

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 Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RAK Ceramics (Bangladesh) Limited, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 accounts; and
- (d) the expenditure incurred was for the purposes of the Company's business.


Dhaka, 03 February 2016

RAK Ceramics (Bangladesh) Ltd
Consolidated statement of financial position
as at 31 December 2015

| | <u>Note</u> | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|-------------------------------------------------------------|-------------|----------------------------|----------------------------|
| 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 6 to 41 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

| | <u>Note</u> | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|----------------------------------------------------------------------------------------------------|-------------|----------------------------|----------------------------|
| Continuing operations | | | |
| Sales | 22 | 5,059,300,403 | 5,047,345,373 |
| Cost of sales | 23 | <u>(2,896,889,441)</u> | <u>(3,072,036,921)</u> |
| Gross profit | | 2,162,410,962 | 1,975,308,452 |
| Other income | 24 | <u>841,198,710</u> | <u>3,543,728</u> |
| Administrative expenses | 25 | <u>(859,551,141)</u> | <u>(256,784,745)</u> |
| Marketing and selling expenses | 26 | <u>(688,070,995)</u> | <u>(664,746,269)</u> |
| | | <u>(706,423,426)</u> | <u>(917,987,286)</u> |
| Profit from operating activities | | 1,455,987,536 | 1,057,321,166 |
| Finance income | 27 | <u>90,059,260</u> | <u>128,628,332</u> |
| Finance expenses | 28 | <u>(18,935,684)</u> | <u>(7,754,938)</u> |
| 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 | | <u>1,506,701,310</u> | <u>1,119,171,004</u> |
| Contribution to workers' profit participation and welfare fund | 29 | <u>(27,305,761)</u> | <u>(48,623,250)</u> |
| Profit before income tax | | 1,479,395,549 | 1,070,547,754 |
| Income tax expense | | | |
| Current tax | 30 | <u>(387,662,773)</u> | <u>(436,696,552)</u> |
| Deferred tax | 16 | <u>2,606,991</u> | <u>15,908,720</u> |
| | | <u>(385,055,782)</u> | <u>(420,787,832)</u> |
| Profit for the year from continuing operations | | <u>1,094,339,767</u> | <u>649,759,922</u> |
| Discontinued operation: | | | |
| Profit/(loss) on discontinued operation | 31 | <u>-</u> | <u>(161,685,005)</u> |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the year | | <u>1,094,339,767</u> | <u>488,074,917</u> |
| 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 | | <u>1,094,339,280</u> | <u>562,799,352</u> |
| 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 | | <u>487</u> | <u>(74,724,435)</u> |
| 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 6 to 41 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

| | Share capital Taka | Share Premium Taka | Retained earnings Taka | Total Taka | Non- controlling interests Taka | Total equity 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 | - | - | 562,799,352 | 562,799,352 | (74,724,435) | 488,074,917 |
| Profit/(loss) for the year | - | - | - | - | 15,885,820 | 15,885,820 |
| Subsidiary share capital issued | - | - | - | - | - | - |
| Transactions with the shareholders | - | - | (459,341,744) | (459,341,744) | (26,445,000) | (485,786,744) |
| Cash dividend (2013) | 306,227,820 | - | (306,227,820) | - | - | - |
| Stock dividend (2013) | - | - | - | - | - | - |
| 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 | - | - | 1,059,275,865 | 1,059,275,865 | 35,063,902 | 1,094,339,767 |
| Profit/(loss) for the year | - | - | - | - | (499,725) | (500,000) |
| Prior year adjustment | - | - | (275) | (275) | 195,261,930 | 195,261,930 |
| Elimination on disposal of subsidiary (Note - 37.3.1) | - | - | - | - | (126,799,789) | (224,781,224) |
| Acquisition of further purchase of RAK Power shares | - | - | (97,981,435) | (97,981,435) | - | - |
| Transactions with the shareholders: | - | - | (842,126,528) | (842,126,528) | (44,075,000) | (886,201,528) |
| Cash dividend (2014) | - | - | 1,196,443,022 | 1,196,443,022 | 1,529 | 6,038,598,640 |
| 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 6 to 41 are an integral part of these financial statements

