

RESHAPING THE FUTURE

ANNUAL REPORT 2015



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, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



RESHAPING THE FUTURE

OUR TRACK RECORD SINCE BECOMING ONE OF THE LARGEST CERAMICS COMPANIES IN BANGLADESH DEMONSTRATES OUR CONTINUED COMMITMENT TO CREATE LONG-TERM VALUE. WE HAVE CONSISTENTLY DELIVERED PROFITABLE CORE GROWTH BY LEVERAGING OUR STRUCTURAL COMPETITIVE ADVANTAGES TO GAIN MARKET SHARE AND BUILD PROFITABLE, GROWTH-ORIENTED SEGMENTS IN A RECOVERING MARKET.

OUR FOCUS TO RESHAPE THE PATH FORWARD CONTINUES AS WE FINE-TUNE OUR BUSINESS MODEL TO STRENGTHEN OUR RELEVANCE IN A DYNAMIC MARKET. HOWEVER, WHAT REMAINS UNCHANGED IS OUR CENTRAL PHILOSOPHY OF MAXIMIZING LONG-TERM VALUE.

Dividend proposed for 2015

25% of paid-up capital

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RESHAPING THE AESTHETIC VALUE OF OUR SUITE

At RAK Ceramics (Bangladesh), we are leveraging our mastery of ceramics and the fine understanding of the arts to develop a product suite that resonates with the preferences, tastes and budgets of our clients, enabling us to nurture growth!



CORPORATE INFORMATION

Board of Directors

Chairman

Mr. Abdallah Massaad

Managing Director

Mr. S.A.K. Ekramuzzaman

Directors

Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla
Mr. Pramod Kumar Chand

Independent Directors

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

Chief Executive Officer

Mr. Imtiaz Hussain

Company Secretary

Mr. Muhammad Shahidul Islam FCS

Audit Committee

Chairman

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

Members

Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla
Mr. Pramod Kumar Chand

Member Secretary

Mr. Muhammad Shahidul Islam FCS

Chief Financial Officer

Mr. Abhijit Chakraborty

Head of Internal Audit

Mr. Zakir Hossain FCA

Statutory Auditor

A. Qasem & Co.
Chartered Accountants
(A member firm of Ernst & Young Global Limited, UK)
Gulshan Pink City
Suites: 01-03, Level: 07,
Plot: 15, Road: 103,
Gulshan Avenue,
Dhaka-1212, Bangladesh

Principal Bankers

HSBC
Standard Chartered Bank
Citibank, N.A.
Dutch-Bangla Bank Ltd.

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, Bangladesh
Phone: +88 (02) 58957393, 58952303
Fax: +88 (02) 58957096

Factory

Dhanua, Sreepur, Gazipur, Bangladesh

PROFILE OF THE COMPANY

RAK Ceramics (Bangladesh) Limited is the country's largest and most respected tiles and sanitary ware brand. The Company was incorporated in Bangladesh on 26 November, 1998 as a private limited company under the Companies Act, 1994 as a UAE-Bangladesh joint venture project. It has started its commercial production on 12 November 2000. It has converted into public limited company on 10 June 2008 and listed in the stock exchanges of Bangladesh on 13th June 2010. The Company has anchored this position on the basis of its market-leading capacities, world-class manufacturing technologies, high production utilization, optimized cost structures, vibrant sales and distribution network and robust customer engagement programs.

The core business of RAK Ceramics (Bangladesh) Limited is to manufacture and sale of ceramics and gres porcellanato (porcelain/ fully vitrified) tiles, bathroom sets and all types of sanitary ware. The Company has over 2000 models active in the ceramic and porcelain tile business and regularly add several new designs to the product portfolio. The Company manufactures tiles in a very wide range in the sizes from 20 cm X 30 cm up to 60cm X 60cm in Bangladesh. The Company has over 30 models of exclusive range of sanitary ware to offer with a very wide choice. In sanitary ware, various models are produced in wash basins (mounted as well as pedestal), water closets, accessories and marble sets. Besides, the product mix is geared to produce mostly value added products. This paired with the other advantages will ensure a shrunken payback cycle. Most of products is consumed in the local market.

Our annual production capacities: 8.03 mn sqm of tiles and 1.47 mn pieces of sanitaryware.

Our manufacturing assets: We operate world class-leading SACMI technology that ensures high-quality, cost-effective output.

Our production capacity utilization: We continue to focus on maximizing capacity utilization of 87% at our tiles plant and 100% at our sanitary ware facility.

Our cost structures: Our costs are manifested as one of the lowest quartile in the industry by virtue of scale, technological and operational advantages.

Our vibrant sales network: We possess one of the largest and excellent dealers network, operating 4 exclusive showrooms/ display centre throughout the country.

Our consumer engagement programs: We deliver customized solutions to our customers to their utmost satisfaction even after post sale of products including outright replacement at no extra cost.

RAK Ceramics (Bangladesh) Limited is the market leader with around 25% market share in tiles sector and around 65% market share in sanitary ware sector based on production capacity. The current market for the Company includes construction developers, government institutions and local consumers. The Company has a strong market reputation in Bangladesh with a wide network of 98 dealers nationwide and receives strong support from RAK Ceramics PSC, UAE in terms of technological know how, management and marketing support.

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 sanitary ware complies with the quality criteria of BDS 1162:2012. Both tiles and sanitary products are BSTI-approved. The Company received credit rating AA+ rating (high safety) in investment grade for long term and ST-1 (highest grade) for its short term financing by Credit Rating Information and Services Limited (CRISL), which is highest in the manufacturing sector in Bangladesh. The Company was also awarded as 'Superbrand' in 2010, first time in Bangladesh.

The ownership of RAK Ceramics (Bangladesh) Limited comprises with 75.89% held by the sponsors (71.67% by RAK Ceramics PSC, UAE and 4.22% by local investor Mr. S.A.K. Ekramuzzaman) and remaining 24.11% is holding by general public including institutional investors as on December 31, 2015. With an annual net turnover of over Taka 5,059.30 mn in 2015, within the short span of 15 years RAK has firmly established itself as one of the leading manufacturer of high quality ceramic wall, floor tiles, gres porcellanato and sanitary wares products in Bangladesh.

VISION AND MISSION

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.

CORE VALUES AND CODE OF CONDUCT/ETHICAL PRINCIPLES

We have embedded our values across the business to ensure that our people act consistently and take the right decisions aligned with our broader philosophies. As a corporate citizen RAK Ceramics has an established policy to adhere to communication and dissemination of information as required under applicable laws in a fair, diligent and transparent manner. This policy of the Company is to develop and foster fair, sustainable and mutually beneficial relationship with its customers on an arm's length basis.

Our ethics, values and compliance program is designed to embed ethics and integrity across our business. It covers not only bribery, fraud and competition law, but also data protection, human rights and other areas addressed in our Code of Conduct. To earn the confidence and trust of clients and other stakeholders and to support our business strategy, we conduct our business ethically and with integrity across all these activities and at all times.

Our priorities for 2016 and beyond are to continue embedding appropriate procedures and controls for managing the supply chain and other third-party risks to support our growth strategy for new products and markets.

Customer Relations

The established policy of the Company is to develop and foster fair, sustainable and mutually beneficial relationship with its customer's on an arm's length basis. The Company expects its Employees to respect its customers, their needs and contribute to satisfying these needs in efficient and effective manner such that the interest of the Company and shareholders are not compromised.

Guiding Principles

As a responsible corporate citizen RAK Ceramics' business practices have been to foster integrity, honesty, fair dealing, respect for cultural diversity and compliance with applicable laws and regulations in its chosen spheres of operations with optimal efficiency and effectiveness to create sustainable value for its stakeholders. RAK Ceramics' Employees worldwide are expected to uphold and demonstrate this commitment in their everyday responsibilities. Employees of the Company are expected to be guided by the following basic principles:

- Responsibility
- Accountability
- Integrity
- Efficiency
- Impartiality and
- Discretion

Sustainability

In a business, we have set out a clear pathway to embed sustainability into everything we do. Our roadmap defines our key focus areas that include customers, our people, our supply chain, the communities we serve, climate change and ecology.

For us, sustainability is not only a business goal; it is also a product that we can offer our customers, by helping them to make more sustainable choices. We strongly believe in the 'green economy' that presents growing opportunities for us and we are making particular progress in three areas:

- Optimizing water and other precious resource consumption
- Ensuring the safety and welfare of our people
- Spreading good beyond our factory gates to sow the seeds of development across our extended communities.

Statutory Compliance, Rules and Regulations

All Employees of the Company are expected to be aware of and conduct themselves in accordance with the applicable laws, rules and regulations in the applicable jurisdictions/countries in which they are resident and/ or operate and make best efforts not to willingly breach any provision of such laws.

The Employees of the Company are not authorized or permitted to achieve any Company objective by violating any union, state, municipal, environmental, market or other governmental or regulatory bodies' laws, statutes, license requirements, regulations or generally accepted rules and standards in countries/ jurisdiction of their operation and/ or residence.

Corporate Commitment

All employees on the rolls of the Company are expected to be in the full time employment of the Company. This implies that the Employees on the rolls of the Company cannot work for any other employer unless specifically permitted or directed by the Company and approved. The Employees will not take personal advantage of business opportunities that they discover during the course of their employment, unless the Company expressly waives its interest in pursuing such opportunities.

Environmental governance and compliance

Key environmental issues are reviewed by our sustainability group. A specially instituted forum also reviews key topics and shares best practice across the Group. We are currently developing our approach to responsible procurement and intend to diversify our sourcing basket that will not just help us to control quality and costs but also help us identify and work with responsible and ecologically aware suppliers.

Our people

At the heart of our human resource strategy is the recognition that the skills and potential of our people and their ability to work effectively, collaborating with each other, with our customers and across the supply chain is a crucial differentiator for the Company. As well as enhancing the quality of the solutions we develop, build and sustain strong relationships which will help us to improve our services and drive operational efficiency.

We are committed to individual and team development which has enabled us to share a range of efficiency improvements with customers, introduce more flexible working arrangements, and promote transparency in the way we work, understand our customers and develop innovative, value-added solutions.

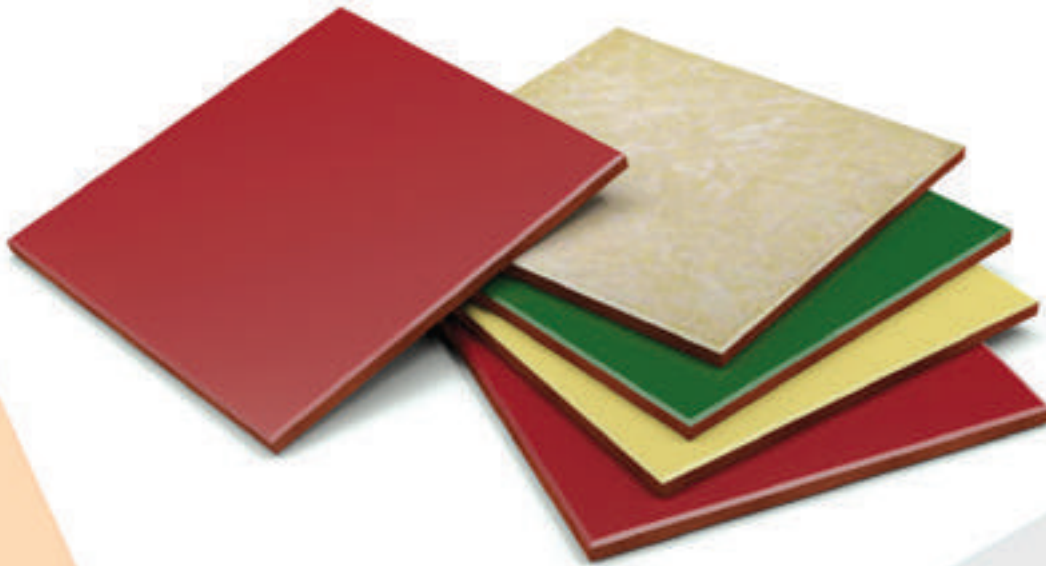
Supporting our people in realizing their full potential and maximizing their skill sets and capabilities available to the organization is central to the delivery of our growth strategy. Our ongoing commitment to high quality development and leadership is helping us to attract and retain high quality talent so that we need to operate our business sustainably.

The health and safety of our people and everyone affected by our activities is fundamental to our business and is a source of our uncompromising stand on security and welfare of our ecosystem.

Giving back to our communities

The Company has a longstanding commitment to be a good corporate citizen and responsible member of the communities in which it operates, or where its operations subsidiaries or divisions are located. At Company level, we work in partnership to support organizations and activities that aim to improve social unity and inclusion. We also donate cash and often our employees have also invested time and energy to selected charitable causes.

RAK Ceramics actively promotes and engages in social contribution activities that help to strengthen communities and contribute to the enrichment of the society both at the individual level and with group companies. Overall, we invested around Taka 3.49 mn for CSR activities in 2015 that encompass medicine and medical treatment, donations for education, social and cultural activities of Bangladesh.



RESHAPING OUR PRODUCT PORTFOLIO

At RAK Ceramics (Bangladesh), we are renowned for a cutting-edge, contemporary and colourful cluster of products that are available in a wide variety of beautiful styles, designs and sizes, widening customer choice in terms of product appeal and functionality!



DESCRIPTION THE PERFORMANCE OF THE COMPANY AND ITS GROUP COMPANIES

A. RAK Ceramics (Bangladesh) Limited

i) Ceramic and gres porcellanato tiles

RAK Ceramics (Bangladesh) is the country's largest and most respected tiles and sanitaryware brand. The Company has anchored this position on the basis of its market-leading capacities, world-class manufacturing assets, high production utilization, optimized cost structures, vibrant sales and distribution network and robust customer engagement programs. The performances of ceramic Tiles product were as follows:

- Annual production capacities: 8.03 mn sqm.
- Manufacturing assets: We operate the world class-leading SACMI technology that ensures high-quality, cost-effective output.
- Our production capacity utilization: We continue to focus on maximizing capacity utilization of 87%.

Highlights 2015

- Achieved a 2.89% increase in production to 6.05 mn sqm.
- Reported a 2 % decrease in sales to 6.01 mn sqm.
- Achieved a 1% average increase in price realizations.
- Some of the new products introduced include large shaped tiles in sizes of 30X50 cm, 30X60 cm and 60X60 cm.

Roadmap 2016

- Focus on the strategy of enhancing production and sales of premium products.
- Explore new markets, especially those of the neighboring countries.
- Focus on cost control programs.
- Operationalize the new 10,000 sqm/day tiles production capacity by end of March 2016.

ii) Sanitaryware

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. These are increasingly preferred on account of attractive designs, diverse range and various functional applications. The performances of Sanitary Ware product were as follows:

- Annual production capacities: 1.47 mn pieces.
- Manufacturing assets: We operate the world class-leading SACMI technology that ensures high-quality, cost-effective output.
- Our production capacity utilization: We continue to focus on maximizing capacity utilization of 100%.

Highlights 2015

- Achieved a 10% increase in production to 1.39 mn pieces.
- Some of the new products launched included series reserva and hart ford model.
- Some of our top selling products included karla, orient, venice, metropolitan etc.

Roadmap 2016

- Continued focus on growing production and sales of premium products.
- Explore new markets.

B. RAK Power Pvt. Ltd.

Review of Business

The plant capacity was available in excess of 90 percent of installed capacity, during 2015. However, supply was primarily dedicated to the requirement of parent company RAK Ceramics (Bangladesh) Ltd. and other group companies. The company supplied power to Bangladesh Rural Electrification Board (BREB) 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 2015.

- Revenues increased by around 13.60 percent to Taka 334.04 mn in 2015 from Taka 294.04 mn in 2014.
- Gross profit increased by 17.54 percent to Taka 153.50 mn in 2015 from Taka 130.59 mn in 2014.
- Profit after tax (PAT) increased by 12.26 percent to Taka 99.72 mn in 2015 from Taka 88.83 mn in 2014.
- EBITDA increased by 12.96 percent to Taka 163.92 mn in 2015 from Taka 145.11 mn in 2014.
- EPS increased by 12.28 percent to Taka 48.65 per share in 2015 from Taka 43.33 per share in 2014.

Key financial data of last five years:

(Amount in Taka)

Particulars	2011	2012	2013	2014	2015
Net Sales	239.30 mn	273.18 mn	287.06 mn	294.04 mn	334.038 mn
Gross Profit	84.44 mn	109.09 mn	124.48 mn	130.59 mn	153.50 mn
EBITDA	112.60 mn	141.51 mn	148.67 mn	145.12 mn	163.92 mn
PAT	40.96 mn	59.63 mn	74.10 mn	88.83 mn	99.72 mn
EPS	19.98	29.09	36.14	43.33	48.65

C. R.A.K. Security and Services (Pvt) Ltd.

Review of Business

The principal activities of the company is to carry on the business of security guarding, cleaning services, termite and pest control services, fumigation services and setting up manpower technical training establishments for creation of skilled workers in various fields of construction and public works. Pre-employment back ground verification and immigration & Visa documents verification services are being sold at market and also fire safety services are sold and employed at intercompany and outer companies in the market.

- Revenues increased by around 5 percent to Taka 73.70 mn in 2015 from Taka 70.23 mn in 2014.
- Gross profit increased by 1.92 percent to Taka 24.40 mn in 2015 from Taka 23.94 mn in 2014.
- Profit after tax (PAT) increased by 1.46 percent to Taka 6.94 mn in 2015 from Taka 6.84 mn in 2014.
- EBITDA increased by 1.37 percent to Taka 11.13 mn in 2015 from Taka 10.98 mn in 2014.
- EPS increased by 1.39 percent to Taka 693.91 per share in 2015 from Taka 684.43 per share in 2014.

Key financial data of preceding five years:

(Amount in Taka)

Particulars	2011	2012	2013	2014	2015
Net Sales	42.13 mn	54.78 mn	61.62 mn	70.23 mn	73.70 mn
Gross Profit	13.19 mn	16.48 mn	19.31 mn	23.94 mn	24.40 mn
EBITDA	4.68 mn	5.68 mn	7.25 mn	10.98 mn	11.13 mn
PAT	2.82 mn	3.43 mn	4.41 mn	6.84 mn	6.94 mn
EPS	281.84	342.74	440.58	684.43	693.91

Segment Reporting 2015

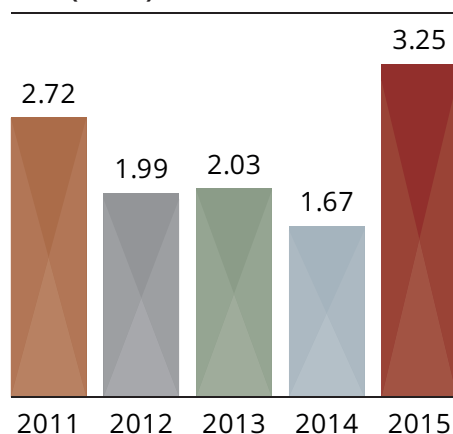
(Amount in Taka)

Particulars	RAK Ceramics	RAK Power	RAK Security	Adjustment	Entity Total
	(Taka mn)	(Taka mn)	(Taka mn)	(Taka mn)	(Taka mn)
Sales	5,013.03	334.04	15.41	(303.18)	5,059.30
Gross Profit	1,997.65	153.50	6.02	5.24	2,162.41
Profit before Tax	1,081.29	145.69	3.30	249.12	1,479.40
Profit after Tax	755.28	99.72	2.15	237.19	1,094.34

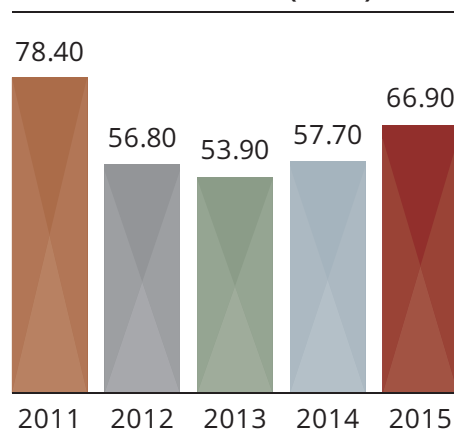
THE LAST YEAR HAS BEEN A YEAR OF SOUND AND CONSISTENT PERFORMANCE FOR THE COMPANY. THE BOARD HAS PROPOSED A FINAL DIVIDEND OF 25% IN CASH. WE REMAIN COMMITTED TO A PROGRESSIVE DIVIDEND POLICY, CONTINUING WITH OUR OVERALL PHILOSOPHY OF ADDING VALUE IN THE HANDS OF ALL THOSE WHO OWN A PART OF OUR COMPANY, BY REINFORCING THE PILLARS OF OUR VALUE PROPOSITION. OUR DETAILED FINANCIAL JOURNEY ACROSS SOME OF OUR KEY FINANCIAL METRICS HAS BEEN DETAILED IN THE TABLES ABOVE.

AT RAK CERAMIC (BANGLADESH), WE ARE PROUD OF OUR FINANCIAL LEGACY. OUR HIGH-QUALITY OPERATIONAL CAPACITIES, WIDE AND DYNAMIC PRODUCT RANGE AND ROBUST DISTRIBUTION NETWORK HAS COME TOGETHER TO HELP US PERFORM CONSISTENTLY ON THE FINANCIAL FRONT.

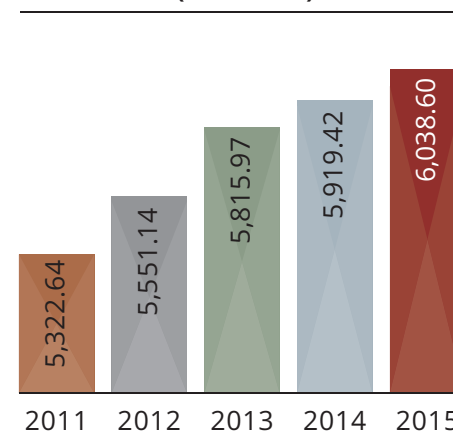
EPS (Taka)



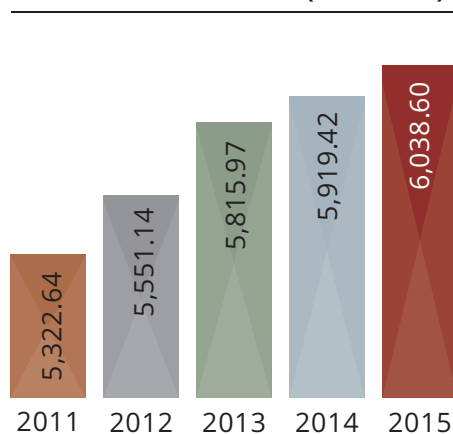
Stock Performance (Taka)



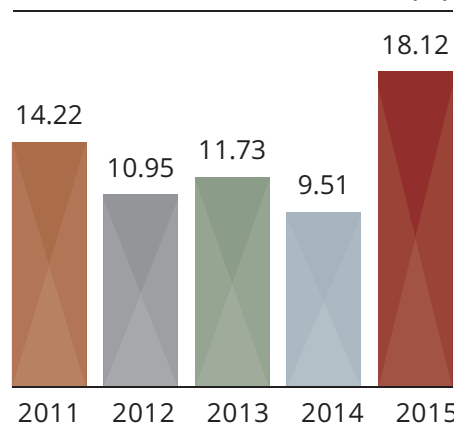
Net Assets (Taka mn)



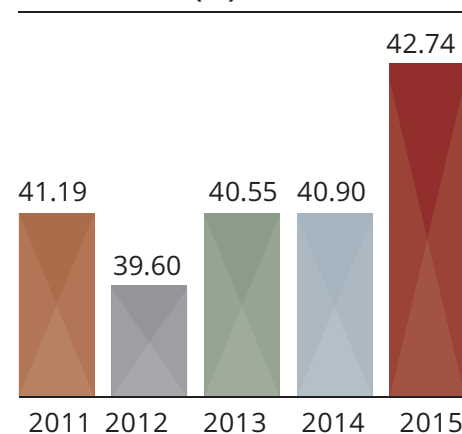
Shareholders' Funds (Taka mn)



Return on Shareholders' Fund (%)

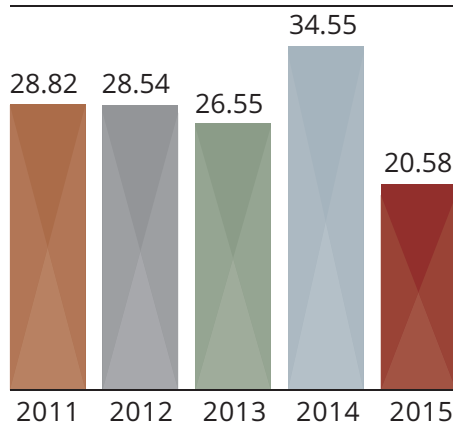


Gross Profit (%)

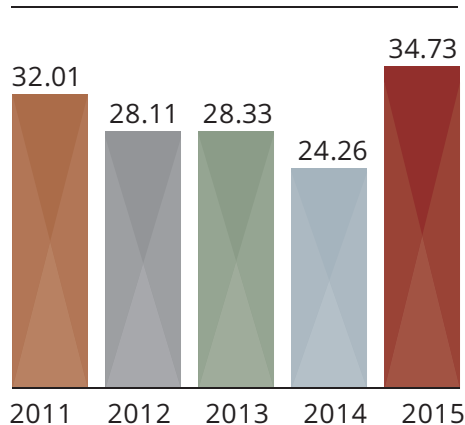


AS THE LARGEST AND MOST RESPECTED TILES AND SANITARYWARE BRAND IN BANGLADESH, OUR WORLD-CLASS MANUFACTURING TECHNOLOGIES, HIGH PRODUCTION UTILIZATION ALONG WITH INTRICATE NETWORK CHANNEL AROUND THE COUNTRY HAVE KEPT OUR FINANCIAL UPRISING AT STEADY PACE.

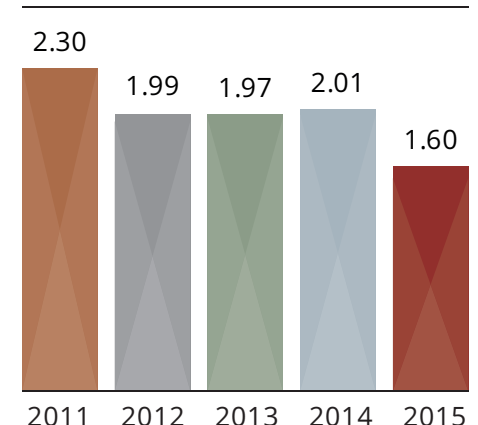
P/E Ratio (Times)



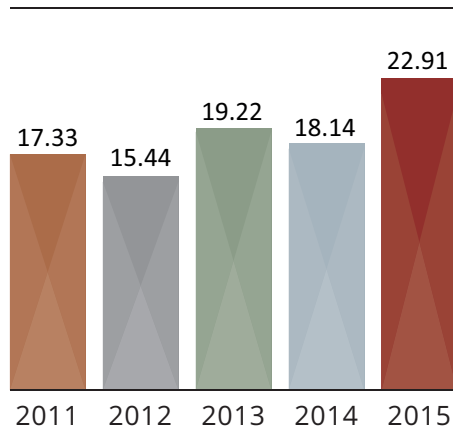
EBIDTA (%)



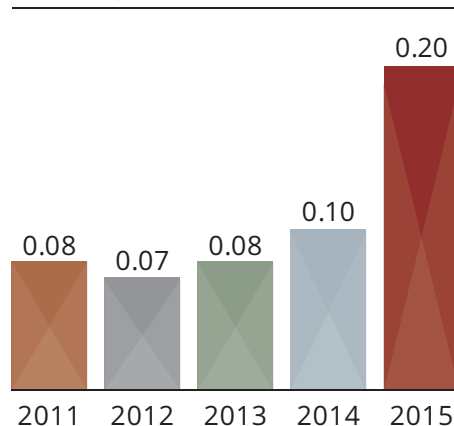
Current Ratio (Taka)



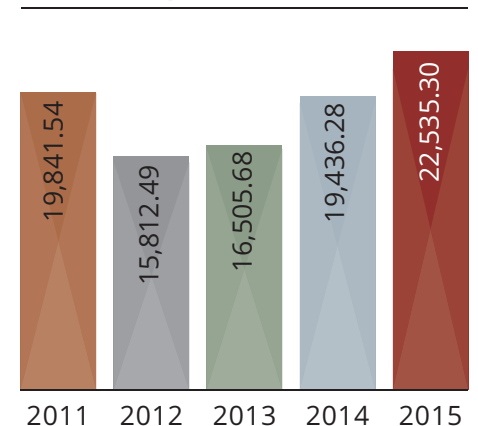
ROCE (%)



Debt Equity Ratio (Times)



Market Capital (Taka mn)





SHORT PROFILE OF THE DIRECTORS

His tenure with RAK Ceramics began in 2004, when Mr. Massaad was invited as a Marketing Consultant to assist the CEO office, and upgrade the branding and positioning of the company in preparation for future sales and marketing challenges arising from ambitious expansion plans.

Mr. Massaad formally joined RAK Ceramics in 2006 as Deputy CEO, responsible for operations management, strategy development, implementation and RAK Ceramics' global interests. He supported the Chairman and CEO with strategic planning and expansion initiatives enabling the company to reach the milestone of 1 billion square metres of global sales since it began. He was also responsible for implementing Corporate Governance regulations and overseeing the strategic refocusing of the business portfolio.

June 2014 marked a transformational point for RAK Ceramics under Mr. Massaad's leadership, when Samena Capital acquired 30.6% of the business and implemented a "Value Creation Plan" aimed at unlocking value for shareholders. As part of the Value Creation Plan, RAK Ceramics started a re-focused strategy which aims to streamline global businesses and identify its most profitable operations.

In 2015, Mr. Massaad won an International Business Stevie® Award for 'Executive of the Year (Manufacturing)'. The efforts of Mr. Massaad as a visionary CEO were also further recognized when he was awarded 'Industry CEO of the Year' at the CEO Middle East Annual Awards 2015.

Having over 24 years of experience from field sales, to sales management, to product marketing, Mr. Massaad has highly developed business leadership skills in national and international markets. Prior to joining RAK Ceramics, Mr. Massaad was the General Manager of International Ceramics Company SARL (ICC) Lebanon.

Mr. Massaad holds post graduate qualifications in Management 'DEA in Business Administration' (1998) and an 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. Abdallah Massaad **Chairman**

Mr. Abdallah Massaad, Chairman of the Company is also a member of the Board of Directors of RAK Power Pvt. Ltd. and R.A.K. Security and Services (Pvt) Ltd. [subsidiary companies of RAK Ceramics (Bangladesh) Limited].

Mr. Massaad has led RAK Ceramics PJSC as Group Chief Executive Officer since June 2012.

He is also a representative on the board and management of several subsidiaries of RAK Ceramics. He is extremely knowledgeable in the fields of ceramics and industrial manufacturing, and is instrumental in helping companies engage in the forward and backward integration of the ceramics supply chain.

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 RAK Ceramics (Bangladesh) Limited. Besides managing diversified business interests of RAK Group, he is involved in a number of other business interests in Bangladesh.

Mr. Ekramuzzaman is also the member of the Board of Directors of RAK Power Pvt. Ltd. and RAK Securities and Services Pvt. Ltd., subsidiaries of RAK Ceramics (Bangladesh) Limited.



WE ARE CONSISTENTLY
GROWING OUR CAPACITIES AND
INTRODUCING A WIDER RANGE
OF PRODUCTS WITH A VIEW
TO ENHANCE OUR NATIONAL
RELEVANCE IN BANGLADESH'S
DYNAMIC REAL ESTATE MARKET.



WE ARE REINFORCING THE
SUSTAINABILITY OF OUR
ENTERPRISE BY IDENTIFYING
TRENDS PROACTIVELY AND
CONVERTING THEM INTO
OPPORTUNITIES TO GROW
OUR CUSTOMER CONNECT.

**Mr. Khaled Abdulla Yousef
Abdulla Aal Abdulla
Director**

Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla, Director of the Company, is a member of the Board of Directors of the subsidiary companies of RAK Ceramics (Bangladesh) Limited. He is a member of the Audit Committee of RAK Ceramics (Bangladesh) Limited and the Director of RAK Ceramics Co. PSC, UAE representing its manufacturing setups in different international locations.

Mr. Khaled Abdulla Yousef is the Founder and Chairman of KAY Invest - a UAE based Investment Company since 1997 with a diverse range of activities such as in Finance, Properties and General Trading. With his strong business acumen, he has lead KAY Invest as one of the leading companies in UAE with its niche in Ras Al Khaimah. His executive leadership and efficiency in maximizing corporate performance has led him to be the Executive Member of the Board of Directors of RAK Investment Authority, RAK Free Trade Zone, Falcon Technologies International, Chamber of Commerce RAK and Majan Printing & Packaging Company in UAE.

He holds a Bachelor's Degree in Business Administration, major in Management Information System from the University of Arkansas at Little Rock, USA. He is indeed an advocate of good governance and community development with a strong 25 years of successful experience in providing fiscal, strategic and operations leadership in countless unique and challenging situations. His expertise in various areas of finance, business and management is beyond doubt invaluable.


Mr. Pramod Kumar Chand **Director**

Mr. Pramod Kumar Chand is the Group Chief Financial Officer of RAK Ceramics PSC , Director of RAK Power Pvt. Ltd. and RAK Securities and Services Pvt. Ltd., subsidiaries of this Company. He is also a member of the Audit Committee of RAK Ceramics (Bangladesh) Limited.

Mr. Pramod has wide experience in dealing with corporate finance matters including treasury/working capital financing, project finance, venture capital, debt & equity capital market instruments, fund raising processes and general management.

Mr. Pramod's professional credentials span over 3 decades of post qualification experience with blue chip employers including Birla Corporation Ltd. and OCL India Ltd. in India and Rak Investment Authority in UAE.

Mr. Pramod is a Member of the Institute of Chartered Accountants of India (CA) and has been a rank holder and winner of A F Ferguson award.

A portrait of Mr. Pramod Kumar Chand, a middle-aged man with dark hair, wearing a dark suit, white shirt, and a patterned tie. He is looking directly at the camera with a neutral expression. The background is a light, neutral color. The portrait is partially obscured by a large, dark red, angular graphic element that cuts across the page from the top right towards the bottom left.

I AM PROUD TO MENTION
THAT OUR COMPANY IS A
LEADING MARKETER AND
MANUFACTURER OF PREMIUM
AND VALUE-DRIVEN BRANDED
PRODUCTS THAT ENHANCE,
PROTECT AND MAINTAIN THE
PLACES AND SPACES IN WHICH
PEOPLE LIVE AND WORK.



I AM CONVINCED THAT WITH THE CONTINUED IMPETUS FROM THE GOVERNMENT, THERE BY ESTABLISHING AN ENVIRONMENT OF STABILITY, BANGLADESH WILL REALISE THE FULL VALUE OF ITS ECONOMIC POTENTIAL GOING AHEAD, BENEFITTING FRONTLINE COMPANIES LIKE OURS.

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 and 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 an Senior Advocate 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 55 years of rich experience in Bangladesh and abroad.

Mr. Huq was a member of the International Court of Arbitration of International Chamber of Commerce, Paris. He is former Attorney General of Bangladesh.

Mr. Huq is involved in many social activities as life member and member of National Council of Diabetic Association of Bangladesh, Chairman of Management Committee of BIRDEM Hospital, Chairman of Ahsania Mission Cancer Hospital, Secretary General of Management Board and Patron of Dhaka Shishu Hospital, Cabinet Member in the Lions International, District 315, Chairman of Society for Education and Care of Hearing Impaired Children of Bangladesh and Life Member of the Bangladesh National Society for the Blinds and many other organisations in Bangladesh. He is founder of Dr. Farida Huq Memorial Ibrahim General Hospital, Kaliakair, Gazipur.

Mr. Wassim Moukahhal **Independent Director**

Mr. Wassim Moukahhal is the Independent Director of RAK Ceramics (Bangladesh) Limited and its subsidiary companies. He also serves as a Member of the Board of Directors and the Executive Committee for RAK Ceramics PSC and as a Member of the Board of Directors of RAK Porcelain.

Mr. Moukahhal has more than 11 years of experience in private equity investments and is currently a Senior Vice President of Samena Capital Investments Limited in Dubai, focusing on investments within the MENA region.

