

ANNUAL REPORT
2016



RAK CERAMICS

Moving Ahead of Time

RAK
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RAK

CERAMICS

Disclaimer

This document contains “forward-looking statements” – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition, and often contain words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “see,” “will,” “would,” or “target.” Forward-looking statements, by their nature, address matters that are, to different degrees, uncertain, such as statements about expected income; earnings per share; revenues; organic growth; margins; cost structure; restructuring charges; cash flows; return on capital; capital expenditures, capital allocation or capital structure and dividends. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements. This document includes certain forward-looking projected financial information that is based on current estimates and forecasts. Actual results could differ materially.



Moving Ahead of Time

RAK Ceramics continues its relentless pursuit for excellence and retains competitive edge by being a vigorous growth partner of the market. Inspired by our redefined policy formulation and credible resources, we are moving ahead with our rejuvenated brand image and poised to convene the emergent market appetite.

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Corporate Information

Board of Directors

Chairman

Mr. Abdallah Massaad

Managing Director

Mr. S.A.K. Ekramuzzaman

Director

Mr. Pramod Kumar Chand

Independent Directors

Mr. Faheemul Huq, Barrister-at-Law
Mr. Wassim Moukahhal

Chief Executive Officer

Mr. Imtiaz Hussain

Chief Financial Officer

Mr. Kaushik Das

Company Secretary

Mr. Muhammad Shahidul Islam FCS

Audit Committee

Chairman

Mr. Faheemul Huq, Barrister-at-Law

Members

Mr. Pramod Kumar Chand
Mr. Wassim Moukahhal

Member Secretary

Mr. Muhammad Shahidul Islam FCS

Head of Internal Audit

Mr. Zakir Hossain FCA

Statutory Auditor

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

Principal Bankers

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

Credit Rating Agency

Credit Rating Information and Services Limited (CRISL)
Nakshi Homes (4th & 5th floor)
6/1A Segunbagicha
Dhaka-1000.

Legal Advisor

Mr. Margub Kabir, Barrister-at-Law

Website

www.rakcerambd.com

Registered Office

RAK Tower (7th, 8th & 9th floor)
1/A Jasimuddin Avenue
Sector-3, Uttara Model Town
Dhaka-1230.
Phone: +88 (02) 58957393, 58952303
Fax: +88 (02) 58957096

Factory

Dhanua, Sreepur, Gazipur, Bangladesh

RAK Ceramics (Bangladesh) :

A strong investment case

Benefits of scale

- Among the largest ceramic tiles manufacturers in Bangladesh
- Comprehensive and diversified product suite
- Benefits of scale in procurement, operations, supply chain and technology
- Sustainable relationships with homeowners and commercial customers
- Great brand image

Attractive growth opportunities

- Strong culture of sales and marketing
- Fragmented markets with scope for consolidation
- Large and aspiring population with rising per capita and disposable incomes
- Rising per capita consumption of ceramic tiles and sanitary ware in Bangladesh.
- Reliable payback from expansion

Robust execution culture

- Strong post-sales/service orientation
- Systematic performance appraisal
- Best-in-class manufacturing and sales platforms
- Evolutionary operating model to meet changing customer tastes and preferences

Low volatility

- Protected gross margins
- Strong balance sheet
- Asset-light approach to growth
- Strong free cash flow generation through economic cycles

4.33%

Revenue CAGR
(2011-2016)

3.87%

Net profit CAGR
(2011-2016)

Company Profile

The core business of RAK Ceramics (Bangladesh) Limited is to manufacture and sell of ceramics and gres porcellanato (Porcelain/ fully vitrified) tiles, bathroom sets and all types of sanitary ware. The Company has over 2,500 models active in the ceramic and porcelain tile business and regularly adds several new designs to the product portfolio.

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

The core business of RAK Ceramics (Bangladesh) Limited is to manufacture and sell of ceramics and gres porcellanato (Porcelain/ fully vitrified) tiles, bathroom sets and all types of sanitary ware. The Company has over 2,500 models active in the ceramic and porcelain tile business and regularly adds several new designs to the product portfolio. The Company manufactures tiles in a very wide range of tiles in the sizes from 20 cm X 30 cm up to 60 cm X 60 cm in Bangladesh location. The Company has over 30 models an exclusive range of sanitary ware to offer with a very wide choice. In sanitary ware various models are produced in wash basins (mounted as well as pedestal), water closets, accessories and marble sets. Besides, the product mix is geared to produce mostly value added products. This paired with the other advantages will ensure a shrunken payback cycle. Production is mostly consumed in local market.

Our annual production capacities: 11.68 mn sqm of tiles and 1.45 mn pieces of sanitaryware.

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

Our production capacity utilization: We continue to focus on maximizing capacity utilization. In the year 2016 actual capacity utilization of 68% at our tiles plant and 100% at our sanitary ware facility.

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

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

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

The current market for the Company includes construction developers, government institutions and local consumers. The Company has a strong market reputation in Bangladesh with a firm network of 92 dealers nationwide and receives strong support from RAK Ceramics PJSC, UAE in terms of technological know how, management and marketing support.

The Company emerged as the first Bangladeshi Company in its industry to

be awarded the prestigious ISO 9001:2008 certification by the UKAS accredited internationally recognized certification agency BVQI in May 2006. As a responsible global leader in the ceramic industry, we are maintaining our commitment to protect and preserve the environment by operating an Environmental Management System which is certified to ISO 14001:2004 standard. The Company complies with ISO 13006:2012 (E), the latest international standard for ceramic tile; locally known as BDS ISO 13006:2012. The Company's sanitary ware complies with the quality criteria of BDS 1162:2012. Both tiles and sanitary products are BSTI-approved. The Company also awarded as 'Superbrand' in 2010, first time in Bangladesh. The ceramic tiles and sanitary wares are continuously tested in the factory's own laboratory and following BS EN ISO 10545:2013 and BS EN 997:2012 standards respectively.

The ownership of RAK Ceramics (Bangladesh) Limited comprises with 75.59% held by the sponsors (71.67% by RAK Ceramics PJSC, UAE and 3.92% by local investor Mr. S.A.K. Ekramuzzaman) and remaining 24.41% is holding by general public including institutional investors as on December 31, 2016. With an annual turnover of over BDT 5,661.41 million in 2016, within the short span of 16 years RAK has firmly established itself as one of the leading manufacturer of high quality ceramic wall, floor tiles, gres porcellanato and sanitary wares products in Bangladesh.

Vision

Our vision is to be the world's leading ceramics lifestyle solutions provider.

Mission

Our mission is to foster an internal culture that we are committed to our vision of becoming the world's leading ceramics lifestyle solutions provider and we will achieve this by utilising our experience, our wide product range, our innovative approach and continuing to deliver quality. We want to build a world class organisation. We have applied our expertise in some of the most iconic and innovative projects around the world and we aim to continue to push the boundaries in new and exciting projects as we move forwards.



Company at a glance

RAK Ceramics (Bangladesh) is a leading manufacturer and marketer of premium branded ceramic tiles and sanitaryware products that enhance, protect and maintain the places and spaces in which people live and work.

Our growth enablers

- Premium brands
- Expansive product portfolio
- Focus on innovation and technology
- Attentive customer service
- Skilled employees, best practices
- Loyal and trusted trade channel distribution
- Financial conservatism

At RAK Ceramics (Bangladesh), all of these elements underpin a strong and sustainable competitive advantage, a stable earnings profile and a platform for compelling growth options.

Our growth strategy

We seek above-market growth rates by:

- Extending our market leading product positions to newer customers in newer geographies
- Transferring our core marketing, sales and supply chain capabilities to provide full-fledged home and office improvement solutions
- Continuing to seek low-risk business opportunities that enable high customer value-addition
- Focusing on organic growth through debottlenecking and strategic capacity expansion

The Performance of The Company and its Subsidiaries

A. RAK Ceramics (Bangladesh) Limited

i) Ceramic and gres porcellanato tiles

The performances of ceramic Tiles product were as follows:

Annual production capacities: 11.68 mn sqm.

Our production capacity utilization: We continue to focus on maximizing capacity utilization. In the year 2016 capacity utilization was 68% at our tiles plant.

Highlights 2016

Achieved a 17.36% increase in production to 7.06 mn sqm.

Achieved a 7.91 % increase in sales to 6.48 mn sqm.

Achieved a 3.16 % average increase in price realizations.

Roadmap 2017

Explore new markets, especially those of the neighboring countries.

Focus on cost control programs.

ii) Sanitaryware

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

Annual production capacities: 1.45 mn pieces.

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

Our production capacity utilization: We continue to focus on maximizing capacity utilization. In the year 2016 capacity utilization was 100% at our sanitary ware facility.

Highlights 2016

Achieved a 2.11% increase in production to 1.45 mn pieces.

Some of the new products launched included series RAK Galaxy, Harmony, Gloria wall hunk, Cleo model.

Some of our top selling products included cynthia, orient, washington etc.

Roadmap 2017

Continued focus on growing production and sales of premium products.

Explore new markets.

B. RAK Power Pvt. Ltd.

Review of Business

The plant capacity was available in excess of 90 percent of installed capacity, during 2016. However, supply was primarily dedicated to the requirement of parent company RAK Ceramics (Bangladesh) Ltd. and other group companies. The company supplied power to Bangladesh Rural Electrification Board (BREB) to the extent of 1.5–2.5 MW in excess of group company requirement and also as per requirement of REB during the first 4 month of the year 2016. After coming in to operation of the 4th plant of RAK Ceramics (Bangladesh) Ltd. Group Company's requirement has been increased and the power supply to BREB is suspended.

Revenues increased by around 11.95 percent to BDT 373.99 mn in 2016 from BDT 334.04 mn in 2015.

Gross profit decreased by 3.78 percent to BDT 147.70 mn in 2016 from BDT 153.50 mn in 2015.

Profit after tax (PAT) decreased by 2.88 percent to BDT 96.66 mn in 2016 from BDT 99.72 mn in 2015.

EPS decreased by 3.07 percent to BDT 47.15 per share in 2016 from BDT 48.65 per share in 2015.

EBITDA decreased by 2.88 percent to BDT 159.09 mn in 2016 from BDT 163.82 mn in 2015.

(Amount in BDT mn)

Particulars	2012	2013	2014	2015	2016
Net Sales	273.18	287.06	294.04	334.04	373.99
Gross Profit	109.09	124.48	130.59	153.50	147.70
EBITDA	141.51	148.78	145.28	163.82	159.09
PAT	59.63	74.10	88.83	99.72	96.66
EPS (Absolute BDT)	29.09	36.14	43.33	48.65	47.15

C. RAK Security and Services (Pvt.) Ltd.

Review of Business

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

Revenues increased by around 108.33 percent to BDT 153.54 mn in 2016 from BDT 73.70 mn in 2015.