RAK Ceramics (Bangladesh) Ltd
Consolidated statement of cash flows
for the year ended 31 December 2015

| | <u>2015</u> | <u>2014</u> |
|------------------------------------------------------------------------------------|------------------------|----------------------|
| | <u>Taka</u> | <u>Taka</u> |
| 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 | <u>1,119,669,072</u> | <u>1,029,667,634</u> |
| 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 | <u>920,242,431</u> | <u>658,874,015</u> |
| Net cash from operating activities of discontinued operation | - | (40,578,053) |
| Net cash from operating activities | <u>920,242,431</u> | <u>618,295,962</u> |
| 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 | <u>(1,367,840,848)</u> | <u>(287,302,771)</u> |
| Net cash used in investing activities of discontinued operation | - | (6,270,501) |
| Net cash used in investing activities | <u>(1,367,840,848)</u> | <u>(293,573,272)</u> |
| 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 | <u>73,642,935</u> | <u>(417,832,898)</u> |
| Net cash (used in)/from financing activities of discontinued operation | - | 45,800,398 |
| Net cash (used in)/from financing activities | <u>73,642,935</u> | <u>(372,032,500)</u> |
| Net increase/(decrease) in cash and cash equivalents | <u>(373,955,482)</u> | <u>(47,309,810)</u> |
| Cash and cash equivalents as at 01 January | <u>1,475,522,002</u> | <u>1,329,217,698</u> |
| Cash and cash equivalents as at 31 December | <u>1,101,566,520</u> | <u>1,281,907,887</u> |
| 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 |
| | <u>1,101,566,520</u> | <u>1,475,522,002</u> |
| Liabilities held for sale (Note-14) | - | (193,614,115) |
| Cash and cash equivalents as at 31 December | <u>1,101,566,520</u> | <u>1,281,907,887</u> |

The notes on pages 6 to 41 are an integral part of these financial statements.

RAK Ceramics (Bangladesh) Limited**Notes to the Consolidated financial statements
as at and for the year ended 31 December 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 BDT 500 million divided into 5 million ordinary shares of Taka 100 each. Authorised capital of the Company has been increased from Taka 500 million to 1,500 million divided into 150 million ordinary shares of Taka 10 each in the year 2011. The Company has gone into operation from 15 July 2009. The paid up capital of the company is Taka 940.04 million. 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 BDT 100 each in consideration of BDT 255 per share totalling to BDT 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.

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 BDT 100 each in consideration of BDT 2,875 per share totalling to BDT 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.

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.

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.

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.

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 |
| Furniture, fixture and equipment | 10-20 |
| 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.

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.

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".

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.

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.

4. Property, plant and equipment

2015

| 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 |
| 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 |
| Factory office building | 83,568,695 | - | 12,757,294 | - | - | 96,325,989 | 2.5-20 | 33,969,010 | 4,184,242 | - | - | - | 38,153,252 |
| Head office building | 103,647,545 | - | - | - | - | 103,647,545 | 2.5-5 | 38,339,365 | 5,182,377 | - | - | - | 43,521,742 |
| 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 |
| Mobile plant | 92,979,617 | - | 10,030,322 | - | - | 103,009,939 | 10 | 67,868,822 | 6,990,875 | - | - | - | 74,859,697 |
| Electrical installation | 176,368,708 | - | 6,903,457 | - | - | 183,272,165 | 10-20 | 148,510,240 | 9,042,252 | - | - | - | 157,552,492 |
| Gas pipeline | 43,985,379 | - | 4,151,512 | - | - | 48,136,891 | 10-20 | 42,107,920 | 1,047,651 | - | - | - | 43,155,571 |
| Furniture and fixtures | 27,395,225 | 524,848 | 3,097,824 | (59,587) | - | 30,958,310 | 10 | 18,467,403 | 2,656,588 | (28,585) | - | - | 9,659,827 |
| Office equipment | 23,333,785 | 1,210,380 | 71,079,726 | (268,780) | - | 95,375,111 | 10-20 | 16,404,913 | 603,708 | (226,876) | - | - | 75,384,654 |
| Communication equipment | 7,373,533 | - | 2,759,503 | - | - | 10,133,036 | 10-20 | 3,426,449 | 722,597 | - | - | - | 5,983,990 |
| Tools and appliances | 7,611,979 | 136,105 | 1,007,692 | (16,350) | - | 8,739,426 | 10-20 | 5,015,836 | 632,394 | (10,072) | - | - | 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 | - | - | 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) | - | 3,243,909,250 |

Amounts in Taka

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

| 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 20 Oct 2015 | Additions during the year | Additions during the year | Sale/disposal/adjustment | Transferred to held for sale | Balance as at 31 Dec 2015 | Rate (%) | 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 |
| Office equipment | 1,210,380 | - | - | (268,780) | - | 941,600 | 10 | 603,708 | 11,216 | (226,876) | - | - | 388,048 |
| Tools and appliances | 136,105 | - | - | (16,350) | - | 119,755 | 20 | 109,996 | 1,312 | (10,072) | - | - | 101,236 |
| Vehicles | 2,389,725 | - | - | - | - | 2,389,725 | 20 | 995,125 | 63,882 | - | - | - | 1,059,007 |
| Total at 31 December 2015 | 11,857,524 | - | - | (344,717) | - | 11,512,807 | - | 1,911,906 | 84,680 | (265,533) | - | - | 9,781,254 |