Mr. Moukahhal holds an MBA from the Wharton School at the University of Pennsylvania and a Bachelor's degree in Economics & Finance from McGill University.



WE VALUE OUR RESOURCES
AND THERE HAS NOT BEEN A
DAY WHEN WE HAVE TAKEN
OUR POSITION FOR GRANTED,
SERVING OUR CUSTOMERS,
OUR CITIZENS AND OUR
COUNTRY AT LARGE.



CHAIRMAN'S STATEMENT ON WIDENING THE GROWTH SPECTRUM

WE EXPANDED OUR SANITARYWARE CAPACITY BY ABOUT 33% TO 4,000 PCS PER DAY FROM APRIL 2015. IN DOING SO, WE HAVE EMERGED AS AMONG THE FEW PLAYERS TO HAVE EXPANDED PRODUCTION CAPACITY IN A MEANINGFUL WAY, AT A RELATIVELY LOWER COST AND DURING A TIME WHEN THE ECONOMIC GROWTH PROSPECTS LOOK BETTER, GOING FORWARD.

Dear fellow shareholders,

The slump in global oil prices has helped the government control inflation while export figures in late 2015 brought a respite. These developments helped counter the headwinds of a muted economic growth with the government pegging the 2015-16 GDP growth at 6.3%. Besides, political stability has created a favorable environment for sustained economic growth. Resultantly, throughout 2015, key economic indicators have remained stable even as exports – a mainstay of the economy – are estimated to achieve a 7% growth by the end of the ongoing 2015-16 fiscal. Bangladesh emerged as the fourth fastest growing economy in South Asia in 2015 and we expect this trend to continue with key structural reforms being implemented in an accelerated way.

Overview of the Bangladeshi real estate market

Although the real estate sector remained sluggish much through 2015, not witnessing much reform over the last couple of years, the Government has taken positive steps to boost the country's real estate industry. It has sought to do so by unlocking the funds lying idle in banks, encouraging both the financial system to increase credit offtake to the sector and consumers to invest in real estate, promoting home ownership and also long-term investments. It has also created a tax (VAT) model with levies as per the size of the apartment over a flat rate. This move is aimed to make the smaller flats more affordable for the middle-class, compensated by a slightly higher tax for premium property purchases.

Additionally, Bangladesh Bank, the central bank of Bangladesh, has increased housing loan ceiling from Taka 10 mn to Taka 12 mn with a view to enable consumers to overcome inflationary construction costs, which cause property prices to increase, to unlock banking / financial system liquidity.

Importantly, we view these alterations as not just one-off but critical structural reforms that will go a long way in supporting the growth of the industry in a sustainable way.

The Bangladeshi real estate sector contributes as much as 7% to the country's GDP and employs around 3.5 mn people (either directly or indirectly). In 2015, the sector is estimated to have contributed 20% to the country's GDP. Experts believe that this is the right time to invest in property, portrayed by increasing consumer interest, as real

estate prices have climbed down to attractive levels with a concurrent increase in ready-for-sale apartments. A reliable Lamudi study estimates that Dhaka currently has over 20,000 apartments ready-for-sale, compared with 13,000 unsold apartments in 2013-14.

The same study has indicated that several projects across the country are up for completion in 2016, which should stabilise the currently high prices of commercial property. Even tourist destination including Cox's Bazar and the port city of Chittagong, with half the purchase rates of Dhaka, are emerging as popular alternatives for real estate investments. Today, many developers are also looking at adopting green designs, witnessing a growing conscience towards developing sustainable, green buildings.

Outlook for the realty sector, 2016

The growing population of Bangladesh poses great opportunities for the real estate sector, leading to faster urbanization. The present population of the country is estimated in excess of 160 mn. According to REHAB (Real Estate and Housing Association of Bangladesh), the rate of rise of urban development in the country is about 5-6% per year and 28% of the population live in urban areas, which will grow to around 34% by 2025. With this kind of an urbanisation rate, Bangladesh ranks among the top-50 countries in the world in terms of population migration to urban areas.

A United Nations report states that Dhaka would be the sixth most crowded city by 2030 with a population of beyond 27 mn, which is currently above 17 mn as per the World Urbanization Prospects: The 2014 Revision. Besides, almost all the cities of the country are seeing an increased demand for apartments and office spaces as banks are looking to provide loan facilities to authentic real estate companies and developers. Thus, there are several successful real estate players in the sector working towards timely completion of projects and bank on the growing opportunities provided by the sector.

Seeing a push towards increasing the home loan cap by Taka 2 mn, more and more medium to moderate income level families are looking at buying and renting their own flats to live within a proper standard of accommodation. Also, a growing number of local and multinational companies are investing into the sector, providing proper housing and office space facilities, which are the positive signals indicating increasing real estate demand, going forward.

The Bangladeshi ceramics industry and our role in it

The ceramics industry of Bangladesh has invested about Taka 50,000 mn in the past decade towards capacity augmentation both through the greenfield and brownfield routes in order to serve a growing market. The worldwide export market for ceramic products is worth more than USD 41 billion, of which Bangladesh has a share of a mere 0.97% with USD 47.5 mn in exports (in fiscal 2013-14). Resultantly, there is a wide canvas of opportunities in enhancing ceramic product exports, thereby contributing to attractive GDP growth. The importance of the domestic ceramics industry can be gauged from the fact that more than a dozen ceramic factories operate in the country, providing respectable employment to over 5 lakh workers.

RAK Ceramics (Bangladesh) is among the top-tier ceramic tiles and sanitaryware products manufacturers with a solid brand equity and a robust distribution network. What has differentiated us from peers is our global parentage and insights into the evolving market requirements that have enabled us to stay a step ahead of competition.

We realised that in a price-sensitive market, cost leadership is key to sustained success. Hence we engaged globally-renowned machinery specialists to set-up our plants in the country. Today, our showpiece assets have not only facilitated the highest standards of environmental compliance but have also enabled us to produce relevant, contemporary, cost-effective and high-value products that immediately resonate with our customers' tastes, preferences and budgets. This, in turn, has enabled us to report consistent growth with our revenue recording a CAGR (compounded annual growth rate) of 4.76% over the past five years.

Today, foreseeing the attractive structural growth prospects unfolding in the ceramic tiles industry paired with our Balance Sheet strength, we are among the few in the industry to be embarking on significant capacity expansion at our ceramic tiles business segments. The additional capacity of 0.5 mn sq. m is expected to be operationalised by April 2016 and will take our annual capacity to 8.53 mn sqm, with the full benefit of this enhanced capacity becoming evident in this year (2016). We also expanded our sanitaryware capacity by about 33% to 4,000 pcs per day from April 2015. In doing so, we have emerged as among the few players to have expanded production capacity in a meaningful way, at a relatively lower cost and during a time when the economic growth prospects look better, going forward.

Acknowledgements

In conclusion, on behalf of the Board, I would like to thank all our colleagues throughout RAK Ceramics (Bangladesh) for the tremendous efforts made to deliver the results last year, in what continues to be an exciting period for the company. It is their continuing commitment and focus to deliver great service to our customers which enables the delivery of substantial progress for the company as a whole.



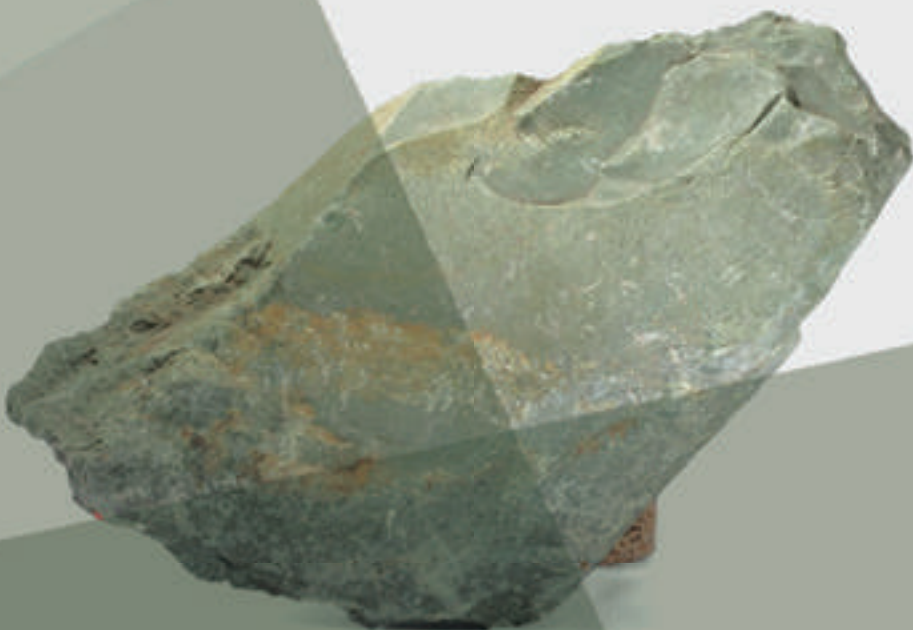
Abdallah Massaad

Chairman
RAK Ceramics (Bangladesh) Limited



RESHAPING OUR CREATIVE PURSUITS

At RAK Ceramics (Bangladesh), we consider our roles as craftsmen, engaged in sculpting consumer delight through an eye for details and a focus that is rock-steady!



EXECUTIVE MANAGEMENT



Mr. S. A. K. Ekramuzzaman
Managing Director



Mr. Imtiaz Hussain
Chief Executive Officer



Mr. Abhijit Chakraborty
Chief Financial Officer



Mr. Md. Mahbubur Rahman
General Manager-HR & Admin



Mr. Md. Jahirull Reza
General Manager-Purchase



Mr. Zakir Hossain FCA
Head of Internal Audit



Mr. Muhammad Shahidul Islam FCS
Company Secretary



Mr. Mohammed Shamsuddin
Manager-Taxation



Mr. Henry Fernandez
Production Manager (Tiles)



Mr. Velayutham Chelladurai
Production Manager (SW)

MANAGEMENT DISCUSSION AND ANALYSIS

Global economy

Growth of the world economy has weakened considerably during 2015 and is expected to remain subdued in the coming few years. Uncertainty across the globe still looms large which will continue to have global impacts in sluggish trade and tepid foreign direct investment.

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

The global economy growth is at 3.3 percent in 2015 and expected to grow 3.8 percent in 2016. However overall growth in developing and emerging economies is projected to drop from 5.5 percent in 2012 to 4.7 percent in 2013. (Source: UNO, Global outlook).

Global ceramic tiles industry

Global production increased from 11,913 mn sqm in 2013 to 12,409 mn sqm in 2014. However the most noticeable trend in the world tile production is the geographical shift from the traditional European base to the nascent economies of Asia, North Africa and the Middle East. The latest downward trend in production was mainly confined to the member states of European Union. Twenty eight (28) EU nations produced 1.186 billion sqm of ceramic tiles, a figure that represents 10.00 percent drop in total output.

Top manufacturing countries

Country	CY'10 (Sqm mn)	CY'11 (Sqm mn)	CY'12 (Sqm mn)	CY'13 (Sqm mn)	CY'14 (Sqm mn)
China	4,200	4,800	5,200	5,700	6,000
Brazil	754	844	866	871	903
India	550	617	691	750	825
Iran	400	475	500	500	410
Spain	366	392	404	420	425
Indonesia	287	320	360	390	420
Italy	387	400	367	363	382
Turkey	245	260	280	340	315
Vietnam	375	380	290	300	360
Mexico	210	219	229	228	230
Total	7,774	8,707	9,187	9,862	10,270
World Total	9,619	10,599	11,194	11,913	12,409

World Manufacturing Areas

Areas	2014 (Sqm mn)	% on world production
Asia	8,748	70.50
European Union (28)	1,191	9.60
Central-South America	1,191	9.60
Other Europe (Including Turkey)	571	4.60
Africa	397	3.20
North America (Including Mexico)	311	2.50
Total	12,409	100.00

World Tile Consumption (MSM)

The world tile consumption increased by 4.5 percent to 12,095 sqm mn in 2014 from 11,574 sqm mn in 2013. The consumption of tile was shortage of 314 sqm mn in 2014 against the production.

Top consumption countries

Country	CY'10 (Sqm mn)	CY'11 (Sqm mn)	CY'12 (Sqm mn)	CY'13 (Sqm mn)	CY'14 (Sqm mn)
China	3,500	4,000	4,250	4,556	4,894
Brazil	700	775	803	837	853
India	557	625	681	748	756
Indonesia	277	312	340	360	407
Iran	335	395	375	350	280
Vietnam	330	360	254	251	310
Saudi Arabia	182	203	230	235	244
Russia	158	181	213	231	219
USA	186	194	204	230	231
Turkey	155	169	184	226	215
Total	6,380	7,214	7,534	8,024	8,409
World Total	9,491	10,436	10,932	11,574	12,095

World consumption areas

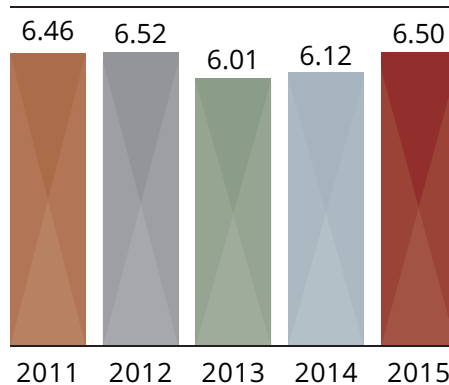
Areas	2014 (Sqm mn)	% on world production
Asia	8,164	67.50
Central South America	1,282	10.60
European Union (28)	847	7.00
Africa	750	6.20
Other Europe (Including Turkey)	544	4.50
North America (Including Mexico)	460	3.80
Oceania	48	0.40
Total	12,095	100.00

Outlook: Global economic recovery is still fragile. Due to investments in infrastructure in BRIC (Brazil, Russia, India, and China) economies, tile consumption growth is expected to be robust in these countries. Considering an economy recovery in key developed economies in the medium term, increased construction activity, coupled with product innovations, the global ceramic tiles market is projected to reach US \$123.7 billion by 2020.

Bangladesh economy

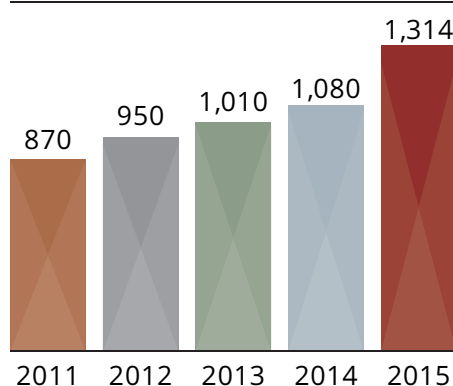
The Gross Domestic Product (GDP) in Bangladesh expanded 6.12 percent in 2014 from the previous year. GDP Growth Rate in Bangladesh averaged 5.61 percent from 1994 until 2014, reaching an all time high of 6.63 percent in 2006 and a record low of 4.08 percent in 1994. GDP Growth Rate in Bangladesh is reported by the Bangladesh Bank.

Real GDP Growth (%)



The country's economic growth during the last few years is also significantly higher compared to the global economic growth of emerging and developing economies.

GNI Per Capital (US\$)



Outlook: As per the ambitious Vision 2021 and Sixth Five Years Plan (2011-2015) the country targets to attain a GDP growth rate of 10 percent by 2017. Other key parameters include reducing the unemployment rate to 15 percent and targeted to produce 24000 MW by 2021 and make provisions to meet the expected demand.

Ceramic industry and optimism

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

Consumption: Local consumption is much higher than export volumes. According to estimates, the local consumption of porcelain tableware will not be less than Taka 1,000 crore. An estimate by Bangladesh Ceramic Ware Manufacturer and Exporters Association shows that despite tremendous local industry growth, the country still imports between 25-35 percent of the tiles consumption to fulfill the demand.

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

Investments: The ceramics industry of Bangladesh has invested about Taka 5,000 crore in the past decade. More than a dozen of ceramic factories are operating in Bangladesh, employing more than 0.5 mn workers.

Demand of Real Estate: The real estate sector is the growth centre for the development of the economy. As one of the most densely populated countries in the world, Bangladesh has been experiencing severe housing shortages. With the majority of the population in the middle and low-income groups, ensuring housing for all is difficult here. The private sector housing developers have met a large proportion of the national housing demand in the last 40 years.



RESHAPING OUR INFORMATION TECHNOLOGY

At RAK Ceramics (Bangladesh), we are continuously upgrading our resources and workforce to align with the current hyper speed world by adopting the latest technology available in the industry!



RAK CERAMICS, BANGLADESH ON SAP

RAK CERAMICS BANGLADESH IS LOOKING TO MEET THE DEMANDS OF THE MARKET EFFICIENTLY AND EFFECTIVELY THROUGH SAP WHICH WOULD EMPOWER THE EXISTING WORKFORCE TO NEW STANDARDS OF WORK ENVIRONMENT ASSOCIATED WITH COUNTLESS JOY AND ENTHUSIASM.

It is our immense pleasure to inform you that RAK Ceramics Bangladesh, one of the world's largest hi-tech manufacturers of lifestyle ceramics solutions, has implemented Systems Applications Programs (SAP) with the help of SAP MENA in 2016.

It is indeed a matter of great satisfaction and honor to see RAK Ceramics, Bangladesh enter the era of Enterprise Systems. It is like embarking on a voyage of self-discovery; let there be no doubt that this is the beginning of a monumental change process that is going to transform the way we do business. A whole new world of possibilities awaits us, like never before; our challenge is, not only to embrace this change, but also to leverage its potential to the fullest.

RAK Ceramics, Bangladesh have implemented Finance, Controlling, Material Management, Sales & Distribution, Customer Relationship Management, Human Capital Management, Production Planning & Execution, Plant Maintenance and Quality Management to enable all employees to work with a common central database for a comprehensive range of applications to manage the entire business functions and to integrate across the silos..

The real value of SAP ERP lies in its enterprise wide integration, which helps to achieve a greater focus on analysis, better & quick decision making, robust and accurate business information, improved financial reporting, and simple easy-to-use interfaces; all of which works in tandem with go-live. Needless to say, SAP would empower the existing workforce to new standards of work environment associated with countless joy and enthusiasm.

Going forward RAK Ceramics has also awarded CSC MEA, a leading provider of next-generation technology solutions and service provider, with an exclusive contract to support the present SAP setup and maintenance work and to further improve our business processes, applications & infrastructure over the next three years. This strategic initiative, which will be driven from CSC's Middle East and Africa (MEA) region, is expected to make RAK Ceramics current SAP and service management landscape more agile and responsive to evolving business needs. We hope with such a strategic move, our ongoing accelerated growth initiatives we be reinforced and will get a huge boost in achieving the targets.

This is an exciting time as we expect more business activities to come in 2016. In line with this, RAK Ceramics Bangladesh is looking to meet the demands of the market efficiently and effectively through SAP. As our new global support partner, CSC MEA will help us modernize our business processes, applications and infrastructure through its next generation technology solutions. Such a move will boost our ongoing growth initiatives through continuous reinforcement of our existing business mechanisms and procedures."

RISKS MANAGEMENT AND CONTROL ENVIRONMENT

RAK Ceramics (Bangladesh) Limited has a strong base to identify the risk of future uncertainty with the change of local and global economy. The company is always identify the key business risks and ensures the mitigation plans of those risks. The management of the company reviewed and adopted the best practices of the industry that enable the company to achieve its ultimate objectives.

Risks are defined as uncertainties resulting in adverse variations of profitability or in losses, financial or otherwise. The core risk areas of the business operation are industry risks, market risks, quality risk, forex and funding risks, technology related risks, liquidity risk that includes foreign exchange risk, interest rate risk etc. Some of these risks and their mitigation are discussed elaborately as under:

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) Limited 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 of 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 penetrating new markets with new products.

Quality risks

Quality risk is a systematic process for the identification, assessment and control of risks to the quality of the products across the product lifecycle. 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.

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

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

Cost inflation risks

Cost inflation risks relating to increase in raw material, power, fuel, freight and manpower costs.

Mitigation

RAK Power Pvt. Ltd. (100% subsidiary of RAKCBD) is the 10MW captive power unit which supplies uninterrupted power to RAKCBD factory at a lower price than that of the government which helps RAKCBD to run the production of the factory smoothly.

The natural gas connection replaced high cost propane gas, optimising energy costs.

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

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

Forex and funding risks

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

Mitigation

The Company has a strong working capital management practices with several open lines to obtain the funds from the banks.

The Company has a robust inventory management practices with a relatively low working capital cycle.

RAK Ceramics holds a strong liquidity position with a reported cash profit of Taka 1,354.33 mn.

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 22.91 percent in 2015.

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.

Unfavorable 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) Limited is cash rich company and operates with low independence on long term debt. The Company is an almost zero debt (long-term) organisation.

The Company possess robust retained earnings of Taka 1,196.44 mn, strong cash and bank balance of Taka 1,101.57 mn and a low debt-equity ratio of 0.20 as at 31 December 2015, showcasing its ability to raise low-cost debt for prospective needs.

Exchange rate risks

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

The parent Company possesses a database of over 2,500 global suppliers dealing with it for more than 20 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.

Potential or existing government regulation risks

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

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 PJSC, 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 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.

GENERAL REVIEW OF THE PERFORMANCE OF THE COMPANY

Review of Business

RAK Ceramics (Bangladesh) is the country's largest and most respected tiles and sanitaryware brand. The Company has anchored this position on the basis of its market-leading capacities, world-class manufacturing assets, high production utilization, optimized cost structures, vibrant sales and distribution network and robust customer engagement programs.

Expansion of existing production capacity

In 2015, the production capacity of sanitary ware has increased by around 1,000 pcs/day. The Company presently operates with an installed production capacity of 22,000sqm/day of tiles and 4000 pcs/day of Sanitary Ware. Now, the Company is in position to enhance its existing production capacity by around 10,000 sqm/day of tiles for which work of expansion of factory and installation of machineries is going on and expected to go live by March 2016.

Key Highlights 2015

Particulars	2015	2014
Sales	Taka 5,059.30 mn	Taka 5,508.64 mn
Gross Profit	Taka 2,162.41 mn	Taka 2,253.37 mn
PAT	Taka 1,094.34 mn	Taka 562.80 mn
EBITDA	Taka 1,758.33 mn	Taka 1,336.63 mn
EPS	Taka 3.25	Taka 1.67

Revenues decreased by 8.16 percent to Taka 5,059.30 mn in 2015 from Taka 5,508.64 mn in 2014.

Gross profit decreased by 4.04 percent to Taka 2,162.41 mn in 2015 from Taka 2,253.37 mn in 2014.

Profit after tax (PAT) increased by 94.45 percent to Taka 1,094.34 mn in 2015 from Taka 562.80 mn in 2014.

EBITDA increased by 31.55 percent to Taka 1,758.33 mn in 2015 from Taka 1,336.63 mn in 2014.

EPS increased by 94.61 percent to Taka 3.25 per share in 2015 from Taka 1.67 per share in 2014.

Derivates

EBITDA margin increased by 1,049 bps to 34.75 percent in 2015 from 24.26 percent in 2014.

PAT margin increased by 1,141 bps to 21.63 percent in 2015 from 10.22 percent in 2014

ROCE increased 477 bps to 22.91 percent in 2015 from 18.14 percent in 2014.

Analysis

Interest income was Taka 78.42 mn in 2015.

Invested Taka 1,018.09 mn (Taka 7,100.88 mn as on 31 December 2015 from Taka 6,082.79 mn as on 31 December 2014) in its gross block in 2015.

Maintained a strong debt-equity ratio to 0.20 against 0.10 as on 31 December 2014.

Analysis of Income Statement

The Company's strong performance is mirrored in the Profit or Loss and other comprehensive income.

Revenue

The topline grew by 0.10 percent compared to previous year.

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: Revenues decreased by 8.16 percent to Taka 5,059.30 mn in 2015 from Taka 5,508.64 mn in 2014 due to sell of loosing subsidiary and associated companies of RAK Ceramics (Bangladesh) Limited. Profit after tax (PAT) increased by 94.45 percent to Taka 1,094.34 mn in 2015 from Taka 562.80 mn in 2014. Share of loss of associate companies is Taka 20.41 mn in 2015 against Taka 59.02 mn in 2014. Foreign exchange gain in 2015 is Taka 11.63 mn as compared to gain of Taka 20.63 mn in 2014.

Power: Profit after tax increased by 12.26 percent to Taka 99.72 mn in 2015 from Taka 88.83 mn in 2014 with increase in sales by 13.60 percent to Taka 334.04 mn in 2015 from Taka 294.04 mn in 2014.

Security: Profit after tax increased by 1.46 percent to Taka 6.94 mn in 2015 from Taka 6.84 mn in 2014 with increase

in sales by around 5 percent to Taka 73.70 mn in 2015 from Taka 70.23 mn in 2014.

Operating Profit: Net operating profit increased by 56 percent to Taka 1,455.55 mn in 2015 from Taka 933.35 mn in 2014.

Operating expenses

The Company's operating expenses (operating, marketing and administrative) decreased by 3 percent to Taka 4,444.51 mn in 2015 from Taka 4,585.87 mn in 2014 in tandem with operational volume and country inflation. Operating cost as a proportion of sales increased by 455 bps in 2015 against 2014.

Operating cost matrix:

Particulars	2015		2014		Increase/ (Decrease) (%)
	Amount (Taka mn)	Proportion of sales (%)	Amount (Taka mn)	Proportion of sales (%)	
Cost of Goods Sold	2,896.89	57.26	3,255.27	59.09	(1.83)
Marketing Expenses	688.07	13.6	1,035.12	18.79	(5.19)
Administrative Expenses	859.55	16.99	295.47	5.36	11.63

Cost of goods sold: Cost of goods sold has decreased by Taka 358.38 mn in 2015 than 2014 in tandem with revenues.

Raw materials: Raw Material cost increased in Sanitary Ware (SW) by Taka 73 Mn due to increased production quantity. Raw Material cost reduced in Tiles by Taka 100 Mn due to production of smaller size tiles. Operational efficiency and innovative waste management optimized input consumption volume.

Labour costs: Labour cost increased by Taka 25 Mn (head count increased in SW 34 persons and from Oct'15 - Tiles by 55 persons. Another impact in the labour cost is the revision in emoluments in tandem with country inflation.

Direct expenses: Manufacturing overhead (excluding direct labour) Increase by Taka 39.75 mn in 2015 mainly due to spares, repairs, maintenance and packing expenses.

Administrative expenses: Administrative expenses increased by Taka 602.76 mn mainly due to write-off loan of subsidiary and increase in head count by 115 members in the group.

Marketing expenses: Marketing expenses increased by Taka 23.33 mn mainly due to increase in freight outward rate by average 14%.

Financial expenses

Interest expenses increased to Taka 10.62 mn in 2015 on account of Short term loan for import of raw materials. There was no foreign exchange losses in 2015. Bank charges increased to Taka 1.43 mn in 2015 from Taka 0.87 mn in 2014.

Analysis of the Balance Sheet

Shareholders Fund: Shareholders fund increased by 2.01 percent to Taka 6,038.59 mn in 2015 from Taka 5,919.43 mn in 2014.

Non-current assets:

Property, Plant and Equipment (Fixed Assets): There has been an addition of Taka 556.03 mn in 2015 to the gross block of the fixed assets in the following areas:

Land acquisitions beside the existing factory is Taka 26.76 mn, factory building is Taka 24.50 mn, factory office building is Taka 12.76 mn, purchase of plant and machinery is Taka 383.96 mn, mobile plant is Taka 10.03 mn, electrical instalment is Taka 6.90 mn, Gas pipeline is Taka 4.15 mn, furniture & fixture is Taka 3.62 mn, office vehicles for Taka 7.16 mn, office equipment is Taka 72.29 mn, tools and appliances is Taka 1.14 mn and communication equipment is Taka 2.76 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 upto the expected tenure of accrual of benefits derived from the particular asset.

Capital work-in-progress: The Company invested Taka 1,256.26 mn in heavy equipment in its ceramic tiles and sanitaryware facility which is expected to be commissioned in the coming year. Capital work in progress also includes construction work for factory building, plant & machinery, furniture and fixture, communication equipment and mobile plant.

Current assets:

Inventory: Inventory comprises of Finished Goods Taka 216.78 mn, Raw Materials Taka 847 mn and Stores & Spares

Taka 957.75 mn and Goods in transit Taka 180.17 mn. The Company has a policy of maintaining adequate inventory of key inputs to ensure uninterrupted operations.

Trade and other receivables: These largely comprise of trade receivables where average receivables cycle is 45 days.

Asset composition

Particulars	2015		2014		Increase/ (Decrease) (%)
	Amount (Taka mn)	Proportion of assets (%)	Amount (Taka mn)	Proportion of assets (%)	
Non-Current assets	4,011.70	37.31	2,353.85	24.84	(12.47)
Current assets	6,741.66	62.69	7,123.12	75.16	12.27
Total	10,753.36	100	9,476.97	100	-

Investment matrix-parent to subsidiaries (Taka mn)

Company	Relation	As on 1 January 2015	Net addition During 2015	As on 31 December 2015
RAK Power Pvt. Ltd.	Subsidiary	116.85	88.15	205.00
RAK Security and Services (Pvt.) Ltd.	Subsidiary	0.35	0.64	0.99

Cash and bank balance: Cash and bank balances include cash in hand Taka 1.87 mn, balances in bank accounts Taka 331.55 mn and Fixed Deposits Taka 768.14 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 336,850,611 equity shares of Taka 10 each (face value). The

market value of the share is Taka 66.90 (31 December 2015) resulting into market capitalization of Taka 22.53 bn.

Non-current borrowings: Non-current borrowings availed Taka 420.62 mn in 2015 for Tiles and Sanitary ware plant expansion, Taka 77.12 mn for offshore financing.

Current borrowings: Current borrowings include short term loans Taka 77.12 mn for offshore financing.

Current Liabilities: Current liabilities increased by 19.23 percent to Taka 4,218.33 mn in 2015 from Taka 3,538.08 mn in 2014.

Fixed assets additions

During the year 2015 total additions to the fixed assets including subsidiary companies was Taka 1,018.09 mn. The major additions to the fixed assets were land acquisitions beside the existing factory, factory building, purchase of plant and machinery, electrical installment, Gas pipeline, furniture & fixture, office vehicles etc.

STATEMENT OF SUBSIDIARIES

The Company has the following subsidiaries as on 31 December 2015.

Company Name	Share Holding (%)	Relationship	Investment Taka	Nature of Business	Present Status
RAK Power Pvt. Ltd.	100	Subsidiary	204,999,500	Electricity generation	On production
RAK Security & Services (Pvt.) Ltd.	99	Subsidiary	990,000	Security Guarding and cleaning service	On operation



RESHAPING OUR COMMITMENT TO SPECIALIZATION

At RAK Ceramics (Bangladesh), we are weaving our growth story with a commitment to embracing the highest levels of 'green' practices, a focus that runs across the fabric of our organisation!



CORPORATE SOCIAL RESPONSIBILITY

OVERALL, WE INVESTED AROUND TAKA 3.49 MN FOR CSR ACTIVITIES IN 2015 THAT ENCOMPASS MEDICINE AND MEDICAL TREATMENT, DONATIONS TO EDUCATION, SOCIAL AND CULTURAL ACTIVITIES OF BANGLADESH.

Corporate social responsibility is at the heart of RAK Ceramics' business values and we recognize 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 minimize 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.

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 3.49 mn for CSR activities in 2015 that encompass medicine and medical treatment, donations to education, social and cultural activities of Bangladesh.

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 analyse trends to quickly detect major leaks and repair damages as soon as possible. RAK Ceramics ensures that through regular preventive maintenance, equipment and devices that use water run smoothly and ensure that they do not consume excessive water.

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

Green environment practices

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

- High-efficiency burners
- Regulated water consumption
- Re-cycle and re-use of in-process waste water
- Water conservation awareness
- Solid waste management
- Re-cycle and re-use

- Natural resource conservation and pollution control
- Indoor air quality
- Ventilated façade system
- Energy-saving system
- Pallet racking system installation in central store warehouse
- Mezzanine shelving system installation in central store warehouse

Water conservation

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

1) Monitoring: Water consumption is regularly measured and checked to prevent unnecessary use. We also analyze trends to quickly detect major leaks and repair damages as soon as possible.

2) Optimisation: We see that through regular preventive maintenance, equipment and devices that water is running smoothly and is not used in excess.

3) Reuse and recycling: We operate wastewater treatment facilities to treat and process wastewater and even domestic wastewater to minimise utilisation of water resources. RAK Ceramics operates effluent treatment plants (ETP) to recycle and re-use the wastewater generated from factories. All process effluents from the factories are collected in concrete tanks through pipe channels. Owing to the recycle and re-use of in-process wastewater, RAK Ceramics saves around 80 m3 of water per day, and also reduces water pollution.

Natural resource conservation and pollution control

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

Indoor air quality and its effect on office interiors

RAK Ceramics promotes building fit-outs that will provide a healthier indoor environment and more productive

workplaces, which also have less negative impact on the environment.

Ventilated facade system

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

Energy-saving system

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

Pallet racking system installation in central store warehouse

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

Mezzanine shelving system installation in central store warehouse

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

Solid waste management

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

- Segregating hazardous and non-hazardous waste.
- Controlling litter and odors.
- Conducting routine inspections of waste storage areas.
- All kinds of waste is identified and segregated with the use of garbage bins that are classified as:

- Green garbage bins– provide for residual waste, leftover food, paper, carton, floor sweepings and other waste with no commercial value.
- Blue garbage bins– provide for metals, machine parts and accessories.
- Black garbage bins– provide for contaminated items, expired chemicals and infectious waste from clinics.

Employee engagement

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

Focus on creating a happier and more productive workplace

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

RAK Ceramics is committed to treating its employees well.

- **Life insurance coverage:** All employees are adequately covered by life insurance policy to protect against future hazards.
- **Provident fund and gratuity scheme:** The Company maintains a recognized contributory provident fund and an approved gratuity scheme for all employees.
- **Workers profit participation fund:** The Company maintains workers' profit participation fund (WPPF) as per the Bangladesh Labour Act 2006.
- **Employee welfare fund:** Financial assistance is given to the immediate family members for medical and educational purposes from the Employees' Welfare Fund maintained by the Company.
- **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.



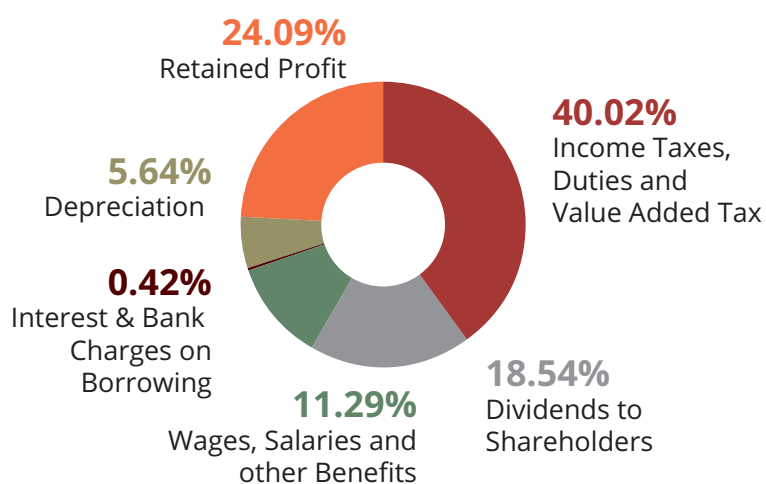
RESHAPING OUR SUSTAINABILITY COMMITMENT

At RAK Ceramics (Bangladesh), we are carving a growth path for ourselves that is anchored on the pillars of sustainability even as we create the right balance between accessing resources for ourselves while leaving behind enough for future generations!



VALUE ADDED STATEMENT

Particulars	31-Dec-15	
	Taka	%
Revenue	6,329,964,274	
Other Income	910,848,168	
Less : Paid to suppliers for materials and services	2,699,258,036	
Value Added	4,541,554,406	100.00
Distribution of Value Added		
To Government		
Income Taxes, Duties and Value Added Tax	1,817,410,000	40.02
To Suppliers of Capital		
Dividends to Shareholders	842,126,528	18.54
To Employees		
Wages, Salaries, bonus, commissions, pensions and other benefits	512,551,341	11.29
To Providers of Finance		
Interest & Bank Charges on Borrowing	18,935,684	0.42
Retained For Reinvestment & Future Growth		
Depreciation	256,191,573	5.64
Retained Profit	1,094,339,280	24.09
Total	4,541,554,406	100.00
Market share information of the Company's Product and services	Tiles- 25%	
	Sanitary ware- 65%	



ECONOMIC VALUE ADDED (EVA)

Economic value added attempts to capture the true economic profit of a company. It also provides a measurement of a company's economic success (or failure) over a period of time.