Gross profit increased by 32.54 percent to BDT 32.34 mn in 2016 from BDT 24.40 mn in 2015.

Profit after tax (PAT) increased by 12.82 percent to BDT 7.83 mn in 2016 from BDT 6.94 mn in 2015.

EBITDA increased by 11.70 percent to BDT 12.41 mn in 2016 from BDT 11.11 mn in 2015.

EPS increased by 12.81 percent to BDT 782.81 per share in 2016 from BDT 693.91 per share in 2015.

Key financial data of preceding five years:

(Amount in BDT mn)

Particulars	2012	2013	2014	2015	2016
Net Sales	54.78	61.62	70.23	73.70	153.54
Gross Profit	16.48	19.31	23.94	24.40	32.34
EBIDTA	5.68	7.25	10.98	11.11	12.41
PAT	3.43	4.41	6.84	6.94	7.83
EPS (Absolute BDT)	342.74	440.58	684.44	693.91	782.81

Segment Reporting 2016

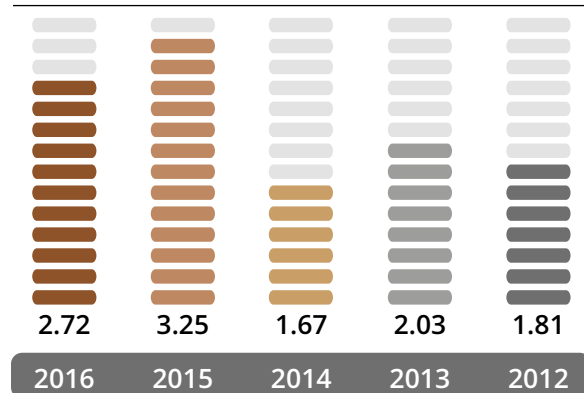
(Amount in BDT mn)

Particulars	RAK Ceramics	RAK Power	RAK Security	Adjustment	Entity Total
Sales	5,577.44	373.99	153.54	443.56	5,661.41
Gross Profit	2,222.42	147.70	32.34	6.90	2,409.36
Profit before Tax	1,221.12	140.99	12.04	103.49	1,270.66
Profit after Tax	914.26	96.66	7.83	103.50	915.25

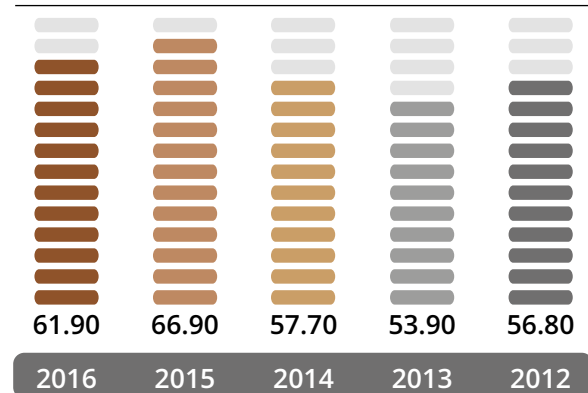
A year of respectable progress against a challenging backdrop

Good progress has been made implementing the Company's refreshed strategy, although there remains much still to do as we further reinforce our position as Bangladesh's largest and most respected tiles and sanitaryware enterprise. While it is early in the full recovery of the construction industry, the new housing market, new commercial and industrial markets and the repair, maintenance and improvement markets have been performing largely as per our internal expectations.

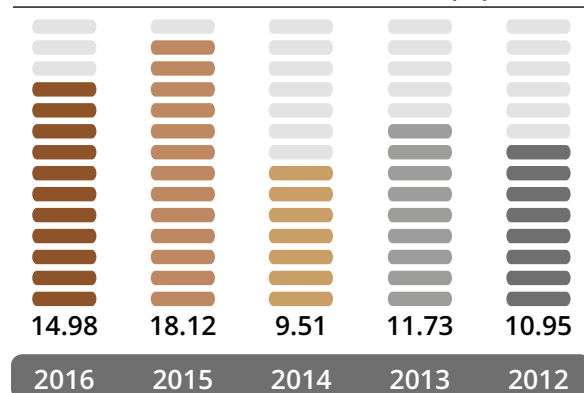
EPS (BDT):



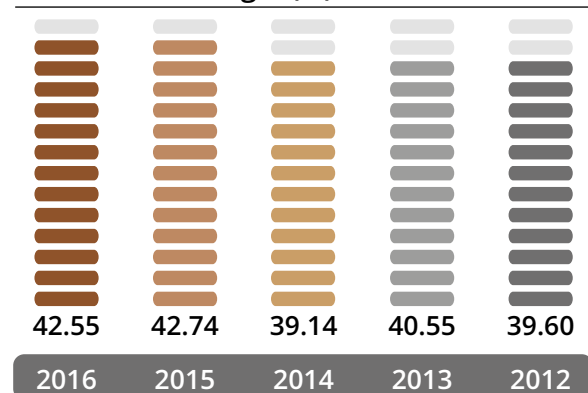
Stock Performance (BDT):



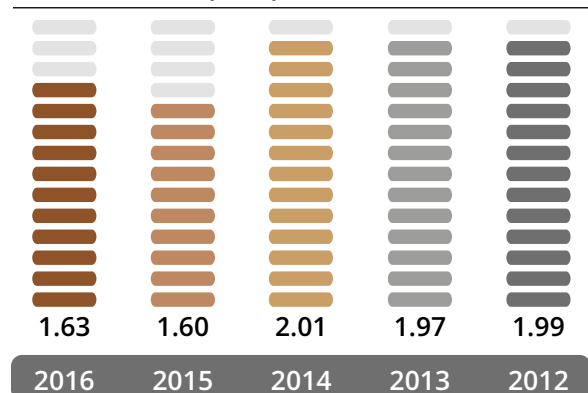
Return on Shareholders' Funds (%):



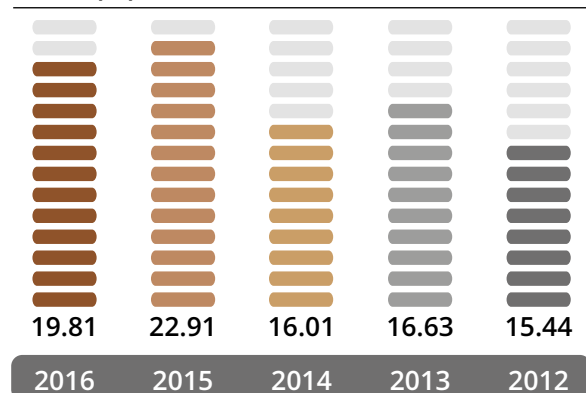
Gross Profit Margin (%):



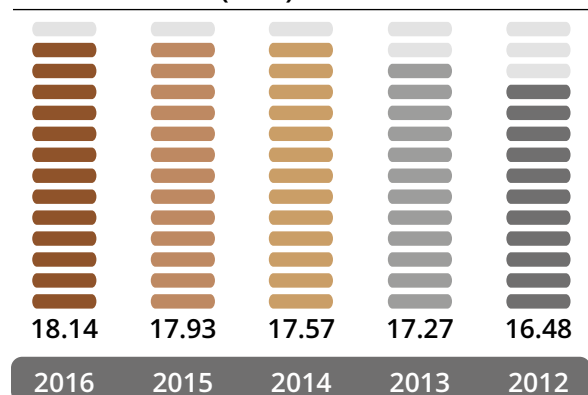
Current Ratio (BDT):



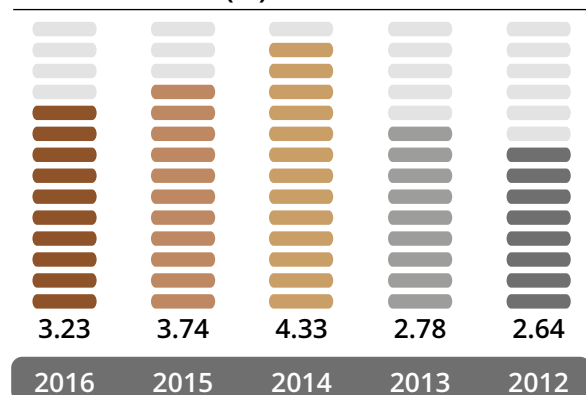
ROCE (%) :



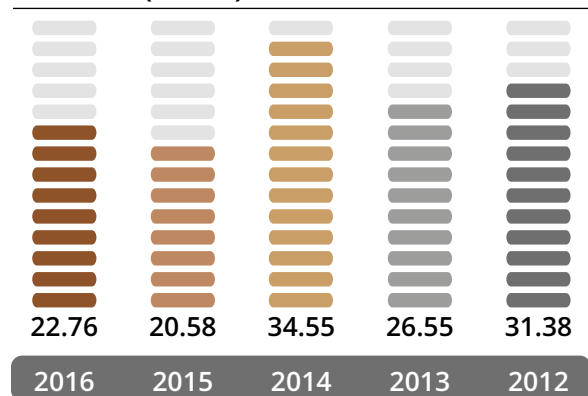
NAV Per Share (BDT):



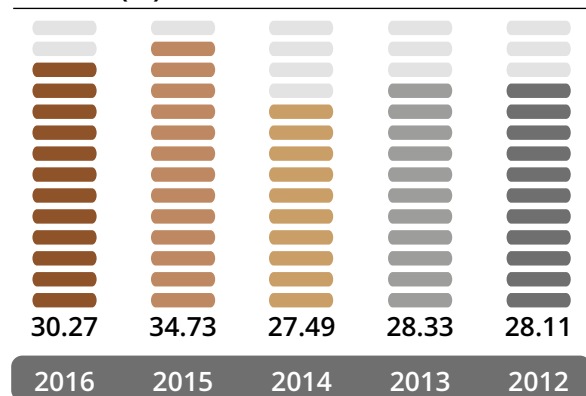
Dividend Yield (%):



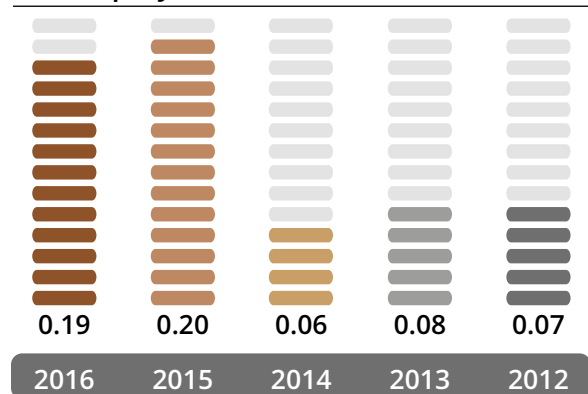
P/E Ratio (Times):



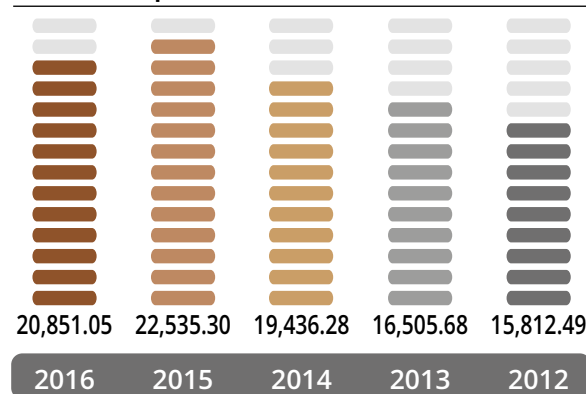
EBIDTA (%) :



Debt Equity Ratio (Times):



Market Capitalization (BDT mn):



Directors' profiles and their representation on Board of other companies

Importantly, the Company's growth plans are not just predicated on resurgent markets but on active consumer-centric programmes to drive sustainable competitive advantage and long-term improvements to shareholder returns. Through investing in customer propositions, optimising the branch network, accelerating scale advantages and bringing forth greater discipline into product portfolio management, RAK Ceramics (Bangladesh) remains confident it can continue to outperform the markets in which it operates in the years ahead.