Amounts in Taka

2014

| Particulars | C O S T | | | | 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 31 Dec 2014 | Rate (%) | 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 | - | 12,817,673 | - | (240,347,109) | 462,030,577 | 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) | 2,350,570,893 |
| Mobile plant | 89,307,341 | - | 3,672,276 | - | - | 92,979,617 | 10 | 60,946,019 | 6,922,803 | - | - | (25,322,481) | 25,110,795 |
| Electrical installation | 222,723,445 | - | - | - | (46,354,737) | 176,368,708 | 10-20 | 157,695,430 | 16,137,291 | - | - | - | 27,858,468 |
| Gas pipeline | 43,985,379 | - | - | - | - | 43,985,379 | 10-20 | 41,249,893 | 858,027 | - | - | - | 42,107,920 |
| 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) | 23,333,785 | 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 | - | - | - | - | 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) | (231,785,060) | 2,986,071,284 |

Amounts in Taka

4.1 Depreciation charged on the basis of the purpose of use

Continuing operations

| | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|----------------------------------------|----------------------------|----------------------------|
| Cost of goods manufactured (Note 23.1) | 233,947,512 | 236,492,254 |
| Administrative expenses (Note 25) | 22,244,061 | 20,421,764 |
| | <u>256,191,573</u> | <u>256,914,018</u> |

Discontinued operation: (Note 31.1)

| | | |
|----------------------------------------------|--------------------|--------------------|
| Cost of goods manufactured | - | 33,018,991 |
| Administrative expenses | - | 7,100,322 |
| Marketing, selling and distribution expenses | - | 3,758,752 |
| | - | <u>43,878,065</u> |
| | <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 |

| | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|-----------------------------------------------------------------------------------------------|-----------------------------|----------------------------|
| 6 Intangible assets | | |
| Balance as at 1 January | 4,815,453 | 106,059,779 |
| Add: Addition during the year | 5,673,511 | 7,202,955 |
| | <u>10,488,964</u> | <u>113,262,734</u> |
| Less: Amortisation during the year (Note-6.1) | 3,805,009 | 9,043,643 |
| Transfer to non current assets held for sale | - | 99,403,638 |
| Balance as at 31 December | <u><u>6,683,955</u></u> | <u><u>4,815,453</u></u> |
| 6.1 Amortisation charged on the basis of the purpose of use | | |
| Continuing operations | | |
| Administrative expenses (Note - 25) | 3,805,009 | 2,014,112 |
| Discontinued operation | | |
| Administrative expenses (Note - 31.1) | - | 7,029,531 |
| | <u><u>3,805,009</u></u> | <u><u>9,043,643</u></u> |
| 7 Capital work-in-Progress | | |
| Balance as at 1 January | 289,116,566 | 35,091,397 |
| Add: Addition during the year | 1,767,883,626 | 365,197,998 |
| | <u>2,057,000,192</u> | <u>400,289,395</u> |
| Less: Transfer to property, plant & equipment during the year (note 7.1) | 506,960,135 | 108,842,656 |
| Impairment loss on capital equipment during the year | 4,660,347 | 2,330,173 |
| Balance as at 31 December | <u><u>1,545,379,710</u></u> | <u><u>289,116,566</u></u> |
| 7.1 Items transferred from capital work in progress to property, plant & equipment | | |
| Factory building | 24,500,193 | 12,837,673 |
| Factory office building | 12,757,294 | 6,414,746 |
| Plant & 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 | - |
| Communication equipment | 1,316,503 | - |
| Office equipment | 64,956,072 | - |
| | <u><u>506,960,135</u></u> | <u><u>108,842,656</u></u> |
| 8 Loan to disposed subsidiary and associate | | |
| Non-Current: | | |
| RAK Paints Pvt. Ltd. | - | 18,193,968 |
| | <u>-</u> | <u>18,193,968</u> |
| Current: | | |
| RAK Pharmaceuticals Pvt. Ltd. | 201,898,000 | - |
| RAK Paints Pvt. Ltd. | - | 40,661,640 |
| | <u>201,898,000</u> | <u>40,661,640</u> |
| | <u><u>201,898,000</u></u> | <u><u>58,855,608</u></u> |

| | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|--------------------------------------------------------|----------------------------|----------------------------|
| 9 Inventories | | |
| Raw materials | 852,533,747 | 702,273,301 |
| Less : Provision for obsolescence made during the year | (4,665,753) | (2,620,004) |
| | 847,867,994 | 699,653,297 |
| Stores and consumables spares | 957,748,655 | 883,845,333 |
| Finished goods | 216,781,132 | 100,488,293 |
| Work-in-process | 37,268,593 | 24,813,352 |
| Goods-in-transit | 180,177,856 | 126,554,452 |
| | <u>2,239,844,230</u> | <u>1,835,354,727</u> |
| 10 Trade and other receivables | | |
| Non current : | | |
| Receivable against disposal of investment | 148,050,000 | - |
| Current : | | |
| Trade receivables (Note 10.1) | 553,947,412 | 563,516,174 |
| | <u>553,947,412</u> | <u>563,516,174</u> |
| Accrued interest (Note 10.2) | 3,659,847 | 10,100,623 |
| Receivable against disposal of investment | 80,780,114 | 6,120,000 |
| Other receivable | - | 982,984 |
| | <u>638,387,373</u> | <u>580,719,781</u> |
| 10.1 Trade receivables | | |
| Receivables from local sales | 553,303,108 | 560,106,353 |
| Receivables from export sales | 644,304 | 3,409,821 |
| | <u>553,947,412</u> | <u>563,516,174</u> |
| 10.2 Accrued interest | | |
| Interest accrued on FDR | 3,659,847 | 10,100,623 |
| | <u>3,659,847</u> | <u>10,100,623</u> |
| 11 Advances, deposits and prepayments | | |
| Advances: | | |
| Employees | 18,726 | 141,984 |
| Land advance & others | 28,421,141 | 4,666,166 |
| Suppliers against material & services | 159,240,033 | 234,636,472 |
| | 187,679,900 | 239,444,622 |
| 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 |
| | <u>340,158,392</u> | <u>367,057,405</u> |

| | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|--------------------------------------------------|----------------------------|----------------------------|
| 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 |
| | <u>1,326,674,215</u> | <u>1,407,718,505</u> |
| Add: Receivable - SD & VAT | 657,660 | 39,435 |
| | <u>1,327,331,875</u> | <u>1,407,757,940</u> |
| 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 |
| | <u>1,269,316,585</u> | <u>1,366,006,050</u> |
| Less: Transfer to assets held for sale | - | 701,459 |
| Balance as at 31 December | <u>58,015,290</u> | <u>41,050,431</u> |
| 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) | <u>2,219,806,786</u> | <u>2,013,796,131</u> |
| 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 | <u>1,592,326,452</u> | <u>1,486,687,833</u> |
| | <u>2,219,806,786</u> | <u>2,013,796,131</u> |
| 12.2 Payment for the year | | |
| <u>Income year</u> | | |
| 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 |
| | <u>2,219,806,786</u> | <u>2,013,796,131</u> |

| | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|----------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| 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 - BDT) | 41,911,217 | 24,607,644 |
| Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - BDT) | 62,681,974 | 96,722,307 |
| Citibank N.A. (current account - G0100001200262018 - BDT) | 11,566,925 | 15,966,434 |
| Dutch Bangla Bank Ltd. (current account - 117-110-12733, 117-110-2481, 117.110.23474, 117.110.4311 -BDT) | 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 - BDT) | 113,239 | 526,074 |
| Standard Chartered Bank (SND account - 02-3767272-01 - BDT) | 400,958 | 401,998 |
| Dutch Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330, 117-120.2550, 117.120.311 - BDT) | 133,216,271 | 103,270,811 |
| BRAC Bank (SND - 1513101731248001 - BDT) | 354,466 | 346,514 |
| Prime Bank Ltd. (SND - 12531010022563 - BDT) | 14,168,711 | 50,777,650 |
| HSBC (STD - 001-066331-067, 001-107580-067, 001-096015-067 - BDT) | - | 202,327 |
| Commercial Bank of Ceylon (SND-2817000777 - BDT.) | 7,792,797 | 1,668,460 |
| | <u>295,717,314</u> | <u>307,513,599</u> |
| IPO bank account | | |
| Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT) | 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 |
| | <u>4,610,705</u> | <u>5,616,470</u> |
| Dividend bank account | | |
| BRAC Bank (Current - 1510201731248001 - BDT) - 2010 | 2,636,151 | 2,536,000 |
| BRAC Bank (Current - 1513201731248001 - BDT) - 2011 | 2,326,783 | 2,237,667 |
| SCB (Current - 02-6162940-02- BDT) - 2012 | 3,893,227 | 3,884,188 |
| SCB (Current - 02-6162940-03- BDT) - 2013 | 16,679,336 | 16,803,715 |
| SCB (Current - 02-6162940-04- BDT) - 2014 | 5,685,749 | - |
| | <u>31,221,246</u> | <u>25,461,570</u> |
| Investment in Fixed Deposit Receipt (FDR) | | |
| HSBC | 30,652,345 | 40,000,000 |
| SCB | 762,080 | 762,080 |
| Prime Bank Ltd. | 155,000,000 | 280,000,000 |
| Dutch Bangla Bank Ltd. | 581,725,210 | 813,169,375 |
| | <u>768,139,635</u> | <u>1,133,931,455</u> |
| Total | <u>1,101,566,520</u> | <u>1,473,926,142</u> |