Calculation of EVA

Particulars	Amount in Taka
	2015
Net Operating Profit After Tax (NOPAT)	1,070,931,754
Total Capital Employed	6,535,034,636
Cost of Capital (%)	12%
Cost of Capital (COC)	784,204,156
EVA = NOPAT - COC	286,727,598

DIRECTORS' REPORT

Dear Shareholders,

Assalamu Alaikum

The Board of Directors of RAK Ceramics (Bangladesh) Limited is pleased to present this Directors' Report together with the Auditors' Report and Audited Financial Statements of the Company for the year ended December 31, 2015 thereon, for your valued consideration, approval and adoption.

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 have been created using specially selected wall and floor tiles, borders, corners etc. Many of RAK Ceramic's models come in modular designs, making 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.

Industry Outlook

The detail about industry outlook and possible future developments in the industry is discussed in Management discussion and Analysis on page 29 in this annual report.

Production capacity

RAK Ceramics (Bangladesh) Limited presently operates with an annual standard production capacity of 8.03 mn sqm of tiles and 1.47 mn pieces of sanitary ware with over 30 active designs and widest ranges. Now, the Company is in position to enhance its existing annual production capacity by around of 3.65 mn sqm of tiles for which work of expansion of factory and installation of machineries is going on and expected to go live by March 2016.

Business review/Operational results

The Company reported consolidated sales of Taka 5,059.30 mn in 2015 against Taka 5,508.64 mn in 2014. The consolidated net profit after tax attributable to the equity holders of the Company was Taka 1,094.34 mn against Taka 562.79 mn in 2014. The detail of operational results of the Company is discussed in General Review of the Performance of the Company on page 36 in this annual report.

Financial results and appropriations

The Directors are pleased to report the financial results for the year 2015 and recommend the following appropriations:

Particulars	2015	2014
Profit before tax *	1,479.39	910.27
Less: Provision for tax	385.05	422.19
Profit after tax *	1,094.34	488.08
Add: Un-appropriated profit brought forward	1,077.28	1,280.05
Profit available for distribution	2,038.57	1,842.84
Less: Appropriation of dividend	842.13	765.57
Un-appropriated profit C/F	1,196.44	1,077.27

* 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 49 in this annual report.

Fixed assets additions

During the year 2015 total additions to the fixed assets including subsidiary companies was Taka 1,018.09 mn. The major additions to the fixed assets were land acquisitions beside the existing factory, factory building, purchase of plant and machinery, electrical installment, Gas pipeline, furniture & fixture, office vehicles etc.

Reserve and surplus

Retained earnings of the Company in 2015 stood at Taka 1,196.44 mn against Taka 1,077.27 mn in 2014.

Dividend

The Board of Directors of the Company is pleased to recommend cash dividend @ 25 percent of paid up capital of the Company for the year 2015. The Company paid cash dividend @ 25 percent of paid up capital of the Company for the year 2014.

Contribution to national exchequer

RAK Ceramics (Bangladesh) Limited regularly pays its direct and indirect tax obligations in time. During the year 2015, RAK Ceramics (Bangladesh) Ltd. had contributed to National Exchequer total of Taka 1,817.41 mn, by way of Corporate Income tax of Taka 147.15 mn, withholding tax and vat from suppliers and service providers of Taka 240.26 mn, VAT of Taka 816.15 mn, supplementary duty of Taka 452.45 mn and other duties/taxes of Taka 161.40 mn.

Risks and concerns

The detail of risks and concerns of the Company is discussed in Risk Management and Control Environment on page 33 in this annual report.

Auditors

M/s A. Qasem & Co., Chartered Accountants (a member firm of Ernst & Young Global Limited, UK) shall retire in the 17th AGM, being eligible, they offered themselves for re-appointment and the Board also recommended re-appointing them for the year 2016. Remuneration of the auditor will be fixed by the shareholders at this Annual General Meeting.

Parent, subsidiary and associate companies

RAK Ceramics Co. PJSC, UAE is the parent company of RAK Ceramics (Bangladesh) Limited. It is a public joint stock company and is a UAE based leading tiles and sanitaryware manufacturing Company. RAK Ceramics is around USD 1 billion global conglomerate that supplies to over 160 countries and has been officially recognized as the world's largest ceramics manufacturer with a global annual production output of 109 mn square meters of ceramic and porcelain tiles, 4.6 mn pieces of bath ware and 24 mn pieces of tableware.

RAK Ceramics (Bangladesh) Ltd. has two subsidiaries namely RAK Power Pvt. Ltd. and R.A.K. Security & Services (Pvt.) Ltd. The Board of Directors of the Company in its meeting held on July 26, 2015 took the decision to increase the equity investment in RAK Power Pvt. Ltd. and R.A.K. Security & Services (Pvt.) Ltd. from the existing 57% and 35% respectively to 100% through purchase of shares from the all others shareholders of RAK Power Pvt. Ltd. and R.A.K. Security & Services (Pvt.) Ltd.

Now, RAK Power Pvt. Ltd. and R.A.K. Security & Services (Pvt.) Ltd. are fully owned subsidiaries of RAK Ceramics (Bangladesh) Limited. The principal activities and status of these subsidiaries are separately disclosed in Statement of Subsidiaries on page 39 in this annual report.

Basis for related party transactions

The detail list of the related parties with whom transactions have taken place and their relationship as identified and certified by management is disclosed in Related party disclosures under BAS-24 on page 111 in this annual report.

Corporate Social Responsibility (CSR)

The Company understands its responsibility towards social welfare and contributed an amount of Taka 3.49 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 Responsibility on page 41 in this annual report.

Human resources and staff welfare

RAK Ceramics (Bangladesh) Limited gives the highest priority on human resources and staff welfare. The Company ensures the safe and healthy working environment for the employees and workers. The Company is currently staffed with 1,475 full time employees and has a well-designed compensation package for the employees to encourage professionalism, stimulate team work and promote innovation reinforced with high ethical standards. The workforce of the Company has Contributory Provident Fund, Gratuity Scheme and Group Life Insurance, among others. The Company also established the "Workers' Profit Participation Fund and Welfare Fund". In year 2015, the Company provided 5 (five) percent of profit before tax towards Workers' Profit Participation and Welfare Fund amounting to Taka 54.06 mn.

Internal control

The Board has the ultimate responsibility of establishing effective systems of internal control. To ensure the internal control regarding risk management, financial control and compliance legislation, the Company follows the principle of decentralization. It has been designed to manage the risk of failure to achieve the objectives of the Company. The Company has established internal audit department and appointed Head of Internal Audit to ensure internal control and compliances in place.

Board of Directors

The Board of Directors of the Company is comprised with 6 (six) members including 2 (two) independent directors. Names and profiles including nature of expertise in specific functional areas of the Directors of the Company are shown in Short Profile of the Directors on page 18 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 52 in this annual report. The Board of Directors of the Company met together 7 (seven) times for meeting during the year under review. The number of Board meeting held and the attendance of each director during the year 2015 is disclosed in Annexure-2 on page 50 in this annual report.

Appointment/re-appointment of directors

In accordance with the Article 94 of the Articles of Association of the Company, Mr. Abdallah Massaad will

retire from his office as Director by rotation in the 17th 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.

Code of Conduct

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 directors, except board meeting attendance fee and 3% of profit before tax to Managing Director.

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 51 in this annual report.

Financial reporting standards

The Directors, in accordance with BSEC's notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 confirms the following to the best of their knowledge:

- a. The financial statements prepared by the management of Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- b. Proper books of accounts of the Company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts of the Company's ability to continue as a going Concern.
- g. The significant deviations from the last year's operating results of the Company have been highlighted in the report and reasons thereof have been explained.

Corporate Governance (CG)

To ensure the spirit of the corporate governance with accountability for inspiring confidence of investors, regulators, financier and other stakeholders, RAK Ceramics (Bangladesh) Limited is committed to comply with all the requirements of corporate governance as required by the Bangladesh Securities and Exchange Commission (BSEC). The detail about corporate governance is discussed in Corporate Governance Report on page 55 in this annual report.

Reporting and Compliance of Corporate Governance

The Company has complied with the conditions of corporate governance guidelines of the Bangladesh Securities and Exchange Commission (BSEC) Notification no. BSEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012. The detail status on corporate governance along with the certificate on compliance of conditions of corporate governance has been included on page 59 in this annual report.

Membership with BAPLC

Being a publicly traded company RAK Ceramics (Bangladesh) Limited has a membership with the Bangladesh Association of Publicly Listed Companies (BAPLC). A certificate of BAPLC membership has been included on page 53 in this annual report.

Post balance sheet events

There are no material events which have 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

February 03, 2016
Dhaka, Bangladesh

ANNEXURE-1

KEY OPERATING AND FINANCIAL DATA OF PRECEDING FIVE YEARS

Amounts in Taka

Particulars	2015	2014	2013	2012	2011
Sales	5,059,300,403	5,508,642,947	5,169,225,208	4,908,171,279	4,580,008,209
Cost of sales	2,896,889,441	3,255,268,010	3,073,003,258	2,964,666,370	2,693,596,290
Gross profit	2,162,410,962	2,253,374,937	2,096,221,950	1,943,504,909	1,886,411,919
Administration expenses	886,856,902	344,100,573	344,071,654	354,750,752	319,016,382
Marketing and selling expenses	688,070,995	1,035,123,422	854,918,221	730,822,714	641,800,857
Net profit before financial expenses	587,483,065	874,150,942	897,232,075	857,931,443	925,594,680
Financial expense	18,935,684	44,080,102	44,737,610	40,361,152	61,462,608
Other income*	910,848,168	80,195,921	95,327,515	39,382,333	96,568,631
Net profit before tax	1,479,395,549	910,266,761	947,821,980	856,952,624	960,700,703
Income tax expenses:	385,055,782	422,191,844	358,296,602	356,741,639	318,963,510
Non controlling interest	487	(74,724,435)	(92,892,932)	(107,912,172)	(115,215,452)
Net profit after tax	1,094,339,280	562,799,352	682,418,310	608,123,157	756,952,645

*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 2015

Name of directors	Position	Number of meetings held while a member	Number of meetings attended
Mr. Abdallah Massaad (Nominee of RAK Ceramics PSC, UAE)	Chairman	07	05
Mr. S.A.K. Ekramuzzaman	Managing Director	07	05
Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla (Nominee of RAK Ceramics PSC, UAE)	Director	07	03
Mr. Pramod Kumar Chand (Nominee of RAK Ceramics PSC, UAE)	Director	07	07
Mr. Rafique-ul Huq Barrister-at-Law	Independent Director	07	05
Mr. Wassim Moukahhal	Independent Director	07	05

ANNEXURE-3

THE PATTERN OF SHAREHOLDING AS ON 31 DECEMBER 2015

a) Parent/Subsidiary/Associated companies and other related parties

Name	Status/Position	No. of Shares held
RAK Ceramics Co. PSC, UAE	Parent Company	241,410,021

b) Directors /CEO/CS/CFO/Head of Internal Audit and their spouses and minor children.

Name	Status/Position	No. of Shares held
Mr. Abdallah Massaad (Nominee of RAK Ceramics PSC, UAE)	Chairman	14
Mr. S.A.K. Ekramuzzaman	Managing Director	14,211,985
Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla (Nominee of RAK Ceramics PSC, UAE)	Director	Nil
Mr. Pramod Kumar Chand (Nominee of RAK Ceramics PSC, UAE)	Director	Nil
Mr. Rafique-ul Huq, Barrister-at-Law	Independent Director	Nil
Mr. Wassim Moukahhal	Independent Director	Nil
Mr. Imtiaz Hussain	Chief Executive Officer	Nil
Mr. Abhijit Chakraborty	Chief Financial Officer	Nil
Mr. Zakir Hossain	Head of Internal Audit	Nil
Mr. Muhammad Shahidul Islam	Company Secretary	Nil

c) Shareholding status of top 5 salaried employees other than CEO, CS, CFO & HIA

Name	Status/Position	No. of Shares held
Mr. Mahbubur Rahman	GM-HR & Admin	40,728
Mr. Mohammad Jahirull Reza	GM-Purchase	Nil
Mr. Mohammed Shamsuddin	Manager-Taxation	Nil
Mr. Md. Azimul Hossain	IT Business Lead Manager	Nil
Mr. Venkateswarlu Kinjarapu	Production Manager	Nil

d) Shareholders holding 10% or more voting interest in the company.

Name	Status/Position	No. of Shares held
RAK Ceramics Co. PSC, UAE	Parent Company	241,410,021

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 01.01.2015		Shareholding on 31.12.2015	
				No. of shares	Amount (Tk mn)	No. of shares	Amount (Tk mn)
Mr. Abdallah Massaad [Nominee of RAK Ceramics (Bangladesh) Limited]	Chairman	RAK Power Pvt. Ltd.	Chairman	Nil	Nil	Nil	Nil
		RAK Security and Services (Pvt.) Ltd.	Director	Nil	Nil	Nil	Nil
Mr. S.A.K. Ekramuzzaman	Managing Director	RAK Power Pvt. Ltd.	Director	573,995	57.40	Nil	Nil
		RAK Security and Services (Pvt.) Ltd.	Director	5,000	0.50	Nil	Nil
Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla [Nominee of RAK Ceramics (Bangladesh) Limited]	Director	RAK Power Pvt. Ltd.	Director	Nil	Nil	Nil	Nil
		RAK Security and Services (Pvt.) Ltd.	Chairman	Nil	Nil	Nil	Nil
Mr. Pramod Kumar Chand [Nominee of RAK Ceramics (Bangladesh) Limited]	Director	RAK Power Pvt. Ltd.	Director	Nil	Nil	Nil	Nil
		RAK Security and Services (Pvt.) Ltd.	Director	Nil	Nil	Nil	Nil
Mr. Rafique-ul Huq Barrister-at-Law	Independent Director	RAK Power Pvt. Ltd.	Independent Director	Nil	Nil	Nil	Nil
		RAK Security and Services (Pvt.) Ltd.	Independent Director	Nil	Nil	Nil	Nil
Mr. Wassim Moukahhal	Independent Director	RAK Power Pvt. Ltd.	Independent Director	Nil	Nil	Nil	Nil
		RAK Security and Services (Pvt.) Ltd.	Independent Director	Nil	Nil	Nil	Nil



বাংলাদেশ এসোসিয়েশন অব পাবলিকলী লিস্টেড কোম্পানীজ
BANGLADESH ASSOCIATION OF PUBLICLY LISTED COMPANIES
Block # B, Road #1, House # 17 (8th Floor), Unit-A, Niketan Eastern Housing Complex, Gulshan-1, Dhaka-1212
Phone : 8824926 Fax : 9887245. E-mail : baplc@dhaka.net

Ref: CM-BAPLC/2015-211

12th September 2015

TO WHOM IT MAY CONCERN

Certificate of Membership

This is to certify that R.A.K. CERAMICS BANGLADESH LIMITED is an Ordinary Member of Bangladesh Association of Publicly Listed Companies (BAPLC).

This Certificate remains current until 31st December 2015.

K. M. Abdul Hai
Secretary-General





RESHAPING OUR LEADERSHIP POSITION

At RAK Ceramics (Bangladesh), we are a formidable leader and command among the highest industry market share, ruling the tiles and sanitaryware segments of Bangladesh!



CORPORATE GOVERNANCE REPORT

AT RAK CERAMICS, WE 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.

Corporate governance refers to the structures and processes for the direction and control of companies. Sound corporate governance is a fundamental part of the culture of the company and ensures long term success. Corporate governance concerns the relationships among the management, Board of Directors, controlling shareholders, minority shareholders and other stakeholders. Good corporate governance contributes to sustainable economic development by enhancing the performance of the company.

The Board of Directors of RAK Ceramics is firmly committed to upholding principles of sound corporate governance. The main objective of corporate governance is creation of lasting value for stakeholders. Transparency in business transaction and disclosure of information to regulatory bodies as part of its legal obligations constitute sound corporate governance. Good corporate governance also means conformity to sound ethical principles and a code of conduct in business dealings.

At RAK Ceramics, we 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.

Board of Directors

The Board also believes that a good corporate reputation is the most valuable and competitive asset of a company. It is directly linked to uncompromising compliance with applicable laws, regulations and internal guidelines. Compliance is thus a central pillar of RAK Ceramics management and corporate culture and, at the same time, an integral part of all of its business processes. The Board of Directors ensures that the activities of the Company are always conducted in accordance with the highest ethical standards to the best interest of all stakeholders and also to the preservation of the environment.

A. Composition of the Board

The Board of Directors of RAK Ceramics (Bangladesh) Limited comprised of 06 (six) members including two independent directors in compliance with the corporate governance guidelines of the BSEC. Board of Directors is performing the responsibilities, among others, setting the company's strategic objectives, providing leadership, supervision and safeguarding shareholders' interest. 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

For ensuring the transparency and accountability, the Board follows the practice of advance planning in matters requiring discussion and decision by the Board. The Board is apprised 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 the 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. According to the corporate governance notification of BSEC, the audit committee reports to-

- a) The Board of Directors
- b) The authorities
- c) The shareholders and general investors

The number of the Audit Committee meeting held and attendance of each member during the year 2015 are as follows:

Sl. No.	Name of Member	Position	Number of meetings held while a member	Number of meetings attended
1	Barrister Rafique-ul Huq	Chairman	05	05
2	Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla	Member	05	01
3	Mr. Pramod Kumar Chand	Member	05	05
4	Mr. Muhammad Shahidul Islam	Member Secretary	05	05

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 Officer

The position of the Chairman of the Board and the Managing Director of RAK Ceramics (Bangladesh) Limited filled by different individuals. The Chairman of the Company is elected among the directors of the Company. In addition, RAK Ceramics (Bangladesh) Limited has also appointed a Chief Executive Officer (CEO) of the Company. The Board of Directors also clearly defined respective roles and responsibilities of the Chairman, the Managing Director and

the CEO in addition to their roles and responsibilities as per Articles of Association of the Company.

Chief Financial Officer

RAK Ceramics (Bangladesh) Limited has a Chief Financial Officer (CFO). His professional qualifications include, memberships of Institute of Cost & Works Accountants of India (ICWA), Institute of Management Accountants of United States (IMA) and also Advanced Diploma in Management Accounting from Chartered Institute of Management Accountants (CIMA). He is responsible for accounts and finance activities of the Company. The Board of Directors clearly defined respective roles, responsibilities and duties of the CFO. In compliance with the corporate governance guidelines of the BSEC, the CFO attends meetings of the Board of Directors.

Head of Internal Audit

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

Company Secretary

The Board of Directors of RAK Ceramics (Bangladesh) Limited has been appointed a Company Secretary. He is a qualified Chartered Secretary and fellow member of 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

A. Qasem & Co. Chartered Accountants (a member firm of Ernst & Young Global Limited, UK) was the external/ statutory auditor of the Company for the year 2015. 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 have 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.

Code of Ethics

As an organization, our values include integrity, self determination and valuing people. Our parent company has specified corporate values for the Company and stipulated a code of ethics for employees, ensuring that

the latter maintain the highest integrity and comply with the relevant laws and ethical principles. Therefore, the Company considers the significance of ethical, human and environmental matters in the conduct of its business. The Board of RAK Ceramics (Bangladesh) Limited also established a separate 'Code of Conduct' for its Directors in compliance with the requirement of Bangladesh Securities and Exchange Commission (BSEC) notification.

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).

Human Resources

Frequently changing business environment requires having a well trained work force, therefore, the Company has given more emphasis on developing management skills to suit today's business environment. Various training programs and workshops were carried out during the year. The management and employee relationship in the company was excellent throughout the year.

Communication with Shareholders

The Company encourages communications with the shareholders throughout the year and welcomes their

participation in the annual general meeting. In the annual general meeting, the management of the Company received their valuable opinion and tries to implement it's for the betterment of the Company. The Company discloses the quarterly and yearly financial statements and other reports to its shareholders in due time.

Company's Corporate Website

The Company's website is a comprehensive reference of RAK Ceramics (Bangladesh) Limited management, vision and mission, value statement, investor relations, sales network, products, promotions and events. All the information regarding financial statements, patterns of shareholding, corporate benefits, notices, price sensitive information, dividend, refund warrant etc are disclosed in the sub-menu 'Investors' of the website. In addition to that, the Company regularly publishes the entire regulatory requirement in the website of the Company.

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 2015 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: February 03, 2016

STATUS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE GUIDELINES (CGG)

RAK CERAMICS (BANGLADESH) LIMITED FOR THE YEAR ENDED 31 DECEMBER 2015

Status of the compliance with the conditions imposed by the Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 of the Bangladesh Securities and Exchange Commission (BSEC) issued under section 2CC of the Securities and Exchange Ordinance 1969:

(Report under Condition No. 7.00)

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
1	BOARD OF DIRECTORS:			
1.1	Board's Size			
	The number of the Board members of the Company shall not be less than 5 (five) and more than 20 (twenty).	√		
1.2	Independent Directors			
1.2(i)	At least one fifth (1/5) of the total number of directors in the Company's Board shall be Independent Directors.	√		
1.2(ii)(a)	Who either does not hold share in the Company or holds less than one (1%) shares of the total paid up shares of the Company;	√		
1.2(ii)(b)	Who is not sponsor of the Company and is not connected with any sponsor or director or shareholder who holds one percent or more shares of the Company;	√		
1.2(ii)(c)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies;	√		Independent Director of subsidiary companies
1.2(ii)(d)	Who is not a member, director or officer of any stock exchange;	√		
1.2(ii)(e)	Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market;	√		
1.2(ii)(f)	Who is 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)	Who shall not be an independent director in more than 3 (three) listed companies;	√		
1.2(ii)(h)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI);	√		

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
1.2(ii)(i)	Who has not been convicted for a criminal offence involving moral turpitude.	√		
1.2(iii)	Independent Director(s) shall be appointed by the Board of Directors and approved by the shareholders in the Annual General Meeting (AGM).	√		
1.2(iv)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days.	√		
1.2(v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded.	√		
1.2(vi)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only.	√		
1.3	Qualification of Independent Director (ID)			
1.3(i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.	√		
1.3(ii)	The person should be a Business Leader / Corporate Leader / Bureaucrat / University Teacher with Economics or Business Studies or Law background / Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management / professional experiences.	√		
1.3(iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.			No such matter
1.4	Chairman of the Board and Chief Executive Officer			
	The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals. The Chairman of the Company shall be elected from among the directors of the Company. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.	√		
1.5	The Directors' Report to Shareholders			
	Directors Report to Shareholders shall include following additional statements on:			
1.5(i)	Industry outlook and possible future developments in the industry.	√		
1.5(ii)	Segment-wise or product-wise performance.	√		
1.5(iii)	Risks and concerns.	√		
1.5(iv)	Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	√		

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
1.5(v)	Discussion on continuity of any Extra-Ordinary gain or loss.			No such matter
1.5(vi)	Statement of all related party transactions.	√		
1.5(vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments.			No such matter
1.5(viii)	An explanation if the financial results deteriorate after the Company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.			No such matter
1.5(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.			No such matter
1.5(x)	Remuneration to directors including independent directors.	√		
1.5(xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	√		
1.5(xii)	Proper books of account of the issuer Company have been maintained.	√		
1.5(xiii)	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.	√		
1.5(xiv)	International Accounting Standards (IAS) / Bangladesh Accounting Standards (BAS) / International Financial Reporting Standards (IFRS) / Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	√		
1.5(xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	√		
1.5(xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.			No such matter
1.5(xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.			No such matter
1.5(xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	√		
1.5(xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.			No such matter
1.5(xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
1.5(xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:-			
1.5(xxi)(a)	Parent / Subsidiary / Associated Companies and other related parties (name wise details);	√		
1.5(xxi)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		
1.5(xxi)(c)	Executives;	√		
1.5(xxi)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	√		
1.5(xxii)	In case of the appointment / reappointment of a director the company shall disclose the following information to the shareholders:-			
1.5(xxii)(a)	A brief resume of the director;	√		
1.5(xxii)(b)	Nature of his / her expertise in specific functional areas;	√		
1.5(xxii)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		
2.0	CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS):			
2.1	Appointment			
	The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	√		
2.2	Requirement to attend the Board Meetings			
	The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors, provided that the CFO and / or the Company Secretary shall not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to their personal matters.	√		
3.0	AUDIT COMMITTEE:			
3.0 (i)	The Company shall have an Audit Committee as a sub-committee of the Board of Directors.	√		
3.0(ii)	The Audit Committee shall 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.	√		

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
3.0(iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√		
3.1	Constitution of the Audit Committee:			
3.1(i)	The Audit Committee shall be composed of at least 3 (three) members.	√		
3.1(ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the Company and shall include at least 1 (one) Independent Director.	√		
3.1(iii)	All members of the Audit Committee should be “financially literate” and at least 1 (one) member shall have accounting or related financial management experience.	√		
3.1(iv)	Filling of casual vacancy in the Audit Committee.			No such matter
3.1(v)	The company secretary shall act as the secretary of the Committee.	√		
3.1(vi)	The quorum of the Audit Committee meeting shall not constitute without independent director.	√		
3.2	Chairman of the Audit Committee			
3.2(i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.	√		
3.2(ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	√		
3.3	Role of Audit Committee:			
3.3(i)	Oversee the financial reporting process.	√		
3.3(ii)	Monitor choice of accounting policies and principles.	√		
3.3(iii)	Monitor Internal Control Risk management process.	√		
3.3(iv)	Oversee hiring and performance of external auditors.	√		
3.3(v)	Review along with the management, the annual financial statements before submission to the board for approval.	√		
3.3(vi)	Review along with the management, 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 transactions submitted by the management.	√		
3.3(ix)	Review Management Letters / Letter of Internal Control weakness issued by statutory auditors.	√		
3.3(x)	Declaration to Audit Committee by the Company regarding utilization of IPO / RPO, Right issue money.			No such matter
3.4	Reporting of the Audit Committee:			

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
3.4.1(i)	The Audit Committee shall report on its activities to the Board of Directors.	√		
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-			
3.4.1(ii)(a)	Report on conflicts of interests;			No such matter
3.4.1(ii)(b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;			No such matter
3.4.1(ii)(c)	Suspected infringement of laws, including securities related laws, rules and regulations;			No such matter
3.4.1(ii)(d)	Any other matter which shall be disclosed to the Board of Directors immediately.			No such matter
3.4.2	Reporting to the Authorities Reported to the Board of Directors about anything which has material impact on the financial condition and results of operation.			No such matter
3.5	Reporting to the Shareholders and General Investors Report on the activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.4.1 (ii).	√		
4.0	EXTERNAL / STATUTORY AUDITORS:			
	The issuer company should not engage its external / statutory auditors to perform the following services of the company; namely:-			
4.0(i)	Appraisal or valuation services or fairness opinions.	√		
4.0(ii)	Financial information systems design and implementation.	√		
4.0(iii)	Book-keeping or other services related to the accounting records or financial statements.	√		
4.0(iv)	Broker-dealer services.	√		
4.0(v)	Actuarial services.	√		
4.0(vi)	Internal Audit service.	√		
4.0(vii)	Any other services that the Audit Committee determines.	√		
4.0(viii)	No partner or employees of the external audit firms shall possess any share of the Company they audit at least during the tenure of their audit assignment of that Company.	√		
4.0(ix)	Audit / certification services on compliance of corporate governance as required under clause (i) of condition No. 7	√		
5.0	SUBSIDIARY COMPANY:			
5.0(i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	√		

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
5.0(ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	√		
5.0(iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	√		
5.0(iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.	√		
5.0(v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	√		
6.0	DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO):			
	The CEO and CFO shall certify to the Board that:-			
6.0(i)	They have reviewed financial statements for the year and that to the best of their knowledge and belief:			
6.0(i)(a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	√		
6.0(i)(b)	These statements together present a true and fair view of the Company's affairs and are in compliance with affairs and are in compliance with applicable laws.	√		
6.0(ii)	There are, to the best of 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.	√		
7.0	REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE:			
7.0(i)	The Company shall obtain a certificate from a practicing Professional Accountant / Secretary (Chartered Accountant / Cost and Management Accountant / Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	√		
7.0(ii)	The directors of the Company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	√		

REPORT OF AUDIT COMMITTEE

THE COMMITTEE HAS AN ONGOING PROCESS FOR REVIEWING THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROLS WITHIN THE COMPANY. ETHICAL LEADERSHIP AND HUMAN CAPITAL ARE THE CORNERSTONES OF THE COMPANY'S RISK MANAGEMENT PHILOSOPHY AS THESE ENSURE ENTREPRENEURIAL FLAIR, SOUND CORPORATE REPUTATION AND EFFECTIVE GOVERNANCE.

The Audit Committee of RAK Ceramics (Bangladesh) Limited monitors the decisions and processes designed to ensure the integrity of financial and corporate reporting and ensures that robust systems of internal control and risk management are in place and adhered to. The Committee also works to uphold corporate governance within the organization. The Audit Committee is a committee of the Board of Directors of the Company with independent oversight over Company's affairs. The duties and responsibilities of the Audit Committee are clearly set forth in writing by the Board in the Audit Committee Charter.

Formation and Operation of the Committee

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 practices and latest Corporate Governance Guidelines of the 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 comprises of three members including an 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 Abdulla Aal Abdulla, Member

3. Mr. Pramod Kumar Chand, Member
4. Mr. Muhammad Shahidul Islam, Member Secretary.

All the members of the Committee have business acumen and are knowledgeable individuals with integrity who are able to ensure compliance with financial, regulatory and corporate laws with meaningful contribution to business as well.

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, quarterly and half yearly financial statements before submission to the Board for approval.
- Review along with the management, the annual, quarterly and half yearly financial statements of subsidiary and associated companies before submission to the Board for approval.

- Review the adequacy of internal audit functions.
- Review statement of significant related party transactions submitted by the management.
- Review Management Letters / Letter of Internal Control Weakness issued by the statutory auditors.
- Advise the Management on key improvement areas of operation.
- Perform other activities related to this Charter as requested by the Board of Directors.

Internal Control and Risk Management Process

Internal control is a process for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. It is a means by which an organization's resources are directed, monitored and measured and plays an important role in detecting and preventing fraud and error. Indeed internal control involves everything that controls risks to an organization.

The Committee has an ongoing process for reviewing the effectiveness of the system of internal controls within the Company.

Ethical leadership and human capital are the cornerstones of the Company's risk management philosophy as these ensure entrepreneurial flair, sound corporate reputation and effective governance.

The risk management process in RAK Ceramics (Bangladesh) Limited comprises the arrangement of resources to ensure the achievement of strategy and business plans, including the exploitation of available opportunities that meet the risk appetite criteria set by the Board. Risk profiles inherent to existing activities are furthermore maintained within the approved risk tolerance levels, thereby optimizing the risk return parameters for the creation of sustainable growth and value for shareholders and other stakeholders. However the Committee discussed with management how they would continue to deliver high-quality oversight and risk evaluation against the background of the current economic climate.

Committee Meetings and Attendance

During 2015, the Committee held 5 (five) meetings complying with the requirement of at least one meeting in every quarter in which the Committee reviewed issues relating to business operation, compliance, human resource,

finance and accounts, among other things. Managing Director, Chief Executive Officer, Chief Financial Officer, 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 properly minuted and regularly reported to the Board of Directors.

The number of Audit Committee meetings held and the attendance by each member during the year 2015:

Name of directors	Position	Number of meetings held while a member	Number of meetings attended
Mr. Rafique-ul Huq, Barrister-at-Law	Independent Director and Chairman of the Committee	05	05
Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla (Nominee of RAK Ceramics PSC, UAE)	Director and Member of the Committee	05	01
Mr. Pramod Kumar Chand (Nominee of RAK Ceramics PSC, UAE)	Director and Member of the Committee	05	05
Mr. Muhammad Shahidul Islam	Member Secretary	05	05

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, procedures & guidelines have been complied with.
- Financial Statements for the year ended 31 December 2015 contained full disclosures and these are prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB).

- Adequate internal control systems are put in place to detect, correct and prevent fraud and errors on timely manner.
- Appropriate Management Information Systems (MIS) are in place to facilitate decision making process.
- Existing risk management procedures are effective to capture and mitigate risk.
- 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 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 its own process of review that the statutory auditor of the Company is independent as defined by the related Act.

The Audit Committee of the Board recommended to re-appoint M/s A Qasem & Co., Chartered Accountants (a Member Firm of Ernst & Young Global Limited) as the statutory auditors of the Company for the year 2016.

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.

Dated: February 03, 2016

Financial Management

The financial management/activities of the Company are running under the supervision of Mr. Abhijit Chakraborty, Chief Financial Officer of the Company. The Audit Committee has satisfied itself that Mr. Abhijit Chakraborty has the appropriate expertise and knowledge to fulfill his role efficiently.

Evaluation of Quarterly Report

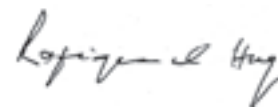
As per BSEC Guideline ref no. SEC/CMRRCD/2006-158/134/ Admin/44 dated 07 August 2012, the Audit Committee reviewed quarterly financial statements of the Company and its subsidiaries and associate companies and found that these statements reflected true and fair view of the state of affairs of those companies.

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, statutory and internal auditors for their support in carrying out its duties and responsibilities effectively.



(Barrister Rafique-ul Huq)
Chairman
Audit Committee

CERTIFICATE FOR FINANCIAL STATEMENTS

Date: 03.02.2016

This is to certify that:-

- (i) We have reviewed the standalone and consolidated financial statements of RAK Ceramics (Bangladesh) Limited for the year ended 31 December 2015 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.



(Abhijit Chakraborty)
Chief Financial Officer



(Imtiaz Hussain)
Chief Executive Officer



RESHAPING OUR FINANCIAL RELIABILITY

At RAK Ceramics (Bangladesh), we are reinforcing our financial platform by galloping at a steady pace towards a sustainable and secure future!





RAK CERAMICS (BANGLADESH) LIMITED
**AUDITORS' REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS**
as at and for the year ended 31 December 2015

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 2015, and the statement of profit or loss and other 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 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 auditors' 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of RAK Ceramics (Bangladesh) Limited as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards. (BFRS).

Other matter

The financial statements of two subsidiaries of RAK Ceramics (Bangladesh) Limited are audited by another auditor who expressed an unmodified opinion on those financial statements on 3 February 2016.

Report on other legal and regulatory requirements

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

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- (c) the statement of financial position and the statement of profit or loss and other 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.