We are in constant pursuit to shape a wider product portfolio through constant innovation, vibrant design patterns and a spectrum of strategic focus that exemplifies the cornerstones of our core business forward

Mr. Abdallah Massaad

Chairman

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

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

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

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

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

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

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

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

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



We remain empowered to capacitate our efforts in terms of responding to the growing market appetite by being responsible to our stakeholders as well as aligning the application of our strategic anchoring with the dynamic market of Bangladesh

Mr. S.A.K. Ekramuzzaman
Managing Director

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

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



It gives me immense pleasure to represent a company that has established its reputed brand image, is driven by immaculate value creation doctrines and exercises optimum corporate governance practices to proactively safeguard and maintain value for stakeholders

Mr. Pramod Kumar Chand
Director

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

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

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

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



We place resource utilization at the core of our operational engagements and cease to become complacent of our advantageous position within the market; which make us more accountable to our customers, stakeholders and the society at large

Mr. Wassim Moukahhal
Independent Director

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

Mr. Moukahhal has more than 12 years of experience in private equity investments and is currently a Senior Vice President of Samena Capital Investments Limited in Dubai, focusing on investments within the MENA region.

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



I firmly believe that RAK will continue to grow towards the path of excellence, as it fosters environmental efficiency, stabilizes market risks and has the potential to benefit the economic progression the country is set out to experience

**Mr. Faheemul Huq, Barrister-at-Law
Independent Director**

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

Mr. Huq completed his LL.B.(Hon's) from the University of Dhaka and the University of Wolverhampton, UK., PGDL, Bar Vocational Course, Lincoln's Inn, UK, Barrister-at-Law and was Called to the Bar from Hon'ble Society of Lincoln's Inn, UK. He is enrolled in the Appellate Division of the Supreme Court of Bangladesh. Mr. Huq is one of the senior Advocate in the Supreme Court of Bangladesh with more than 18 years of experience in Bangladesh.

Mr. Huq is a Member of the Bangladesh Supreme Court Bar Association and the Dhaka Bar Association, Bangladesh.

Mr. Huq is involved in many social activities such as the Chairman of Fazlur Rahman Foundation and Farida Huq Foundation, Life Member of Diabetic Association of Bangladesh, Member of Patient Welfare Committee of Diabetic Association of Bangladesh, Member of Legal Affairs Committee of Diabetic Association of Bangladesh and Member of Managing Committee of Dr. Farida Huq Memorial Ibrahim General Hospital, Kaliakair, Gazipur. He is also Life Member of the Dhaka Club Limited and the Banani Club Limited.

Chairman's Statement

What I would like to impress upon shareholders is that a couple of years ago, when de-growth became increasingly evident, it would have been easier to stay low and stick to the conventional. On the contrary, we perceived the slowdown as a structural opportunity to look within, manage better what was within our control and create a stronger business.



At RAK Ceramics (Bangladesh), our objective is to deliver sustainable growth in shareholder value, based on our vision to establish RAK Ceramics as a world-class lifestyle brand anchored on staying relevant to a modernising consumer

Dear shareholders,

The year 2016 continued to be sluggish and one of the first casualties of this was the tendency among consumers to postpone big ticket investments and defer discretionary spending.

The result was that the category growth of ceramic tiles and sanitaryware remained muted, with the sectoral prospects directly linked to the real estate industry.

This, in turn, immediately translated into an increased tendency among the trade to offer markdowns and other concessions, eroding sectoral margins on the one hand and creating a discounts-induced demand pull on the other, which is not just temporary but also unsustainable.

With margins being affected and breakeven points rising, the players in a fragmented sector found it difficult to reinvest in their businesses. To make the operating circumstances being even more challenging, the industry continued to poach from within.

I am pleased to state that these challenges notwithstanding, RAK Ceramics (Bangladesh) reported a respectable performance.

One of the most visible manifestations of

our countercyclical and counter-industry performance was the fact that we reported a healthy growth in our ceramics tiles realisations as well as sales with a relatively higher proportion of premium products in the overall sales mix.

This is a clear indication of the quality of brand franchisee we have built among our consumers with our brand symbolising a deeply inherent value that few other brands enjoy in Bangladesh.

What I would like to impress upon shareholders is that a couple of years ago, when de-growth became increasingly evident, it would have been easier to stay low and stick to the conventional. On the contrary, we perceived the slowdown as a structural opportunity to look within, manage better what was within our control and create a stronger business.

Besides, the Company could have embarked on conventional responses. So even before I describe the various initiatives that we implemented during the year under review, permit me to explain the kind of temptations we resisted.

It would have been easy to reduce our prices to fight the competition more effectively;

on the contrary, we selected to resist from engaging in frequent markdowns and focused on creating a stronger business instead. It would have been alluring to create a product push that would eventually lead to an inventory pile-up at the dealers' end; on the contrary, we emphasised on developing focused and sustained marketing campaigns instead, creating a consumer pull and helping our dealers manage their business more effectively. It would have been enticing to cater to existing needs; on the contrary, we focused on the more sustainable approach of building markets where none existed through creating innovative, stylish, aesthetic, functional and high-relevant products and solutions.

The results were encouraging even as we reported a healthy ~12% growth in revenues and an ~11% increase in gross profit; however, on the back of a sharp jump in raw material resource prices which we strategically refrained from passing on fully to our customers led to a de-growth in our net profit. I am certain that this prudent initiative will help us create value over the long-term as a calibrated approach to price increase is always more sustainable and productive than an abrupt and unequalised one that could lead to potential demand destruction, especially in a listless operating environment.

So what gives me the confidence of the times ahead?

One, the modernising consumer. With more citizens travelling abroad and getting a taste of the developed world, there is a clear shift in the mindset to try out new and different products and experiences. Besides, with the average per capita income surging to USD ~1,200 in line with a 7%-plus economic growth, a larger number of passive citizens have become active consumers with a strong co-relational growth in discretionary spending.

Two, a moderating interest rate regime. The interest rates of a country are one of the most important deciding factors of real estate acquisition. With the average interest rates sharply coming down in the country, a larger

number of citizens waiting at the fences will now closely look at entering the market. Besides, the expectation of realty prices sustaining at the current levels is also a trigger in home purchases.

Three, the Bangladeshi government's increasing thrust on industrialisation, urbanisation and infrastructure creation (for instance, the showpiece Padma Bridge, the proposed elevated expressway between the Dhaka airport and the city centre and the focus on affordable housing projects, etc.) bode well for the sector as builders will now start to identify real estate development opportunities beyond the metros and other congested pockets.

At RAK Ceramics (Bangladesh), as usual, we will remain vigilant in controlling our costs to protect profitability while investing in attractive opportunities for profitable growth. We are confident to make significant strides in the years ahead to emerge as a lifestyle brand that our consumers are proud to own.

We are also focused on creating a more sustainable business platform that our shareholders are proud to own, on the back of reinforcing our status as a sustainable consumption proxy in a country that is poised to achieve a multi-decade economic growth that is among the highest not just in Asia but in the world.

Finally, on behalf of the Board, I would like to thank our colleagues who make our business what it is today. It is their dedication, hard work and commitment that deliver improving results year-on-year and great value for our customers, suppliers and shareholders alike.

With my best wishes,



Mr. Abdallah Massaad
Chairman
RAK Ceramics (Bangladesh) Limited



Managing Director's Q&A

Over the year 2016, I have had a wonderful opportunity to meet and listen to our customers, suppliers, lenders and associates. This has reinforced my view of the inherent strengths of the RAK Ceramics (Bangladesh) business, not least the amazing depth of talent and dedication of our associates at the front line. It has also highlighted some of the opportunities that lie ahead of us, which are discussed below

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

Q How would you assess the business' strengths today?

A. Undoubtedly, ours is a people business. The quality, knowledge, dedication and service that our associates deliver to our customers and the long-term and enduring relationships they develop is a key differentiator.

Today, we have a focused set of specialist ceramic tiles and sanitaryware businesses operating in un-served and under-served markets of Bangladesh with leading market positions. We reap the benefits of scale in supply chain, procurement, operations and technology, which has eventually emerged as a strong source of competitive advantage. We continue to invest in these areas to maximise the benefits we can bring to service our customers with speed and reliability and generate attractive returns for our investors.

Within our industry, long-term growth drivers remain structurally attractive in all the regions of the country where we operate today, mostly all of Bangladesh. We predominantly serve the real estate industry comprising new sales of homes and offices as well as their improvement in terms of renovation and refurbishment. It must also be stated that the majority of our businesses operate in highly fragmented markets where there are good opportunities to serve new customer segments through products that are anchored on world-class quality and value-driven propositions.

Q What are the immediate challenges RAK Ceramics (Bangladesh) faces?

A. Over the past 12 months, we have experienced more turbulent end markets accompanied by the collapse in the oil price, falling commodity prices and an overall sluggish consumption environment. Most notably, it has been the consumer expectation

of further lowering of interest rates that has made them defer their real estate purchases that has led to a muted growth of the country's realty sector, on which are prospects are directly hinged.