| | <u>2015</u> | <u>2014</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------------------|
| | <u>Taka</u> | <u>Taka</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) | - | 562,083,060 |
| Intangible assets (Note-6) | - | 99,403,638 |
| Inventories | - | 72,353,935 |
| Trade and other receivables | - | 39,052,960 |
| Advances, deposits and prepayments | - | 16,581,719 |
| Advance income tax | - | 20,543,158 |
| Cash and cash equivalents | - | 1,595,860 |
| Assets held for sale | <u>-</u> | <u>811,614,330</u> |
| Employees benefits payable (Note-17) | - | 30,528,700 |
| Borrowings* | - | 290,155,176 |
| Trade and other payables | - | 57,688,973 |
| Accrued expenses | - | 35,425,468 |
| Provision for income tax | - | 1,409,012 |
| Liabilities held for sale | <u>-</u> | <u>415,207,329</u> |

* In 2014, Borrowings include bank overdraft Tk. 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.

15 Share capital

Authorised :

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

| | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|--|----------------------------|----------------------------|
| | 6,000,000,000 | 6,000,000,000 |

Issued, subscribed, called and paid up :

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

| | | |
|--|----------------------|----------------------|
| | 3,368,506,110 | 3,368,506,110 |
| | <u>3,368,506,110</u> | <u>3,368,506,110</u> |

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 |
| | <u>100.00</u> | <u>3,368,506,110</u> | <u>100.00</u> | <u>3,368,506,110</u> |

Classification of shareholders by holding

Shareholder's range

| | Number of shareholders | | Number of shares | |
|-----------------------------|------------------------|---------------|--------------------|--------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| 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 |
| | <u>41,775</u> | <u>53,520</u> | <u>336,850,611</u> | <u>336,850,611</u> |

| | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|---------------------------------------|----------------------------|----------------------------|
| 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> |

| | <u>2015</u> | | |
|--------------------------------------------------|-----------------------|----------------------|--------------------|
| | <u>Provident fund</u> | <u>Gratuity fund</u> | <u>Total</u> |
| | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> |
| Balance as at 1 January | 2,715,018 | 68,456,325 | 71,171,343 |
| Add: Provision made during the year | 34,825,936 | 21,384,334 | 56,210,270 |
| Add: Addition due to acquisition of RAK Security | 375,674 | 1,852,138 | 2,227,812 |
| | <u>37,916,628</u> | <u>91,692,797</u> | <u>129,609,425</u> |
| Less: Payments made to fund during the year | 34,624,161 | 68,761,129 | 103,385,290 |
| Balance as at 31 December | <u>3,292,467</u> | <u>22,931,668</u> | <u>26,224,135</u> |

| | <u>2014</u> | | |
|---------------------------------------------------------|-----------------------|----------------------|--------------------|
| | <u>Provident fund</u> | <u>Gratuity fund</u> | <u>Total</u> |
| | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> |
| Balance as at 1 January | 11,613,439 | 19,008,393 | 30,621,832 |
| Add: Provision made during the year | 39,729,764 | 72,081,241 | 111,811,005 |
| | <u>51,343,203</u> | <u>91,089,634</u> | <u>142,432,837</u> |
| Less: Payments made to fund during the year | 29,659,041 | 11,073,753 | 40,732,794 |
| | <u>21,684,162</u> | <u>80,015,881</u> | <u>101,700,043</u> |
| Less: Transfer to liabilities held for sale (Note - 14) | 18,969,144 | 11,559,556 | 30,528,700 |
| Balance as at 31 December | <u>2,715,018</u> | <u>68,456,325</u> | <u>71,171,343</u> |

| | | |
|------------------------------|----------------------|--------------------|
| 18 Borrowings | | |
| Non-current: | | |
| Term loan | 497,742,616 | - |
| Current portion of term loan | (77,117,814) | - |
| | <u>420,624,802</u> | <u>-</u> |
| Current: | | |
| Short-term borrowings | 694,001,555 | 323,755,163 |
| Current portion of term loan | 77,117,814 | - |
| | <u>771,119,369</u> | <u>323,755,163</u> |
| Balance as at 31 December | <u>1,191,744,171</u> | <u>323,755,163</u> |