(A. Qasem & Co.)
Chartered Accountants

Dhaka, 03 February 2016

RAK CERAMICS (BANGLADESH) LTD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

	Note	2015 Taka	2014 Taka
Assets			
Property, plant and equipment	4	2,311,590,599	2,013,734,249
Equity-accounted investees	5	-	27,987,349
Intangible assets	6	6,683,955	4,815,453
Capital work-in-progress	7	1,545,379,710	289,116,566
Loan to disposed subsidiary and associate	8	-	18,193,968
Trade and other receivables	10	148,050,000	-
Total non-current assets		<u>4,011,704,264</u>	<u>2,353,847,585</u>
Inventories	9	2,239,844,230	1,835,354,727
Trade and other receivables	10	638,387,373	580,719,781
Loan to disposed subsidiary and associate	8	201,898,000	40,661,640
Advances, deposits and prepayments	11	340,158,392	367,057,405
Advance income tax	12	2,219,806,786	2,013,796,131
Cash and cash equivalents	13	1,101,566,520	1,473,926,142
Assets held for sale	14	-	811,614,330
Total current assets		<u>6,741,661,301</u>	<u>7,123,130,156</u>
Total assets		<u>10,753,365,565</u>	<u>9,476,977,741</u>
Equity			
Share capital	15	3,368,506,110	3,368,506,110
Share premium		1,473,647,979	1,473,647,979
Retained earnings		1,196,443,022	1,077,275,395
Equity attributable to equity holders of the company		<u>6,038,597,111</u>	<u>5,919,429,484</u>
Non-controlling interests		1,529	(58,949,789)
Total equity		<u>6,038,598,640</u>	<u>5,860,479,695</u>
Liabilities			
Borrowings	18	420,624,802	-
Deferred tax liability	16	75,811,194	78,418,185
Total non-current liabilities		<u>496,435,996</u>	<u>78,418,185</u>
Employees benefits payable	17	26,224,135	71,171,343
Borrowings	18	771,119,369	323,755,163
Trade and other payables	19	640,626,199	355,096,186
Accrued expenses	20	196,618,285	190,505,273
Provision for income tax	21	2,583,742,941	2,182,344,567
Liabilities held for sale	14	-	415,207,329
Total current liabilities		<u>4,218,330,929</u>	<u>3,538,079,861</u>
Total liabilities		<u>4,714,766,925</u>	<u>3,616,498,046</u>
Total equity and liabilities		<u>10,753,365,565</u>	<u>9,476,977,741</u>


The notes on pages 78 to 117 are an integral part of these financial statements



Managing Director



Director



Company Secretary

As per our report of same date



(A. Qasem & Co.)
Chartered Accountants

Dhaka, 03 February 2016

RAK CERAMICS (BANGLADESH) LTD

CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

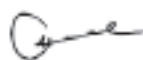
for the year ended 31 December 2015

	Note	2015 Taka	2014 Taka
Continuing operations			
Sales	22	5,059,300,403	5,047,345,373
Cost of sales	23	(2,896,889,441)	(3,072,036,921)
Gross profit		2,162,410,962	1,975,308,452
Other income	24	841,198,710	3,543,728
Administrative expenses	25	(859,551,141)	(256,784,745)
Marketing and selling expenses	26	(688,070,995)	(664,746,269)
		(706,423,426)	(917,987,286)
Profit from operating activities		1,455,987,536	1,057,321,166
Finance income	27	90,059,260	128,628,332
Finance expenses	28	(18,935,684)	(7,754,938)
Net finance income		71,123,576	120,873,394
Share of profit/(loss) of equity-accounted investees	5	(20,409,802)	(59,023,556)
Profit before contribution to workers' profit participation and welfare fund and income tax		1,506,701,310	1,119,171,004
Contribution to workers' profit participation and welfare fund	29	(27,305,761)	(48,623,250)
Profit before income tax		1,479,395,549	1,070,547,754
Income tax expense			
Current tax	30	(387,662,773)	(436,696,552)
Deferred tax	16	2,606,991	15,908,720
		(385,055,782)	(420,787,832)
Profit for the year from continuing operations		1,094,339,767	649,759,922
Discontinued operation:			
Profit/(loss) on discontinued operation	31	-	(161,685,005)
Other comprehensive income		-	-
Total comprehensive income for the year		1,094,339,767	488,074,917
Profit attributable to:			
Equity holders of the company			
Profit for the year from continuing operations		1,094,339,280	611,564,573
Profit for the year from discontinued operation		-	(48,765,221)
Profit attributable to equity holders of the company		1,094,339,280	562,799,352
Non-controlling interests			
Profit for the year from continuing operations		487	38,195,349
Profit for the year from discontinued operation		-	(112,919,784)
Profit attributable to non-controlling interests		487	(74,724,435)
Basic earnings per share (Par value TK 10)	35	3.25	1.67
Basic earnings per share on continuing operations (Par value TK 10)	35.1	3.25	1.82

The notes on pages 78 to 117 are an integral part of these financial statements



Managing Director



Director



Company Secretary

As per our report of same date



(A. Qasem & Co.)

Chartered Accountants

Dhaka, 03 February 2016

RAK CERAMICS (BANGLADESH) LTD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	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 01 January 2014	3,062,278,290	1,473,647,979	1,280,045,607	5,815,971,876	26,333,826	5,842,305,702
Total comprehensive income for 2014						
Profit/(loss) for the year	-	-	562,799,352	562,799,352	(74,724,435)	488,074,917
Subsidiary share capital issued	-	-	-	-	15,885,820	15,885,820
Transactions with the shareholders						
Cash dividend (2013)	-	-	(459,341,744)	(459,341,744)	(26,445,000)	(485,786,744)
Stock dividend (2013)	306,227,820	-	(306,227,820)	-	-	-
Balance as at 31 December 2014	<u>3,368,506,110</u>	<u>1,473,647,979</u>	<u>1,077,275,395</u>	<u>5,919,429,484</u>	<u>(58,949,789)</u>	<u>5,860,479,695</u>
Balance as at 01 January 2015	3,368,506,110	1,473,647,979	1,077,275,395	5,919,429,484	(58,949,789)	5,860,479,695
Total comprehensive income for 2015						
Profit/(loss) for the year	-	-	1,059,275,865	1,059,275,865	35,063,902	1,094,339,767
Prior year adjustment	-	-	(275)	(275)	(499,725)	(500,000)
Elimination on disposal of subsidiary (Note - 37.3.1)	-	-	-	-	195,261,930	195,261,930
Acquisition of further purchase of RAK Power shares			(97,981,435)	(97,981,435)	(126,799,789)	(224,781,224)
Transactions with the shareholders:						
Cash dividend (2014)	-	-	(842,126,528)	(842,126,528)	(44,075,000)	(886,201,528)
Balance as at 31 December 2015	<u>3,368,506,110</u>	<u>1,473,647,979</u>	<u>1,196,443,022</u>	<u>6,038,597,111</u>	<u>1,529</u>	<u>6,038,598,640</u>

The notes on pages 78 to 117 are an integral part of these financial statements

RAK CERAMICS (BANGLADESH) LTD
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2015

	2015 Taka	2014 Taka
Cash flows from operating activities		
Cash receipts from customers	4,870,098,550	4,813,252,782
Cash payments to suppliers and employees	(3,750,429,478)	(3,783,585,148)
Cash generated from operating activities	1,119,669,072	1,029,667,634
Interest received from bank deposit	6,584,014	2,630,912
Income tax paid	(206,010,655)	(373,424,531)
Net cash from operating activities of continuing operations	920,242,431	658,874,015
Net cash from operating activities of discontinued operation	-	(40,578,053)
Net cash from operating activities	920,242,431	618,295,962
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,805,104,980)	(394,334,296)
Sale of property, plant and equipment	158,681	1,150,501
Disposal proceeds of subsidiaries and associate	374,599,560	-
Interest received from FDR	68,179,402	110,753,575
Intangible assets	(5,673,511)	(5,222,551)
Dividend received	-	350,000
Net cash used in investing activities of continuing operations	(1,367,840,848)	(287,302,771)
Net cash used in investing activities of discontinued operation	-	(6,270,501)
Net cash used in investing activities	(1,367,840,848)	(293,573,272)
Cash flows from financing activities		
Finance charges	(15,570,077)	(9,503,044)
Avail/(repayment) of term loan	420,624,802	(2,620,827)
Avail/(repayment) of short-term loan	447,364,206	41,646,003
Dividend paid	(836,657,004)	(456,817,004)
Unclaimed share application refund	(1,017,600)	(441,603)
Loan realized from associate	102,973,608	36,348,577
Adjustment related with non-controlling interest	(44,075,000)	(26,445,000)
Net cash (used in)/from financing activities of continuing operations	73,642,935	(417,832,898)
Net cash (used in)/from financing activities of discontinued operation	-	45,800,398
Net cash (used in)/from financing activities	73,642,935	(372,032,500)
Net increase/(decrease) in cash and cash equivalents	(373,955,482)	(47,309,810)
Cash and cash equivalents as at 01 January	1,475,522,002	1,329,217,698
Cash and cash equivalents as at 31 December	1,101,566,520	1,281,907,887
Closing cash and cash equivalents have been arrived at as follows		
Cash and cash equivalents as at 31 December from continuing operations (Note-13)	1,101,566,520	1,473,926,142
Cash and cash equivalents as at 31 December from discontinued operations (Note-14)	-	1,595,860
	1,101,566,520	1,475,522,002
Liabilities held for sale (Note-14)	-	(193,614,115)
Cash and cash equivalents as at 31 December	1,101,566,520	1,281,907,887

The notes on pages 78 to 117 are an integral part of these financial statements

RAK CERAMICS (BANGLADESH) LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

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) Limited. 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.

1.1 Nature of business

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, 1 September 2007 and 1 April 2015 respectively.

1.2 Description of subsidiaries

RAK Pharmaceuticals Pvt. Ltd.

RAK Pharmaceuticals Pvt. Ltd. was incorporated in Bangladesh under the Companies Act 1994 on 29 June 2005 as a private company limited by shares with an authorised capital of Taka 500 mn divided into 5 mn ordinary shares of Taka 100 each. Authorised capital of the Company has been increased from Taka 500 mn to 1,500 mn divided into 150 mn ordinary shares of Taka 10 each in the year 2011. The Company has gone into operation from 15 July 2009. The paid up capital of the company is Taka 940.04 mn. The registered office of the Company is at RAK Tower (10th floor), Plot No.: 1/A, Jasimuddin Avenue, Sector No.: 3, Uttara, Dhaka-1230. The factory is located at Vill.: Faridpur, P.S.: Sreepur, Dist.: Gazipur. 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. held by RAK Ceramics (Bangladesh) Limited has been fully sold off effective from 01 January, 2015.

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 Dec 2015. 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. As at 1 January 2015, 57% shares of RAK Power Pvt. Ltd. was held by RAK Ceramics (Bangladesh) Limited.

The Board of Directors of RAK Ceramics (Bangladesh) Limited in its meeting held on July 26, 2015 have decided to further increase the shareholding in RAK Power Pvt. Ltd. from 57% to 100% through purchase of 881,495 number of ordinary shares of Taka 100 each in consideration of Taka 255 per share totalling to Taka 224,781,225 only from all the other shareholders of RAK Power Pvt. Ltd. subject to approval by the shareholders and concerned authorities for the interest of the business of the Company. The shareholders of RAK Ceramics (Bangladesh) Limited have approved the same in the EGM dated September 20, 2015. The effect of acquisition has taken place as approved in Board of Directors meeting of RAK Power (Pvt.) Ltd on 20 October 2015.

RAK Security and Services (Pvt.) Ltd.

RAK Security and Services (Pvt.) Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 21 December 2006 as a private company limited by shares with an authorized capital of Taka 1,00,000,000 divided into 1,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 1,000,000 as at 31 Dec 2015. The Company has gone into operation from 1 May 2007. The registered office of the Company is at House # 5, Road # 1/A Sector # 4, Uttara, Dhaka- 1230. As at 1 January 2015 35% shares of RAK Security and Services (Pvt.) Ltd was held by RAK Ceramics (Bangladesh) Limited.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

The Board of Directors of RAK Ceramics (Bangladesh) Limited in its meeting held on July 26, 2015 have decided to further increase the shareholding in RAK Security & Services (Pvt.) Ltd. from 35% to 100% through purchase of 6,500 number of ordinary shares of Taka 100 each in consideration of Taka 2,875 per share totalling to Taka 18,687,500 only from all the other shareholders of RAK Security & Services (Pvt.) Ltd. subject to approval by the shareholders and concerned authorities for the interest of the business of the Company. The shareholders of RAK Ceramics (Bangladesh) Limited have approved the same in the EGM dated September 20, 2015. The effect of acquisition has taken place as approved in Board of Directors meeting of RAK Security and Services (Pvt.) Ltd. on 20 October 2015.

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 03 February 2016.

2.2 Basis of measurement

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

2.3 Functional and presentational currency

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

2.4 Use of estimates and judgements

The preparation of these financial statements in conformity with 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 year in which the estimates are revised and in any future years 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 16 Deferred tax liability

Note 17 Employees benefit payable

Note 21 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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

2.6 Going concern

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

3 Significant accounting policies

The accounting policies set out below, which comply with BFRS, have been applied consistently to all years 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 "Consolidated Financial Statements" 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, a trade investment or as an available-for-sale financial asset depending on the level of influence retained.

Investments in associates

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

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

Transactions eliminated on consolidation

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

3.2 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 profit or loss and other 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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

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 associates

Investments in associates are recognised initially at cost plus any directly attributable transaction costs. Subsequent to initial recognition, investment in associates are measured at cost less impairment loss, if any.

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

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

a) Trade & other payables

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

b) Borrowings

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

3.3 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 FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

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 profit or loss and other 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	10-20
Communication equipment	10-20
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 is deemed to have an indefinite life.

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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

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 estimated cost of completion and any 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

Recognition of impairment

Impairment losses are recognised in profit or loss. Impairment losses in respect of CGUs are allocated first to reduce 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 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 on the basis of his latest basic salary for a completed year of service or for service for a period of more than six months, salary of minimum 30 days, or salary of 45 days for a continuous service for more than ten years, it shall be in addition to any payment of compensation or payment of any wage or allowance in lieu of notice due to termination of services of a worker on different grounds. The expected cost of this benefit is included in respective annual statement of profit or loss and other comprehensive income over the period of employment.

3.11 Workers' profit participation fund and welfare fund (WPPF)

The Company provides 5% of its net profit before tax after charging such expense as WPPF in accordance with "The Bangladesh Labour (Amendment) Act 2013".

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".

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

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, LTR, term loan, short term borrowings and finance lease. All finance expenses are recognised in the statement of profit or loss and other 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 profit or loss and other comprehensive income as per Bangladesh Accounting Standard (BAS) - 21 "The Effects of Changes in Foreign Exchange Rates".

3.16 Taxation

Income tax expenses represent current tax and deferred tax. Income tax expense is recognised in the statement of profit or loss and other 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 companies as per Finance Act 2015.

Deferred tax:

Deferred tax has been recognised in accordance with Bangladesh Accounting Standard (BAS) - 12 "Income taxes". 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 year, 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 years.

3.18 Determination and presentation of operating segment

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

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 year 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 Events after the reporting year

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 year that are not adjusting events are disclosed by way of note.

3.22 Comparatives and reclassification

Comparative information have been disclosed in respect of 2015 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

4. Property, plant and equipment 2015

Amounts in Taka

Particulars	C O S T					D E P R E C I A T I O N							Net book value as at 31 Dec 2015	
	Balance as at 01 Jan 2015	Additions during the year due to acquisition	Additions during the year	Sale/ disposal/ adjustment	Transferred to held for sale	Balance as at 31 Dec 2015	Rate (%)	Balance as at 01 Jan 2015	Charged during the year on additions due to acquisition	Charged during the year	Sale/ disposal/ adjustment	Transferred to held for sale		Balance as at 31 Dec 2015
Land	763,396,641	7,596,466	19,164,250	-	-	790,157,357	-	-	-	-	-	-	-	790,157,357
Factory building	462,050,577	-	24,500,193	-	-	486,550,770	2.5-5	232,033,103	-	22,734,498	-	-	254,767,601	231,783,169
Factory office building	83,568,695	-	12,757,294	-	-	96,325,989	2.5-20	33,969,010	-	4,184,242	-	-	38,153,252	58,172,737
Head office building	103,647,545	-	-	-	-	103,647,545	2.5-5	38,339,365	-	5,182,377	-	-	43,521,742	60,125,803
Plant and machinery	3,141,538,261	-	383,962,488	-	-	3,525,500,749	5-10	2,350,570,893	-	193,501,155	-	-	2,544,072,048	981,428,701
Mobile plant	92,979,617	-	10,030,322	-	-	103,009,939	10	67,868,822	-	6,990,875	-	-	74,859,697	28,150,242
Electrical installation	176,368,708	-	6,903,457	-	-	183,272,165	10-20	148,510,240	-	9,042,252	-	-	157,552,492	25,719,673
Gas pipeline	43,985,379	-	4,151,512	-	-	48,136,891	10-20	42,107,920	-	1,047,651	-	-	43,155,571	4,981,320
Furniture and fixtures	27,395,225	524,848	3,097,824	(59,587)	-	30,958,310	10	18,467,403	203,077	2,656,588	(28,585)	-	21,298,483	9,659,827
Office equipment	23,353,785	1,210,380	71,079,726	(268,780)	-	95,375,111	10-20	16,404,913	603,708	3,208,712	(226,876)	-	19,990,457	75,384,654
Communication equipment	7,373,533	-	2,759,503	-	-	10,133,036	10-20	3,426,449	-	722,597	-	-	4,149,046	5,983,990
Tools and appliances	7,611,979	136,105	1,007,692	(16,350)	-	8,739,426	10-20	5,015,836	109,996	632,394	(10,072)	-	5,748,154	2,991,272
Vehicles	62,904,576	2,389,725	4,767,228	-	-	70,061,529	10-20	25,726,318	995,125	6,288,232	-	-	33,009,675	37,051,854
Fire fighting equipments	3,631,012	-	-	-	-	3,631,012	20	3,631,012	-	-	-	-	3,631,012	-
Total at 31 December 2015	4,999,805,533	11,857,524	544,181,489	(344,717)	-	5,555,499,829		2,986,071,284	1,911,906	256,191,573	(265,533)	-	3,243,909,230	2,311,590,599

4.(a) RAK Security and Services Pvt Ltd. (Acquisition Company)

Amounts in Taka

Particulars	C O S T					D E P R E C I A T I O N							Net book value as at 31 Dec 2015	
	Balance as at 01 Jan 2015	Balance as at 20 Oct 2015	Additions during the year	Sale/ disposal/ adjustment	Transferred to held for sale	Balance as at 31 Dec 2015	Rate (%)	Balance as at 01 Jan 2015	Balance as at 20 Oct 2015	Charged during the year	Sale/ disposal/ adjustment	Transferred to held for sale		Balance as at 31 Dec 2015
Land		7,596,466	-	-	-	7,596,466						-	-	7,596,466
Furniture and fixtures		524,848	-	(59,587)	-	465,261	10		203,077	8,270	(28,585)	-	182,762	282,499
Office equipment		1,210,380	-	(268,780)	-	941,600	10		603,708	11,216	(226,876)	-	388,048	553,552
Tools and appliances		136,105	-	(16,350)	-	119,755	20		109,996	1,312	(10,072)	-	101,236	18,519
Vehicles		2,389,725	-	-	-	2,389,725	20		995,125	63,882	-	-	1,059,007	1,330,718
Total at 31 December 2015		11,857,524		(344,717)	-	11,512,807			1,911,906	84,680	(265,533)	-	1,731,053	9,781,754

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

2014

Amounts in Taka

Particulars	C O S T					Balance as at 31 Dec 2014	Rate (%)	D E P R E C I A T I O N					Net book value as at 31 Dec 2014
	Balance as at 01 Jan 2014	Additions during the year due to acquisition	Additions during the year	Sale/ disposal/ adjustment	Transferred to held for sale			Balance as at 01 Jan 2014	Charged during the year on additions due to acquisition	Charged during the year	Sale/ disposal/ adjustment	Transferred to held for sale	
Land	770,449,971	-	14,603,200	-	(21,656,530)	763,396,641	-	-	-	-	-	-	763,396,641
Factory building	689,560,013	-	12,837,673	-	(240,347,109)	462,050,577	2.5-5	236,420,275	-	27,800,234	-	(32,187,406)	230,017,474
Factory office building	89,065,829	-	8,464,746	-	(13,961,880)	83,568,695	2.5-20	31,089,077	-	4,401,521	-	(1,521,588)	49,599,685
Head office building	171,556,721	-	-	-	(67,909,176)	103,647,545	2.5-5	40,707,796	-	6,874,321	-	(9,242,752)	65,308,180
Plant and machinery	3,382,668,788	-	88,789,025	(207,065)	(329,712,487)	3,141,538,261	5-10	2,245,101,084	-	216,227,273	(65,645)	(110,691,819)	790,967,368
Mobile plant	89,307,341	-	3,672,276	-	-	92,979,617	10	60,946,019	-	6,922,803	-	-	25,110,795
Electrical installation	222,723,445	-	-	-	(46,354,737)	176,368,708	10-20	157,695,430	-	16,137,291	-	(25,322,481)	27,858,468
Gas pipeline	43,985,379	-	-	-	-	43,985,379	10-20	41,249,893	-	858,027	-	-	1,877,459
Furniture and fixtures	56,093,093	-	1,068,328	(1,114,500)	(28,651,696)	27,395,225	10	27,820,761	-	5,375,313	(522,213)	(14,206,458)	8,927,822
Office equipment	35,361,179	-	1,598,477	(86,000)	(13,519,871)	23,353,785	10-33.33	25,466,689	-	3,946,021	(44,794)	(12,963,003)	6,948,872
Communication equipment	6,811,567	-	561,966	-	-	7,373,533	10-12.5	2,661,779	-	764,670	-	-	3,947,084
Tools and appliances	7,119,260	-	492,719	-	-	7,611,979	10-20	4,452,799	-	563,037	-	-	2,596,143
Vehicles	86,404,833	-	11,540,125	(3,285,748)	(31,754,634)	62,904,576	10-20	43,135,701	-	10,921,572	(2,681,402)	(25,649,553)	37,178,258
Fire fighting equipments	3,631,012	-	-	-	-	3,631,012	20	3,631,012	-	-	-	-	-
Total at 31 December 2014	5,654,738,431	-	143,628,535	(4,693,313)	(793,868,120)	4,999,805,533		2,920,378,315	-	300,792,083	(3,314,054)	(231,785,060)	2,013,734,249

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

4.1 Depreciation charged on the basis of the purpose of use

Continuing operations

Cost of goods manufactured (Note 23.1)

Administrative expenses (Note 25)

Discontinued operation: (Note 31.1)

Cost of goods manufactured

Administrative expenses

Marketing, selling and distribution expenses

	2015	2014
	Taka	Taka
	233,947,512	236,492,254
	22,244,061	20,421,764
	<u>256,191,573</u>	<u>256,914,018</u>
	-	33,018,991
	-	7,100,322
	-	3,758,752
	-	43,878,065
	<u>256,191,573</u>	<u>300,792,083</u>

4.2 Disposal of property, plant and equipment

Year 2015

Particulars	Original cost	Accumulated depreciation	Book value	Sales/Lost	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Furniture & fixture	59,587	28,585	31,002	13,100	(17,902)
Office equipment	400,501	226,876	173,625	145,281	(28,344)
Tools & appliances	16,350	10,072	6,278	300	(5,978)
Total	476,438	265,533	210,905	158,681	(52,224)

Year 2014

Continuing operation:

Particulars	Original cost	Accumulated depreciation	Book value	Sale/Insurance claim receipt	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
CNG Conversion	119,700	39,565	80,135	380,000	299,865
Vehicles	2,403,131	2,126,494	276,637	770,500	493,863
Sub-total	2,522,831	2,166,059	356,772	1,150,500	793,728

Discontinued operation:

Particulars	Original cost	Accumulated depreciation	Book value	Sale/Insurance claim receipt	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Diesel Generator	207,065	65,645	141,420	40,000	(101,420)
Wooden Plate	1,114,500	522,213	592,287	270,000	(322,287)
Vehicles	762,917	515,343	247,574	988,572	740,998
Office equipments	86,000	44,794	41,206	60,913	19,707
Sub-total	2,170,482	1,147,995	1,022,487	1,359,485	336,998
Grand total	4,693,313	3,314,054	1,379,259	2,509,985	1,130,726

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

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 2014									
RAK Security and Services (Pvt.) Ltd.	35%	36,751,532	5,064,755	41,816,287	22,145,546	-	22,145,546	19,670,741	6,884,759
RAK Paints Pvt. Ltd.*	47%	416,097,876	237,953,765	654,051,641	560,828,828	521,948,043	1,082,776,871	(428,725,230)	21,749,142
RAK Mosfly (Bangladesh) Pvt. Ltd.*	20%	67,047,074	120,210,033	187,257,107	158,701,307	105,838,561	264,539,868	(77,282,761)	(646,552)
									27,987,349

* Share of net assets is arrived at by adding share money deposit of RAK Ceramics (Bangladesh) Limited of TK 223,250,000 and Taka 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 2015								
RAK Security and Services (Pvt.) Ltd.	35%	31 Dec 2015	Associate	58,329,409	50,957,080	2,580,315	4,792,014	1,677,205
RAK Paints Pvt. Ltd.:	47%	31 Dec 2015	Associate	716,421,865	776,932,553	-	(60,510,688)	(21,749,142)
RAK Mosfly (Bangladesh) Pvt. Ltd.	20%	31 Dec 2015	Associate	87,089,723	91,561,460	-	(4,471,737)	(337,865)
								(20,409,802)

31 December 2014

RAK Security and Services (Pvt.) Ltd.	35%	31 Dec 2014	Associate	70,284,046	59,754,257	3,685,426	6,844,363	2,045,527
RAK Paints Pvt. Ltd. :								
Current year loss	47%	31 Dec 2014	Associate	763,131,816	839,695,145	-	(76,563,329)	(35,984,765)
Prior year loss on acquisition of associate								(23,880,116)
RAK Mosfly (Bangladesh) Pvt. Ltd.	20%	31 Dec 2014	Associate	327,573,940	333,594,956	-	(6,021,016)	(1,204,203)
								(59,023,556)

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

6 Intangible assets

Balance as at 1 January
 Add: Addition during the year

Less: Amortisation during the year (Note-6.1)
 Transfer to non current assets held for sale
 Balance as at 31 December

6.1 Amortisation charged on the basis of the purpose of use

Continuing operations

Administrative expenses (Note - 25)

Discontinued operation

Administrative expenses (Note - 31.1)

7 Capital work-in-Progress

Balance as at 1 January
 Add: Addition during the year

Less: Transfer to property, plant & equipment during the year (note 7.1)
 Impairment loss on capital equipment during the year
 Balance as at 31 December

7.1 Items transferred from capital work in progress to property, plant & equipment

Factory building
 Factory office building
 Plant & machinery
 Mobile plant
 Electrical installation
 Gas pipe line
 Furniture & fixture
 Communication equipment
 Office equipment

	2015	2014
	Taka	Taka
	4,815,453	106,059,779
	5,673,511	7,202,955
	10,488,964	113,262,734
	3,805,009	9,043,643
	-	99,403,638
	6,683,955	4,815,453
	3,805,009	2,014,112
	-	7,029,531
	3,805,009	9,043,643
	289,116,566	35,091,397
	1,767,883,626	365,197,998
	2,057,000,192	400,289,395
	506,960,135	108,842,656
	4,660,347	2,330,173
	1,545,379,710	289,116,566
	24,500,193	12,837,673
	12,757,294	6,414,746
	384,578,817	85,917,961
	10,030,322	3,672,276
	5,003,457	-
	3,321,512	-
	495,965	-
	1,316,503	-
	64,956,072	-
	506,960,135	108,842,656

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

8 Loan to disposed subsidiary and associate

Non-Current:

RAK Paints Pvt. Ltd.

Current:

RAK Pharmaceuticals Pvt. Ltd.

RAK Paints Pvt. Ltd.

9 Inventories

Raw materials

Less : Provision for obsolescence made during the year

Stores and consumables spares

Finished goods

Work-in-process

Goods-in-transit

10 Trade and other receivables

Non current :

Receivable against disposal of investment

Current :

Trade receivables (Note 10.1)

Accrued interest (Note 10.2)

Receivable against disposal of investment

Other receivable

10.1 Trade receivables

Receivables from local sales

Receivables from export sales

10.2 Accrued interest

Interest accrued on FDR

11 Advances, deposits and prepayments

Advances:

Employees

Land advance & others

Suppliers against material & services

	2015	2014
	Taka	Taka
	-	18,193,968
	-	18,193,968
	201,898,000	-
	-	40,661,640
	201,898,000	40,661,640
	201,898,000	58,855,608
	852,533,747	702,273,301
	(4,665,753)	(2,620,004)
	847,867,994	699,653,297
	957,748,655	883,845,333
	216,781,132	100,488,293
	37,268,593	24,813,352
	180,177,856	126,554,452
	2,239,844,230	1,835,354,727
	148,050,000	-
	553,947,412	563,516,174
	553,947,412	563,516,174
	3,659,847	10,100,623
	80,780,114	6,120,000
	-	982,984
	638,387,373	580,719,781
	553,303,108	560,106,353
	644,304	3,409,821
	553,947,412	563,516,174
	3,659,847	10,100,623
	3,659,847	10,100,623
	18,726	141,984
	28,421,141	4,666,166
	159,240,033	234,636,472
	187,679,900	239,444,622

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	2015	2014
	Taka	Taka
Security and other deposits:		
Titas gas	20,215,520	20,215,520
Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
VAT and supplementary duty (note 11.1)	58,015,290	41,050,431
Deposit with income tax authority	9,705,739	9,705,739
Deposit with VAT authority	7,530,001	8,187,661
Other deposits	1,491,853	652,925
	98,913,403	81,767,276
Prepayments:		
House rent	10,715,974	8,397,000
Insurance	42,609,058	37,406,076
Others	240,057	42,431
	53,565,089	45,845,507
	340,158,392	367,057,405
11.1 Supplementary duty & VAT		
Balance as at 1 January	41,050,431	33,418,079
Add: Treasury deposit for SD & VAT purpose	987,440,000	1,117,750,000
Rebate of input VAT	298,183,784	256,550,426
	1,326,674,215	1,407,718,505
Add: Receivable - SD & VAT	657,660	39,435
	1,327,331,875	1,407,757,940
Less: SD & VAT on sales	1,268,899,645	1,360,770,006
Payable- SD & VAT	416,940	1,227,418
Payable- VAT on disposal of raw material	-	4,008,626
	1,269,316,585	1,366,006,050
Less: Transfer to assets held for sale	-	701,459
Balance as at 31 December	58,015,290	41,050,431
12 Advance income tax		
Balance as at 1 January	2,013,796,131	1,656,003,346
Add: Paid during the year	191,578,493	468,576,387
Add: Addition due to acquisition of RAK Security	14,432,162	-
Less: Adjusted during the year	-	(95,151,856)
Less: Transfer to assets held for sale	-	(15,631,746)
Balance as at 31 December (notes 12.1 & 12.2)	2,219,806,786	2,013,796,131
12.1 Head wise payment		
Import	528,783,831	454,216,179
Export	1,594,532	898,521
Supply	5,379,226	119,221
Interest on bank deposit	55,650,545	48,515,090
Rental income	1,844,999	1,451,086
Registration	2,327,701	1,763,701
Dividend income	31,899,500	20,144,500
Paid in cash	1,592,326,452	1,486,687,833
	2,219,806,786	2,013,796,131

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	2015	2014
	Taka	Taka
12.2 Payment for the year		
Income year		
Year 2015	150,935,063	-
Year 2014	295,379,428	250,315,393
Year 2013	392,118,319	389,651,054
Year 2012	336,319,884	334,263,453
Year 2011	327,998,384	326,291,317
Year 2010	265,684,491	261,903,697
Year 2009	218,091,876	218,091,876
Year 2008	85,378,847	85,378,847
Year 2007	124,813,161	124,813,161
Year 2006	23,087,333	23,087,333
	2,219,806,786	2,013,796,131
13 Cash and cash equivalents		
Cash in hand	1,877,620	1,403,048
Cash at banks		
HSBC (current account -001-013432-011,001-107580-011,001-096015-011, 001-096007-011 - Taka)	41,911,217	24,607,644
Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - Taka)	62,681,974	96,722,307
Citibank N.A. (current account - G0100001200262018 - Taka)	11,566,925	15,966,434
Dutch Bangla Bank Ltd. (current account - 117-110-12733, 117-110-2481, 117.110.23474, 117.110.4311 -Taka)	18,647,617	12,675,508
HSBC (ERQ account - 001-013432-047 - USD)	4,595,333	346,764
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	267,806	1,108
EXIM Bank (SND account - 01513100031877 - Taka)	113,239	526,074
Standard Chartered Bank (SND account - 02-3767272-01 - Taka)	400,958	401,998
Dutch Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330, 117-120.2550, 117.120.311 - Taka)	133,216,271	103,270,811
BRAC Bank (SND - 1513101731248001 - Taka)	354,466	346,514
Prime Bank Ltd. (SND - 12531010022563 - Taka)	14,168,711	50,777,650
HSBC (STD - 001-066331-067, 001-107580-067, 001-096015-067 - Taka)	-	202,327
Commercial Bank of Ceylon (SND-2817000777 - Taka.)	7,792,797	1,668,460
	295,717,314	307,513,599
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - Taka)	389,032	1,394,797
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262042 - USD)	3,941,472	3,941,472
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262026 - EURO)	153,608	153,608
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262034 - GBP)	126,593	126,593
	4,610,705	5,616,470

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

Dividend bank account

BRAC Bank (Current - 1510201731248001 - Taka) - 2010

BRAC Bank (Current - 1513201731248001 - Taka) - 2011

SCB (Current - 02-6162940-02- Taka) - 2012

SCB (Current - 02-6162940-03- Taka) - 2013

SCB (Current - 02-6162940-04- Taka) - 2014

Investment in Fixed Deposit Receipt (FDR)

HSBC

SCB

Prime Bank Ltd.

Dutch Bangla Bank Ltd.

	2015	2014
	Taka	Taka
	2,636,151	2,536,000
	2,326,783	2,237,667
	3,893,227	3,884,188
	16,679,336	16,803,715
	5,685,749	-
	<u>31,221,246</u>	<u>25,461,570</u>
	30,652,345	40,000,000
	762,080	762,080
	155,000,000	280,000,000
	581,725,210	813,169,375
	<u>768,139,635</u>	<u>1,133,931,455</u>
	<u>1,101,566,520</u>	<u>1,473,926,142</u>

14 Disposal group held for sale

As at 31 December 2014, Investment in RAK Pharmaceuticals Pvt. Ltd. is presented as held for sale following the commitment of the Company's management in December 2014, to a plan to sell all the shares of RAK Pharmaceuticals Pvt. Ltd.