More so, with banks and other financial institutions suffering from a challenged home loan portfolio and effecting more stringent credit checks and loan-to-value (LTV) ratios, consumers are finding it more difficult to source cheaper home loans, which has also played a part in impacting our business.

At our Company, with decades of experience in the interior infrastructure sector and having witnessed multiple economic cycles, we have steered our businesses through these considerable changes to develop and enhance our services in support of our customers and aim to provide the most stable, yet dynamic place for associates to work in this industry. This will continue to drive profitable growth, one of the hallmarks of our business in recent years.

Q How will this influence your approach to strategy?

A. Each of our business units have clear strategic plans to generate profitable growth and they will continue to execute them with rigor and speed. Resource allocation, that is investing the most capital and human resources in those businesses/ product segments capable of generating the best returns for our shareholders, is an important part of our DNA today. We will continue to be responsible custodians of our shareholders' capital, both in terms of identifying investment opportunities in organic expansions and also scouting for best-fit acquisitions in which we feel we can create synergies. At the same time, we will maintain a strong balance sheet that will enable us to continue to grow and invest in our businesses over the long-term without worrying too much about short-term market forces.

Q What were some of the headline highlights of our business during the course of the year?

A. At our Company, we continue to focus on maximising capacity utilisation, which stood at 68% at our tiles plant and 100% at our sanitaryware facility. Our capacity utilisation

levels are among the highest in our sector in the country, which not only enables us to optimise unit costs, thanks to the benefits reaped from scale, but also minimise technology and asset idling. Typically, the cost of restarting our machines post a shutdown is relatively high and this is a time-consuming process too. Therefore, leaving aside planned shutdowns for repairs and maintenance etc, our plants are running as per the operations schedule with minimum – and accountable – deviations.

Q You touched upon an important point about optimising unit costs. Can you please elaborate on that?

A. We are among the region's lowest cost manufacturers by virtue of scale and technological and operational advantages. Our cost structures are dynamic and agile and we have discovered that even small changes in our operating processes and shopfloor practices can have a big impact on optimising our costs. Therefore, we keep indentifying such opportunities and in fact, this has seeped into our culture and today, we focus on innovation as a means to achieve business growth.

In addition, we have a robust R&D practice that is constantly engaged in developing newer products that can be made available in different textures, shapes, sizes and designs and it is to the credit of this division that we launch the maximum number of new products every year to sustain consumer excitement. As these products mature over time, they contribute sustainably to our topline. Besides, our R&D division also constantly works on newer processes and technologies that enable us to optimise the raw material mix, minimise wastages and reduce costs.

Q Please highlight some of our market-facing strengths.

A. RAK Ceramics (Bangladesh) is the market leader. The current market constituents for the Company include construction developers, government institutions and local consumers. The Company has a strong market reputation in Bangladesh with a network of 92 dealers nationwide and receives strong support from RAK Ceramics PJSC, UAE, in terms of technological knowhow and management and marketing support.

Q So what will be our focus areas in the next two to three years?

A. The key challenge for our Company today is to focus our resources on those segments of the business where we need to gain rapid market share and ensure we execute our strategies much more consistently and rapidly in all of our businesses. We will continue to build on our considerable strengths and we now need to sharpen our focus in a few key areas like sales and marketing to achieve better execution of our plans.

Q What do you believe is the business' greatest asset?

A. We have a powerful and sustainable asset: our associates. Travelling and working around the Group, listening to them, watching the skill, knowledge and commitment they bring to servicing our customers is inspirational. We will continue to focus on execution by investing constantly in their development and enabling them to deliver the best service every day for our customers.

Prudent and disciplined financial management!

We will continue to be responsible custodians of our shareholders' capital, both in terms of identifying investment opportunities in organic expansions and also scouting for best-fit acquisitions in which we feel we can create synergies. At the same time, we will maintain a strong balance sheet that will enable us to continue to grow and invest in our businesses over the long-term without worrying too much about short-term market forces.

Sustainability – Building a better business

RAK Ceramic's 'Better business' framework comprises multiple material issues which actively support our growth, improve employee engagement, address our top risks and compliance requirements and are important to our shareholders, customers and suppliers.

Our people

Our material issues	Our principles
Talent management and development	We are committed to people development at every level of the organisation
Competitive pay and reward	We offer competitive compensation standards to our people
Employee engagement	We value our people and actively work to improve employee engagement
Diversity and inclusion	We understand, respect and value personal and cultural differences

Our products

Our material issues	Our principles
Product quality and integrity	We work with our suppliers to maintain excellent standards of product quality and safety
Responsible sourcing	We expect our suppliers, contractors and agents to adhere to our Code of Conduct and to adopt similar standards
Promoting green and eco-friendly products	We are a positive link in the sustainable real estate construction supply chain

Our operations

Our material issues	Our principles
Environmental efficiency	We run efficient operations that consume less energy and produce less waste
Compliance with the law	We are committed to observing both the spirit and the letter of the law
Focus on sustainability	We actively encourage the preservation of precious resources including water, paper and electricity among our showrooms and offices

Our communities

Our material issues	Our principles
Active corporate citizenship	We voluntarily contribute our time and our financial support to the communities in which we work
Social responsibility investments	We have a well-structured CSR policy and invest in high-impact activities including healthcare and education among others

RAK Ceramic's five cornerstones:

Upholding family values

We have relationships that have been built throughout the Group that make it like a family.

Keeping people safe

Staying safe is our highest priority.

Being the best

Our belief is that the best people create the best company.

Making decent returns

We focus on doing the right thing and doing things right.

Working for our customers

Building good customer relationships is key – it leads to loyalty and repeatable business opportunities.

Executive Management

With a recovery in our core markets, at our Company, together we will put optimum effort to continue pursuing our overarching mission of creating, maintaining, repairing, refurbishing and improving the built environment; in essence, helping to build Bangladesh.



S. A. K. Ekramuzzaman
Managing Director



Imtiaz Hussain
Chief Executive Officer



Kaushik Das
Chief Financial Officer



Md. Mahbubur Rahman
General Manager - HR &
Admin



Md. Jahirull Reza
General Manager - Purchase



Muhammad Shahidul Islam
FCS
Company Secretary



Zakir Hossain FCA
Head of Internal Audit



Samba Siva Rao Kodali
Factory Manager



Henry Fernandez
Production Manager (Tiles)



Velayutham Chelladurai
Production Manager (SW)



Mohammed Shamsuddin
Manager - Taxation

Management Discussion and Analysis

Global economy

Global economic growth for 2016 is 2.4 percent and pick up to 3 percent by 2018. Due to emerging market and developing economies are facing stronger headwinds, including weaker growth among advanced economies and low commodity prices. Commodity-exporting emerging market and developing economies have struggled to adapt to lower prices for oil and other key commodities. Growth in these economies is projected to advance at a meager 0.4 percent pace this year, whereas growth in commodity

importers has been more resilient. (Source: World Bank, Global Outlook)

Global ceramic tiles industry

The worldwide ceramic tiles market is spread across Latin America, North America, Asia Pacific, Europe and the Middle East and Africa. Currently, the highest consumption of ceramic tiles is being reported in Asia Pacific. In 2015, the region accounted for a share of 65.6% of the overall demand for these tiles in the world. The rapid urbanization has given significant rise to construction activities in emerging Asian economies over the last few years.

Country	CY'11 (Sqm mn)	CY'12 (Sqm mn)	CY'13 (Sqm mn)	CY'14 (Sqm mn)	CY'15 (Sqm mn)
China	4,800	5,200	5,700	6,000	5,970
Brazil	844	866	871	903	899
India	617	691	750	825	850
Iran	475	500	500	410	300
Spain	392	404	420	425	440
Indonesia	320	360	390	420	370
Italy	400	367	363	382	395
Turkey	260	280	340	315	320
Vietnam	380	290	300	360	440
Mexico	219	229	228	230	242
Total	8,707	9,187	9,862	10,270	10,226
World Total	10,599	11,194	11,913	12,409	12,355

(Source: Ceramic World Review)

World Tile Consumption (MSM)

The world tile consumption increased by 0.66 percent to 12,175 sqm mn in 2015 from 12,095 sqm mn in 2014. The consumption of tile was shortage of 180 sqm mn in 2015 against the production.

Country	CY'11 (Sqm mn)	CY'12 (Sqm mn)	CY'13 (Sqm mn)	CY'14 (Sqm mn)	CY'15 (Sqm mn)
China	4,000	4,250	4,556	4,894	4,885
Brazil	775	803	837	853	816
India	625	681	748	756	763
Mexico	395	375	350	280	216
Vietnam	360	254	251	310	400
Indonesia	312	340	360	407	357
Saudi Arabia	203	230	235	244	263

Country	CY'11 (Sqm mn)	CY'12 (Sqm mn)	CY'13 (Sqm mn)	CY'14 (Sqm mn)	CY'15 (Sqm mn)
USA	194	204	230	231	254
Russia	181	213	231	219	192
Turkey	169	184	226	215	234
Total	7,214	7,534	8,024	8,409	8,380
World Total	10,436	10,932	11,574	12,095	12,175

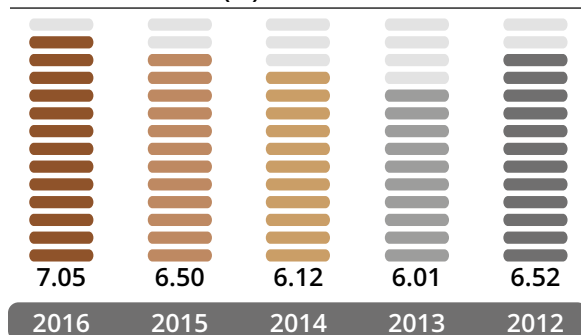
Outlook: An upswing in construction activities, owing to the increasing urbanization, is boosting the demand for ceramic tiles significantly across the world. The global tile market is expected to double its value by 2018 (from five years ago) to just over \$102 billion, while the global sanitary ware value will expand by one-third to \$33 billion, all of these meaning the growing need for production in low-wage countries like Bangladesh. Asian countries produce over two-thirds of global production with China (37%), Brazil (7%), India (6%), Iran (4%), Italy (4%) and consumes two-thirds of the global supply.

(Source: Ceramic Review in Financial Express in 02 January 2017)

Bangladesh economy Bangladesh's economy is the second fastest growing major economy of 2016, with a rate of 7.1%. In the decade since 2004, Bangladesh averaged a GDP growth of 6.5% that has been largely driven by its exports of readymade garments, remittances and the domestic agricultural sector. In 2016, per-capita income was estimated as per IMF data at US\$ 3,840 (PPP) and US\$ 1,466 (Nominal). The economy faces challenges of infrastructure bottlenecks, insufficient power and gas supplies, bureaucratic corruption, natural calamities and a lack of skilled workers.