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> |

| | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|------------------------------------------------------------|----------------------------|----------------------------|
| 19 Trade and other payables | | |
| Trade payables | | |
| Payable to local suppliers | 146,223,649 | 116,706,836 |
| Payable to foreign suppliers | 329,901,031 | 113,317,400 |
| Payable to service provider | 44,247,355 | 20,291,798 |
| Payable to C & F agent | 18,636,933 | 29,259,647 |
| | <u>539,008,968</u> | <u>279,575,681</u> |
| Other payables | | |
| Tax deducted at source | 18,862,935 | 14,516,183 |
| VAT deducted at source | 9,109,375 | 2,956,190 |
| Dividend Payable | 30,538,272 | 25,068,749 |
| Unclaimed share application | 18,773,636 | 19,791,236 |
| Advance from customer against sales | 22,393,794 | 12,775,647 |
| Security deposit | 1,939,219 | 91,740 |
| Claim Payable to employee | - | 320,760 |
| | <u>101,617,231</u> | <u>75,520,505</u> |
| | <u>640,626,199</u> | <u>355,096,186</u> |
| 20 Accrued expenses | | |
| Power and gas | 23,895,998 | 16,999,787 |
| Staff cost | 69,173,773 | 44,341,158 |
| Audit fees | 846,000 | 800,000 |
| Professional charges | 338,000 | 274,750 |
| Interest on loans | 4,035,081 | 669,474 |
| Telephone | 146,882 | 155,650 |
| Managing Director's remuneration (Note 20.1) | 34,075,485 | 30,682,702 |
| Worker's profit participation and welfare fund (Note 20.2) | 54,064,400 | 48,623,250 |
| Royalty and technical know-how fees (Note 20.3) | 2,399,388 | 38,352,170 |
| Others | 7,643,278 | 9,606,332 |
| | <u>196,618,285</u> | <u>190,505,273</u> |
| 20.1 Managing Director's remuneration | | |
| Balance as at 1 January | 30,682,702 | 38,340,648 |
| Add: Provision made during the year | 34,075,485 | 30,682,702 |
| Less: Adjustment for prior year | (16,850,928) | - |
| | <u>47,907,259</u> | <u>69,023,350</u> |
| Less: Paid to Managing Director | 13,831,774 | 38,340,648 |
| Balance as at 31 December | <u>34,075,485</u> | <u>30,682,702</u> |
| 20.2 Worker's profit participation and welfare fund | | |
| Balance as at 1 January | 48,623,250 | 59,111,329 |
| Add: Contribution made to the fund during the year | 54,064,400 | 48,623,250 |
| Less : Adjustment for prior year | (26,758,639) | - |
| | <u>75,929,011</u> | <u>107,734,579</u> |
| Less: Payment made from the fund during the year | 21,864,611 | 59,111,329 |
| Balance as at 31 December | <u>54,064,400</u> | <u>48,623,250</u> |

| | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|---------------------------------------------------------------------------|----------------------------|----------------------------|
| 20.3 Provision for royalty and technical know-how fees | | |
| Balance as at 1 January | 38,352,170 | 225,676,743 |
| Add: Provision made during the year | 80,414,124 | 72,407,557 |
| Add: Adjustment for prior year | 233,797 | - |
| | <u>119,000,091</u> | <u>298,084,300</u> |
| Less: Payment made during the year | 36,683,680 | - |
| Less: Payment made for the year 2011 and 2012 | - | 154,258,821 |
| Less: Vat on royalty deposited for the year 2010 | - | 34,734,242 |
| 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 | - |
| Balance as at 31 December | <u>2,399,388</u> | <u>38,352,170</u> |

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

21 Provision for income tax

| | | |
|--------------------------------------------------|----------------------|----------------------|
| Balance as at 1 January | 2,182,344,567 | 1,840,804,871 |
| Add: Provision made for the year | 319,661,270 | 365,957,485 |
| Add: Provision made for earlier year | 54,917,023 | 70,739,067 |
| Add: Adjustment for prior year | 11,928,337 | - |
| Add: Addition due to acquisition of RAK Security | 14,891,744 | - |
| | <u>2,583,742,941</u> | <u>2,277,501,423</u> |
| Less: Provision release during the year | - | (95,151,856) |
| Less: Transfer to liabilities held for sale | - | (5,000) |
| Balance as at 31 December (Note 21.1) | <u>2,583,742,941</u> | <u>2,182,344,567</u> |