Assets and liabilities of disposal group held for sale

As at 31 December 2014, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

Property, plant and equipment (Note-4)

Intangible assets (Note-6)

Inventories

Trade and other receivables

Advances, deposits and prepayments

Advance income tax

Cash and cash equivalents

Assets held for sale

Employees benefits payable (Note-17)

Borrowings*

Trade and other payables

Accrued expenses

Provision for income tax

Liabilities held for sale

	-	562,083,060
	-	99,403,638
	-	72,353,935
	-	39,052,960
	-	16,581,719
	-	20,543,158
	-	1,595,860
	-	<u>811,614,330</u>
	-	30,528,700
	-	290,155,176
	-	57,688,973
	-	35,425,468
	-	1,409,012
	-	<u>415,207,329</u>

* In 2014, Borrowings include bank overdraft Taka 193,614,115

Cumulative income or expenses are recognised in the Statement of profit or loss and other comprehensive income

There are no cumulative income or expenses recognised in other comprehensive income relating to the held for sale assets.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

15 Share capital

Authorised :

" 600,000,000 ordinary shares of Taka 10/- each "

Issued, subscribed, called and paid up :

336,850,611 ordinary shares of Taka 10/- each

2015	2014
Taka	Taka
6,000,000,000	6,000,000,000
3,368,506,110	3,368,506,110

Percentage of shareholdings	2015		2014	
	%	Taka	%	Taka
RAK Ceramics PSC, UAE	71.67	2,414,100,210	72.41	2,439,100,210
S.A.K. Ekramuzzaman	4.22	142,119,850	4.81	162,119,850
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	280	0.00	280
Sheikh Omer Bin Saqr Al Qassimi	0.00	280	0.00	280
Sheikh Ahmad Bin Humaid al Qassimi	0.00	280	0.00	280
Hamad Abdulla Al Muttawa	0.00	140	0.00	140
Dr. Khater Massaad	0.00	140	0.00	140
Abdallah Massaad	0.00	140	0.00	140
Manoj Uttamrao Ahire	0.00	140	0.00	140
General Public	24.11	812,284,650	22.78	767,284,650
	100.00	3,368,506,110	100.00	3,368,506,110

Classification of shareholders by holding

Shareholder's range	Number of shareholders		Number of shares	
	2015	2014	2015	2014
Less than 500 shares	32,023	41,596	6,687,947	8,569,150
501 to 5,000 shares	8,478	10,676	11,550,626	14,479,036
5001 to 10,000 shares	623	677	4,591,318	4,863,871
10,001 to 20,000 shares	302	288	4,371,383	4,124,063
20,001 to 30,000 shares	110	91	2,717,968	2,266,150
30,001 to 40,000 shares	47	39	1,695,813	1,372,875
40,001 to 50,000 shares	31	36	1,400,209	1,656,884
50,001 to 100,000 shares	77	65	5,437,755	4,686,055
100,001 to 1,000,000 shares	76	44	21,716,461	10,851,017
Over 1,000,000 shares	8	8	276,681,131	283,981,510
	41,775	53,520	336,850,611	336,850,611

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	2015	2014
	Taka	Taka
16 Deferred tax liability		
Balance as at 1 January	78,418,185	94,326,905
Less : Deferred tax (income)/expenses	(2,606,991)	(15,908,720)
Balance as at 31 December	<u>75,811,194</u>	<u>78,418,185</u>
17 Employees benefits payable		
Provident fund	3,292,467	2,715,018
Gratuity fund	22,931,668	68,456,325
	<u>26,224,135</u>	<u>71,171,343</u>

Balance as at 1 January
 Add: Provision made during the year
 Add: Addition due to acquisition of RAK Security

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

2015		
Provident fund	Gratuity fund	Total
Taka	Taka	Taka
2,715,018	68,456,325	71,171,343
34,825,936	21,384,334	56,210,270
375,674	1,852,138	2,227,812
<u>37,916,628</u>	<u>91,692,797</u>	<u>129,609,425</u>
34,624,161	68,761,129	103,385,290
<u>3,292,467</u>	<u>22,931,668</u>	<u>26,224,135</u>

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

Less: Payments made to fund during the year

Less: Transfer to liabilities held for sale (Note - 14)
 Balance as at 31 December

2014		
Provident fund	Gratuity fund	Total
Taka	Taka	Taka
11,613,439	19,008,393	30,621,832
39,729,764	72,081,241	111,811,005
51,343,203	91,089,634	142,432,837
29,659,041	11,073,753	40,732,794
<u>21,684,162</u>	<u>80,015,881</u>	<u>101,700,043</u>
18,969,144	11,559,556	30,528,700
<u>2,715,018</u>	<u>68,456,325</u>	<u>71,171,343</u>

18 Borrowings

Non-current:

Term loan

Current portion of term loan

Current:

Short-term borrowings

Current portion of term loan

Balance as at 31 December

497,742,616	-
(77,117,814)	-
<u>420,624,802</u>	-
694,001,555	323,755,163
77,117,814	-
<u>771,119,369</u>	<u>323,755,163</u>
<u>1,191,744,171</u>	<u>323,755,163</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

18.1 Borrowings by maturity

At 31 December 2015	< 1 year	1-2 years	2-5 years	> 5 years	Total
Short-term borrowings	694,001,555	-	-	-	694,001,555
Term loans	77,117,814	124,789,765	295,835,037	-	497,742,616
	<u>771,119,369</u>	<u>124,789,765</u>	<u>295,835,037</u>	<u>-</u>	<u>1,191,744,171</u>
At 31 December 2014	< 1 year	1-2 years	2-5 years	> 5 years	Total
Short-term borrowings	323,755,163	-	-	-	323,755,163
	<u>323,755,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>323,755,163</u>

19 Trade and other payables

Trade payables

Payable to local suppliers
Payable to foreign suppliers
Payable to service provider
Payable to C & F agent

Other payables

Tax deducted at source
VAT deducted at source
Dividend Payable
Unclaimed share application
Advance from customer against sales
Security deposit
Claim Payable to employee

20 Accrued expenses

Power and gas
Staff cost
Audit fees
Professional charges
Interest on loans
Telephone
Managing Director's remuneration (Note 20.1)
Worker's profit participation and welfare fund (Note 20.2)
Royalty and technical know-how fees (Note 20.3)
Others

	2015	2014
	Taka	Taka
	146,223,649	116,706,836
	329,901,031	113,317,400
	44,247,355	20,291,798
	18,636,933	29,259,647
	<u>539,008,968</u>	<u>279,575,681</u>
	18,862,935	14,516,183
	9,109,375	2,956,190
	30,538,272	25,068,749
	18,773,636	19,791,236
	22,393,794	12,775,647
	1,939,219	91,740
	-	320,760
	<u>101,617,231</u>	<u>75,520,505</u>
	<u>640,626,199</u>	<u>355,096,186</u>
	23,895,998	16,999,787
	69,173,773	44,341,158
	846,000	800,000
	338,000	274,750
	4,035,081	669,474
	146,882	155,650
	34,075,485	30,682,702
	54,064,400	48,623,250
	2,399,388	38,352,170
	7,643,278	9,606,332
	<u>196,618,285</u>	<u>190,505,273</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

20.1 Managing Director's remuneration

Balance as at 1 January

Add: Provision made during the year

Less: Adjustment for prior year

Less: Paid to Managing Director

Balance as at 31 December

20.2 Worker's profit participation and welfare fund

Balance as at 1 January

Add: Contribution made to the fund during the year

Less : Adjustment for prior year

Less: Payment made from the fund during the year

Balance as at 31 December

20.3 Provision for royalty and technical know-how fees

Balance as at 1 January

Add: Provision made during the year

Add: Adjustment for prior year

Less: Payment made during the year

Less: Payment made for the year 2011 and 2012

Less: Vat on royalty deposited for the year 2010

Less: Tax provision on disallowance of royalty paid for the year 2008

Less: Tax provision on disallowance of royalty paid for the year 2009

Less: Tax provision on disallowance of royalty paid for the year 2010

Less: Tax provision for delay payment of vat on royalty for the year 2010

Balance as at 31 December

Royalty has been calculated @ 8% of Profit before tax.

21 Provision for income tax

Balance as at 1 January

Add: Provision made for the year

Add: Provision made for earlier year

Add: Adjustment for prior year

Add: Addition due to acquisition of RAK Security

Less: Provision release during the year

Less: Transfer to liabilities held for sale

Balance as at 31 December (Note 21.1)

	2015	2014
	Taka	Taka
	30,682,702	38,340,648
	34,075,485	30,682,702
	(16,850,928)	-
	47,907,259	69,023,350
	13,831,774	38,340,648
	34,075,485	30,682,702
	48,623,250	59,111,329
	54,064,400	48,623,250
	(26,758,639)	-
	75,929,011	107,734,579
	21,864,611	59,111,329
	54,064,400	48,623,250
	38,352,170	225,676,743
	80,414,124	72,407,557
	233,797	-
	119,000,091	298,084,300
	36,683,680	-
	-	154,258,821
	-	34,734,242
	-	30,739,067
	25,000,000	40,000,000
	36,160,532	-
	18,756,491	-
	2,399,388	38,352,170
	2,182,344,567	1,840,804,871
	319,661,270	365,957,485
	54,917,023	70,739,067
	11,928,337	-
	14,891,744	-
	2,583,742,941	2,277,501,423
	-	(95,151,856)
	-	(5,000)
	2,583,742,941	2,182,344,567

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	2015	2014
	Taka	Taka
21.1 Provision for income tax		
Income year		
Year 2015	323,397,728	-
Year 2014	381,571,248	365,957,485
Year 2013	364,979,858	362,336,361
Year 2012	341,267,796	339,211,365
Year 2011	328,376,284	326,685,217
Year 2010	350,044,556	294,048,668
Year 2009	266,823,984	266,823,984
Year 2008	147,117,914	147,117,914
Year 2007	80,163,573	80,163,573
	2,583,742,941	2,182,344,567
22 Sales		
Gross sales (Local)	6,303,404,641	6,292,625,094
Gross sales (Export)	26,559,633	26,784,010
Total Sales	6,329,964,274	6,319,409,104
Less: Supplementary Duty	452,357,549	456,237,754
VAT	818,306,322	815,825,977
Net sales	5,059,300,403	5,047,345,373
23 Cost of sales		
Stock of finished goods as at 1 January	100,488,293	201,583,295
Add : Stock of seat & cover	6,170,134	-
Add: Cost of goods manufactured (Note 23.1)	3,007,012,146	2,970,941,919
Cost of finished goods available for sale	3,113,670,573	3,172,525,214
Less: Stock of finished goods as at 31 December	216,781,132	100,488,293
	2,896,889,441	3,072,036,921
23.1 Cost of goods manufactured		
Cost of materials consumed:		
Opening stock as at 1 January	699,653,297	870,909,533
Add: Purchase during the year	1,779,555,491	1,466,848,016
	2,479,208,788	2,337,757,549
Less: Closing stock as at 31 December	847,867,994	699,653,297
	1,631,340,794	1,638,104,252

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	2015	2014
	Taka	Taka
Manufacturing overhead:		
Direct labour (Note 23.1.1)	323,585,760	305,199,598
Direct expenses:		
Power and gas	148,565,272	150,471,069
Repairs and indirect materials (Note 23.1.2)	612,028,483	575,381,319
Rental charges	821,739	821,739
Moulds and punches	32,029,495	27,418,733
Depreciation	233,947,512	236,492,254
Royalty and technical know-how/assistance fees (23.1.3)	730,898	1,668,490
Other production overhead (Note 23.1.4)	36,417,434	32,530,918
	1,388,126,593	1,329,984,120
Cost of production	3,019,467,387	2,968,088,372
Difference in work in process:		
Work in process as at 1 January	24,813,352	27,666,898
Work in process as at 31 December	37,268,593	24,813,352
	(12,455,241)	2,853,546
Cost of goods manufactured	3,007,012,146	2,970,941,919
23.1.1 Direct labour		
Salary & wages	178,787,327	160,563,120
Overtime	22,298,872	16,507,859
Bonus	28,841,216	22,925,569
Incentive	11,807,366	5,965,021
Temporary labour wages	55,442,744	44,554,610
Gratuity	14,253,446	44,402,176
Employer's contribution to provident fund	10,663,602	8,851,064
Group life insurance	1,491,187	1,430,179
	323,585,760	305,199,598
23.1.2 Repairs and indirect materials		
Stores, spares, repair & maintenance	350,734,468	335,405,118
Packing expenses	261,294,015	239,976,201
	612,028,483	575,381,319
23.1.3 Royalty and technical know-how/assistance fees		
Royalty and technical know-how/assistance fees	80,414,124	72,407,557
Add : Adjustment for prior year	233,797	-
Less : Tax provision on disallowance of royalty paid for the year 2008	-	30,739,067
Less : Tax provision on disallowance of royalty paid for the year 2009	25,000,000	40,000,000
Less : Tax provision on disallowance of royalty paid for the year 2010	36,160,532	-
Less : Tax provision for delay payment of vat on royalty for the year 2010	18,756,491	-
	730,898	1,668,490

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	2015	2014
	Taka	Taka
23.1.4 Other production overhead		
Hotel fare and expenses for technician	5,210,385	4,054,205
Demurrage	4,142,877	5,817,167
Insurance	14,820,501	14,649,405
Impairment loss on capital equipment	4,660,347	2,330,173
Provision for obsolescence	4,665,753	2,620,004
Other expenses	2,917,571	3,059,964
	<u>36,417,434</u>	<u>32,530,918</u>
24 Other income		
Dividend income	-	350,000
Rental income	2,400,000	2,400,000
Profit on sale of fixed assets	-	793,728
Gain on disposal of investment against subsidiary (note : 37.3)	600,568,643	-
Gain on disposal of investment against associates (note-37.4)	236,379,531	-
Revaluation gain on acquisition of RAK security shares (37.5)	1,850,536	-
	<u>841,198,710</u>	<u>3,543,728</u>
25 Administrative expenses		
Staff cost (note-25.1)	126,694,890	122,341,353
Annual General Meeting expenses	28,200,673	19,001,881
Telephone and postage	6,751,399	4,429,146
Office repair and maintenance (note 25.2)	9,413,660	9,308,861
Registration and renewal	1,138,470	1,287,451
Security and guard expenses	12,032,300	12,301,822
Electricity, gas and water	6,127,490	6,154,408
Depreciation	22,244,061	20,421,764
Amortisation	3,805,009	2,014,112
Legal and professional fees	8,546,078	5,265,813
Vehicle repair and maintenance	9,897,829	8,832,153
Rent, rate and tax	9,794,128	7,007,974
Loss on sale of property, plant and equipment	52,224	-
Write off of loan and interest to subsidiary :		
Current year	10,100,916	-
Prior year	578,548,552	-
CSR expenses	3,494,124	2,898,000
Managing Director's remuneration (note-25.3)	17,224,557	30,682,702
Others	5,484,781	4,837,305
	<u>859,551,141</u>	<u>256,784,745</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	2015	2014
	Taka	Taka
25.1 Staff cost		
Salary & wages	83,344,859	74,905,640
Bonus	12,509,899	9,869,461
Incentive	5,517,327	4,434,911
Gratuity	5,874,315	19,248,085
Employer's contribution to provident fund	4,802,175	4,076,811
Group life insurance	609,490	603,370
Canteen expenses	2,037,875	991,693
Staff uniform expenses	359,394	402,799
Hotel, tour, food and air ticket	4,485,464	4,213,682
Food expenses	4,079,771	2,992,652
Medical expenses	423,089	294,258
Accommodation expenses	444,559	149,522
Other employee benefit	1,862,140	-
Travelling & conveyance	344,533	158,469
	<u>126,694,890</u>	<u>122,341,353</u>
25.2 Office repair & maintenance		
Repairs office equipment	1,016,153	903,198
Office maintenance	8,397,507	8,405,663
	<u>9,413,660</u>	<u>9,308,861</u>
25.3 Managing Director's remuneration		
Provision made during the year	34,075,485	30,682,702
Less : Adjustment for prior year	(16,850,928)	-
	<u>17,224,557</u>	<u>30,682,702</u>
Managing Director's remuneration represents provision made 3% of net profit before tax of RAK Ceramics (Bangladesh) Ltd.		
26 Marketing & selling expenses		
Staff cost (note-26.1)	34,964,930	27,678,387
Advertisement	14,143,967	20,563,727
Freight and transportation	222,315,294	194,983,067
Performance rebates (note-26.2)	214,502,266	230,416,756
Business promotion	24,882,555	23,176,142
Discount	145,491,345	155,425,577
Travel, entertainment and others	31,770,638	12,502,613
	<u>688,070,995</u>	<u>664,746,269</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	2015	2014
	Taka	Taka
26.1 Staff cost		
Salary & wages	24,725,511	17,164,411
Bonus	3,543,159	2,888,064
Incentive	2,881,905	1,445,730
Gratuity	1,830,280	4,806,064
Employer's contribution to provident fund	1,372,772	938,762
Group life insurance	179,488	149,112
Food expenses	431,815	286,244
	34,964,930	27,678,387
26.2 Performance rebates		
Compensation	18,351,094	28,046,174
Dealers' commission	91,585,364	98,294,546
Breakage commission	104,565,808	104,076,036
	214,502,266	230,416,756
27 Finance income		
Interest on bank account (SND)	6,584,014	2,639,976
Interest on loan to subsidiary and associate	13,353,532	8,706,804
Interest on FDR	58,486,010	96,612,961
Exchange gain	11,635,704	20,668,591
	90,059,260	128,628,332
28 Financial expenses		
Interest expenses	17,504,954	6,887,174
Bank charges	1,430,730	867,764
	18,935,684	7,754,938
29 Contribution to worker's profit participation and welfare fund		
Provision made during the year	54,064,400	48,623,250
Less : Adjustment for prior year	(26,758,639)	-
	27,305,761	48,623,250
30 Current tax		
Current year	320,817,413	365,957,485
Other tax provision	54,917,023	70,739,067
Adjustment for prior year	11,928,337	-
	387,662,773	436,696,552
31 Profit/(loss) on discontinued operation		
Sales	-	461,297,574
Cost of sales (Note-31.1)	-	(183,231,089)
Gross profit	-	278,066,485
Other income (note-31.2)	-	7,047,417
Administrative expenses (Note-31.1)	-	(38,692,578)
Marketing, selling and distribution expenses (Note-31.1)	-	(370,377,153)
	-	(402,022,314)
Profit/(loss) from operating activities	-	(123,955,829)
Finance expenses	-	(36,325,164)
Profit/(loss) before income tax	-	(160,280,993)

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

Provision for income tax

Current year

Net profit / (loss) after income tax

Non controlling interest

Net profit / (loss) after tax and non controlling interest attributable to equity holders

	2015 Taka	2014 Taka
	-	(1,404,012)
	-	(161,685,005)
	-	112,919,784
	-	(48,765,221)

- 31.01** Depreciation charged for the year is allocated in cost of sales, administrative expenses, marketing, selling and distribution expenses (Note-4.1). Amortisation expenses is charged to administrative expenses (Note-6.1).

Other income includes loss on sale of fixed assets (Note-4.2).

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:

	USD		Amounts in Taka	
	As at 31 Dec 2015	As at 31 Dec 2014	As at 31 Dec 2015	As at 31 Dec 2014
Trade receivables				
Customer-Local	-	-	553,303,108	596,255,561
Customer-Export	8,260	43,744	644,304	3,409,821
	8,260	43,744	553,947,412	599,665,382

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

Other receivables
 Claim receivable
 Accrued interest
 Receivable against disposal of investment
 Others

Loan to disposed subsidiary and associate
 RAK Pharmaceuticals Pvt. Ltd.
 RAK Paints Pvt. Ltd.

2015	2014
Taka	Taka
-	2,335,805
3,659,847	10,100,623
228,830,114	6,120,000
-	1,550,931
<u>232,489,961</u>	<u>20,107,359</u>
201,898,000	-
-	58,855,608
<u>201,898,000</u>	<u>58,855,608</u>
<u>1,099,688,900</u>	<u>1,473,149,800</u>

b) Ageing of receivables

The ageing of trade receivables as at 31 December was:

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 2015	As at 31 Dec 2014
-	-
545,496,820	587,360,293
2,692,474	3,948,480
5,758,118	2,252,247
-	6,104,362
<u>553,947,412</u>	<u>599,665,382</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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

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

	As at 31 December 2015			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	640,626,199	640,626,199	640,626,199	-
Short term borrowing (foreign)	694,001,555	694,001,555	694,001,555	-
Term loan (foreign)	497,742,616	497,742,616	77,117,814	420,624,802
	<u>1,832,370,370</u>	<u>1,832,370,370</u>	<u>1,411,745,568</u>	<u>420,624,802</u>

	As at 31 December 2014			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Bank overdraft	193,614,115	193,614,115	193,614,115	-
Trade and other payables	412,785,159	412,785,159	412,785,159	-
Short term borrowing (foreign)	346,383,263	346,383,263	346,383,263	-
Short term borrowing (local)	45,925,962	45,925,962	45,925,962	-
Term loan	27,986,999	27,986,999	12,124,259	15,862,740
	<u>1,026,695,499</u>	<u>1,026,695,499</u>	<u>1,010,832,758</u>	<u>15,862,740</u>

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 2015			As at 31 December 2014		
	USD	EURO	JPY	USD	EURO	JPY
Foreign currency denominated assets						
Receivable from customers-Export	8,260	-	-	43,744	-	-
Cash at bank	62,348	-	-	4,463	-	-
	<u>70,608</u>	<u>-</u>	<u>-</u>	<u>48,207</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	As at 31 December 2015			As at 31 December 2014		
	USD	EURO	JPY	USD	EURO	JPY
Foreign currency denominated liabilities						
Trade payables	635,721	1,240,389	-	39,122	815,409	-
Short term borrowings	2,148,305	5,932,170	5,145,000	2,178,966	1,529,916	4,900,000
Term loan	6,300,539	-	-	-	-	-
Royalty & Technical Fees	30,372	-	-	485,778	-	-
	<u>9,114,937</u>	<u>7,172,559</u>	<u>5,145,000</u>	<u>2,703,866</u>	<u>2,345,325</u>	<u>4,900,000</u>
Net exposure	<u>(9,044,329)</u>	<u>(7,172,559)</u>	<u>(5,145,000)</u>	<u>(2,655,659)</u>	<u>(2,345,325)</u>	<u>(4,900,000)</u>

The Company has foreign exchange gain of Tk 11,635,704 during the year ended 31 Dec 2015 (31 Dec 2014: Exchange gain Tk 20,668,591).

The following significant exchange rates have been applied:

	Exchange rate as at	
	31 Dec 2015	31 Dec 2014
	Taka	Taka
USD	78.5000	78.4500
EURO	85.8006	95.0040
JPY	0.6518	0.6608

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 JPY at 31 December would have increased/(decreased) profit or loss by the amounts shown below.

	As at 31 December 2015		As at 31 December 2014	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
	Taka	Taka	Taka	Taka
At 31 December				
USD (3 percent movement)	(279,722)	263,427	(82,134)	77,349
EURO (3 percent movement)	(221,832)	208,909	(72,536)	68,310
JPY (3 percent movement)	(159,124)	149,854	(151,546)	142,718

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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

Profile

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

	Carrying amount	
	As at	As at
	31 December 2015	31 December 2014
	Taka	Taka
Fixed rate instruments		
Financial assets		
Investment in FDR	768,139,635	1,133,931,455
Cash at banks	331,549,266	339,218,345
Financial liabilities		
Term loan (Foreign)	497,742,616	27,986,999
Bank overdraft	-	193,614,115
Short term borrowing (foreign)	694,001,555	346,383,263
Short term borrowing (local)	-	45,925,962

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 2015		As at 31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	Taka	Taka	Taka	Taka
Financial assets				
Held to maturity assets				
Investment in FDR	768,139,635	768,139,635	1,133,931,455	1,133,931,455
Loans and receivables				
Trade receivables	553,947,412	553,947,412	599,665,382	599,665,382
Other receivables	232,489,961	232,489,961	20,107,359	20,107,359
Loan to disposed subsidiary and associates	201,898,000	201,898,000	58,855,608	58,855,608
Cash equivalents	1,099,688,900	1,099,688,900	1,473,149,800	1,473,149,800
Financial liabilities				
Liabilities carried at amortised costs				
Term loan	497,742,616	497,742,616	27,986,999	27,986,999
Bank overdraft	-	-	193,614,115	193,614,115
Trade and other payables	640,626,199	640,626,199	412,785,159	412,785,159
Short term borrowing (foreign)	694,001,555	694,001,555	346,383,263	346,383,263
Short term borrowing (local)	-	-	45,925,962	45,925,962

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

Interest rates used for determining amortised cost

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

	31 December 2015	31 December 2014
Investment in FDR	3.70%-7.00%	4.30%-10.25%
Term loan	Libor + 3%	09.00%-15.50%
Bank overdraft	12.00%-13.50%	12.00%-13.50%
Short term bank loan (local currency)	12.00%-13.50%	13.50%-15.00%
Short term bank loan (foreign currency/USD)	Libor+(2.75%-3.00%)	Libor+(2.75%-3.84%)

33 Related party disclosures under BAS-24

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

Amount in Taka

33.1	Name of related party	Relationship	Period	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables	Outstanding payable	Remuneration	Loan	Interest receivables
	RAK Pharmaceuticals Pvt. Ltd	Subsidiary	Current year	-	-	201,898,000	-	-	-	-
			Previous year	-	-	-	-	-	500,000,000	324,564,552
	RAK Power Pvt. Ltd	Subsidiary	Current year	287,431,234	5,478,261	-	27,282,047	-	-	-
			Previous year	247,161,964	5,478,261	-	20,866,849	-	-	-
	RAK Security & Services Pvt. Ltd	Associates	Current year	77,977,779	-	-	7,498,230	-	-	-
			Previous year	59,400,414	2,636	-	5,111,158	-	-	-
	RAK Paints Pvt. Ltd.	Associates	Current year	-	-	-	-	-	-	-
			Previous year	432,288	-	-	21,526	-	58,855,608	-
	RAK Ceramics - UAE	Parent	Current year	-	-	360,822	-	-	-	-
			Previous year	-	-	-	-	-	-	-
	Kea Printing & Packaging Industries	Other related party	Current year	96,773,812	-	-	15,595,692	-	-	-
			Previous year	99,445,207	-	-	11,087,509	-	-	-
	Palli Properties Pte. Ltd	Other related party	Current year	11,137,513	-	-	1,253,443	-	-	-
			Previous year	11,978,530	-	-	751,032	-	-	-
	Sky Bird Travel Agents Pvt. Ltd.	Other related party	Current year	4,551,466	-	-	17,163	-	-	-
			Previous year	5,229,807	-	-	282,015	-	-	-
	Green Planet Communications	Other related party	Current year	7,088,620	-	-	290,323	-	-	-
			Previous year	16,606,679	-	-	2,558,059	-	-	-
	Global Business Associates Ltd.	Other related party	Current year	139,512	-	-	12,150	-	-	-
			Previous year	246,492	-	-	-	-	-	-
	Mohammed Trading	Other related party	Current year	-	1,711,216,467	397,263,967	-	-	-	-
			Previous year	-	1,984,165,557	442,457,474	-	-	-	-
	S.A.K. Ekramuzzaman	Key Management Personnel	Current year	-	-	-	34,075,485	34,075,485	-	-
			Previous year	-	-	-	13,831,774	13,831,774	-	-
	Imtiaz Hussain	Key Management Personnel	Current year	-	-	-	636,000	9,537,000	-	-
			Previous year	-	-	-	530,000	7,901,720	-	-

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

33.2 Paid to Directors

During the year, provision was made as MD's remuneration for Taka. 34,075,485

During the year, Board meeting fees of Taka 604,000 was paid to the board members for attending the Board meetings.

34 Segment reporting

The company currently has three reportable segments (three in prior year) 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:

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

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

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.

Security & services: Engages in providing security guarding, cleaning services, termite and pest control services and setup manpower technical training.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

2015

	Business Segments					
	Ceramic & sanitary ware	Power	Security and Services	Inter segment	Prior year adjustment	Entity total
	Taka	Taka	Taka	Taka	Taka	Taka
Revenue - external customers	5,013,034,253	46,607,310	(341,160)	-	-	5,059,300,403
Revenue - inter segment	-	287,431,234	15,751,786	(303,183,020)	-	-
Total segment revenue	5,013,034,253	334,038,544	15,410,626	(303,183,020)	-	5,059,300,403
Cost of sales- external customer (Royalty adjustment)	(2,707,097,225)	(180,169,235)	(9,389,183)	-	(233,797)	(2,896,889,441)
Cost of sales- inter segment	(308,291,416)	(369,868)	-	308,661,284	-	-
Total segment cost of sales	(3,015,388,641)	(180,539,103)	(9,389,183)	308,661,284	(3,255,268,010)	(2,896,889,441)
Gross profit	1,997,645,613	153,499,441	6,021,443	-	2,253,374,936	2,162,410,962
Other income					10,582,081	
Dividend income	58,775,000	-	-	(58,775,000)	128,381,564	-
Rental income	7,878,261	-	-	(5,478,261)	(43,824,270)	2,400,000
Gain on disposal of investment against subsidiary (note - 37.3)	-	-	-	-	(300,792,082)	600,568,643
Gain on disposal of investment against associates (note - 37.4)	-	-	-	-	(1,078,431,913)	236,379,531
Revaluation gain on acquisition of associate's shares (note - 37.5)	-	-	-	-	(59,023,556)	1,850,536
Financial income	86,212,028	3,824,325	22,907	-	910,266,760	90,059,260
Financial expenses	(18,812,730)	(118,101)	(4,853)	-	(438,100,564)	(18,935,684)
Depreciation	(237,990,276)	(18,116,617)	(84,680)	-	15,908,720	(256,191,573)
Other operating expenses	(812,419,898)	6,599,108	(2,651,550)	-	(74,724,435)	(808,472,340)
Provision relating to subsidiary loan and interest	-	-	-	-	562,799,352	(578,548,552)
Adjustment relating to WPPF	-	-	-	-	-	26,758,639
Adjustment relating to Managing Director's remuneration	-	-	-	-	-	16,850,928
Elimination of investment loss of RAK Paints Pvt. Ltd.	-	-	-	-	-	24,675,000
Share of profit of equity-accounted investee	-	-	-	-	-	(20,409,802)
Segment profit before tax	1,081,287,998	145,688,156	3,303,267	-	-	1,479,395,549
Income tax expense	(329,336,045)	(45,242,248)	(1,156,143)	-	-	(375,734,436)
Adjustment relating to Income tax	-	-	-	-	-	(11,928,337)
Deferred tax	3,328,681	(721,690)	-	-	-	2,606,991
Non-Controlling interest	-	486	0.10	-	-	487
Profit for the year						1,094,339,280

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

2014

	Business Segments				
	Ceramic & sanitary ware	Pharmaceuticals	Power	Inter segment	Entity total
	Taka	Taka	Taka	Taka	Taka
Revenue - external customers	5,009,387,118	461,297,574	37,958,254	-	5,508,642,946
Revenue - inter segment	-	-	256,086,054	(256,086,054)	-
Total segment revenue	5,009,387,118	461,297,574	294,044,308	(256,086,054)	5,508,642,946
Cost of sales- external customer	(2,908,585,545)	(183,231,089)	(163,451,376)	-	(3,255,268,010)
Cost of sales- inter segment	(252,640,225)	(8,924,090)	-	261,564,315	-
Total segment cost of sales	(3,161,225,770)	(192,155,179)	(163,451,376)	261,564,315	(3,255,268,010)
Gross profit	1,848,161,348	269,142,395	130,592,932	-	2,253,374,936
Other income	44,076,989	7,038,353	-	(40,533,261)	10,582,081
Financial income	204,934,862	(246,768)	4,017,229	(80,323,759)	128,381,564
Financial expenses	(7,459,571)	(116,393,091)	(295,367)	80,323,759	(43,824,270)
Depreciation	(238,101,526)	(43,878,064)	(18,812,492)	-	(300,792,082)
Other operating expenses	(879,147,098)	(365,191,667)	10,800,612	155,106,240	(1,078,431,913)
Share of profit of equity-accounted investee	-	-	-	-	(59,023,556)
Segment profit before tax	972,465,004	(249,528,842)	126,302,914	-	910,266,760
Income tax expense	(398,704,217)	(1,404,012)	(37,992,335)	-	(438,100,564)
Deferred tax	15,392,906	-	515,814	-	15,908,720
Non -Controlling interest	-	(112,919,784)	38,195,349	-	(74,724,435)
Profit for the year					562,799,352

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

35 Earnings per share (EPS)

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

Earning attributable to ordinary shareholders

Profit for the year

No. of ordinary equity shares

Weighted average no. of equity shares outstanding (Note 35.2)

Earnings per share (EPS) for the year

	2015	2014
	Taka	Taka
	1,094,339,280	562,799,352
	336,850,611	336,850,611
	336,850,611	336,850,611
	3.25	1.67
35.1 Earning attributable to ordinary shareholders		
Profit attributable to equity holders of the company for the year from continuing operations	1,094,339,280	611,564,573
No. of ordinary equity shares	336,850,611	336,850,611
Weighted average no. of equity shares outstanding (Note 35.2)	336,850,611	336,850,611
Earnings per share (EPS) for the year	3.25	1.82

35.1 Earning attributable to ordinary shareholders

Profit attributable to equity holders of the company for the year from continuing operations

No. of ordinary equity shares

Weighted average no. of equity shares outstanding (Note 35.2)

Earnings per share (EPS) for the year

35.2 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 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 2013

	2015	2014
	336,850,611	306,227,829
	-	30,622,782
	336,850,611	336,850,611

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 340,532,611 (31 Dec 2014: Tk 545,769,825). 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 363,013,905 (31 Dec 2014: Tk 1,343,080,962) and letter of guarantee of Tk 38,625,334 (31 Dec 2014: Tk 38,625,334).

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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

37.2 Changes in shareholding in subsidiary and associates

RAK Power Pvt. Ltd.

The Board of Directors of RAK Ceramics (Bangladesh) Limited in its meeting held on July 26, 2015 have decided to increase the shareholding in RAK Power Pvt. Ltd. from 57% to 100% through purchase of 881,495 number of ordinary shares of Taka 100 each in consideration of Taka 255 per share totalling to Taka 224,781,225 only from all the other shareholders of RAK Power Pvt. Ltd. subject to approval by the shareholders and concerned authorities for the interest of the business of the Company. The shareholders of RAK Ceramics (Bangladesh) Limited have approved the same in the EGM dated September 20, 2015. The effect of acquisition has taken place as approved in Board of Directors meeting of RAK Power (Pvt.) Ltd on 20 October 2015.

RAK Security and services (Pvt.) Ltd.

The Board of Directors of RAK Ceramics (Bangladesh) Limited in its meeting held on July 26, 2015 have decided to increase the shareholding in RAK Security & Services (Pvt.) Ltd. from 35% to 100% through purchase of 6,500 number of ordinary shares of Taka 100 each in consideration of Taka 2,875 per share totalling to Taka 18,687,500 only from all the other shareholders of RAK Security & Services (Pvt.) Ltd. subject to approval by the shareholders and concerned authorities for the interest of the business of the Company. The shareholders of RAK Ceramics (Bangladesh) Limited have approved the same in the EGM dated September 20, 2015. The effect of acquisition has taken place as approved in Board of Directors meeting of RAK Security and Services (Pvt.) Ltd on 20 October 2015.

RAK Paints (Pvt.) Ltd.

The Board of Directors of RAK Ceramics (Bangladesh) Limited in its meeting held on July 26, 2015 have decided to dispose entire shareholding of 47% in RAK Paints (Pvt.) Ltd. through sale of 2,467,500 number of ordinary shares of Taka 100 each in consideration of Taka 90 per share totalling to Taka 222,075,000 only to all the other shareholders of RAK Paints (Pvt.) Ltd. subject to approval by the shareholders and concerned authorities for the interest of the business of the Company. The shareholders of RAK Ceramics (Bangladesh) Limited have approved the same in the EGM dated September 20, 2015. The effect of disposal have taken place as approved in Board of Directors meeting of RAK Paints (Pvt.) Ltd on 20 October 2015.

37.3 Subsidiary disposal

**RAK
Pharmaceuticals
Pvt. Ltd.**

Taka

361,914,560

Sales proceeds (100% of investment)

Face value Taka 10, sale @ Taka 7 per share

Less : Carrying value (CV) at disposal date

Net assets at disposal date

CV of NCI at disposal date (Note 37.3.1)

(433,916,013)

(195,261,930)

(238,654,083)

600,568,643

Gain on disposal

37.3.1 Non controlling interest at disposal date

Net assets at disposal date

Less : Group company share 55%

Elimination on disposal of subsidiary

(433,916,013)

238,654,083

(195,261,930)

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

37.4 Associates' disposal

Disposal proceeds
Share of net assets at 31 December 2014
Share of loss during the period

Gain on disposal

Disposal proceeds
Share of net assets at 31 December 2014
Share of loss during the period

Gain on disposal

Total Gain on disposal

RAK Mosfly (BD) Pvt. Ltd.	
Taka	
	19,250,000
	(646,552)
	(337,865)
	<u>20,234,417</u>
	216,145,114
	21,749,142
	(21,749,142)
	<u>216,145,114</u>
	<u><u>236,379,531</u></u>

37.5 Revaluation gain on acquisition

Fair Value of the investment
Carrying Value of Investment - 20th October 2015
Revaluation gain on acquisition of RAK security shares

	10,062,500
	8,211,964
	<u>1,850,536</u>

38 Events after the reporting period

38.1 Declaration of dividend and date of Annual General Meeting (AGM)

The Board of Directors of RAK Ceramics (Bangladesh) Limited, at its 132nd meeting held on 03 February 2016, has recommended cash dividend @ 25% (i.e. Tk. 2.50 per share of Tk. 10.00 each) for the year ended on 31 December 2015. These dividends are subject to final approval by the shareholders at the forthcoming Annual General Meeting (AGM) of the Company on 13 April 2016.

RAK CERAMICS (BANGLADESH) LIMITED
**AUDITORS' REPORT AND FINANCIAL
STATEMENTS**

as at and for the year ended 31 December 2015

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 2015, and the statement of profit or loss and other 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 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 auditors' 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of RAK Ceramics (Bangladesh) Limited as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS).