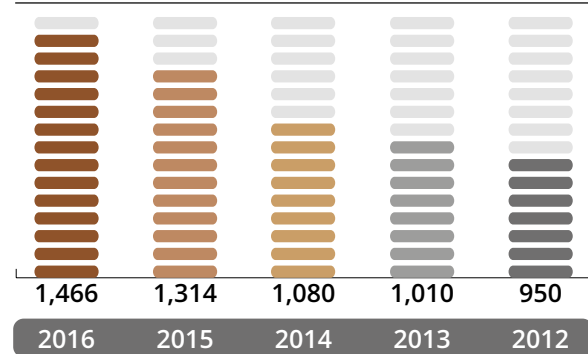
(Source: Wikipedia, Bangladesh's economy)

Real GDP Growth (%)



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

GNI Per Capital (US\$)



Outlook: As per the ambitious Vision 2021 and Sixth Five Years Plan (2011-2015) the country targets to attain a GDP growth rate of 7.50 percent by 2017. Other key parameters include reducing the unemployment rate to 15 percent and targeted to produce 24000 MW by 2021 and make provisions to meet the expected demand.

Ceramic industry and optimism

Production: Presently, around 54 ceramic factories manufacture porcelain wares - tiles, tableware and sanitaryware. A third of them are tableware producers and most of the rest are tile and sanitary plants. The present investment in ceramics industry is more than 50 billion. Aggregate annual production capacity of sanitary is 115,000 tonnes and tableware is 250 million pieces and 48% is export oriented and 70 million sqm for tiles.

Consumption: An estimate by Bangladesh Ceramic Ware Manufacturer and Exporters Association shows that despite tremendous local industry growth, the country still imports between 25-35 percent of the tiles consumption to fulfill the demand. According to estimates, the local consumption of

porcelain tableware is Taka 3.25 billion and export was Taka 3.60 billion export of tiles was Tk 120 million and local sale Tk 18.50 billion in fiscal year 2014-15 according to BCWMA.

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

Investments: The ceramics industry of Bangladesh has invested about Taka 5,000

crore in the past decade. More than 54 ceramic factories are operating in Bangladesh and more than 100 thousand people of our country are directly or indirectly related ceramics industry.

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

Risks Management and Control Environment

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

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

Industry risks

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

Mitigation

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

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

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

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

Market Risks

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

Mitigation

RAK has strong brand equity in the local market and due to their foreign affiliation; they are able to produce quality products at affordable prices. Moreover, for a growing economy like Bangladesh, there would always be demand for Tiles and Sanitary Ware. The Company enjoys brand equity owing to its foreign affiliation and is continuously capturing new markets with new products.

Quality risks

Quality risk management is a systematic process for the identification, assessment and control of risks to the quality of the products across the product lifecycle. A compromise in product quality could result in customer and brand attrition.

Mitigation

The Company emerged as the first Bangladeshi Company in its industry to be awarded the prestigious ISO 9001: 2008 certification by the UKAS accredited internationally recognized certification

agency BVQI in May 2006. As a responsible global leader in the ceramic industry, we are maintaining our commitment to protect and preserve the environment by operating an Environmental Management System which is certified to ISO 14001:2004 standard. The Company complies with ISO 13006:2012 (E), the latest international standard for ceramic tile; locally known as BDS ISO 13006:2012. The Company's sanitary ware complies with the quality criteria of BDS 1162:2012. Both tiles and sanitary products are BSTI-approved. The Company also awarded as 'Superbrand' in 2010, first time in Bangladesh. The ceramic tiles and sanitary wares are continuously tested in the factory's own laboratory and following BS EN ISO 10545:2013 and BS EN 997:2012 standards respectively.

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

Cost inflation risks

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

Mitigation

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

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

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

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

Interest rate risks

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

Unfavourable interest rate movements caused by volatile money markets and a

growing demand for capital could impact the Company's ability to raise cheap funds.

Mitigation

RAK Ceramics (Bangladesh) is a cash rich company and operates with low independence on long term debt. The Company possess robust retained earnings of Taka 1,269.57 mn, strong cash and bank balance of Taka 802.64 mn and a low debt-equity ratio of 0.19 as at 31 December 2016, showcasing its ability to raise low-cost debt for prospective needs.

Currency risk

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

Mitigation

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

The parent Company possesses a database of over 2,500 global suppliers dealing with it for more than 18 years. The Company leverages its parent Company's monthly global resource planning exercise, which takes care of resource procurement schedules and currency fluctuation escalations. The Company hedges exchange rate risks through the strategic procurement of raw materials and consumables as well as the forward booking of foreign currency.

Regulatory risks

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

Mitigation

The government has targeted GDP growth of 7.50 percent by 2017. It has also targeted the country's industry contribution at 40 percent of GDP. Unless any policy change negatively and materially affects

the industry as a whole, the business of the Company is not expected to be affected significantly. Bangladesh's ceramic industry is an emerging sector with considerable local demand for differentiated products.

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

Technology related Risks

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

Mitigation

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

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

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

The Company has access to international/multinational companies for supplying

appropriate technology and technical management support for operation of new projects & its foreign affiliation with RAK Ceramics PJSC, UAE for technical know-how and technical assistance, the company is expected to be always ahead of the other producers in the local market which ultimately reduces the technology related risks for the company.

Management risks

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

Mitigation

The Company places a priority on developing human resources. Importance is given to on-the-job, in-house and external training programmes for members to enhance their knowledge curve. The company has reputation for cordial and congenial working environment. The staff turnover ratio is at its lowest point. The company has been arranging training of its core personnel on a continuous basis to cope with the growing challenges of the changing work environment.

The Company has been offering competitive emoluments to employees of all ranks, encouraging professionalism. The Company provided 5 percent of profit before tax towards employees' profit participation and welfare fund.

General Review of Performance of The Company

Review of Business

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

Key Highlights 2016

(Amount in BDT mn)

Particulars	2016	2015
Sales	5,661.41	5,059.30
Gross Profit	2,409.36	2,162.41
PAT	915.25	1,094.34
EBITDA	1,713.73	1,756.90
EPS (Absolute BDT)	2.72	3.25

Revenues increased by 11.90 percent to BDT 5,661.41 mn in 2016 from BDT 5,059.30 mn in 2015.

Gross profit increased by 11.42 percent to BDT 2,409.36 mn in 2016 from BDT 2,162.41 mn in 2015.

Profit after tax (PAT) decreased by 16.37 percent to BDT 915.25 mn in 2016 from BDT 1,094.34 mn in 2015.

EBITDA decreased by 2.46 percent to BDT 1,713.73 mn in 2016 from BDT 1,756.90 mn in 2015.

EPS decreased by 16.31 percent to BDT 2.72 per share in 2016 from BDT 3.25 per share in 2015.

Derivates

EBITDA margin decreased by 4.46 percent to 30.27 percent in 2016 from 34.73 percent in 2015.

PAT margin decreased by 5.46 percent to 16.17 percent in 2016 from 21.63 percent in 2015.

ROCE decreased by 13.53 percent to 19.81 percent in 2016 from 22.91 percent in 2015.

Analysis

Interest income was BDT 17.14 mn in 2016.

Invested BDT 567.74 mn (BDT mn 7,668.62 as on 31 December 2016 from BDT 7,100.88 mn as on 31 December 2015) in its gross block in 2016.

Maintained a strong debt-equity ratio 0.19 to against 0.20 as on 31 December 2015.

Analysis of Income Statement

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

Revenue

The topline grew by 11.90 percent compared to previous year.

Revenue mix: The ceramics business accounted for a significant share of the Company's revenue; other businesses (power and security) made contributions in growth of Group top line.

Ceramics: Revenues increase by 11.26 percent to BDT 5,577.44 mn in 2016 from BDT 5,013.04 mn in 2015. Profit after tax (PAT) increase by 21.05 percent to BDT 914.26 mn in 2016 from BDT 755.28 mn in 2015. Foreign exchange gain in 2016 is BDT 3.87 mn as compared to gain of BDT 11.37 mn in 2015.

Power: Profit after tax decreased by 3.07 percent to BDT 96.66 mn in 2016 from BDT

99.72 mn in 2015 with increased in sales by 11.96 percent to BDT 373.99 mn in 2016 from BDT 334.04 mn in 2015.

Security: Profit after tax increased by 12.81 percent to BDT 7.83 mn in 2016 from BDT 6.94 mn in 2015 with increased in sales by around 108.33 percent to BDT 153.54 mn in 2016 from BDT 73.70 mn in 2015.

Operating Profit: Net operating profit decreased by 7.23 percent to BDT 1,350.70 mn in 2016 from BDT 1,456.00 mn in 2015.

Operating cost matrix:

Particulars	2016		2015		Increase/ (Decrease) (%)
	Amount (BDT mn)	Proportion of sales (%)	Amount (BDT mn)	Proportion of sales (%)	
Cost of Goods Sold	3,252.05	57.44	2,896.89	57.26	0.18
Marketing Expenses	704.32	12.44	688.07	13.60	(1.16)
Administration Expenses	418.50	7.39	886.86	17.53	(10.14)

Cost of goods sold: Cost of goods sold has increased by BDT 355.16 mn in 2016 than 2015 in tandem with revenues.

Raw materials: Raw material cost increased in Sanitary Ware by BDT 503.00 mn due to increase of production quantity while raw material cost reduced in Tiles by BDT 2.11 mn due to change in product formulation and portfolios. Operational efficiency and innovative waste management optimized input consumption volume.

Labour costs: Labour cost increased by BDT 121.39 mn (head count increased in SW 11 persons and from Tiles by 118 persons). Another impact in the labour cost is the revision in emoluments in tandem with country inflation.

Direct expenses: Manufacturing overhead (excluding direct labour) increased by BDT 274.69 mn in 2016 mainly due to spares, repairs, maintenance, packing expenses and depreciation.

Administrative expenses: Administrative expenses decreased by BDT 468.35 mn mainly due to write-off loan of subsidiary and increase in head count by 07 members in the group.

Marketing expenses: Marketing expenses increase by BDT 16.25 mn mainly due to increase in sales quantity.

Operating expenses

The Company's operating expenses (operating, marketing and administrative) decreased by 2.22 percent to BDT 4,374.88 mn in 2016 from BDT 4,471.82 mn in 2015 in tandem with operational volume and country inflation. Operating cost as a proportion of sales decreased by 11.11 percent in 2016 against 2015.

Financial expenses

Interest expenses increased to BDT 38.24 mn in 2016 on account of Short term loan for import of raw materials. There was no foreign exchange losses in 2016. Bank charges increased to BDT 1.78 mn in 2016 from BDT 1.43 mn in 2015.