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 |
| | <u>2,583,742,941</u> | <u>2,182,344,567</u> |

| | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|---------------------------------------------------------|-----------------------------|-----------------------------|
| 22 Sales | | |
| Gross sales (Local) | 6,303,404,641 | 6,292,625,094 |
| Gross sales (Export) | 26,559,633 | 26,784,010 |
| Total Sales | <u>6,329,964,274</u> | <u>6,319,409,104</u> |
| Less: Supplementary Duty | 452,357,549 | 456,237,754 |
| VAT | 818,306,322 | 815,825,977 |
| Net sales | <u><u>5,059,300,403</u></u> | <u><u>5,047,345,373</u></u> |
| | | |
| 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) | <u>3,007,012,146</u> | <u>2,970,941,919</u> |
| Cost of finished goods available for sale | <u>3,113,670,573</u> | <u>3,172,525,214</u> |
| Less: Stock of finished goods as at 31 December | 216,781,132 | 100,488,293 |
| | <u><u>2,896,889,441</u></u> | <u><u>3,072,036,921</u></u> |
| | | |
| 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 | <u>1,779,555,491</u> | <u>1,466,848,016</u> |
| | <u>2,479,208,788</u> | <u>2,337,757,549</u> |
| Less: Closing stock as at 31 December | 847,867,994 | 699,653,297 |
| | <u><u>1,631,340,794</u></u> | <u><u>1,638,104,252</u></u> |
| | | |
| 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 |
| | <u>1,388,126,593</u> | <u>1,329,984,120</u> |
| Cost of production | <u>3,019,467,387</u> | <u>2,968,088,372</u> |
| | | |
| 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 | <u>37,268,593</u> | <u>24,813,352</u> |
| | <u>(12,455,241)</u> | <u>2,853,546</u> |
| Cost of goods manufactured | <u><u>3,007,012,146</u></u> | <u><u>2,970,941,919</u></u> |

| | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|----------------------------------------------------------------------------|----------------------------|----------------------------|
| 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 |
| | <u>323,585,760</u> | <u>305,199,598</u> |
| 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 |
| | <u>612,028,483</u> | <u>575,381,319</u> |
| 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 | - |
| | <u>730,898</u> | <u>1,668,490</u> |
| 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> |

| | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</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> |
| 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.

| | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|--------------------------------------------------------------------------|----------------------------|----------------------------|
| 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> |
| 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 |
| | <u>34,964,930</u> | <u>27,678,387</u> |
| 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 |
| | <u>214,502,266</u> | <u>230,416,756</u> |
| 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 |
| | <u>90,059,260</u> | <u>128,628,332</u> |
| 28 Financial expenses | | |
| Interest expenses | 17,504,954 | 6,887,174 |
| Bank charges | 1,430,730 | 867,764 |
| | <u>18,935,684</u> | <u>7,754,938</u> |
| 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) | - |
| | <u>27,305,761</u> | <u>48,623,250</u> |
| 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 | - |
| | <u>387,662,773</u> | <u>436,696,552</u> |

| | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|--------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| 31 Profit/(loss) on discontinued operation | | |
| Sales | - | 461,297,574 |
| Cost of sales (Note-31.1) | - | (183,231,089) |
| Gross profit | - | <u>278,066,485</u> |
| 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) |
| Profit/(loss) from operating activities | - | <u>(402,022,314)</u> |
| Finance expenses | - | (36,325,164) |
| Profit/(loss) before income tax | - | <u>(160,280,993)</u> |
| Provision for income tax | | |
| Current year | - | (1,404,012) |
| Net profit / (loss) after income tax | - | <u>(161,685,005)</u> |
| Non controlling interest | - | 112,919,784 |
| Net profit / (loss) after tax and non controlling interest attributable to equity holders | - | <u><u>(48,765,221)</u></u> |

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 | 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 |
| | <u>8,260</u> | <u>43,744</u> | <u>553,947,412</u> | <u>599,665,382</u> |
| Other receivables | | | | |
| Claim receivable | | | - | 2,335,805 |
| Accrued interest | | | 3,659,847 | 10,100,623 |
| Receivable against disposal of investment | | | 228,830,114 | 6,120,000 |
| Others | | | - | 1,550,931 |
| | | | <u>232,489,961</u> | <u>20,107,359</u> |
| Loan to disposed subsidiary and associate | | | | |
| RAK Pharmaceuticals Pvt. Ltd. | | | 201,898,000 | - |
| RAK Paints Pvt. Ltd. | | | - | 58,855,608 |
| | | | <u>201,898,000</u> | <u>58,855,608</u> |
| Cash equivalents | | | <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:

| | Amounts in Taka | |
|------------------------|--------------------|--------------------|
| | As at 31 Dec 2015 | As at 31 Dec 2014 |
| Not past due | - | - |
| 0-90 days past due | 545,496,820 | 587,360,293 |
| 91-180 days past due | 2,692,474 | 3,948,480 |
| 181-365 days past due | 5,758,118 | 2,252,247 |
| over 365 days past due | - | 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.

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> |

| | 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.