Report on other legal and regulatory requirements

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

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- (c) the statement of financial position and the statement of profit or loss and other 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, 03 February 2016



(A. Qasem & Co.)
Chartered Accountants

RAK CERAMICS (BANGLADESH) LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

	Note	2015 Taka	2014 Taka
Assets			
Property, plant and equipment	4	2,101,671,865	1,798,341,132
Intangible assets	5	6,683,955	4,815,453
Capital work in progress	6	1,545,379,710	289,116,566
Investment in subsidiaries and associates	7	360,379,950	383,200,000
Trade and other receivables	11	148,050,000	-
Loan to disposed subsidiary and associate	9	-	264,209,968
Total non-current assets		4,162,165,480	2,739,683,119
Investment held for sale	8	-	361,914,560
Inventories	10	2,182,676,306	1,774,687,781
Trade and other receivables	11	611,920,398	575,632,775
Loan to disposed subsidiary and associate	9	201,898,000	40,661,640
Advances, deposits and prepayments	12	332,412,027	358,743,066
Advance income tax	13	2,059,429,603	1,912,281,758
Cash and cash equivalents	14	997,806,852	1,394,695,836
Total current assets		6,386,143,186	6,418,617,416
Total assets		10,548,308,666	9,158,300,535
Equity			
Share capital	15	3,368,506,110	3,368,506,110
Share premium		1,473,647,979	1,473,647,979
Retained earnings		1,219,078,987	1,305,924,881
Total equity		6,061,233,076	6,148,078,970
Liabilities			
Deferred tax liability	16	38,236,099	41,564,780
Borrowings	18	420,624,802	-
Total non-current liabilities		458,860,901	41,564,780
Employees benefit payable	17	23,904,515	70,688,326
Borrowings	18	771,119,369	323,755,163
Trade and other payables	19	662,561,271	370,177,135
Accrued expenses	20	166,873,036	129,615,708
Provision for income tax	21	2,403,756,498	2,074,420,453
Total current liabilities		4,028,214,689	2,968,656,785
Total liabilities		4,487,075,590	3,010,221,565
Total equity and liabilities		10,548,308,666	9,158,300,535

The notes on pages 124 to 158 are an integral part of these financial statements



Managing Director




Director



Company Secretary

As per our report of same date



(A. Qasem & Co.)
Chartered Accountants

Dhaka, 03 February 2016

RAK CERAMICS (BANGLADESH) LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

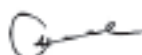
for the year ended 31 December 2015

	Note	2015 Taka	2014 Taka
Sales	22	5,013,034,253	5,009,387,118
Cost of sales	23	(3,015,388,640)	(3,161,459,567)
Gross profit		1,997,645,613	1,847,927,551
Other income	24	66,653,261	44,076,989
Administrative expenses	25	(308,662,916)	(965,576,729)
Marketing and selling expenses	26	(687,682,858)	(664,746,269)
		(929,692,513)	(1,586,246,009)
Profit from operating activities		1,067,953,100	261,681,542
Finance income	27	86,212,028	204,934,862
Finance expenses	28	(18,812,730)	(7,459,571)
Net finance income		67,399,298	197,475,291
Profit before contribution to workers' profit participation and welfare fund and income tax		1,135,352,398	459,156,833
Contribution to workers' profit participation and welfare fund		(54,064,400)	(21,864,611)
Profit before income tax		1,081,287,998	437,292,222
Income tax expense:			
Current tax	29	(329,336,045)	(410,632,554)
Deferred tax	16	3,328,681	15,392,906
		(326,007,364)	(395,239,648)
Profit for the year		755,280,634	42,052,574
Other comprehensive income		-	-
Total comprehensive income for the year		755,280,634	42,052,574
Basic earnings per share (par value Taka 10)	34	2.24	0.12

The notes on pages 124 to 158 are an integral part of these financial statements



Managing Director




Director



Company Secretary

As per our report of same date



(A. Qasem & Co.)
Chartered Accountants

Dhaka, 03 February 2016

RAK CERAMICS (BANGLADESH) LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	Share capital	Share premium	Retained earnings	Total
	Taka	Taka	Taka	Taka
Balance as at 1 January 2014	3,062,278,290	1,473,647,979	2,029,441,871	6,565,368,140
Total comprehensive income for 2014				
Profit for the year	-	-	42,052,574	42,052,574
Other comprehensive income	-	-	-	-
Transactions with the shareholders				
Cash dividend (2013)	-	-	(459,341,744)	(459,341,744)
Stock dividend (2013)	306,227,820	-	(306,227,820)	-
Balance as at 31 December 2014	<u>3,368,506,110</u>	<u>1,473,647,979</u>	<u>1,305,924,881</u>	<u>6,148,078,970</u>
Balance as at 1 January 2015	3,368,506,110	1,473,647,979	1,305,924,881	6,148,078,970
Total comprehensive income for 2015				
Profit for the year	-	-	755,280,634	755,280,634
Other comprehensive income	-	-	-	-
Transactions with the shareholders				
Cash dividend (2014)	-	-	(842,126,528)	(842,126,528)
Balance as at 31 December 2015	<u>3,368,506,110</u>	<u>1,473,647,979</u>	<u>1,219,078,987</u>	<u>6,061,233,076</u>

The notes on pages 124 to 158 are an integral part of these financial statements

RAK CERAMICS (BANGLADESH) LIMITED
STATEMENT OF CASH FLOWS
for the year ended 31 December 2015

	2015	2014
	Taka	Taka
Cash flows from operating activities		
Cash receipts from customers	5,084,991,811	4,786,300,855
Cash payments to suppliers and employees	(3,910,804,174)	(3,894,122,440)
Cash generated from operating activities	<u>1,174,187,637</u>	<u>892,178,415</u>
Interest received from bank deposit	5,878,296	2,397,804
Income tax paid	(147,147,845)	(326,221,005)
Net cash from operating activities	<u>1,032,918,088</u>	<u>568,355,214</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,797,584,154)	(389,490,597)
Sale of property, plant and equipment	-	1,150,500
Loan realized from associate	102,973,608	36,348,577
Investment in subsidiary and associate	(243,179,950)	-
Disposal proceeds of subsidiaries and associate	374,599,560	-
Interest received from FDR and associate	65,415,094	107,117,449
Intangible assets	(5,673,511)	(5,222,551)
Dividend received	58,775,000	35,405,000
Net cash used in investing activities	<u>(1,444,674,353)</u>	<u>(214,691,622)</u>
Cash flows from financing activities		
Finance charges	(15,447,122)	(7,459,571)
Avail/ (repayment) of short term loan	447,364,206	67,971,622
Avail/ (repayment) of term loan	420,624,802	-
Dividends paid	(836,657,005)	(456,817,003)
Unclaimed share application fund	(1,017,600)	(441,602)
Net cash from/(used in) financing activities	<u>14,867,281</u>	<u>(396,746,554)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(396,888,984)</u>	<u>(43,082,962)</u>
Cash and cash equivalents as at 1 January	<u>1,394,695,836</u>	<u>1,437,778,798</u>
Cash and cash equivalents as at 31 December (Note 14)	<u>997,806,852</u>	<u>1,394,695,836</u>

The notes on pages 124 to 158 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 2015

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) Limited 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.

1.1 Nature of business

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, 1 September 2007 and 1 April 2015 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 03 February 2016.

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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

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 16	Deferred tax liability
Note 17	Employees benefit payable
Note 21	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. 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. 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 profit or loss and other 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. Capital work in progress and land are not depreciated.

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 2015

Electrical installation	10
Gas pipeline	10
Furniture, fixture and equipment	10
Office equipment	10-20
Communication equipment	10-20
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.

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

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

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 assets 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 profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

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 subsidiaries, investment in associates, loans to subsidiaries & associates, trade & other receivables and cash and cash equivalents.

a) Investment in subsidiaries

Investment in subsidiaries are recognised initially at cost plus any directly attributable transaction costs. Subsequent to initial recognition, investment in subsidiaries are measured at cost less impairment loss, if any.

b) 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 cost less impairment loss, if any.

c) Loans to subsidiaries & associate companies

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

d) Trade & other receivables

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

e) Cash and cash equivalents

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

3.5.2 Financial liabilities

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

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

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

a) Trade & other payables

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

b) Borrowings

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

3.6 Leased assets

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

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 stores and consumable spares 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, direct labour and other overheads up to the stage of completion. Finished products are stated at lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of business less the estimated cost of completion and any estimated costs necessary to make the sale. Raw materials in transit are valued at cost.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

3.8 Impairment

Non-derivative financial assets

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

Non-financial assets

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

Calculation of recoverable amount

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

Recognition of impairment

Impairment losses are recognised in profit or loss. Impairment losses in respect of CGUs are allocated first to reduce 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

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

3.10 Employee benefit schemes

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

Defined contribution plan (provident fund)

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

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

Defined benefit plan (gratuity fund)

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 on the basis of his latest basic salary for a completed year of service or for service for a period of more than six months, salary of minimum 30 days, or salary of 45 days for a continuous service for more than ten years, it shall be in addition to any payment of compensation or payment of any wage or allowance in lieu of notice due to termination of services of a worker on different grounds. The expected cost of this benefit is included in respective annual statement of profit or loss and other 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 (Amendment) Act 2013".

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 profit or loss and other comprehensive income.

3.15 Taxation

Income tax expenses comprises current tax and deferred tax. Income tax expense is recognised in the statement of profit or loss and other 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 of the same industry. The tax rate 25% is used for the reporting period 2015 as per Finance Act 2015.

Deferred tax:

Deferred tax has been recognised in accordance with Bangladesh Accounting Standard (BAS) - 12 "Income Tax". 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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

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.

3.16 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 profit or loss and other 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 year.

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 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.

3.22 Comparatives and reclassification

Comparative information have been disclosed in respect of 2015 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

4. Property, plant and equipment

2015

Amount in Taka

Particulars	Cost				Depreciation					Net book value as at 31 Dec 2015
	Balance at 01 Jan 2015	Additions during the year	Sale/ disposal/ Adjustment	Balance as at 31 Dec 2015	Rate	Balance as at 01 Jan 2015	Charged during the year	Sale/ disposal/ Adjustment	Balance as at 31 Dec 2015	
Land	752,102,640	19,164,250	-	771,266,890		-	-	-	-	771,266,890
Factory building	442,855,446	24,500,193	-	467,355,639	5%	212,966,785	22,605,686	-	235,572,471	231,783,168
Factory office building	83,568,695	12,757,294	-	96,325,989	5%	33,969,010	4,184,242	-	38,153,252	58,172,737
Head office building	103,647,545	-	-	103,647,545	5%	38,339,366	5,182,377	-	43,521,743	60,125,802
Plant and machinery	2,872,922,662	383,962,488	-	3,256,885,150	10%	2,269,986,213	180,070,375	-	2,450,056,588	806,828,562
Mobile plant	59,382,460	10,030,322	-	69,412,782	10%	47,829,696	3,631,158	-	51,460,854	17,951,928
Electrical installation	153,384,563	5,003,457	-	158,388,020	10%	125,610,180	8,862,385	-	134,472,565	23,915,455
Gas pipeline	27,115,647	3,321,512	-	30,437,159	10%	26,093,404	594,637	-	26,688,041	3,749,118
Furniture and fixtures	25,843,061	3,066,824	-	28,909,885	10%	17,622,037	2,492,850	-	20,114,887	8,794,998
Office equipment	22,352,310	70,980,246	-	93,332,556	10-20%	15,708,079	3,102,485	-	18,810,564	74,521,992
Communication equipment	7,248,747	2,759,503	-	10,008,250	10-20%	3,351,576	710,118	-	4,061,694	5,946,556
Tools and appliances	7,607,535	1,007,692	-	8,615,227	10%	5,011,392	631,082	-	5,642,474	2,972,753
Vehicles	60,456,745	4,767,228	-	65,223,973	10%	23,659,186	5,922,881	-	29,582,067	35,641,906
Total at 31 December 2015	4,618,488,056	541,321,009	-	5,159,809,065		2,820,146,924	237,990,276	-	3,058,137,200	2,101,671,865

2014

Amount in Taka

Particulars	Cost				Depreciation					Net book value as at 31 Dec 2014
	Balance at 01 Jan 2014	Additions during the year	Sale/ disposal/ Adjustment	Balance as at 31 Dec 2014	Rate	Balance at 01 Jan 2014	Charged during the year	Sale/ disposal/ Adjustment	Balance as at 31 Dec 2014	
Land	737,685,640	14,417,000	-	752,102,640		-	-	-	-	752,102,640
Factory building	430,017,773	12,837,673	-	442,855,446	5%	191,368,257	21,598,528	-	212,966,785	229,888,661
Factory office building	77,153,949	6,414,746	-	83,568,695	5%	29,865,712	4,103,298	-	33,969,010	49,599,685
Head office building	103,647,545	-	-	103,647,545	5%	33,156,989	5,182,377	-	38,339,366	65,308,179
Plant and machinery	2,787,004,701	85,917,961	-	2,872,922,662	10%	2,088,582,292	181,403,921	-	2,269,986,213	602,936,449
Mobile plant	55,710,184	3,672,276	-	59,382,460	10%	44,266,609	3,563,087	-	47,829,696	11,552,764
Electrical installation	153,384,563	-	-	153,384,563	10%	114,904,140	10,706,040	-	125,610,180	27,774,383
Gas pipeline	27,115,647	-	-	27,115,647	10%	25,522,391	571,013	-	26,093,404	1,022,243
Furniture and fixtures	25,232,163	610,898	-	25,843,061	10%	15,294,776	2,327,261	-	17,622,037	8,221,024
Office equipment	21,022,072	1,330,238	-	22,352,310	10-20%	13,247,365	2,460,714	-	15,708,079	6,644,231
Communication equipment	6,686,781	561,966	-	7,248,747	10-20%	2,599,385	752,191	-	3,351,576	3,897,171
Tools and appliances	7,114,816	492,719	-	7,607,535	10%	4,448,354	563,038	-	5,011,392	2,596,143
Vehicles	51,439,451	11,540,125	(2,522,831)	60,456,745	10%	20,955,187	4,870,058	(2,166,059)	23,659,186	36,797,559
Total at 31 December 2014	4,483,215,285	137,795,602	(2,522,831)	4,618,488,056		2,584,211,457	238,101,526	(2,166,059)	2,820,146,924	1,798,341,132

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

4.1 Depreciation charged on the basis of the purpose of use

	2015	2014
	Taka	Taka
Cost of goods manufactured (Note-23.1)	216,395,322	218,405,626
Administrative expenses (Note-25)	21,594,954	19,695,900
	<u>237,990,276</u>	<u>238,101,526</u>

4.2 Disposal of property, plant and equipment Year 2015

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against sale.	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
No disposal	-	-	-		-
Total	-	-	-		-

Year 2014

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against sale.	Profit/(loss) on disposal
	Taka	Taka	Taka		
CNG Conversion	119,700	39,565	80,135	380,000	299,865
Vehicle	2,403,131	2,126,494	276,637	770,500	493,863
Total	2,522,831	2,166,059	356,772	1,150,500	793,728

5 Intangible assets

Balance as at 1 January
Add: Addition during the year

Less: Amortised during the year
Balance as at 31 December

	2015	2014
	Taka	Taka
	4,815,453	1,607,014
	5,673,511	5,222,551
	10,488,964	6,829,565
	3,805,009	2,014,112
	<u>6,683,955</u>	<u>4,815,453</u>

The intangible assets represent cost of Various licenses 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)
Impairment loss on capital equipment
Balance as at 31 December

	289,116,566	35,091,397
	1,767,883,626	365,197,998
	2,057,000,192	400,289,395
	506,960,135	108,842,656
	4,660,347	2,330,173
	<u>1,545,379,710</u>	<u>289,116,566</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

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

	2015 Taka	2014 Taka
Factory office building	12,757,294	6,414,746
Factory building	24,500,193	12,837,673
Plant and machinery	384,578,817	85,917,961
Mobile Plant	10,030,322	3,672,276
Electrical installation	5,003,457	-
Gas pipe line	3,321,512	-
Furniture & fixture	495,965	-
Office equipment	64,956,072	-
	1,316,503	-
	506,960,135	108,842,656

7 Investment in subsidiaries and associates (Note-7.1)

Investment in subsidiaries

RAK Power Pvt. Ltd.	341,629,950	116,850,000
	341,629,950	116,850,000

Investment in associates

RAK Security & Services Pvt. Ltd.	18,750,000	350,000
RAK Paints Pvt. Ltd.	-	246,750,000
RAK-Mosfly (Bangladesh) Pvt. Ltd.	-	19,250,000
	18,750,000	266,350,000
	360,379,950	383,200,000

7.1 Details of investments in subsidiaries and associates

Name of subsidiaries/ associates	Nature of business	% of holding		Investment/Taka	Investment/Taka
		2015	2014		
RAK Pharmaceuticals Pvt. Ltd	Pharmaceuticals business	-	55	-	361,914,560
RAK Power Pvt. Ltd	Electricity generation	100	57	341,629,950	116,850,000
RAK Security & Services Pvt. Ltd	Security services provider	100	35	18,750,000	350,000
RAK Paints Pvt. Ltd.	Paints products	-	47	-	246,750,000
RAK-Mosfly (Bangladesh) Pvt. Ltd.	Pesticides products	-	20	-	19,250,000

8 Investment held for sale

	2015 Taka	2014 Taka
RAK Pharmaceuticals Pvt. Ltd.	-	361,914,560
	-	361,914,560

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

9 Loan to disposed subsidiary and associate

Non-current

RAK Pharmaceuticals Pvt. Ltd

RAK Paints Pvt. Ltd

Less : Provision for outstanding loan

Current:

RAK Pharmaceuticals Pvt. Ltd *

RAK Paints Pvt. Ltd

* It represents the value of corporate office space (10th floor of RAK tower) for which ownership transfer to RAK Ceramics (Bangladesh) Limited is under process.

10 Inventories

Raw materials

Less : Provision for obsolescence made during the year

Stores and consumables spares

Finished goods

Work-in-process

Goods-in-transit

11 Trade and other receivables

Non-current:

Accrued interest on loan to subsidiary

Less : Provision for accrued interest on loan to subsidiary

Receivable against disposal of investment (Note-11.3)

Current:

Trade receivables (Note-11.1)

Accrued interest (Note-11.2)

Receivable against disposal of investment (Note-11.3)

	2015	2014
	Taka	Taka
	-	500,000,000
	-	18,193,968
	-	518,193,968
	-	253,984,000
	-	264,209,968
	201,898,000	-
	-	40,661,640
	201,898,000	40,661,640
	852,533,747	702,273,301
	4,665,753	2,620,004
	847,867,994	699,653,297
	900,614,223	823,178,387
	216,781,132	100,488,293
	37,268,593	24,813,352
	180,144,364	126,554,452
	2,182,676,306	1,774,687,781
	-	187,146,983
	-	187,146,983
	148,050,000	-
	148,050,000	-
	522,140,620	559,888,879
	3,069,778	9,623,896
	86,710,000	6,120,000
	611,920,398	575,632,775

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

11.1 Trade receivables

Receivable from dealers
Receivable from export sales

11.2 Accrued interest

Interest accrued on FDR
Interest accrued on loan to subsidiaries

Less : Write off of interest and loan to subsidiary

11.3 Receivable against disposal of investment

Classic Porcelain Pvt. Ltd.
RAK Food & Beverage Pvt. Ltd.
RAK-Mosfly (Bangladesh) Pvt. Ltd.
RAK Paints Pvt. Ltd. *

* Receivable against disposal of investment includes Taka. 222,075,000 relating to RAK Paints (Pvt.) Ltd. in which Taka 74,025,000 shown as Current receivable and remaining is Non current receivable.

12 Advances, deposits and prepayments

Advances:

Employees
Purchase of land and others
Suppliers against materials and services

Security and other deposit:

Titas gas
Mymensingh Palli Bidyut Samity-2
VAT and Supplementary Duty (Note-12.1)
Deposited with income tax authority
Deposited with VAT authority
Other deposits

Prepayments:

House rent
Insurance

	2015 Taka	2014 Taka
	521,496,316	556,479,058
	644,304	3,409,821
	522,140,620	559,888,879
	3,069,778	9,623,896
	10,100,916	137,417,568
	13,170,694	147,041,464
	10,100,916	137,417,568
	3,069,778	9,623,896
	2,550,000	5,100,000
	510,000	1,020,000
	9,625,000	-
	222,075,000	-
	234,760,000	6,120,000
	6,000	141,984
	28,421,141	4,666,166
	158,568,287	233,484,313
	186,995,428	238,292,463
	14,342,370	14,342,370
	1,955,000	1,955,000
	57,875,829	40,633,658
	9,705,739	9,705,739
	7,530,001	8,187,661
	1,491,853	652,925
	92,900,792	75,477,353
	10,625,974	8,307,000
	41,889,833	36,666,250
	52,515,807	44,973,250
	332,412,027	358,743,066

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

12.1 VAT and supplementary duty

Balance as at 1 January	
Add: Treasury deposit for SD & VAT purpose	
Rebate of input VAT	
 Add: Receivable - SD & VAT	
 Less: SD & VAT on sales	
Payable - SD & VAT	
Payable - VAT on disposal of raw material	

Balance as at 31 December

13 Advance income tax

Balance as at 1 January	
Add: Paid during the year	
 Less : Adjustment during the year	

13.1 Head wise payment

Import	
Export	
Supplies	
Interest on bank deposit	
Rental income	
Registration	
Dividend	
Paid in cash	

13.2 Year wise closing balance

Income year	
Year 2015	
Year 2014	
Year 2013	
Year 2012	
Year 2011	
Year 2010	
Year 2009	
Year 2008	
Year 2007	
Year 2006 (Unadjusted balance)	

	2015	2014
	Taka	Taka
	40,633,658	28,517,569
	987,000,000	1,049,000,000
	298,183,784	240,376,430
	1,325,817,441	1,317,893,999
	657,660	39,435
	1,326,475,101	1,317,933,434
	1,268,182,333	1,272,063,732
	416,940	1,227,418
	-	4,008,626
	1,268,599,273	1,277,299,776
	57,875,829	40,633,658
	1,912,281,758	1,586,060,753
	147,147,845	421,372,861
	2,059,429,603	2,007,433,614
	-	95,151,856
	2,059,429,603	1,912,281,758
	525,852,240	451,476,904
	1,594,532	898,521
	119,221	119,221
	54,653,923	47,881,767
	1,844,999	1,451,086
	2,118,201	1,664,701
	31,899,500	20,144,500
	1,441,346,987	1,388,645,058
	2,059,429,603	1,912,281,758
	114,445,916	-
	253,701,667	223,701,667
	352,440,807	352,440,807
	301,027,378	301,027,378
	322,755,413	322,755,413
	263,692,205	260,990,276
	218,086,876	218,086,876
	85,378,847	85,378,847
	124,813,161	124,813,161
	23,087,333	23,087,333
	2,059,429,603	1,912,281,758

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

14 Cash and cash equivalents

Cash in hand

Cash at banks

HSBC (current account - 001-013432-011 - Taka)

Standard Chartered Bank (current account - 01-6162940-01 - Taka)

Citibank N.A. (current account - G010000200262018 - Taka)

Dutch Bangla Bank Ltd. (current account - 117 - 110 - 12733 - Taka)

HSBC (ERQ account - 001-013432-047 - USD)

Standard Chartered Bank (ERQ - 42-6162940-01 - USD)

EXIM Bank (SND account - 01513100031877 - Taka)

Dutch Bangla Bank Ltd. (SND account - 117-120-589 - Taka)

BRAC Bank (STD - 1513101731248001 - Taka)

Prime Bank Ltd. (SND - 12531010022563 - Taka)

Commercial Bank of Ceylon (SND - 2817000777 - Taka)

IPO bank account

Citibank N.A. (RAK-IPO Central Account - G010001200262022 - Taka)

Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262042 - USD)

Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262026 - EURO)

Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262034 - GBP)

Dividend bank account

BRAC Bank (Current - 1510201731248001 - Taka) - 2010

BRAC Bank (Current - 1513201731248001 - Taka) - 2011

SCB (Current - 02-6162940-02 - Taka) - 2012

SCB (Current - 02-6162940-03 - Taka) - 2013

SCB (Current - 02-6162940-04 - Taka) - 2014

Investment in Fixed Deposit Receipt (FDR)

HSBC

Prime Bank Ltd.

Dutch Bangla Bank Ltd.

Total

	2015	2014
	Taka	Taka
Cash in hand	1,550,778	1,183,111
Cash at banks		
HSBC (current account - 001-013432-011 - Taka)	40,554,823	23,545,940
Standard Chartered Bank (current account - 01-6162940-01 - Taka)	62,560,788	96,648,206
Citibank N.A. (current account - G010000200262018 - Taka)	11,566,925	15,966,434
Dutch Bangla Bank Ltd. (current account - 117 - 110 - 12733 - Taka)	18,646,192	12,674,083
HSBC (ERQ account - 001-013432-047 - USD)	4,595,333	346,764
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	267,806	1,108
EXIM Bank (SND account - 01513100031877 - Taka)	113,239	526,074
Dutch Bangla Bank Ltd. (SND account - 117-120-589 - Taka)	114,803,043	89,933,452
BRAC Bank (STD - 1513101731248001 - Taka)	354,466	346,514
Prime Bank Ltd. (SND - 12531010022563 - Taka)	14,168,711	50,777,650
Commercial Bank of Ceylon (SND - 2817000777 - Taka)	7,792,797	1,668,460
	275,424,123	292,434,685
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - Taka)	389,032	1,394,797
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262042 - USD)	3,941,472	3,941,472
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
	4,610,705	5,616,470
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - Taka) - 2010	2,636,151	2,536,000
BRAC Bank (Current - 1513201731248001 - Taka) - 2011	2,326,783	2,237,667
SCB (Current - 02-6162940-02 - Taka) - 2012	3,893,227	3,884,188
SCB (Current - 02-6162940-03 - Taka) - 2013	16,679,336	16,803,715
SCB (Current - 02-6162940-04 - Taka) - 2014	5,685,749	-
	31,221,246	25,461,570
Investment in Fixed Deposit Receipt (FDR)		
HSBC	30,000,000	30,000,000
Prime Bank Ltd.	155,000,000	280,000,000
Dutch Bangla Bank Ltd.	500,000,000	760,000,000
	685,000,000	1,070,000,000
Total	997,806,852	1,394,695,836

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

15 Share capital

Authorised

600,000,000 ordinary shares of Tk 10 each

Issued, subscribed, called and paid up

336,850,611 ordinary shares of Tk 10 each

Percentage of shareholding:

	2015		2014	
	%	Taka	%	Taka
RAK Ceramics PSC, UAE	71.67	2,414,100,210	72.41	2,439,100,210
SAK Ekramuzzaman	4.22	142,119,850	4.81	162,119,850
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	280	0.00	280
Sheikh Omer Bin Saqr Al Qassimi	0.00	280	0.00	280
Sheikh Ahmad Bin Humaid al Qassimi	0.00	280	0.00	280
Hamad Abdulla Al Muttawa	0.00	140	0.00	140
Dr. Khater Massaad	0.00	140	0.00	140
Abdallah Massaad	0.00	140	0.00	140
Manoj Uttamrao Ahire	0.00	140	0.00	140
General Public	24.11	812,284,650	22.78	767,284,650
	100.00	3,368,506,110	100.00	3,368,506,110

Classification of shareholders by range

Shareholder's range	Number of shareholders		Number of shares	
	2015	2014	2015	2014
Less than 500 shares	32,023	41,596	6,687,947	8,569,150
501 to 5,000 shares	8,478	10,676	11,550,626	14,479,036
5001 to 10,000 shares	623	677	4,591,318	4,863,871
10,001 to 20,000 shares	302	288	4,371,383	4,124,063
20,001 to 30,000 shares	110	91	2,717,968	2,266,150
30,001 to 40,000 shares	47	39	1,695,813	1,372,875
40,001 to 50,000 shares	31	36	1,400,209	1,656,884
50,001 to 100,000 shares	77	65	5,437,755	4,686,055
100,001 to 1,000,000 shares	76	44	21,716,461	10,851,017
Over 1,000,000 shares	8	8	276,681,131	283,981,510
	41,775	53,520	336,850,611	336,850,611

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

16 Deferred tax liability

		2015	2014
		Taka	Taka
Balance as at 1 January		41,564,780	56,957,686
Deferred tax income		(3,328,681)	(15,392,906)
Balance as at 31 December		38,236,099	41,564,780
	Carrying amount on the date of statement of financial position		Taxable/ (deductible) temporary difference
		Tax base	
		Taka	Taka
As at 31 December 2015			
Property, plant and equipment (Excluding land and others)	1,202,808,738	1,035,588,065	167,220,673
Provision for obsolescence	(7,285,757)	-	(7,285,757)
Impairment loss on capital equipment	(6,990,520)	-	(6,990,520)
Net taxable temporary difference			152,944,396
Deferred tax liability (applying tax rate 25.00%)			38,236,099
As at 31 December 2014			
Property, plant and equipment (Excluding land and others)	902,605,352	746,510,519	156,094,833
Provision for obsolescence	(2,620,004)	-	(2,620,004)
Impairment loss on capital equipment	(2,330,173)	-	(2,330,173)
Net taxable temporary difference			151,144,656
Deferred tax liability (applying tax rate 27.50%)			41,564,780
17 Employees benefits payable		2,851,979	2,533,320
Provident fund		21,052,536	68,155,006
Gratuity fund		23,904,515	70,688,326

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	2015		
	Provident Fund Taka	Gratuity Fund Taka	Total Taka
Balance as at 1 January	2,533,320	68,155,006	70,688,326
Add: Provision made during the year	34,102,340	21,052,536	55,154,876
	36,635,660	89,207,542	125,843,202
Less: Payments made to fund during the year	33,783,681	68,155,006	101,938,687
Balance as at 31 December	2,851,979	21,052,536	23,904,515

	2014		
	Provident Fund Taka	Gratuity Fund Taka	Total Taka
Balance as at 1 January	2,025,431	10,817,745	12,843,176
Add: Provision made during the year	29,098,942	68,155,006	97,253,948
	31,124,373	78,972,751	110,097,124
Less: Payments made to fund during the year	28,591,053	10,817,745	39,408,798
Balance as at 31 December	2,533,320	68,155,006	70,688,326

18 Borrowings

Non-current:

Term loan -HSBC

Less : Current portion of term loan - HSBC

Current:

Short term borrowings - HSBC

Short term borrowings - SCB

Current portion of term loan - HSBC

Balance as at 31 December

	2015 Taka	2014 Taka
	497,742,616	-
	(77,117,814)	-
	420,624,802	-
	644,332,280	223,321,289
	49,669,275	100,433,874
	77,117,814	-
	771,119,369	323,755,163
	1,191,744,171	323,755,163

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

18.1 Borrowings by maturity

At 31 December 2015	< 1 year	1-2 years	2-5 years	> 5 years	Total
Short-term borrowings	694,001,555	-	-	-	694,001,555
Term loan	77,117,814	124,789,765	295,835,037	-	497,742,616
	771,119,369	124,789,765	295,835,037	-	1,191,744,171

At 31 December 2014	< 1 year	1-2 years	2-5 years	> 5 years	Total
Short-term borrowings	323,755,163	-	-	-	323,755,163
	323,755,163	-	-	-	323,755,163

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.

18.2 Facilities details

Bank	Name of facilities	Limit	Utilisation	Maturity	Repayment	Security - STL	Security - LTL
SCB	Overdraft Short term loan	50,000,000 350,000,000	- 49,669,275	Revolving 180/360 days from B/L date	From company's own source	1) Letter of comfort,	
HSBC	Overdraft Short term loan Long term loan	25,000,000 540,000,000 1,366,872,000	- 644,332,280 497,742,616	Revolving 180/360 days from B/L date 5 years	From company's own source	2) Hypothecation over plant & machinery on pari - passu basis with other lenders.	1) Land,
Citibank N.A.	Overdraft Short term loan	50,000,000 700,000,000	- -	Revolving 180/360 days from B/L date	From company's own source	3) Hypothecation over stock & book debts on a pari - passu basis with other lenders.	2) Plant and machinery of the expansion plant.
Dutch- Bangla Bank Ltd.	Overdraft Short term loan	25,000,000 125,000,000	- -	Revolving 180/360 days from B/L date	From company's own source	4) Demand promissory note.	