Analysis of the Balance Sheet

Shareholders Fund: Shareholders fund increased by 1.21 percent to BDT 6,111.73 mn in 2016 from BDT 6,038.59 mn in 2015.

Non-current assets:

Property, Plant and Equipment (Fixed Assets): There has been an addition of BDT 2,086.19 mn in 2016 to the gross block of the fixed assets in the following areas: factory building is BDT 399.14 mn, factory office building is BDT 2.13 mn, purchase of plant and machinery is BDT 1,570.82 mn, mobile plant is BDT 13.30 mn, electrical instalment is BDT 58.19 mn, Gas pipeline is BDT 21.51 mn, furniture & fixture is BDT 2.57 mn, office vehicles for BDT 5.14 mn, office equipment is BDT 3.92 mn, tools and appliances is BDT 8.33 mn and communication equipment is BDT 1.13 mn.

Intangible assets: Expenditures to acquire designs, developments, brand, trademarks and various licenses for manufacturing

of ceramic tiles, sanitaryware and pharmaceutical products are capitalised. The amortization policy covers the period upto the expected tenure of accrual of benefits derived from the particular asset.

Capital work-in-progress: The Company invested BDT 28.73 mn in heavy equipment in its ceramic tiles and sanitaryware facility which is expected to be commissioned in the coming year. Capital work in progress also includes construction work for factory building, plant & machinery, furniture and fixture, communication equipment and mobile plant.

Current assets:

Inventory: Inventory comprises of Finished Goods BDT 387.94 mn, Raw Materials BDT 831.01 mn and Stores & Spares BDT 1,082.97 mn and Goods in transit BDT 129.41 mn. The Company has a policy of maintaining adequate inventory of key inputs to ensure uninterrupted operations.

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

Asset composition

Particulars	2016		2015		Increase/ (Decrease) (%)
	Amount (BDT mn)	Proportion of sales (%)	Amount (BDT mn)	Proportion of sales (%)	
Non-Current assets	4,114.61	36.88	4,011.70	37.31	(0.43)
Current assets	7,042.98	63.12	6,741.66	62.69	0.43
Total	1,1157.59	100	10,753.36	100	-

Investment matrix-parent to subsidiaries

(Amount in BDT mn)

Company	Relation	As on 1 January 2016	Net addition During 2016	As on 31 December 2016
RAK Power Pvt. Ltd.	Subsidiary	341.63	Nil	341.63
RAK Security and Services (Pvt.) Ltd.	Subsidiary	18.75	Nil	18.75

Cash and bank balance: Cash and bank balances include cash in hand BDT 9.88 mn, balances in bank accounts BDT 281.324 mn and Fixed Deposits BDT 511.44 mn. The liquid balances of cash and bank are in commensurate with the smooth functioning of the business.

Equity and liabilities

Capital and reserves: The equity capital comprised 336,850,611 equity shares of BDT 10 each (face value). The market value of the share is BDT 61.90 (31 December 2016) resulting into market capitalization of BDT 20.85 bn.

Non-current borrowings: Non-current borrowings include BDT 594.93 mn as foreign currency long term loan in 2016 for Tiles and Sanitary ware plant expansion.

Current borrowings: Current borrowings include short term loans BDT 278.10 mn for offshore financing and BDT 259.95 mn as current portion of foreign currency long term loan.

Current Liabilities: Current liabilities increased by 2.47 percent to BDT 4,332.52 mn in 2016 from BDT 4,218.33 mn in 2015.

Fixed assets additions

During the year 2016 total additions to the fixed assets including subsidiary companies was BDT 2,086.19 mn. The major additions to the fixed assets were factory building, office building, purchase of plant and machinery, mobile plant, electrical installment, Gas pipeline, furniture & fixture, office equipment, communication equipment, tools and appliances, office vehicles etc.

Statement of Subsidiaries

The Company has the following subsidiaries as on 31 December 2016.

Company Name	Share Holding (%)	Relationship	Investment (BDT mn)	Nature of Business	Present Status
RAK Power Pvt. Ltd.	99.99	Subsidiary	204,999,500	Electricity generation	On production
RAK Security & Services (Pvt.) Ltd.	99	Subsidiary	990,000	Security service	On operation

Corporate Social Responsibility

As an integral part of our culture and core values, Corporate Social Responsibility (CSR) is a characteristic of our good corporate citizenship. We believe in aligning our business progress with the development of the overall economic growth. Beside our own CSR venture, our active affiliation with different government and non-government organizations tend to elevate the individual economic growth of the mass people.

Corporate Social Responsibility

We ensure the health and safety of all our people and minimize our impact on the environment through which we bring corporate social responsibility into our day-to-day business operations. The efficiency of our fuel burning equipment such as generators, kilns, spray driers and horizontal and vertical driers, among others, are fine tuned by highly experienced and competent personnel.

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

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

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

Our values

- We act ethically: We conduct all our activities fairly, honestly and with integrated policies.

- We strive to translate results and improvement: We listen and respond to the needs of our customers, then exceed their expectations, we also strive to improve across all our business parameters

-We value our people: We understand, respect and value personal and cultural differences; we are open and honest in all our dealings with our people

Green production facilities

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

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

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

Water conservation

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

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

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

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

Solid waste management

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

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

Natural resource conservation and pollution control

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

Indoor air quality and its effect on office interiors

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

Ventilated facade system

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

Energy-saving system

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

Focus on creating a happier and more productive workplace

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

RAK Ceramics is committed to treating its employees well

Life insurance coverage: All employees are adequately covered by life insurance policy to protect against future hazards.

Provident fund and gratuity scheme: The Company maintains a recognized contributory provident fund and an approved gratuity scheme for all employees.

Workers profit participation fund: The Company maintains workers' profit participation fund (WPPF) as per the Bangladesh Labour Act 2006.

Employee welfare fund: Financial assistance is given to the employee and his immediate family members for medical and educational purposes from the Employees' Welfare Fund maintained by the Company.

RAK Ceramics products

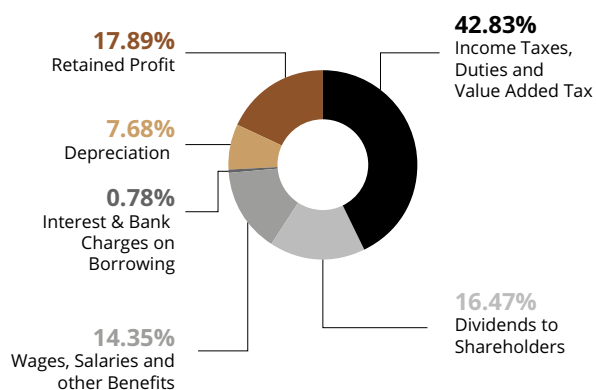
RAK Ceramics is the founding member of the prestigious Emirates Green Building Council that supports and promotes sustainable buildings in the UAE. As part of its commitment to focus on 'green building' products, it has launched several exciting and innovative products that contribute to creating a greener and cleaner environment. The Company is proud of its many performance material products, which provide excellent quality and value and often support our customers in reducing the environmental footprint.

Spreading prosperity in the societies we operate in

RAK Ceramics actively promotes and engages in social contribution activities that help strengthen communities and contribute to the enrichment of the society both at the individual level and with group companies. Overall, we invested around BDT 5.74 mn for CSR activities in 2016 that encompass medicine and medical treatment, donations to hospitals and medical units, education, social and cultural activities of our country, distributing the blanket to the poverty stricken people and donations to autistic and differently-abled children organizations.

Value Added Statement

Particulars	31 December 2016	
	BDT	%
Revenue	7,101,333,015	
Other Income	24,139,245	
Less : Paid to suppliers for materials and services	2,011,180,315	
Value Added	5,114,291,945	100
Distribution of Value Added		
To Government		
Income Taxes, Duties and Value Added Tax	2,190,583,400	42.83
To Suppliers of Capital		
Dividends to Shareholders	842,126,528	16.47
To Employees		
Wages, Salaries, Bonus, Commissions, Pensions and other benefits	733,827,549	14.35
To Providers of Finance		
Interest & Bank Charges on Borrowing	40,014,661	0.78
Retained for Reinvestment & Future Growth		
Depreciation	392,485,508	7.68
Retained Profit	915,254,299	17.89
Total	5,114,291,945	100



ECONOMIC VALUE ADDED (EVA)

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

Calculation of EVA

Particulars	Amount in BDT
	2016
Net Operating Profit After Tax (NOPAT)	995,295,713
Total Capital Employed	6,835,068,670
Cost of Capital in %	12%
Cost of Capital (COC)	820,208,240
EVA = NOPAT - COC	175,087,473

Directors' Report

RAK Ceramics operates under the guidance of a host of prolific visionary leaders, who are spirited for success and possess the competence to guide the enterprise to the direction that emphasizes on sustainable growth trajectory. Starting from policy formulation to resource allocation and from operational management to excellence in corporate governance, our Board of Directors remain the instrumental stalwarts in fetching holistic success for the company.



Directors' Report

Dear Shareholders,

Assalamu Alaikum

The Board of Directors of RAK Ceramics (Bangladesh) Limited is pleased to present this Directors' Report, along with Audited Financial Statements of the Company for the year ended 31 December 2016 and the Auditors' Report thereon, for your valued consideration, approval and adoption.

Principle activities

RAK Ceramics (Bangladesh) Limited is engaged in the manufacture and sale of ceramic tiles, bathroom sets and sanitary ware products. The Company offers a wide range of tiles and sanitary wares in ceramic sector of Bangladesh since the year 2000. Excellent designs and patterns have been created using specially selected designs for wall and floor tiles, borders, corners etc. Many of RAK Ceramic's models come in modular designs which offer ample choice to customers through years. The unique ambience patterns created using ceramic tiles and also gres porcellanato tiles appeal to most discerning customers.

Industry Outlook

The detail about industry outlook and possible future developments in the industry is discussed in Management Discussion and Analysis on page 34 in this annual report.

Production capacity

RAK Ceramics (Bangladesh) Limited presently operates with an annual standard production capacity of 11.68 mn sqm of tiles and 1.45 mn pieces of sanitary ware with over 30 active designs and widest ranges.

Business review/Operational results

The Company reported consolidated sales of BDT 5,661.41mn in 2016 against BDT 5,059.30 mn in 2015. The consolidated net profit after tax attributable to the equity holders of the Company was BDT 915.25 mn against BDT 1,094.34 mn in 2015. The consolidated net profit in 2015 was high mainly due to gain on disposal of subsidiary and associates. The

detail of operational results of the Company is discussed in General Review of the Performance of the Company on page 40 in this annual report.