Profile

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

| | Carrying amount | |
|--------------------------------|---------------------------|---------------------------|
| | As at 31 December 2015 | As at 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 |

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.

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

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.

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.

2015

| | Business Segments | | | | | Entity total Taka |
|---------------------------------------------------------------------|------------------------------------|---------------|----------------------------------|--------------------------|----------------------------------|----------------------|
| | Ceramic & sanitary ware Taka | Power Taka | Security and Services Taka | Inter segment Taka | Prior year adjustment 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 | - | (2,896,889,441) |
| Gross profit | 1,997,645,613 | 153,499,441 | 6,021,443 | - | - | 2,162,410,962 |
| Other income | 58,775,000 | - | - | (58,775,000) | - | - |
| Dividend income | 7,878,261 | - | - | (5,478,261) | - | 2,400,000 |
| Rental income | - | - | - | - | - | 600,568,643 |
| Gain on disposal of investment against subsidiary (note - 37.3) | - | - | - | - | - | 236,379,531 |
| Gain on disposal of investment against associates (note - 37.4) | - | - | - | - | - | 1,850,536 |
| Revaluation gain on acquisition of associate's shares (note - 37.5) | - | - | - | - | - | 90,059,260 |
| Financial income | 86,212,028 | 3,824,325 | 22,907 | - | - | (18,935,684) |
| Financial expenses | (18,812,730) | (118,101) | (4,853) | - | - | (256,191,573) |
| Depreciation | (237,990,276) | (18,116,617) | (84,680) | - | - | (808,472,340) |
| Other operating expenses | (812,419,898) | 6,599,108 | (2,651,550) | - | - | (578,548,552) |
| Provision relating to subsidiary loan and interest | - | - | - | - | (578,548,552) | (578,548,552) |
| Adjustment relating to WPPF | - | - | - | - | 26,758,639 | 26,758,639 |
| Adjustment relating to Managing Director's remuneration | - | - | - | - | 16,850,928 | 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) | (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 |

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 | - | | (112,919,784) | | 38,195,349 | | - | | 562,799,352 | |

| | <u>2015</u> <u>Taka</u> | <u>2014</u> <u>Taka</u> |
|----------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| 35 Earnings per share (EPS) | | |
| Calculation of earnings per share (EPS) is as under: | | |
| Earning attributable to ordinary shareholders | | |
| Profit for the year | 1,094,339,280 | 562,799,352 |
| 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 | 1.67 |
| 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 |

35.2 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.

| | <u>2015</u> | <u>2014</u> |
|---------------------------------------------------|--------------------|--------------------|
| Outstanding shares | 336,850,611 | 306,227,829 |
| Effect of issue of bonus shares for the year 2013 | - | 30,622,782 |
| | <u>336,850,611</u> | <u>336,850,611</u> |

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.

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 BDT 100 each in consideration of BDT 255 per share totalling to BDT 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 BDT 100 each in consideration of BDT 2,875 per share totalling to BDT 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 BDT 100 each in consideration of BDT 90 per share totalling to BDT 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 |
| Sales proceeds (100% of investment) | 361,914,560 |
| Face value Tk. 10, sale @ Tk. 7 per share | |
| Less : Carrying value (CV) at disposal date | |
| Net assets at disposal date | (433,916,013) |
| CV of NCI at disposal date (Note 37.3.1) | (195,261,930) |
| | (238,654,083) |
| Gain on disposal | <u>600,568,643</u> |

37.3.1 Non controlling interest at disposal date

| | |
|----------------------------------------------|----------------------|
| Net assets at disposal date | (433,916,013) |
| Less : Group company share 55% | 238,654,083 |
| Elimination on disposal of subsidiary | <u>(195,261,930)</u> |

37.4 Associates' disposal

RAK Mosfly (BD) Pvt. Ltd.

| | |
|-----------------------------------------|-------------------|
| | Taka |
| Disposal proceeds | 19,250,000 |
| Share of net assets at 31 December 2014 | (646,552) |
| Share of loss during the period | (337,865) |
| Gain on disposal | <u>20,234,417</u> |

RAK Paints (Pvt.) Ltd.

| | |
|-----------------------------------------|--------------------|
| | Taka |
| Disposal proceeds | 216,145,114 |
| Share of net assets at 31 December 2014 | 21,749,142 |
| Share of loss during the period | (21,749,142) |
| Gain on disposal | <u>216,145,114</u> |

Total Gain on disposal

236,379,531

37.5 Revaluation gain on acquisition

| | |
|---------------------------------------------------------------|------------------|
| Fair Value of the investment | 10,062,500 |
| Carrying Value of Investment - 20th October 2015 | 8,211,964 |
| Revaluation gain on acquisition of RAK security shares | <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.