19 Trade and other payables

Trade payables

Payable to local suppliers
Payable to foreign suppliers
Payable to service provider
Payable to C & F agent

	2015	2014
	Taka	Taka
	173,351,469	116,680,316
	329,901,031	113,317,401
	42,540,947	36,951,327
	18,636,933	29,259,647
	564,430,380	296,208,691

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	2015	2014
	Taka	Taka
Other payables		
Tax deducted at source	18,192,562	13,817,816
VAT deducted at source	7,150,741	2,102,495
Dividend Payable	30,538,272	25,068,749
Unclaimed share application	18,773,636	19,791,236
Advance from customer against sales	21,575,188	12,775,648
Claim payable to employee	-	320,760
Security deposit	1,900,492	91,740
	98,130,892	73,968,444
Total	662,561,271	370,177,135
20 Accrued expenses		
Power and gas	11,309,101	11,101,545
Staff cost	59,849,699	42,413,687
Audit fees	800,000	800,000
Taxation matter	200,000	200,000
Interest on short term loan	4,035,081	669,474
Telephone	139,882	148,650
Managing Director's remuneration (Note-20.1)	34,075,485	13,831,774
Workers profit participation and welfare fund (Note-20.2)	54,064,400	21,864,611
Royalty and technical know-how fee (Note-20.3)	2,399,388	38,585,967
	166,873,036	129,615,708
20.1 Managing Director's remuneration		
Balance as at 1 January	13,831,774	38,340,648
Add: Payable to Managing Director	34,075,485	13,831,774
	47,907,259	52,172,422
Less: Paid to Managing Director	13,831,774	38,340,648
Balance as at 31 December	34,075,485	13,831,774
20.2 Workers' profit participation and welfare fund		
Balance as at 1 January	21,864,611	59,111,329
Add: Contribution made to the fund during the year	54,064,400	21,864,611
	75,929,011	80,975,940
Less: Payment made from the fund during the year	21,864,611	59,111,329
Balance as at 31 December	54,064,400	21,864,611

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

22 Sales

	Unit	2015		2014	
		Quantity in mn	Amount Taka	Quantity in mn	Amount Taka
Local					
Tiles	Sft	64.19	3,913,702,582	65.27	3,922,694,679
Decor/Border	Pcs	0.60	74,584,146	0.77	99,802,757
Sanitary ware	Pcs	1.30	2,266,370,225	1.33	2,232,169,404
			6,254,656,953		6,254,666,840
Less: Supplementary duty			452,357,549		456,237,754
			5,802,299,404		5,798,429,086
Less: VAT			815,824,784		815,825,978
			4,986,474,620		4,982,603,108
Export					
Tiles	Sft	0.44	25,356,146	0.49	26,784,010
Sanitary ware	Pcs	0.0007	1,203,487	-	-
			5,013,034,253		5,009,387,118

23 Cost of sales

	2015 Taka	2014 Taka
Opening stock of finished goods	100,488,293	201,583,295
Add : Stock of seat & cover	6,170,134	-
	106,658,427	-
Add: Cost of goods manufactured (note-23.1)	3,125,511,345	3,060,364,565
Cost of goods available for sale	3,232,169,772	3,261,947,860
Less: Closing stock of finished goods	216,781,132	100,488,293
	3,015,388,640	3,161,459,567

23.1 Cost of goods manufactured

	2015 Taka	2014 Taka
Material consumed:		
Opening stock	699,653,297	870,909,534
Add: Purchase during the year	1,699,999,889	1,406,944,096
Less: Closing stock	847,867,994	699,653,297
	1,551,785,192	1,578,200,333

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	2015	2014
	Taka	Taka
Factory overhead:		
Direct labour (note-23.1.1)	323,396,519	298,525,065
Direct expenses:		
Power and gas	428,474,295	390,146,061
Repairs and indirect materials (note-23.1.2)	553,558,125	514,575,894
Moulds and punches	32,029,495	27,418,733
Depreciation (Note 4.1)	216,395,322	218,405,626
Royalty and technical know-how fees (23.1.3)	497,101	1,902,287
Other production overhead (note-23.1.4)	31,830,537	28,337,020
	<u>1,586,181,394</u>	<u>1,479,310,686</u>
	3,137,966,586	3,057,511,019
	24,813,352	27,666,898
	37,268,593	24,813,352
	<u>3,125,511,345</u>	<u>3,060,364,565</u>
23.1.1 Direct labour		
Salary & wages	183,299,278	155,641,615
Overtime	20,059,144	16,507,859
Bonus	27,515,079	22,227,890
Incentive	11,651,580	5,491,672
Temporary labour wages	55,442,744	44,554,610
Gratuity	13,672,491	44,157,264
Employers contribution to provident fund	10,373,380	8,557,052
Group life insurance	1,382,823	1,387,103
	<u>323,396,519</u>	<u>298,525,065</u>
23.1.2 Repair and indirect materials		
Stores, spares, repair & maintenance	292,264,110	274,599,693
Packing expenses	261,294,015	239,976,201
	<u>553,558,125</u>	<u>514,575,894</u>
23.1.3 Royalty & technical know how fees		
Royalty and technical know-how fee	80,414,124	32,641,354
Less: Tax provision on disallowance of royalty paid for the year 2008	-	30,739,067
Less: Tax provision on disallowance of royalty paid for the year 2009	25,000,000	-
Less: Tax provision on disallowance of royalty paid for the year 2010	36,160,532	-
Less: Provision for interest being delay payment of vat on royalty for the year 2010	18,756,491	-
	<u>497,101</u>	<u>1,902,287</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	2015	2014
	Taka	Taka
23.1.4 Other production overhead		
Hotel fare and expenses for technician	5,210,385	4,054,205
Demurrage	4,142,877	5,817,167
Insurance	12,804,226	12,509,430
Impairment loss on capital equipment	4,660,347	2,330,173
Provision for obsolescence	4,665,753	2,620,004
Other expenses	346,949	1,006,041
	<u>31,830,537</u>	<u>28,337,020</u>
24 Other income		
Dividend income	58,775,000	35,405,000
Rental income	7,878,261	7,878,261
Profit on sale of fixed assets	-	793,728
	<u>66,653,261</u>	<u>44,076,989</u>
25 Administrative expenses		
Staff cost (note-25.1)	117,337,858	116,744,266
Meeting expenses-Admin	28,193,198	18,992,681
Telephone and postage	6,440,638	4,230,621
Office repair and maintenance (note-25.2)	9,050,231	9,085,235
Registration and renewal	1,053,742	1,221,401
Security and guard expenses	12,032,300	12,301,822
Electricity, gas and water	6,070,905	6,154,408
Depreciation (Note 4.1)	21,594,954	19,695,900
Amortization (Note 5)	3,805,009	2,014,112
Legal and professional fees	7,537,492	5,013,463
Vehicle repair and maintenance	9,078,048	8,374,181
Rent rate and tax	8,985,085	6,597,454
CSR expenses	3,494,124	2,898,000
Write off of loan and interest	10,100,916	578,548,552
Impairment loss of investment (Note 36.2)	24,675,000	155,106,240
Others	5,137,930	4,766,619
Managing Director's remuneration (note-25.3)	34,075,485	13,831,774
	<u>308,662,916</u>	<u>965,576,729</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	2015	2014
	Taka	Taka
25.1 Staff cost		
Salary & wages	80,284,412	71,327,703
Bonus	11,139,763	9,350,510
Incentive	5,406,921	4,168,551
Gratuity	5,579,978	19,191,678
Employers contribution to provident fund	4,442,198	4,009,091
Group life insurance	576,421	594,668
Canteen expenses	1,166,515	991,693
Staff uniform expenses	346,534	390,899
Hotel, tour, food and air ticket	4,485,464	4,213,682
Food expenses	3,042,004	2,062,011
Medical expenses	423,089	294,258
Accommodation expenses	444,559	149,522
	<u>117,337,858</u>	<u>116,744,266</u>
25.2 Office repair & maintenance		
Repairs office equipment	652,724	679,572
Office maintenance	8,397,507	8,405,663
	<u>9,050,231</u>	<u>9,085,235</u>
25.3 This represents provision made @ 3% of net profit before tax.		
26 Marketing & selling expenses		
Staff cost (note-26.1)	34,773,928	27,678,387
Advertisement	14,143,967	20,563,727
Freight and transportation	222,315,294	194,983,067
Performance Rebates (note-26.2)	214,502,266	230,416,756
Business promotion	24,581,105	23,176,142
Discount	145,491,345	155,425,577
Travel, entertainment and others	31,874,953	12,502,613
	<u>687,682,858</u>	<u>664,746,269</u>
26.1 Staff cost		
Salary & wages	24,711,010	17,164,411
Bonus	3,436,159	2,888,064
Incentive	2,881,905	1,445,730
Gratuity	1,800,067	4,806,064
Employers contribution to provident fund	1,334,252	938,762
Group life insurance	178,720	149,112
Food expenses	431,815	286,244
	<u>34,773,928</u>	<u>27,678,387</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	2015	2014
	Taka	Taka
26.2 Performance rebates		
Compensation	18,351,094	28,046,174
Dealers' commission	91,585,365	98,294,546
Breakage commission	104,565,807	104,076,036
	<u>214,502,266</u>	<u>230,416,756</u>
27 Finance income		
Interest on bank account (SND)	5,878,296	2,397,804
Interest on loan to subsidiary & associate	13,353,532	89,030,563
Interest on FDR	55,608,360	93,153,603
Exchange gain	11,371,840	20,352,892
	<u>86,212,028</u>	<u>204,934,862</u>
28 Finance expenses		
Interest expenses	17,491,924	6,721,529
Bank charges	1,320,806	738,042
	<u>18,812,730</u>	<u>7,459,571</u>
29 Income tax expenses		
Current year	274,419,022	339,893,487
Other tax provision	54,917,023	70,739,067
	<u>329,336,045</u>	<u>410,632,554</u>
30 Transaction in foreign currency		
CIF value of import:		
Raw materials	1,106,770,147	898,369,493
Spare parts	282,864,227	186,655,991
Capital machinery	1,103,235,000	231,745,996
Expenditure:		
Royalty, consultancy & training fees	30,125,868	114,990,504
Dividend	579,286,300	315,974,346
Earning in foreign currency:		
FOB value of exports	26,559,633	26,784,010
	<u>3,128,841,175</u>	<u>1,774,520,340</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

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

Quantity in mn

Description	Unit	Opening stock	Purchase / Production	Sale / Consumption	Closing stock
		Quantity	Quantity	Quantity	Quantity
Raw materials	KG				
Current year		103.95	186.99	169.58	121.36
Previous year		122.43	147.79	166.27	103.95
Finished goods					
Tiles:	Sft				
Ceramics/granite					
Current year		2.60	64.75	64.63	2.72
Previous year		5.48	62.89	65.77	2.60
Decor/border	Pcs				
Current year		0.10	0.59	0.60	0.09
Previous year		0.10	0.77	0.77	0.10
Sanitaryware:					
Sanitary items	Pcs				
Current year		0.02	1.42	1.30	0.14
Previous year		0.05	1.30	1.33	0.02

23.2.2 Production capacity and actual production are given below:

2015

Quantity in mn

Production	Unit	Installed Capacity	Utilisation during the year	% of Utilisation	Over/(Under) Utilisation
		Annual			
Tiles	Sft	86.40	64.75	75%	(21.66)
Sanitary ware	Pcs	1.45	1.42	98%	(0.03)

2014

Quantity in mn

Production	Unit	Installed Capacity	Utilisation during the year	% of Utilisation	Over/(Under) Utilisation
		Annual			
Tiles	Sft	86.40	62.89	73%	(23.51)
Sanitary ware	Pcs	1.10	1.30	118%	0.20

31 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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

31.1 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 USD		Amount in Taka	
	As at 31 Dec 2015	As at 31 Dec 2014	As at 31 Dec 2015	As at 31 Dec 2014
Trade receivables				
Customer-Local	-	-	521,496,316	556,479,058
Customer-Export	8,260	43,744	644,304	3,409,821
	<u>8,260</u>	<u>43,744</u>	<u>522,140,620</u>	<u>559,888,879</u>
Other receivables				
Accrued Interest			3,069,778	9,623,896
Receivable against disposal of investment			234,760,000	6,120,000
			<u>237,829,778</u>	<u>15,743,896</u>
Loan to disposed subsidiary & associate				
RAK Pharmaceuticals Pvt. Ltd			201,898,000	246,016,000
RAK Paint Pvt. Ltd.			-	58,855,608
			<u>201,898,000</u>	<u>304,871,608</u>
Cash equivalents			<u>996,256,074</u>	<u>1,393,512,725</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

b) Aging of receivables

The aging of trade receivables as at 31 December was:

Not past due

0-90 days past due

Amount in Taka	
As at 31 Dec 2015	As at 31 Dec 2014
522,140,620	559,888,879

31.2 Liquidity risk

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

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

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

	As at 31 Dec 2015			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Short term borrowing	694,001,555	694,001,555	694,001,555	-
Long term borrowing	497,742,616	497,742,616	77,117,814	420,624,802
Trade and other payables	662,561,271	662,561,271	662,561,271	-
	<u>1,854,305,442</u>	<u>1,854,305,442</u>	<u>1,433,680,640</u>	<u>420,624,802</u>

	As at 31 Dec 2014			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Short term borrowing	323,755,163	323,755,163	323,755,163	-
Trade and other payables	370,177,135	370,177,135	370,177,135	-
	<u>693,932,298</u>	<u>693,932,298</u>	<u>693,932,298</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

31.3 Market risk

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

a) Currency risk

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

i) Exposure to currency risk

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

	As at 31 Dec 2015			As at 31 Dec 2014		
	USD	EURO	JPY	USD	EURO	AED
Foreign currency denominated assets						
Receivables from customers-Export	8,260	-	-	43,744	-	-
Cash at bank	62,348	-	-	4,463	-	-
	70,608	-	-	48,207	-	-
Foreign currency denominated liabilities						
Trade payables	635,721	1,214,844	-	39,122	792,081	-
Short term borrowings	2,148,305	5,932,170	5,145,000	2,178,966	1,529,916	4,900,000
Long term borrowings	6,300,539	-	-	-	-	-
Royalty & Technical Fees	30,372	-	-	488,739	-	-
	9,114,937	7,147,014	5,145,000	2,706,827	2,321,997	4,900,000
Net exposure	(9,044,329)	(7,147,014)	(5,145,000)	(2,658,620)	(2,321,997)	(4,900,000)

The Company has foreign exchange gain of Tk 11,371,840 during the year ended 31 December 2015 (31 Dec 2014: Exchange gain Tk 20,352,892).

The following significant exchange rates have been applied:

	Exchange rate	
	As at 31 Dec 2015	As at 31 Dec 2014
USD	78.5000	78.4500
EURO	85.8006	95.0040
AED	-	21.0312
JPY	0.6518	0.6608

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

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 JPY at 31 December would have increased/(decreased) profit or loss by the amounts shown below.

	As at 31 Dec 2015		As at 31 Dec 2014	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
<u>At 31 December</u>				
USD (3 percent movement)	(279,722)	263,427	(82,225)	77,436
EURO (3 percent movement)	(221,042)	208,165	(71,814)	67,631
JPY (3 percent movement)	(159,124)	149,854	(151,546)	142,718

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 2015	As at 31 Dec 2014
Fixed rate instruments		
Financial assets		
Investment in FDR	685,000,000	1,070,000,000
Cash at banks	311,256,075	323,512,724
Financial liabilities		
Long term borrowing	497,742,616	-
Short term borrowing	694,001,555	323,755,163

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	Amount in Taka		Amount in Taka	
	As at 31 Dec 2015		As at 31 Dec 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Held to maturity assets				
Investment in FDR	685,000,000	685,000,000	1,070,000,000	1,070,000,000
Loans and receivables				
Trade receivables	522,140,620	522,140,620	559,888,879	559,888,879
Other receivables	237,829,778	237,829,778	15,743,896	15,743,896
Loan to disposed subsidiary & associate	201,898,000	201,898,000	304,871,608	304,871,608
Cash equivalents	996,256,074	996,256,074	1,393,512,725	1,393,512,725
Available for sale financial assets				
Financial liabilities				
Liabilities carried at amortised costs				
Short term borrowing	694,001,555	694,001,555	323,755,163	323,755,163
Long term borrowing	497,742,616	497,742,616	-	-
Trade and other payables	662,561,271	662,561,271	370,177,135	370,177,135

Accounting classification and fair values as at 31 December 2015 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 2015	As at 31 Dec 2014
Investment in FDR	4.20%-7.00%	6.40%-8.25%
Bank overdraft	12%-13.50%	12%-13.50%
Short term bank loan (local currency)	12%-13.50%	12%-13.50%
Short term bank loan (foreign currency/USD)	Libor+(2.75%-3.00%)	Libor+(2.75%-3.84%)

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

32 Related party disclosures under BAS-24

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

32.1

Name of related party	Relationship	Period	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables	Outstanding payable	Remuneration	Loan	Interest receivables
RAK Pharmaceuticals Pvt. Ltd	Subsidiary	Current year	-	-	201,898,000	-	-	-	-
		Previous year	-	-	-	-	-	-	-
RAK Power Pvt. Ltd	Subsidiary	Current year	287,431,234	5,478,261	-	27,282,047	-	-	-
		Previous year	247,161,964	5,478,261	-	20,866,849	-	-	-
RAK Security & Services Pvt. Ltd	Associates	Current year	77,977,779	-	-	7,498,230	-	-	-
		Previous year	59,400,414	-	-	5,111,158	-	-	-
RAK Paints Pvt. Ltd.	Associates	Current year	-	-	-	-	-	-	-
		Previous year	432,288	-	-	21,526	-	58,855,608	-
RAK Ceramics - UAE	Parent	Current year	-	-	360,822	-	-	-	-
		Previous year	-	-	-	-	-	-	-
Kea Printing & Packaging Industries	Other related party	Current year	96,773,812	-	-	15,595,692	-	-	-
		Previous year	99,445,207	-	-	11,087,509	-	-	-
Palli Properties Pte. Ltd	Other related party	Current year	11,137,513	-	-	1,253,443	-	-	-
		Previous year	11,978,530	-	-	751,032	-	-	-
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Current year	4,551,466	-	-	17,163	-	-	-
		Previous year	5,229,807	-	-	282,015	-	-	-
Green Planet Communications	Other related party	Current year	7,088,620	-	-	290,323	-	-	-
		Previous year	16,606,679	-	-	2,558,059	-	-	-
Global Business Associates Ltd.	Other related party	Current year	139,512	-	-	12,150	-	-	-
		Previous year	246,492	-	-	-	-	-	-
Mohammed Trading	Other related party	Current year	-	1,711,216,467	397,263,967	-	-	-	-
		Previous year	-	1,984,165,557	442,457,474	-	-	-	-
S.A.K. Ekramuzzaman	Key Management Personnel	Current year	-	-	-	34,075,485	34,075,485	-	-
		Previous year	-	-	-	13,831,774	13,831,774	-	-
Imtiaz Hussain	Key Management Personnel	Current year	-	-	-	636,000	9,537,000	-	-
		Previous year	-	-	-	530,000	7,901,720	-	-

32.2 Paid to Directors

During the year, provision was made as MD's remuneration for Taka. 34,075,485.

During the year, Board meeting fees of Taka 604,000 was paid to the board members for attending the Board meetings.

33 Number of employees

The number of employees engaged for the year who received total remuneration of Taka 36,000 and above was 1,475 (31 Dec 2014 : 1,360). None of the employees receives below Taka 3,000 per month.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

34 Earnings per share (EPS)

Calculation of earnings per share (EPS) is as under:
Earnings attributable to the ordinary shareholders

Profit for the year

No. of ordinary equity shares

Weighted average no. of equity shares outstanding (Note 34.1)

Earnings per share (EPS) for the year

	2015	2014
	Taka	Taka
Profit for the year	755,280,634	42,052,574
No. of ordinary equity shares	336,850,611	336,850,611
Weighted average no. of equity shares outstanding (Note 34.1)	336,850,611	336,850,611
Earnings per share (EPS) for the year	2.24	0.12

34.1 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.

Outstanding shares

Effect of issue of bonus shares for the year 2013

Outstanding shares	336,850,611	306,227,829
Effect of issue of bonus shares for the year 2013	-	30,622,782
	336,850,611	336,850,611

34.2 Diluted earnings 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.

35 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 340,532,411 (31 Dec 2014: Tk 545,769,825). 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 358,541,110 (31 Dec 2014: Tk 1,340,053,212) and letter of guarantee of Tk 25,895,509 (31 Dec 2014: Tk 25,895,509).

36 Other disclosures

36.1 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 1 January 2012.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

36.2 Changes in shareholding in subsidiary and associates

RAK Power Pvt. Ltd.

The Board of Directors of RAK Ceramics (Bangladesh) Limited in its meeting held on July 26, 2015 have decided to increase the shareholding in RAK Power Pvt. Ltd. from 57% to 100% through purchase of 881,495 number of ordinary shares of Taka 100 each in consideration of Taka 255 per share totalling to Taka 224,781,225 only from all the other shareholders of RAK Power Pvt. Ltd. subject to approval by the shareholders and concerned authorities for the interest of the business of the Company. The shareholders of RAK Ceramics (Bangladesh) Limited have approved the same in the EGM dated September 20, 2015. The effect of acquisition has been taken place as approved in Board of Directors meeting of RAK Power (Pvt.) Ltd on 20 October 2015

RAK Security and Services (Pvt.) Ltd.

The Board of Directors of RAK Ceramics (Bangladesh) Limited in its meeting held on July 26, 2015 have decided to increase the shareholding in RAK Security & Services (Pvt.) Ltd. from 35% to 100% through purchase of 6,500 number of ordinary shares of Taka 100 each in consideration of Taka 2,875 per share totalling to Taka 18,687,500 only from all the other shareholders of RAK Security & Services (Pvt.) Ltd. subject to approval by the shareholders and concerned authorities for the interest of the business of the Company. The shareholders of RAK Ceramics (Bangladesh) Limited have approved the same in the EGM dated September 20, 2015. The effect of acquisition has been taken place as approved in Board of Directors meeting of RAK Security and services (Pvt.) Ltd on 20 October 2015.

RAK Paints (Pvt.) Ltd.

The Board of Directors of RAK Ceramics (Bangladesh) Limited in its meeting held on July 26, 2015 have decided to dispose entire shareholding of 47% in RAK Paints (Pvt.) Ltd. through sale of 2,467,500 number of ordinary shares of Taka 100 each in consideration of Taka 90 per share totalling to Taka 222,075,000 only to all the other shareholders of RAK Paints (Pvt.) Ltd. subject to approval by the shareholders and concerned authorities for the interest of the business of the Company. The shareholders of RAK Ceramics (Bangladesh) Limited have approved the same in the EGM dated September 20, 2015. The effect of disposed has been taken place as approved in Board of Directors meeting of RAK Paints (Pvt.) Ltd on 20 October 2015

37 Events after the reporting period

37.1 Declaration of dividend and date of Annual General Meeting (AGM)

The Board of Directors of RAK Ceramics (Bangladesh) Limited, at its 132nd meeting held on 03 February 2016, has recommended cash dividend @ 25% (i.e. Taka 2.50 per share of Taka 10.00 each) for the year ended on 31 December 2015. These dividends are subject to final approval by the shareholders at the forthcoming Annual General Meeting (AGM) of the Company on 13 April 2016.

RAK POWER PVT. LTD.
**AUDITORS' REPORT AND FINANCIAL
STATEMENTS**

For the year ended 31 December 2015

RAK POWER PVT. LTD.

DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors of RAK Power Pvt. Ltd. is pleased to present this Directors' Report together with the Auditors' Report and Audited Financial Statements of the Company for the year ended December 31, 2015 thereon, for your valued consideration, approval and adoption.

Principal activities

The principal activities 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.

Review of Business

The plant capacity was available in excess of 90 percent of installed capacity, during 2015. However, supply was primarily dedicated to the requirement of parent company RAK Ceramics (Bangladesh) Ltd. and other group companies. The company supplied power to Bangladesh Rural Electrification Board (BREB) 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 2015.

Operating result:

The operational results of the company for the year ended 2015 as follows:

Particulars	2015	2014
Sales	Taka 334 mn	Taka 294 mn
Gross Profit	Taka 153 mn	Taka 131 mn
Net Profit After Tax	Taka 99.72 mn	Taka 88.83 mn
Earnings Per Share (EPS)	Taka 48.65	Taka 43.33
Net Operating Cash Flow Per Share (NOCFPS)	Taka 60.14	Taka 40.85
Net Asset Value (NAV)	Taka 313.06 mn	Taka 315.84 mn
Net Asset Value (NAV) per share	Taka 152.72	Taka 154.07

February 03, 2016
Dhaka, Bangladesh

Dividend

The Board of Directors of the Company is pleased to recommend cash dividend @ 50 percent of the paid up capital of the Company for the year 2015. While recommending the dividend, the Board of Directors has considered the operational performance, business result, the assets as at that date and the working capital requirement for future development and expansion. The Company paid cash dividend @ 50 percent of paid up capital of the Company for the year 2014.

Auditors

M/s. K.M. Hasan & Co., Chartered Accountants shall retire in the 11th AGM, being eligible, they offered themselves for re-appointment and the Board also recommended re-appointing them for the year 2016. Remuneration of the auditor will be fixed by the shareholders at this Annual General Meeting.

Post balance sheet events

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

Appreciation

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

For and on behalf of the Board of Directors


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 2015 the statement of profit or loss and other 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 (BFRSs), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation 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 (BFRSs), give a true and fair view of the financial position as at 31 December 2015 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 profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

Place: Dhaka
Dated: 3 February 2016


K.M. HASAN & CO.
Chartered Accountants

RAK POWER PVT. LTD.
STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Notes	2015 Taka	2014 Taka
ASSETS			
Non - Current Assets			
Property, plant and equipment	4	200,136,981	215,393,118
Investment in RAK Security and Services (Pvt.) Ltd.	5	287,500	-
Total non-current assets		200,424,481	215,393,118
Current Assets			
Inventories	6	57,167,915	60,666,941
Trade and other receivables	7	37,069,491	31,212,318
Advance , deposits & prepayments	8	7,340,323	8,314,339
Advance income tax	9	145,945,021	101,514,373
Cash and cash equivalents	10	100,305,618	79,230,306
Total current assets		347,828,368	280,938,277
Total assets		548,252,849	496,331,395
EQUITY & LIABILITIES			
Capital and Reserves			
Share capital	11	205,000,000	205,000,000
Retained earnings		108,067,044	110,842,826
Total equity		313,067,044	315,842,826
Non-Current liabilities			
Deferred tax liability	12	37,575,095	36,853,405
Total non-current liabilities		37,575,095	36,853,405
Current Liabilities			
Provision for employees' benefit	13	91,809	483,017
Trade and other payables	14	10,881,516	5,785,902
Provision for expenses	15	21,542,687	17,513,795
Provision for corporate tax	16	165,094,698	119,852,450
Total current liabilities		197,610,710	143,635,164
Total equities and liabilities		548,252,849	496,331,395

The annexed notes form an integral part of these financial statements (Page 166-182)



Director



Managing Director

Signed in terms of separate report of even date annexed.

Place: Dhaka
Dated: 3 February 2016



K.M. HASAN & CO.
Chartered Accountants

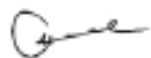
RAK POWER PVT. LTD.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 Taka	2014 Taka
Sales	17	334,038,544	294,044,308
Cost of sales	18	(180,539,103)	(163,451,376)
Gross profit		153,499,441	130,592,932
Administrative expenses	19	(11,517,509)	(8,011,880)
Profit from operating activities		141,981,932	122,581,052
Finance income	20	3,824,325	4,017,229
Financial expenses	21	(118,101)	(295,367)
Net finance income		3,706,224	3,721,862
Profit before income tax		145,688,156	126,302,914
Income tax expenses			
Current tax	22	(45,242,248)	(37,992,335)
Deferred tax	12	(721,690)	515,814
		(45,963,938)	(37,476,521)
Profit for the year		99,724,218	88,826,393
Other comprehensive income		-	-
Total comprehensive income		99,724,218	88,826,393
Basic Earnings Per Share (EPS) of Taka 100 each	25.2	48.65	43.33

The annexed notes form an integral part of these financial statements (Page 166-182)



Director

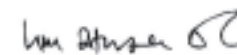
Signed in terms of separate report of even date annexed.



Managing Director

Place: Dhaka

Dated: 3 February 2016



K.M. HASAN & CO.
Chartered Accountants

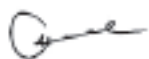
RAK POWER PVT. LTD.
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

Amount in Taka

Particulars	Share capital	Retained earnings	Total
	Taka	Taka	Taka
Balance as at 01 January 2015	205,000,000	110,842,826	315,842,826
Profit for the year	-	99,724,218	99,724,218
Cash dividend for 2014	-	(102,500,000)	(102,500,000)
Balance as at 31 December 2015	205,000,000	108,067,044	313,067,044

Amount in Taka

Particulars	Share capital	Retained earnings	Total
	Taka	Taka	Taka
Balance as at 01 January 2014	205,000,000	83,516,433	288,516,433
Profit for the year	-	88,826,393	88,826,393
Cash dividend for 2013	-	(61,500,000)	(61,500,000)
Balance as at 31 December 2014	205,000,000	110,842,826	315,842,826



Director



Managing Director

Signed in terms of separate report of even date annexed.

Place: Dhaka
Dated: 3 February 2016


K.M. HASAN & CO.
Chartered Accountants

RAK POWER PVT. LTD.
STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

Cash flows from operating activities

Cash receipts from customers
Cash paid to customer and others

Income tax paid

Net cash from operating activities

Cash flows from investing activities

Acquisition of property, plant and equipments
Investment In RAK Securities and Services Pvt. Ltd.
Interest received from Bank

Net cash from investing activities

Cash flows from financing activities

Finance charge
Dividend paid

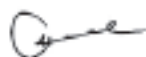
Net cash used in financing activities

Increase/(decrease) in cash and cash equivalents

Cash and cash equivalent as at 01 January 2015

Cash and cash equivalent as at 31 December 2015

2015	2014
Taka	Taka
328,294,712	290,700,385
(160,574,862)	(159,749,340)
167,719,850	130,951,045
(44,430,648)	(47,203,526)
123,289,202	83,747,519
(2,860,480)	(183,352)
(287,500)	-
3,447,120	3,869,232
299,140	3,685,880
(13,030)	(165,645)
(102,500,000)	(61,500,000)
(102,513,030)	(61,665,645)
21,075,312	25,767,754
79,230,306	53,462,552
100,305,618	79,230,306



Director



Managing Director

Signed in terms of separate report of even date annexed.

Place: Dhaka
Dated: 3 February 2016


K.M. HASAN & CO.
Chartered Accountants

RAK POWER PVT. LTD.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

1. The company and its activities

RAK Power Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act, 1994 on 30 June 2005 as a private company limited by shares. The company has gone into commercial operation from 01 May 2009.

The registered office of the company is at House # 5, Road # 1/A Sector # 4, Uttara Model Town, 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 IAS-16/BAS-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 profit or loss and other 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 Property, plant and equipment

Depreciation on property, plant and equipment 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

as at and for the year ended 31 December 2015

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. Trade receivable

Trade 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 IAS-2/ BAS-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 @ 10% of basic salary and wages equally matched by the company. 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 employees who has completed ten years of service is entitled for one and half time of last basic salary. The expected cost of this benefit is included in respective annual Statement of Profit or Loss and Other Comprehensive Income over the period of employment.

iii) WPPF

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

2.7. Revenues 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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

The revenue and the cost incurred to effect the transaction can be measured reliably in compliance with the requirements of BAS-18: "Revenues".

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 profit or loss and other comprehensive income 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 IAS-21/BAS-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 @ 35% made for the current year.

The company will get the benefit of 10% rebate on payable income tax upto 30 June 2019 as per S.R.O.NO.185-AIN / Aikor / 2014 Date: 01 July 2014 since the power plant is situated outside of the City Corporation.

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

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 profit or loss and other comprehensive income have been prepared according to IAS-1/BAS-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. The figures in the financial statements represent Bangladesh currency (Taka) which is the functional currency of the company.

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

as at and for the year ended 31 December 2015

4. Property, plant and equipment

2015

PARTICULARS	C O S T				Rate	D E P R E C I A T I O N				WRITTEN DOWN VALUE AS AT 31 DECEMBER 2015
	Balance as at 01 January 2015	Addition during the year	Sales/ disposal	Total as at 31 December 2015		Balance as at 01 January 2015	Charged during the year	Adjustment during the year	Total as at 31 December 2015	
Land	11,294,000	-	-	11,294,000	0%	-	-	-	-	11,294,000
Building	19,195,131	-	-	19,195,131	20%	19,066,318	128,812	-	19,195,130	1
Plant and machinery										
<i>Main GenSet</i>	268,615,599	-	-	268,615,599	5%	80,584,680	13,430,780	-	94,015,460	174,600,139
<i>Auxiliary equipments</i>	33,597,157	-	-	33,597,157	10%	20,039,126	3,359,717	-	23,398,843	10,198,314
Electrical installation	22,984,145	1,900,000	-	24,884,145	20%	22,900,060	179,867	-	23,079,927	1,804,218
Gas pipeline	16,869,732	830,000	-	17,699,732	20%	16,014,515	453,014	-	16,467,529	1,232,203
Furniture and fixtures	1,552,164	31,000	-	1,583,164	10%	845,365	155,468	-	1,000,833	582,331
Office equipment	1,001,475	99,480	-	1,100,955	20%	696,833	95,011	-	791,844	309,111
Communication equipment	124,786	-	-	124,786	10%	74,874	12,479	-	87,353	37,433
Tools and appliances	4,445	-	-	4,445	20%	4,444	-	-	4,444	1
Fire fighting equipments	3,631,012	-	-	3,631,012	20%	3,631,011	-	-	3,631,011	1
Vehicles	2,447,831	-	-	2,447,831	20%	2,067,133	301,469	-	2,368,602	79,229
Total as at 31 December 2015	381,317,477	2,860,480	-	384,177,957		165,924,359	18,116,617	-	184,040,976	200,136,981

Allocation of depreciation to

Administrative expenses	564,427
Cost of generation of electricity	17,552,190
	<u>18,116,617</u>

2014

PARTICULARS	C O S T				Rate	D E P R E C I A T I O N				WRITTEN DOWN VALUE AS AT 31 DECEMBER 2014
	Balance as at 01 January 2014	Addition during the year	Sales/ disposal	Total as at 31 December 2014		Balance as at 01 January 2014	Charged during the year	Adjustment during the year	Total as at 31 December 2014	
Land	11,294,000	-	-	11,294,000	0%	-	-	-	-	11,294,000
Building	19,195,131	-	-	19,195,131	20%	18,866,851	199,467	-	19,066,318	128,813
Plant and machinery										
<i>Main GenSet</i>	268,615,599	-	-	268,615,599	5%	67,153,900	13,430,780	-	80,584,680	188,030,919
<i>Auxiliary equipments</i>	33,597,157	-	-	33,597,157	10%	16,679,410	3,359,716	-	20,039,126	13,558,031
Electrical installation	22,984,145	-	-	22,984,145	20%	22,090,407	809,653	-	22,900,060	84,085
Gas pipeline	16,869,732	-	-	16,869,732	20%	15,727,501	287,014	-	16,014,515	855,217
Furniture and fixtures	1,528,284	23,880	-	1,552,164	10%	690,702	154,663	-	845,365	706,799
Office equipment	842,003	159,472	-	1,001,475	20%	626,618	70,215	-	696,833	304,642
Communication equipment	124,786	-	-	124,786	10%	62,395	12,479	-	74,874	49,912
Tools and appliances	4,445	-	-	4,445	20%	4,445	(1)	-	4,444	1
Fire fighting equipments	3,631,012	-	-	3,631,012	20%	3,631,012	(1)	-	3,631,011	1
Vehicles	2,447,831	-	-	2,447,831	20%	1,578,626	488,507	-	2,067,133	380,698
Total as at 31 December 2014	381,134,125	183,352	-	381,317,477		147,111,867	18,812,492	-	165,924,359	215,393,118

Allocation of depreciation to

Administrative expenses	725,864
Cost of generation of electricity	18,086,628
	<u>18,812,492</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

5. Investment in RAK Security and Services (Pvt.) Ltd.

The company has purchased 100 ordinary shares of RAK security and services Ltd. on 20.10.2015 at its fair value of Taka 2,875 per share.

6. Inventories

Stores and consumables spares
Goods-in-transit

7. Trade and other receivables

Trade receivables (Note-7.1)
Accrued interest
Other receivables

7.1. Trade receivables

Receivables from captive customers
Receivables from Bangladesh Rural Electrification Board (BREB)

8. Advance, deposits and prepayments

Advance (Note-8.1)
Security and other deposits (Note-8.2)
Prepayments (Note-8.3)

8.1 Advance

Suppliers against materials and services

8.2 Security and other deposits

Titas Gas Transmission & Distribution Ltd.
VAT and supplementary duty (Note-8.2.2)

8.2.2 VAT and supplementary duty

Balance as at 1 January 2015
Add: Treasury deposit for VAT & SD purpose

Less: VAT & SD on sales
Closing Balance

8.3 Prepayments

House rent
Insurance
Registration & renewal

	2015	2014
	Taka	Taka
	287,500	-
	57,134,423	60,666,941
	33,492	-
	57,167,915	60,666,941
	36,479,422	29,752,606
	590,069	476,728
	-	982,984
	37,069,491	31,212,318
	32,829,624	26,428,555
	3,649,798	3,324,051
	36,479,422	29,752,606
	469,246	1,152,159
	6,012,611	6,289,923
	858,466	872,257
	7,340,323	8,314,339
	469,246	1,152,159
	5,873,150	5,873,150
	139,461	416,773
	6,012,611	6,289,923
	416,773	416,773
	440,000	-
	856,773	416,773
	717,312	-
	139,461	416,773
	90,000	90,000
	719,225	739,826
	49,241	42,431
	858,466	872,257

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

9. Advance income tax

Balance as at 01 January 2015
Add: Paid during the year
Balance as at 31 December 2015

9.1. Head wise payment

Advance income tax-paid in cash
Against import
Vehicle registration
TDS on bank interest

9.2. Year wise payment

Year 2015
Year 2014
Year 2013
Year 2012
Year 2011
Year 2010
Year 2009

10. Cash and cash equivalents

Cash in hand
Cash at banks (Note 10.1)
Investment in Fixed Deposit Receipt (FDR) (Note-10.2)

10.1. Cash at banks

HSBC (Current Account-001-107580-011), Main Branch
SCB (Current Account 01-3767272-01), Main Branch
SCB (SND Account 02-3767272-01), Main Branch
DBBL (Current Account 117.110.23474), Uttara Barnch
HSBC (SND Account 001-107580-067), Main Branch
DBBL (SND Account 117.120.2550), Uttara Branch

	2015	2014
	Taka	Taka
	101,514,373	54,310,847
	44,430,648	47,203,526
	145,945,021	101,514,373
	141,925,273	98,042,775
	2,931,591	2,739,275
	114,000	99,000
	974,157	633,323
	145,945,021	101,514,373
	33,052,039	-
	37,992,335	26,613,726
	37,210,247	37,210,247
	33,236,075	33,236,075
	3,535,904	3,535,904
	913,421	913,421
	5,000	5,000
	145,945,021	101,514,373
	51,384	219,937
	17,114,599	15,078,914
	83,139,635	63,931,455
	100,305,618	79,230,306
	1,356,394	1,061,704
	121,186	74,101
	400,958	401,998
	-	1,425
	-	202,327
	15,236,061	13,337,359
	17,114,599	15,078,914

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

10.2. Investment in fixed deposit receipt (FDR)

SCB 9 37672720 01
 HSBC 001-107580-106
 DBBL 117-502-35072
 DBBL 117-502-35088
 DBBL 117-502-35093
 DBBL 117-502-35142
 DBBL 117-502-35371
 DBBL 117-502-35574
 DBBL 117-502-37995
 DBBL 117-502-38006
 DBBL 117-502-38490
 DBBL 117-502-38987
 DBBL 117-502-39211
 DBBL 117-502-39295

	2015	2014
	Taka	Taka
	762,080	762,080
	652,345	10,000,000
	-	10,157,500
	10,788,749	10,157,500
	-	7,618,125
	-	10,157,500
	-	5,078,750
	10,621,461	10,000,000
	10,157,500	-
	10,157,500	-
	10,000,000	-
	10,000,000	-
	10,000,000	-
	10,000,000	-
	83,139,635	63,931,455
	1,000,000,000	1,000,000,000
	205,000,000	205,000,000
	205,000,000	205,000,000

11. 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 Tk 100 each ordinary shares

Percentage of shareholdings

RAK Ceramics (Bangladesh) Limited.
 S.A.K. Ekramuzzaman
 Syed. A.K. Anwaruzzaman
 Md. Amir Hossain
 Engr. Md. Maqsubul Karim
 RAK Security and Services (Pvt.) Ltd.