Financial results and appropriations

The Directors are pleased to report the financial results for the year 2016 and recommend the following appropriations:

(Amount in BDT mn)

Particulars	2016	2015
Profit before tax *	1,270.66	1,479.39
Less: Provision for tax	355.40	385.05
Profit after tax *	915.26	1,094.34
Add: Un-appropriated profit brought forward	1,196.44	1,077.28
Less: Equity & non-controlling adjustment due to acquisition	-	133.05
Profit available for distribution	2,111.70	2,038.57
Less: Appropriation of dividend	842.13	842.13
Un-appropriated profit C/F	1,269.57	1,196.44

* Profit before/after tax exclusive of non-controlling interest. The key operating and financial data of preceding five years is given in Annexure-1 on page 54 in this annual report.

Fixed assets additions

During the year 2016 total additions to the fixed assets including subsidiary companies was BDT 2,086.19 mn. The major additions to the fixed assets were factory building, office building, purchase of plant and machinery, mobile plant, electrical installment, Gas pipeline, furniture & fixture, office equipment, communication equipment, tools and appliances, office vehicles etc.

Reserve and surplus

Retained earnings of the Company in 2016 stood at BDT 1,269.57 mn against BDT 1,196.44 mn in 2015.

Dividend

The Board of Directors of the Company is pleased to recommend dividend @ 20% in cash and 5% in stock of the paid up capital of

the Company for the year 2016. The Company paid cash dividend @ 25 percent of paid up capital of the Company for the year 2015.

Contribution to national exchequer

RAK Ceramics (Bangladesh) Limited regularly pays its direct and indirect tax obligations in time. During the year 2016, RAK Ceramics (Bangladesh) Ltd. had contributed to National Exchequer total of BDT 2,190.58 mn, by way of Corporate Income tax of BDT 355.40 mn, withholding tax and vat from suppliers and service providers of BDT 244.54 mn, VAT of BDT 934.49 mn, supplementary duty of BDT 505.43 mn and other duties/taxes of BDT 150.72 mn.

Risks and concerns

The detail of risks and concerns of the Company is discussed in Risk Management and Control Environment on page 37 in this annual report.

Auditors

M/s A. Qasem & Co., Chartered Accountants (a member firm of Ernst & Young Global Limited, UK) shall retire in the 18th AGM, being eligible, they offered themselves for re-appointment and the Board also recommended re-appointing them for the year 2017. Remuneration of the auditor will be fixed by the shareholders at this Annual General Meeting.

Parent and subsidiary companies

RAK Ceramics Co. PJSC, UAE is the parent company of RAK Ceramics (Bangladesh) Limited. It is a public joint stock company and is a UAE based leading tiles and sanitaryware manufacturing Company. RAK Ceramics an annual turnover approximately around USD 1 billion global conglomerate that supplies to over 150 countries and has been officially recognized as the world's largest ceramics manufacturer with a global annual production output of 110 million square meters of tiles, 5 million pieces of sanitaryware.

RAK Ceramics (Bangladesh) Limited has two subsidiaries namely RAK Power Pvt. Ltd. and RAK Security and Services (Pvt.) Ltd. and these are fully owned subsidiary of the Company. The principal activities and status of these subsidiaries are separately disclosed in

Statement of Subsidiaries on page 43 in this annual report.

Basis for related party transactions

The detail list of the related parties with whom transactions have been taken place and their relationship as identified and certified by management is disclosed in Related party disclosures under BAS-24 on page 113 in this annual report.

Corporate Social Responsibility

The Company understands its responsibility towards social welfare and contributed an amount of BDT 5.74 mn as CSR during the year under review. The detail of the CSR activities of the Company during the year is discussed in Corporate Social Responsibility on page 44 in this annual report.

Human resources and staff welfare

RAK Ceramics (Bangladesh) Limited gives the highest priority on human resources and staff welfare. The Company ensures the safe and healthy working environment for its employees. The Company is currently has 1,689 full time employees. It offer well-designed compensation package for the employees to encourage professionalism, stimulate team work and promote innovation reinforced with high ethical standards. The employees of the Company enjoy benefits of Contributory Provident Fund, Gratuity Scheme and Group Life Insurance, etc. The Company established "Workers Profit Participation Fund and Welfare Fund". In year 2016, the Company contributed 5 (five) percent of its profit before tax towards Workers' Profit Participation and Welfare Fund amounting to BDT 61.06 mn.

Internal control

The Board has the ultimate responsibility of establishing effective systems of internal control. To ensure the internal control regarding risk management, financial control and compliance legislation, the Company follows the principle of decentralization and delegation combined with responsibility and accountability matrix. It has been designed to mitigate the risk of failure to achieve the objectives of the Company. The Company has established internal audit department to function under an Independent Head of Internal Audit to ensure internal control and compliances in place.

Board of Directors

The Board of Directors of the Company is comprised with 5 (Five) members including 2 (two) independent directors. Names and profiles including nature of expertise in specific functional areas of the Directors of the Company are shown in Short Profile of the Directors on page 16 in this annual report. A statement for each of their involvement in other corporate bodies within the group is disclosed in Annexure-4 on page 57 in this annual report. The Board of Directors of the Company met together 5 (Five) times for meeting during the year under review. The number of Board meeting held and the attendance of each director during the year 2016 is disclosed in Annexure-2 on page 55 in this annual report.

Appointment/re-appointment of directors

In accordance with the Article 93, 94 and 95 of the Articles of Association of the Company, Mr. Pramod Kumar Chand will retire from his office as Director by rotation in the 18th Annual General Meeting and being eligible, offers himself for re-election in accordance with the terms of Article 96 of the Articles of Association of the Company.

Mr. Faheemul-Huq, Barrister-at-Law, has been appointed by the Board on July 27, 2016 as independent director of the Company for 3 (three) years and shall be placed for approval by the shareholders in the 18th Annual General Meeting in compliance with the condition of the corporate governance guidelines issued by the Bangladesh Securities and Exchange Commission (BSEC) on August 07, 2012.

Code of Conduct

In compliance with the corporate governance, the Board has laid down a code of conduct of all Board members and annual compliance of the code is recorded accordingly. The Company did not pay any remuneration to any director including the independent directors, except board meeting attendance fee and 3% of profit before tax to Managing Director.

Pattern of shareholding

In accordance with the condition of the corporate governance guidelines issued by

the Bangladesh Securities and Exchange Commission (BSEC) on August 07, 2012, the shareholding pattern of the Company is disclosed in Annexure-3 on page 56 in this annual report.

Financial reporting standards

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

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

Corporate Governance

To ensure the spirit of the corporate governance with accountability for inspiring confidence of investors, regulators, financier and other stakeholders, RAK Ceramics (Bangladesh) Limited is committed to comply with all the requirements of corporate governance as required by the Bangladesh Securities and Exchange Commission (BSEC). The detail about corporate governance is discussed in Corporate Governance Report on page 60 in this annual report.

Reporting and Compliance of Corporate Governance

The Company has complied with the conditions of corporate governance guidelines of the Bangladesh Securities and Exchange Commission (BSEC) Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012. The detail status on corporate governance along with the certificate on compliance of conditions of corporate governance has been included on page 65 in this annual report.

Membership with BAPLC

Being a publicly traded company RAK Ceramics (Bangladesh) Limited has a membership with the Bangladesh Association of Publicly Listed Companies (BAPLC). A certificate of BAPLC membership has been included on page 58 in this annual report.

Post balance sheet events

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

Appreciation

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

For and on behalf of the Board of Directors,



Abdallah Massaad
Chairman
January 23, 2017
Ras Al Khaimah, UAE

Annexure-1

Key operating and financial data of preceding five years

Amount in BDT

Particulars	2016	2015	2014	2013	2012
Sales	5,661,411,578	5,059,300,403	5,508,642,947	5,169,225,208	4,908,171,279
Cost of sales	3,252,054,966	2,896,889,441	3,255,268,010	3,073,003,258	2,964,666,370
Gross profit	2,409,356,612	2,162,410,962	2,253,374,937	2,096,221,950	1,943,504,909
Administration expenses	418,502,413	886,856,902	344,100,573	344,071,654	354,750,752
Marketing and selling expenses	704,320,334	688,070,995	1,035,123,422	854,918,221	730,822,714
Net profit before financial expenses	1,286,533,865	587,483,065	874,150,942	897,232,075	857,931,443
Financial expense	40,014,661	18,935,684	44,080,102	44,737,610	40,361,152
Other income*	24,139,245	910,848,168	80,195,921	95,327,515	39,382,333
Net profit before taxation	1,270,658,449	1,479,395,549	910,266,761	947,821,980	856,952,624
Income tax expenses	355,403,678	385,055,782	422,191,844	358,296,602	356,741,639
Non controlling interest	472	487	(74,724,435)	(92,892,932)	(107,912,172)
Net profit after taxation	915,254,299	1,094,339,280	562,799,352	682,418,310	608,123,157

*Other income includes interest income, dividend income, rental income, forex gain and profit on sale of fixed assets.

