK Ceramics (Bangladesh) Limited	RAK Ceramics (Bangladesh) Limited
Holding Company's interest	25,769,480 ordinary shares of Tk.10 each fully paid up	1,168,500 ordinary shares of Tk.100 each fully paid up
Extent of holding	55%	57%
The 'financial year' of the subsidiary company ended on	December 31, 2013	December 31, 2013
Net aggregate amount of the subsidiary company's profits/(losses) dealt with in the holding company's accounts	NIL	Tk.64.27 mn
For the subsidiary's aforesaid financial year	NIL	Tk.29.21 mn
For the previous financial years since it became subsidiary	NIL	Tk.35.06 mn
Net aggregate amount of the subsidiary company's profits/(losses) not dealt with in the holding company's accounts	Tk.(617.66) mn	Tk.47.60 mn
For the subsidiary's aforesaid financial year	Tk.(152.42) mn	Tk.42.23 mn
For the previous financial years since it became subsidiary	Tk.(465.24) mn	Tk.5.37 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
Material changes, if any, between the end of the financial year of the subsidiary and that of the holding company	N/A	N/A

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 Operating Officer

Mr. Imtiaz Hussain

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.
Dutch-Bangla Bank Limited

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.
Phone: +88 02 8917393, +88 02 8912303
Fax: +88 02 8917096

Factory

Dhanua, Sreepur, Gazipur, Bangladesh



RAK Ceramics (Bangladesh) Limited

NOTICE OF THE 15th ANNUAL GENERAL MEETING

Notice is hereby given that the 15th Annual General Meeting of RAK Ceramics (Bangladesh) Limited will be held on Wednesday, April 02, 2014 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:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31 December 2013 together with the reports of the Auditor and the Directors.
2. To declare dividend for the year ended 31 December 2013.
3. To elect/re-elect Director(s) of the Company.
4. To re-appoint the Managing Director of the Company.
5. To appoint the Auditors for the year 2014 and fix their remuneration.

Dhaka, Bangladesh
March 11, 2014

By order of the Board of Directors

Sd/-

(Muhammad Shahidul Islam ACS)

Company Secretary

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 13, 2014) 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 paid-up 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 March 31, 2014, 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 on or before March 31, 2014. No additional Annual Report will be distributed in the AGM venue.

Members may please note that no food or 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 15th Annual General Meeting (AGM) of the Company to be held on 02 April 2014 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 of2014.

.....
 (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 15th Annual General Meeting (AGM) of the Company being held on 02 April 2014 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.