	2015	2014	2015	2014
	%	%	Taka	Taka
	100.00	57.00	204,999,000	116,850,000
	0.00	28.00	-	57,399,500
	0.00	10.00	-	20,500,000
	0.00	5.00	-	10,250,000
	0.00	0.00	500	500
	0.00	0.00	500	-
	100.00	100.00	205,000,000	205,000,000

Classification of shareholders by range

Shareholder's range

Less than 500 shares
 501 to 1,000,000 shares
 Over 1,000,000 shares

	No. of shareholders		No. of shares	
	2015	2014	2015	2014
	2	1	10	5
	-	3	-	881,495
	1	1	2,049,990	1,168,500
	3	5	2,050,000	2,050,000

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	2015		2014	
	Taka		Taka	
12. Deferred tax liabilities				
Deferred tax liability is arrived at as follows:				
Opening balance		36,853,405		37,369,219
Deferred tax income / (expenses)		(721,690)		515,814
Closing balance		37,575,095		36,853,405
	Carrying amount as per		Taxable/ (deductible)	
	Statement of	Tax base	Temporary difference	
	financial			
	position			
As at 31 December 2015				
Property, plant and equipment	200,136,981	92,779,568	107,357,413	
As at 31 December 2014				
Property, plant and equipment	215,393,118	110,097,676		105,295,442
Net deductible temporary difference			107,357,413	105,295,442
Deferred tax liability (applying tax rate 35%)			37,575,095	36,853,405
13. Provision for employees' benefit				
Provident fund (Note 13.1)			64,814	181,698
Gratuity fund (Note 13.2)			26,995	301,319
			91,809	483,017
13.1. Provident fund				
Balance as at 01 January 2015			181,698	51,222
Add: Addition during the year			723,596	723,464
			905,294	774,686
Less: Payment made during the year			840,480	592,988
Balance as at 31 December 2015			64,814	181,698
13.2. Gratuity fund				
Balance as at 01 January 2015			301,319	256,008
Add: Addition during the year			331,798	301,319
			633,117	557,327
Less: Payment made during the year			606,122	256,008
Balance as at 31 December 2015			26,995	301,319
14. Trade and other payables				
Trade payables				
Payable to supplier			154,227	26,520
Payable to service provider			9,204,638	4,207,320
			9,358,865	4,233,840

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	2015	2014
	Taka	Taka
Other payable		
Tax deducted at source	670,373	698,367
VAT deducted at source	852,278	853,695
	1,522,651	1,552,062
	10,881,516	5,785,902
15. Provision for expenses		
Power and gas	12,567,717	5,898,242
Staff cost	3,914,642	1,927,471
Professional charges	109,250	74,750
Telephone bill & other expenses	7,000	7,000
Provision for operation & maintenance	4,944,078	9,606,332
	21,542,687	17,513,795
16. Provision for corporate tax		
Balance as at 01 January 2015	119,852,450	81,860,115
Add: Provision made during the year	45,242,248	37,992,335
Balance as at 31 December 2015	165,094,698	119,852,450
16.1. Yearwise provision		
Financial year 2015	45,242,248	-
Financial year 2014	37,992,335	37,992,335
Financial year 2013	44,169,714	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
	165,094,698	119,852,450
17. Sales		
Sales to group company	301,057,003	259,720,634
Sales to Bangladesh Rural Electrification Board (BREB)	33,698,853	34,323,674
Gross sales	334,755,856	294,044,308
Less :VAT	717,312	-
Net sales	334,038,544	294,044,308
17.1. Selling electricity to REB is VAT exempted as per SRO 104 -ain/2009/512-VAT, Dated-August-11, 2009 .		
17.2. Selling electricity to Captive organizations is VAT exempted as per SRO 351 -ain/2010/578, Dated: October 18, 2010 .		
18. Cost of sales		
Stock of finished goods as at 01 January 2015	-	-
Cost of generation of electricity (Note 18.1)	180,539,103	163,451,376
Cost of finished goods available for sale	180,539,103	163,451,376
Less: Stock of finished goods as at 31 December 2015	-	-
	180,539,103	163,451,376

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	2015	2014
	Taka	Taka
18.1. Cost of generation of electricity		
Cost of materials consumed:		
Opening stock	-	-
Purchase during the year	79,555,601	59,903,920
Less: Closing stock	-	-
	79,555,601	59,903,920
Production overheads:		
Direct labour (Note-18.1.1)	6,880,413	6,674,533
Direct expenses:		
Lubricating Oil	7,522,214	7,486,972
Repair & indirect materials (Note-18.1.2)	58,470,358	60,805,425
Rental for caterpillar Gensets	6,300,000	6,300,000
Depreciation	17,552,190	18,086,628
Other production overheads (Note 18.1.3)	4,258,327	4,193,898
	100,983,502	103,547,456
	180,539,103	163,451,376
18.1.1. Direct labour		
Salary & wages	5,262,046	4,921,505
Bonus	837,664	697,679
Incentive	155,786	473,349
Gratuity	265,998	244,912
Employers contribution to provident fund	311,679	294,012
Group life insurance	47,240	43,076
	6,880,413	6,674,533
18.1.2. Repair and indirect materials		
Operation & maintenance	53,452,120	54,304,402
Spare parts Cat genset	4,671,973	6,220,503
Water	92,625	22,800
Diesel	253,640	257,720
	58,470,358	60,805,425
18.1.3. Other production overheads		
Security & services	1,555,582	1,409,584
Insurance	2,016,275	2,139,975
Other expenses	686,470	644,339
	4,258,327	4,193,898

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	2015	2014
	Taka	Taka
19. Administrative expenses		
Staff cost (Note 19.1)	8,345,804	5,597,087
Telephone, postage and supplies	84,203	75,307
Office repairing and maintenance	233,391	223,626
Registration and renewal	84,728	66,050
Legal and professional fees	891,650	252,350
Vehicle repairing and maintenance	698,300	457,972
Meeting fees admin	7,475	9,200
Rent, rates and taxes	411,200	410,520
Stationery expenses	101,232	123,218
Other expenses	95,099	70,686
Depreciation	564,427	725,864
	11,517,509	8,011,880
19.1. Staff cost (Admin)		
Salary & wages	4,219,147	3,577,937
Bonus	601,737	518,951
Gratuity	65,801	56,407
Employers contribution to provident fund	79,140	67,720
Incentive	110,406	266,360
Group life insurance	12,273	8,702
Other employee benefit	1,862,140	-
Staff welfare expenses	12,860	11,900
Food expenses	1,037,767	930,641
Travelling & conveyance	344,533	158,469
	8,345,804	5,597,087
20. Finance income		
Interest income on FDR	2,877,650	3,459,358
Interest income on SND	682,811	242,172
Exchange gain	263,864	315,699
	3,824,325	4,017,229
21. Financial expenses		
Interest expenses	13,030	165,645
Bank charges	105,071	129,722
	118,101	295,367
22. Current tax		
For the year	45,242,248	37,992,335
	45,242,248	37,992,335

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

23. 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

23.1. 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 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Trade receivables				
Customer-local	-	-	36,479,422	29,752,606
	-	-	36,479,422	29,752,606
Accrued interest			590,069	476,728
Other receivables			-	982,984
			590,069	1,459,712
Cash equivalents			100,305,618	79,230,306
b) Aging of receivables				
The aging of trade receivables as at 31 December 2015 was :				
Not past due			-	-
0-90 days past due			33,710,078	26,422,172
91-180 days past due			2,692,474	2,343,207
Over 180 days			76,870	987,227
			36,479,422	29,752,606

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

23.2. 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 2015			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	10,881,516	10,881,516	10,881,516	-
	10,881,516	10,881,516	10,881,516	-

	As at 31 December 2014			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	5,785,902	5,785,902	5,785,902	-
	5,785,902	5,785,902	5,785,902	-

23.3. 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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

i) Exposure to currency risk

	As at 31 December 2015		As at 31 December 2014	
	USD	EURO	USD	EURO
Foreign currency denominated liabilities				
Trade payables	-	25,545	-	23,328
	-	25,545	-	23,328
Net exposure	-	(25,545)	-	(23,328)

The Company has foreign exchange loss or gain. Exchange gain for the year was Taka 263,864/-

The following significant exchange rates have been applied:

	Exchange rates	
	As at 31 December	As at 31 December
	2015	2014
USD	78.4950	78.4450
EURO	85.7963	94.9992

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

A strengthening or weakening of the Taka, as indicated below, against the USD and EURO at 31 December 2015 would have increased/(decreased) profit or loss by the amounts shown below.

	As at 31 December 2015		As at 31 December 2014	
	Profit or (loss) Amount in Taka		Profit or (loss) Amount in Taka	
	Strengthening	Weakening	Strengthening	Weakening
Closing				
USD (3 percent movement)	-	-	-	-
EURO (3 percent movement)	67,784	(63,836)	68,540	(64,548)

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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

Profile

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

Fixed rate instruments

Financial assets

Investment in FDR

Cash at banks

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

Carrying amount in Taka	
As at 31 December 2015	As at 31 December 2014
83,139,635	63,931,455
17,114,599	15,078,914

Held to maturity assets

Investment in FDR

Loans and receivables

Trade receivables

Other receivables

Cash equivalents

Amount in Taka		Amount in Taka	
As at 31 December 2015		As at 31 December 2014	
Carrying amount	Fair value	Carrying amount	Fair value
83,139,635	83,139,635	63,931,455	63,931,455
36,479,422	36,479,422	29,752,606	29,752,606
590,069	590,069	1,459,712	1,459,712
100,305,618	100,305,618	79,010,369	79,010,369

Liabilities carried at amortised cost

Trade and other payables

Amount in Taka		Amount in Taka	
As at 31 December 2015		As at 31 December 2014	
Carrying amount	Fair value	Carrying amount	Fair value
10,881,516	10,881,516	5,785,902	5,785,902

Accounting classification and fair values as at 31 December 2015 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:

Investment in FDR
Bank overdraft

As at 31 December 2015	As at 31 December 2014
3.70%-7.00%	4.30%-10.25%
13%-13.50%	13%-13.50%

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

24. Related party disclosure under IAS-24/ BAS-24

24.1. 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) Limited.	Parent Company
RAK Pharmaceuticals Pvt. Ltd	Key Management Personnel
RAK Security & Services Pvt. Ltd	Fellow Subsidiary
Engr. Md. Maqsdul Karim	Key Management Personnel
Mr. S.A.K. Ekramuzzaman	Key Management Personnel

24.2. Transaction with related parties

Nature of transaction	Parent Company	Key Management Personnel	Other related parties
Purchase of goods/services	-	-	1,875,023
Sale of goods/services	287,431,234	-	3,946,162
Genset rental (excluding VAT)	5,478,261	-	-
Outstanding receivables	27,282,047	-	-
Outstanding payables	-	-	176,265
Dividend payment	58,425,000	28,700,000	-

24.3. 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
Board Meeting	7,475

25. Other disclosures

25.1. 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.

25.2. Earning per share (EPS)

	As at 31 December 2015	As at 31 December 2014
Net profit after tax	99,724,218	88,826,393
Number of ordinary shares	2,050,000	2,050,000
Weighted number of ordinary shares outstanding	2,050,000	2,050,000
Nominal value per share	100	100
Earnings Per Share (EPS) for the year	48.65	43.33

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

25.3. Transaction in foreign currency

Nature of transaction	Amount in Taka
CIF value of imported spare parts	8,834,095

25.4. Trade & other receivable

Particulars	Amount in Taka
Advance, deposit & prepayments	7,340,323

25.5. Contingent liabilities and commitments

Nature of transaction	Amount in Taka
Letter of Credit	4,772,795
Letter of Guarantee 90%	12,729,825

25.6. Amount paid to auditors and other professional service providers

Nature of transaction	Amount in Taka
Audit fee	63,250
Taxation	23,400
Professional fees (share valuation)	805,000

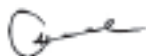
25.7. Capacity utilization

(MW)			(kwh)				
Licensed Capacity	Installed capacity	Available capacity	Standard capacity @ 85% (kwh)	Actual utilization for 2015 (kwh)	Period utilization (on Standard Capacity)	Over/ (under) utilization	Actual utilization for 2014 (kwh)
10 MW	9 MW	8.543 MW	63,611,178	53,169,218	84%	-16%	52,102,993

25.8. Event after reporting period

i) The Board of Directors in its meeting held on 03 February 2016 approved the financial statements of the company for the year ended 31 December 2015 and authorised the same for issue. The Board of Directors also recommended cash dividend @ 50% for the shareholders for the year 2015.

ii) 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.



Director



Managing Director

Place : Dhaka
Dated: 03 February 2016

RAK SECURITY AND SERVICES (PVT.) LTD.
**AUDITORS' REPORT AND FINANCIAL
STATEMENTS**

For the year ended 31 December 2015

RAK SECURITY AND SERVICES (PVT.) LTD.

DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors of RAK Security and Services (Pvt.) Ltd. is pleased to present this Directors' Report together with the Auditors' Report and Audited Financial Statements of the Company for the year ended December 31, 2015 thereon, for your valued consideration, approval and adoption.

Principal activities

The principal activities of the company is to carry on the business of security guarding, cleaning services, termite and pest control services, fumigation services and setting up manpower technical training establishments for creation of skilled workers in various fields of construction and public works, pre-employment back ground verification and immigration & Visa documents verification services, fire safety services etc.

Operating result:

The operational results of the company for the year ended 2015 as follows:

Particulars	2015	2014
Sales	Taka 73.70 mn	Taka 70.23 mn
Gross Profit	Taka 24.40 mn	Taka 23.94 mn
Net Profit After Tax	Taka 6.94 mn	Taka 6.84 mn
Earnings Per Share (EPS)	Taka 693.91	Taka 684.44
Net Operating Cash Flow Per Share (NOCFPS)	Taka 37.70	Taka 530.20
Net Asset Value (NAV)	Taka 25.61 mn	Taka 19.67 mn
Net Asset Value (NAV) per share	Taka 2,560.99	Taka 1967.07

Dividend

The Board of Directors of the Company is pleased to recommend cash dividend @ 100 percent of the paid up capital of the Company for the year 2015. While recommending the dividend, the Board of Directors has considered the operational performance, business result, the assets as at that date and working capital requirement for future development and expansion. The Company paid cash dividend @ 100 percent of paid up capital of the Company for the year 2014.

Auditors

M/s. K.M. Hasan & Co., Chartered Accountants shall retire in the 9th AGM, being eligible, they offered themselves for re-appointment and the Board also recommended to re-appoint them for the year 2016. Remuneration of the auditor will be fixed by the shareholders at this Annual General Meeting.

Post balance sheet events

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

Appreciation

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

For and on behalf of the Board of Directors



(Imtiaz Hussain)
Managing Director

Dated: 03 February 2016

AUDITORS' REPORT TO THE SHAREHOLDERS OF RAK SECURITY AND SERVICES (PVT.) LTD.

We have audited the accompanying financial statements of RAK Security and Services (Pvt.) Ltd. which comprise the statement of financial position as at 31 December 2015, statement of profit or loss and other 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 Security and Services (Pvt.) Ltd. is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRSs), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements, prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs), give a true and fair view of the financial position as at 31 December 2015 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 profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

Place : Dhaka
Dated: 03 February 2016


K.M. HASAN & CO.
Chartered Accountants

RAK SECURITY AND SERVICES (PVT.) LTD.
STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

Assets	Notes	2015 Taka	2014 Taka
Non - Current Assets			
Property, Plant and Equipment	4	4,494,508	5,064,755
Investment in RAK Power Pvt. Ltd.		1,275	-
		4,495,783	5,064,755
Current Assets			
Trade and Other Receivables	5	30,308,127	22,381,045
Loan, Advances and Prepayments	6	406,042	321,964
Advance Income Tax	7	14,432,162	10,049,054
Cash and Cash Equivalents	8	3,454,050	3,999,469
		48,600,381	36,751,532
Total Assets		53,096,164	41,816,287
Equity and Liabilities			
Capital and Reserves			
Share Capital	9	1,000,000	1,000,000
Retained Earnings		24,609,877	18,670,740
		25,609,877	19,670,740
Current Liabilities			
Trade & Other Payables	10	2,164,169	1,296,020
Provision for Expenses	11	8,202,562	7,566,074
Provision for Income Tax	12	14,891,744	11,155,287
Provision for Employees' Benefit	13	2,227,812	2,128,166
		27,486,287	22,145,547
Total Equity and Liabilities		53,096,164	41,816,287

The annexed notes form an integral part of these financial statements (Page 190-197)

For RAK Security and Services (Pvt.) Ltd.


Director


Managing Director

Signed in terms of our separate report of even date annexed.

Place : Dhaka
 Dated: 03 February 2016


K.M. HASAN & CO.
 Chartered Accountants

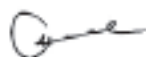
RAK SECURITY AND SERVICES (PVT.) LTD.
**STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME**

For the year ended 31 December 2015

	Notes	2015 Taka	2014 Taka
Turnover - Services	14	73,697,636	70,229,808
Less: Direct Expenses	15	49,297,083	46,291,447
Gross Profit		24,400,553	23,938,361
Less: Operating Expenses			
Administrative Expenses	16	12,392,050	12,305,747
Marketing Expenses	17	1,381,760	1,141,660
Financial Expenses	18	16,453	15,403
		13,790,263	13,462,810
Operating Profit		10,610,290	10,475,551
Add: Other Income	19	65,305	54,238
Net Profit Before Tax		10,675,595	10,529,789
Less: Provision for Income Tax		3,736,458	3,685,426
Net Profit After Tax		6,939,137	6,844,363
Other Comprehensive Income		-	-
Total Comprehensive Income		6,939,137	6,844,363
Earnings Per Share (EPS) of Taka 100 each	20	693.91	684.44

The annexed notes form an integral part of these financial statements (Page 190-197)

For RAK Security and Services (Pvt.) Ltd.



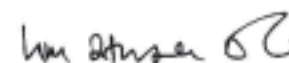
Director



Managing Director

Signed in terms of our separate report of even date annexed.

Place : Dhaka
 Dated: 03 February 2016



K.M. HASAN & CO.
 Chartered Accountants

RAK SECURITY AND SERVICES (PVT.) LTD.
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

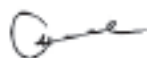
(Amount in Taka)

Particulars	Ordinary Shares (No)	Share Capital	Retained Earnings	Total
Balance as at 01 January 2015	10,000	1,000,000	18,670,740	19,670,740
Profit for the year	-	-	6,939,137	6,939,137
Dividend paid	-	-	(1,000,000)	(1,000,000)
Balance as at 31 December 2015	10,000	1,000,000	24,609,877	25,609,877

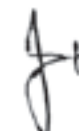
(Amount in Taka)

Particulars	Ordinary Shares (No)	Share Capital	Retained Earnings	Total
Balance as at 01 January 2014	10,000	1,000,000	12,826,377	13,826,377
Profit for the year	-	-	6,844,363	6,844,363
Dividend paid	-	-	(1,000,000)	(1,000,000)
Balance as at 31 December 2014	10,000	1,000,000	18,670,740	19,670,740

For RAK Security and Services (Pvt.) Ltd.



Director



Managing Director

Signed in terms of our separate report of even date annexed.

Place : Dhaka
 Dated: 03 February 2016



K.M. HASAN & CO.
 Chartered Accountants

RAK SECURITY AND SERVICES (PVT.) LTD.
STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

a. Cash flows from operating activities

Net profit before tax	
Adjustment for:	
Loss on disposal of Property, Plant & Equipment	
Depreciation	
Operating profit before working capital changes	
Changes in working capital:	
Increase/(Decrease) in Trade and Other Receivables	
Increase/(Decrease) in Loan, Advances and Prepayments	
Increase/(Decrease) in Trade and Other Payable	
Increase/(Decrease) in Provision for Expenses	
Increase/(Decrease) in Provision for Employees' Benefit	
Increase/(Decrease) in Other Current liabilities	
Changes in working capital	
Income tax paid	
Net cash from operating activities	

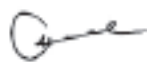
b. Cash flows from investing activities

Acquisition of Property, Plant & Equipment	
Sale/Disposal of Property, Plant & Equipment	
Investment in RAK Power Pvt. Ltd.	
Net cash from/(used in) investing activities	

c. Cash flows from financing activities

Dividend paid	
Net cash used in financing activities	
Net increase/(decrease) in cash and cash equivalent (a+b+c)	
Opening cash and cash equivalent	
Closing cash and cash equivalent	

2015	2014
Taka	Taka
10,675,595	10,529,789
52,224	-
439,170	454,307
11,166,989	10,984,096
(7,927,082)	(3,661,898)
(84,078)	(24,733)
868,149	(5,890)
636,488	1,368,164
99,646	-
-	(300,184)
(6,406,877)	(2,624,541)
(4,383,109)	(3,057,526)
377,003	5,302,029
(79,828)	(1,832,115)
158,681	-
(1,275)	-
77,578	(1,832,115)
(1,000,000)	(1,000,000)
(1,000,000)	(1,000,000)
(545,419)	2,469,914
3,999,469	1,529,555
3,454,050	3,999,469



Director

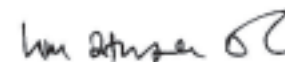
For RAK Security and Services (Pvt.) Ltd.

Signed in terms of our separate report of even date annexed.

Place : Dhaka
Dated: 03 February 2016



Managing Director



K.M. HASAN & CO.
Chartered Accountants

RAK SECURITY AND SERVICES (PVT.) LTD.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

1. Introduction

RAK Security and Services (Pvt.) Ltd. is a Private Company Limited by shares incorporated in Bangladesh on 21 December 2006 under the Companies Act XVIII of 1994. The registered office of the company is situated at House # 5, Road # 1/A, Sector # 4, Uttara, Dhaka.

2. Nature of Business

The main objects of the company is to carry on the business of security guarding, cleaning services, termite and pest control services, fumigation services and setting up manpower technical training establishments for creation of skilled workers in various fields of construction and public works.

3. Significant Accounting Policies

3.1 Accounting convention and basis

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

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

3.2 Integral components of the financial statements

The financial statements of the Company include the following components:-

- a. Statement of Financial Position as at 31 December 2015
- b. Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2015
- c. Statement of Changes in Equity for the year ended 31 December 2015
- d. Statement of Cash Flows for the year ended 31 December 2015
- e. Notes to the Financial Statements as at and for the year ended 31 December 2015

3.3 Fixed assets

"Fixed assets have been shown at cost less accumulated depreciation. Depreciation has been charged on tangible assets other than land at reducing balance method from the date of acquisition and in operation."

The rate of percentage of depreciation is as under:

Category	Rate
Furniture & fixtures	10%
Tools & appliances	20%
Vehicles	20%
Office Equipment	10%

Depreciation has not been charged on Land as it deems to have infinite life.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

3.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the service of security and cleaning is recognised when the services are delivered. The revenue and the cost incurred to effect the transaction can be measured reliably in compliance with the requirements of BAS-18 "Revenue".

3.5 Provision for taxation

"Corporate tax"

"Corporate tax provision at the rate of 35% is made for the Current year."

Deffered tax

There is no such timing difference between Profit as per Income Tax ordinance and accounting profit as per financial statements, hence no Deferred Tax liabilities / Assets calculated as per IAS/BAS-12 for the year ended 31 December 2015 created.

3.6 Related party disclosure under IAS - 24

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

Name of related party	Relationship
RAK Ceramics (BD)Ltd	Investee Company
RAK Power Pvt. Ltd	Investee Company
M/s. Ekramuzzaman	Other related party
RAK Pharmaceuticals Pvt. Limited	Other related party
RAK Paints Pvt. Limited	Other related Party
RAK Mosfly Pvt. Ltd	Other related Party
Rakeen Development Pvt. Limited	Other related party
RAK Piling Pvt. Limited	Other related party
Mohammed Foods and Allies	Other related party
Star Ceramics Pvt. Limited	Other related party
Star Porcelain Pvt. Ltd.	Other related party
Kea Printing and Packaging Ind.	Other related party
Auto Bricks and Ceramics	Other related party

Nature of transaction	Amount in Taka	
	"Investee Company"	Other Related Party
b) Purchase of goods/services	-	71,797
Sale of goods/services	79,852,802	67,055,112
Outstanding receivables	7,698,710	16,792,327
Investment	1,000,000	-

3.7 Amount paid to auditors

Nature of transaction	Amount (Taka)
Audit fees	46,000

3.8 Number of employees and their remuneration

The number of employees engaged for the year who received a total remuneration of Taka 36,000 and above was 443. None of the employee received below Taka 3,000 per month during the previous year.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

3.9 Payment to Directors

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

Nature of meeting	Amount in Taka
Board meeting	3,500

3.10 Employees' benefit

Provident fund :

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

Gratuity :

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

3.11 General:

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

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

4. Property, Plant and Equipment

Amount in Taka

Particulars	Cost				Rate of Dep. (%)	Depreciation				Written Down Value as at 31.12.2015
	Balance as at 01.01.2015	Additions during the year	Total sales/ disposal	Balance as at 31.12.2015		Balance as at 01.01.2015	Charged during the year	Adjustment during the year	Balance as at 31.12.2015	
Land	2,309,220	-	-	2,309,220	-	-	-	-	-	2,309,220
Furniture & fixtures	495,720	29,128	59,587	465,261	10%	179,162	32,185	28,585	182,761	282,500
Office equipments	1,291,401	50,700	400,501	941,600	10%	546,448	68,476	226,876	388,048	553,552
Tools & appliances	136,105	-	16,350	119,755	20%	105,783	5,525	10,072	101,236	18,519
Vehicles	2,389,725	-	-	2,389,725	20%	726,023	332,984	-	1,059,007	1,330,718
Total as at 2015	6,622,171	79,828	476,438	6,225,561		1,557,416	439,170	265,533	1,731,053	4,494,508
Total as at 2014	4,790,056	1,832,115	-	6,622,171		1,103,109	454,307	-	1,557,416	5,064,755

Disposal of Fixed Assets

Name of Asset	Cost	Depreciation Charge	Cost after Dep.	Sale Price	Gain/(Loss)
Furniture & fixtures	59,587	28,585	31,002	13,100	(17,902)
Office equipments	400,501	226,876	173,625	145,281	(28,344)
Tools & appliances	16,350	10,072	6,278	300	(5,978)
	476,438	265,533	210,905	158,681	(52,224)

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

5. Trade and Other Receivables

Trade receivable exceeding 6 months
Trade receivables below 6 months

6. Loan, Advances and Prepayments

Advance to suppliers
Employees' PF
Prepaid expenses

7. Advance Income Tax

Advance Tax & TDS -2015
Advance Tax & TDS -2014
Advance Tax & TDS -2013
Advance Tax & TDS -2012
Advance Tax & TDS -2011
Advance Tax & TDS -2010
Advance Tax Appeal -2011
Previous year's TDS

7.1 Head Wise Payment

Interest on bank deposit
Registrations
Supplies
Paid in cash

8. Cash and Cash Equivalents

Cash in hand
Cash at bank with DBBL
Current account
Short term deposit account

	2015	2014
	Taka	Taka
	5,681,248	420,230
	24,626,879	21,960,815
	30,308,127	22,381,045
	202,500	144,500
	12,726	-
	190,816	177,464
	406,042	321,964
	3,437,108	-
	3,685,426	2,617,845
	2,467,265	2,467,265
	2,056,431	2,056,431
	1,691,067	1,691,067
	1,078,865	1,216,334
	16,000	-
	-	112
	14,432,162	10,049,054
	22,465	13,852
	95,500	65,000
	5,260,005	3,276,367
	9,054,192	6,693,835
	14,432,162	10,049,054
	275,458	134,888
	1,425	832,794
	3,177,167	3,031,787
	3,454,050	3,999,469

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

9. Share Capital

Authorized capital

1,000,000 ordinary shares of Taka 100 each

Issued, subscribed, called and paid up capital

10,000 ordinary shares of Taka 100 each

Particulars of share-holdings are as follows:

Name of shareholders	No. of shares	Value per share	2015 Taka	2014 Taka
RAK Ceramics (Bangladesh) Ltd.	9,900	100	990,000	350,000
S.A.K. Ekramuzzaman	-	100	-	500,000
Md. Amir Hossain	-	100	-	150,000
RAK Power Pvt. Ltd.	100	100	10,000	-
Total	10,000		1,000,000	1,000,000

2015 Taka	2014 Taka
100,000,000	100,000,000
1,000,000	1,000,000

10. Trade & Other Payables

Advance from customers

Due to employee (Security deposit)

VAT & TDS payable

818,606	861,561
38,727	4,583
1,306,836	429,876
2,164,169	1,296,020

11. Provision for Expenses

Payable to personnel

Audit fees

Provision for Leave Encashment

Provision for Special Bonus

Legal & professional expenses

Utilities bill

Cleaning services

3,926,792	3,511,093
46,000	46,000
380,090	371,582
1,102,550	783,350
28,750	25,000
19,180	36,933
2,699,200	2,792,116
8,202,562	7,566,074

12. Provision for Income Tax

For the year 2010

For the year 2011

For the year 2012

For the year 2013

For the year 2014

For the year 2015

1,078,865	1,078,866
1,691,067	1,691,067
2,056,431	2,056,431
2,643,497	2,643,497
3,685,426	3,685,426
3,736,458	-
14,891,744	11,155,287

13. Provision for Employees' Benefit

Provident Fund (Note-13.1)

Gratuity Fund (Note-13.2)

375,674	342,436
1,852,138	1,785,730
2,227,812	2,128,166

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

	2015	2014
	Taka	Taka
13.1 Provident Fund		
Opening balance	342,436	652,966
Add: Addition during the year	4,307,346	4,082,242
	4,649,782	4,735,208
Less: Payment during the year	4,274,108	4,392,772
	375,674	342,436
13.2 Gratuity Fund		
Opening balance	1,785,730	1,639,479
Add: Addition during the year	1,852,138	1,785,730
	3,637,868	3,425,209
Less: Payment during the year	1,785,730	1,639,479
	1,852,138	1,785,730
14. Turnover		
Gross receipts from service	86,226,806	80,994,752
Less: Value Added Tax (VAT)	12,529,170	10,764,944
	73,697,636	70,229,808
15. Direct Expenses		
Payment to personnel (Note-15.1)	47,792,093	44,519,687
Security training expenses (Note-15.2)	315,404	344,212
Other direct expenses (Note-15.3)	1,189,586	1,427,548
	49,297,083	46,291,447
15.1 Payment to Personnel		
Staff cost	30,689,621	29,274,425
Overtime	11,292,121	10,297,634
Bonus	2,999,223	2,511,484
Provident fund	907,364	612,045
Gratuity	1,593,389	1,533,555
Insurance Group Term-Life	310,375	290,544
	47,792,093	44,519,687
15.2 Security Training Expenses		
Staff welfare	281,955	311,069
Conveyance	11,804	8,125
Repair and maintenance	21,645	25,018
	315,404	344,212
15.3 Other Direct Expenses		
Cleaning expenses	110,639	118,341
Uniform expenses	1,009,257	1,018,007
Bicycle expenses	8,490	5,600
Fuel expenses	61,200	285,600
	1,189,586	1,427,548

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

16. Administrative Expenses

Payment to personnel (Note-16.1)
Rent, rates and taxes
Telephone and telex expenses
Repair and maintenance
Printing and stationery
Insurance
Electricity, gas and wasa
Board Meeting expenses
Vehicle running expenses
Legal and professional charges
Miscellaneous expenses
Taxation Expenses
Training Expenses
Audit fee
Depreciation
Loss on sale of Fixed assets

16.1 Payment to Personnel

Salary
Bonus
Staff welfare
Provident fund
Gratuity
Group Life Insurance

17. Marketing Expenses

Payment to personnel (Note-17.1)
Entertainment
Promotional expenses
Conveyance
Telephone and telex expenses
Miscellaneous Expenses

17.1 Payment to Personnel

Salary
Bonus
Provident fund
Gratuity
Group Life Insurance

2015	2014
Taka	Taka
6,979,663	6,615,045
2,048,671	1,983,149
196,814	221,785
452,379	349,374
309,321	247,699
82,211	77,659
208,469	227,217
-	5,000
1,026,587	836,779
381,000	110,000
168,341	118,520
1,200	983,214
-	24,000
46,000	52,000
439,170	454,307
52,224	-
12,392,050	12,305,747
4,809,735	4,619,868
768,399	723,067
871,360	887,788
280,837	142,758
228,536	224,987
20,796	16,577
6,979,663	6,615,045
836,334	674,373
62,081	48,337
301,450	282,412
175,047	126,007
6,733	10,351
115	180
1,381,760	1,141,660
659,833	567,333
107,000	46,000
38,520	33,120
30,213	27,188
768	732
836,334	674,373

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

18. Financial Expenses

Bank charges

19. Other Income

Bank interest

20. Earnings Per Share

Net Profit After Tax

Number of Ordinary Shares

Basic & Earnings Per Share (EPS) for the year

21. Event After Reporting Period

i) The Board of Directors in its meeting held on 03 February 2016 approved the financial statements of the company for the year ended 31 December 2015 and authorised the same for issue. The Board of Directors also recommended cash dividend @100% for the shareholders for the year 2015.

ii) 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.

	2015	2014
	Taka	Taka
	16,453	15,403
	16,453	15,403
	65,306	54,238
	65,305	54,238
"A"	6,939,137	6,844,363
"B"	10,000	10,000
"C=A/B"	693.91	684.44

For RAK Security and Services (Pvt.) Ltd.


Director


Managing Director

Place: Dhaka
Dated: 03 February 2016

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

Name of the subsidiary	RAK Power Pvt. Ltd.	RAK Security & Services Pvt. Ltd.
Name of the holding company	RAK Ceramics (Bangladesh) Limited	RAK Ceramics (Bangladesh) Limited
Holding Company's interest	2,049,995 ordinary shares of Taka100 each fully paid up	10,000 ordinary shares of Taka100 each fully paid up
Extent of holding	100%	99%
The 'financial year' of the subsidiary company ended on	December 31, 2015	December 31, 2015
Net aggregate amount of the subsidiary company's profits/ (losses) dealt with in the holding company's accounts	Taka201.83 mn	Taka1.00 mn
For the subsidiary's aforesaid financial year	Taka102.50 mn	Taka1.00 mn
For the previous financial years since it became subsidiary	Taka99.33 mn	NIL
Net aggregate amount of the subsidiary company's profits/ (losses) not dealt with in the holding company's accounts	Taka63.18 mn	Taka5.94 mn
For the subsidiary's aforesaid financial year	NIL	Taka5.94 mn
For the previous financial years since it became subsidiary	Taka63.18 mn	NIL
Changes, if any, in the holding company's interest in the subsidiary between the end of the financial year of the subsidiary and that of the holding company	N/A	N/A
Material changes, if any, between the end of the financial year of the subsidiary and that of the holding company	N/A	N/A

NOTICE OF THE 17TH ANNUAL GENERAL MEETING

Notice is hereby given that the 17th Annual General Meeting of RAK Ceramics (Bangladesh) Limited will be held Wednesday, April 13, 2016 at 10:00 a.m. at International Convention City, Bashundhara (Pushpoguscho), Joarshahara, Purbachal Link Road, Khilkhet, 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 2015 together with the reports of the Auditor and the Directors.
2. To declare dividend for the year ended 31 December 2015.
3. To elect/re-elect Director(s) of the Company.
4. To appoint the Auditors of the Company for the year 2016 and fix their remuneration.

By order of the Board of Directors

Dhaka, Bangladesh
Date: March 28, 2016

Sd/-
(Muhammad Shahidul Islam FCS)
Company Secretary

Notes:

1. The Shareholders whose name appeared in the Share Register of the Company or in the Depository Register on the 'Record Date' (i.e. February 28, 2016) will be entitled to attend the meeting and receive the dividend.
2. The Board unanimously recommended cash dividend @ 25 percent of the paid up capital of the Company.
3. A shareholder 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. Shareholders are requested to submit to the Registered Office of the Company on or before April 10, 2016, 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, Shareholders may collect the same from the Registered Office of the Company on or after April 10, 2016. No additional Annual Report will be distributed in the AGM venue.

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