Annexure-2

The number of Board meetings held and the attendance by each director during the year 2016

Name of directors	Position	Number of meetings held while a member	Number of meetings attended
Mr. Abdallah Massaad (Nominee of RAK Ceramics PJSC, UAE)	Chairman	05	04
Mr. S.A.K. Ekramuzzaman	Managing Director	05	05
Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla (Nominee of RAK Ceramics PJSC, UAE)	Director till July 27, 2016	04	Nil
Mr. Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director	05	04
Mr. Rafique-ul Huq, Barrister-at-Law	Independent Director till July 27, 2016	04	04
Mr. Faheemul Huq Barrister-at-Law	Independent Director	01	01
Mr. Wassim Moukahhal	Independent Director	05	03

Annexure-3

The pattern of Shareholding as on 31 December 2016

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

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

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

Name	Status/Position	No. of Shares held
Mr. Abdallah Massaad (Nominee of RAK Ceramics PJSC, UAE)	Chairman	14
Mr. S.A.K. Ekramuzzaman	Managing Director	13,211,985
Mr. Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director	Nil
Mr. Faheemul Huq, Barrister-at-Law	Independent Director	81,906
Mr. Wassim Moukahhal	Independent Director	Nil
Mr. Imtiaz Hussain	Chief Executive Officer	Nil
Mr. Kaushik Das	Chief Financial Officer	Nil
Mr. Zakir Hossain	Head of Internal Audit	Nil
Mr. Muhammad Shahidul Islam	Company Secretary	Nil

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

Name	Status/Position	No. of Shares held
Mr. Mahbubur Rahman	GM-HR & Admin	40,698
Mr. Mohammad Jahirull Reza	GM-Purchase	Nil
Mr. Rajib Kumar Saha	Head of Performance Management Office	Nil
Mr. Md. Azimul Hossain	IT Business Lead Manager	Nil
Mr. Mohammed Shamsuddin	Manager- Taxation	Nil

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

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

Annexure-4

Directors' involvement in other organization within the group

Directors		Involvement in other organization within the group					
Name	Position	Name of the Company	Position	Shareholding on 01.01.2016		Shareholding on 31.12.2016	
				No. of shares	Amount (BDT mn)	No. of shares	Amount (BDT mn)
Mr. Abdallah Massaad	Chairman	RAK Power Pvt. Ltd.	Chairman	Nil	Nil	Nil	Nil
		RAK Security and Services (Pvt.) Ltd.	Chairman	Nil	Nil	Nil	Nil
Mr. S.A.K. Ekramuzzaman	Managing Director	RAK Power Pvt. Ltd.	Director	Nil	Nil	Nil	Nil
		RAK Security and Services (Pvt.) Ltd.	Director	Nil	Nil	Nil	Nil
Mr. Pramod Kumar Chand	Director	RAK Power Pvt. Ltd.	Director	Nil	Nil	Nil	Nil
		RAK Security and Services (Pvt.) Ltd.	Director	Nil	Nil	Nil	Nil
Mr. Faheemul Huq, Barrister-at-Law	Independent Director	RAK Power Pvt. Ltd.	Independent Director	Nil	Nil	Nil	Nil
		RAK Security and Services (Pvt.) Ltd.	Independent Director	Nil	Nil	Nil	Nil
Mr. Wassim Moukahhal	Independent Director	RAK Power Pvt. Ltd.	Independent Director	Nil	Nil	Nil	Nil
		RAK Security and Services (Pvt.) Ltd.	Independent Director	Nil	Nil	Nil	Nil

Membership Certificate of BAPLC



Awards and Recognitions



RAK Ceramics (Bangladesh) has been awarded the "First Position" in the "16th ICAB National Award for Best Presented Annual Report 2015" in the manufacturing category as a mark of excellence in corporate reporting.



The Company has been awarded the "Bronze Award" in the "ICSB National Award 2015" for Corporate Governance Excellence.



The Company also received the "Certificate of Merit" in the "Best Presented Annual Report Awards and SAARC Anniversary Awards for Corporate Governance Disclosures 2015" by the south Asian Federation of Accountants (SAFA).

Corporate Governance

RAK Ceramics has established a benchmark of effective corporate governance practices that corresponds to the core values of the enterprise and amplifies its promise for operational excellence at every sphere. Best articulated through sustained growth that the company has maintained, corporate governance efforts at RAK Ceramics is emblematic to the distinction the business has achieved.



Corporate Governance Report

Corporate governance refers to the structures and processes for the direction and control of companies. Sound corporate governance is a fundamental part of the culture of the company and ensures long term success. The company believes in adopting the best practices in the area of Corporate Governance and follows the principles of transparency and accountability, thereby protecting the interests of management, Board of Directors, controlling shareholders, minority shareholders and other stakeholders.

Strong corporate governance works as the backbone of an upright organization. The Company and its Board of Directors accordingly, remain dedicated in its commitment towards maintaining excellence in corporate governance. The Board of Directors of RAK Ceramics is firmly committed to upholding principles of sound corporate governance. The main objective of corporate governance is creation of lasting value for stakeholders. Transparency in business transaction and disclosure of information to regulatory bodies as part of its legal obligations constitute sound corporate governance. Good corporate governance also means conformity to sound ethical principles and a code of conduct in business dealings.

At RAK Ceramics, we believe in transparency and commit ourselves to adherence to good corporate governance practices at all times, as we believe that good governance generates goodwill among business partners, customers and investors and helps the company grow.

Board of Directors

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

Composition of the Board

The Board of Directors of RAK Ceramics (Bangladesh) Limited comprised of 05

(Five) members including two independent directors in compliance with the corporate governance guidelines of the BSEC. Board of Directors is performing the responsibilities, among others, setting the company's strategic objectives, providing leadership, supervision and safeguarding shareholders' interest. The Company has a nonexecutive Chairman and Managing Director, separately. The day-to-day management of the Company is conducted by the Managing Director who is assisted by the executive management.

Board Procedure

To ensure transparency, the Board follows the practice of advance planning in matters requiring discussion and decision by the Board. The Board is apprised the presentation on finance, sales, marketing, major business segments and operations of the Company and other matters, as the members want. The Managing Director along with the Company Secretary finalizes the agenda papers for the Board meeting in consultation with the other person concerned. The minutes of the proceedings of each Board meeting are maintained in terms of statutory provisions.

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

Committee of the Board

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

Audit Committee

The Audit Committee assists the Board of Directors in ensuring a good monitoring system within the business. The Audit Committee is responsible to the Board and the duties and responsibilities of the Audit Committee are clearly set forth in writing by the Board in the Audit Committee Charter. According to the corporate governance

notification of BSEC, the audit committee reports to-

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

The number of the Audit Committee meeting held and attendance of each member during the year 2016 are as follows:

Name of directors	Position	Number of meetings held while a member	Number of meetings attended
Mr. Rafique-ul Huq, Barrister-at-Law	Independent Director and Chairman of the Committee till July 27, 2016	03	03
Mr. Faheemul Huq, Barrister-at-Law	Independent Director and Chairman of the Committee appointed in the Board Meeting held on July 27, 2016	01	01
Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla (Nominee of RAK Ceramics PJSC, UAE)	Director and Member of the Committee till July 27, 2016	03	Nil
Mr. Wassim Moukahhal, (Nominee of RAK Ceramics PJSC, UAE)	Director and Member of the Committee appointed in the Board Meeting held on July 27, 2016	01	01
Mr. Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director and Member of the Committee	04	03
Mr. Muhammad Shahidul Islam	Company Secretary and Member Secretary of the Committee	04	04

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

Chairman of the Board and Chief Executive Officer

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

Chief Financial Officer

Mr. Kushik Das is the Chief Financial Officer (CFO) of RAK Ceramics (Bangladesh) Limited.

He is responsible for accounts and finance activities of the Company. The Board of Directors clearly defined respective roles, responsibilities and duties of the CFO.

Head of Internal Audit

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

Company Secretary

Mr. Muhammad Shahidul Islam is the Company Secretary of RAK Ceramics (Bangladesh) Limited and has been appointed by the Board of Directors of the Company. He is a qualified Chartered Secretary and fellow member of the Institute of Chartered Secretaries of Bangladesh (ICSB). The Board of Directors clearly defined respective roles,

responsibilities and duties of the Company Secretary.

Statutory Auditors

A. Qasem & Co. Chartered Accountants (a member firm of Ernst & Young Global Limited, UK) was the external/ statutory auditor of the Company for the year 2016. They carry out systematic examination of books and records of the Company and ascertain, verify and report upon the facts regarding the financial operation and the results of the Company. To comply with the corporate governance properly, the Company did not engage its statutory auditors to perform the following services:

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

Internal Audit and Control

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

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

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

-Reviewing the reliability and integrity of financial and operating information and the means to identify measure, classify and report such information.

-Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports and whether the organisation is in compliance.

-Reviewing the means of safeguarding assets and as appropriate, verifying the existence of such assets.

-Reviewing operations or programs to ascertain whether results are consistent with established.

Objectives and goals and whether the operations or programs are being carried out as planned.

-Reviewing specific operations at the request of the Audit Committee or management, as appropriate.

-Monitoring and evaluating the effectiveness of the organization's risk management system. Reviewing the quality of performance of external auditors and the degree of coordination with internal audit.

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

Subsidiary Company

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

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

Code of Ethics

As an organization, our values include integrity, self determination and valuing people. Our parent company has specified corporate values for the Company and stipulated a code of ethics for employees, ensuring that the latter maintain the highest integrity and comply with the relevant laws and ethical principles. Therefore, the Company considers the significance of ethical, human and environmental matters in the conduct of its business. The Board of RAK Ceramics (Bangladesh) Limited also established a separate 'Code of Conduct' for its Directors in compliance with the requirement of Bangladesh Securities and Exchange Commission (BSEC) notification.

Compliances

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

Human Resources

RAK Ceramics believes that Human Resources

of the company are their best capital. This human capital push the organization towards achieving the goal. Frequently changing business environment requires having a well trained work force, therefore, the Company has given more emphasis on developing management skills to suit today's business environment. Various training programs and workshops were carried out during the year. The management and employee relationship in the company was excellent throughout the year.

Communication with Shareholders

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

Company's Corporate Website

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

Conclusion

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

Certificate on compliance of conditions of corporate governance guidelines to the shareholders of RAK Ceramics (Bangladesh) Limited

We have examined the compliance of conditions of corporate governance guidelines of the Bangladesh Securities and Exchange Commission ("BSEC") by RAK Ceramics (Bangladesh) Limited (the "Company") for the year ended 31 December 2016 as stipulated in clause 7(i) of the BSEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012.

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

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



A F Nesaruddin, FCA

Partner

ICAB Enrolment Number- 469

For Hoda Vasi Chowdhury & Co

Chartered Accountants

Dated: January 23, 2017

Status of Compliance with the Corporate Governance Guidelines (CGG)

RAK Ceramics (Bangladesh) Limited For the year ended 31 December 2016

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

(Report under Condition No. 7.00)

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
1	BOARD OF DIRECTORS:			
1.1	Board's Size			
	The number of the Board members of the Company shall not be less than 5 (five) and more than 20 (twenty).	√		
1.2	Independent Directors			
1.2(i)	At least one fifth (1/5) of the total number of directors in the Company's Board shall be Independent Directors.	√		
1.2(ii)(a)	Who either does not hold share in the Company or holds less than one (1%) shares of the total paid up shares of the Company;	√		
1.2(ii)(b)	Who is not sponsor of the Company and is not connected with any sponsor or director or shareholder who holds one percent or more shares of the Company;	√		
1.2(ii)(c)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies;	√		Independent Director of subsidiary companies
1.2(ii)(d)	Who is not a member, director or officer of any stock exchange;	√		
1.2(ii)(e)	Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market;	√		
1.2(ii)(f)	Who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned Company's statutory audit firm;	√		

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
1.2(ii)(g)	Who shall not be an independent director in more than 3 (three) listed companies;	√		
1.2(ii)(h)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI);	√		
1.2(ii)(i)	Who has not been convicted for a criminal offence involving moral turpitude.	√		
1.2(iii)	Independent Director(s) shall be appointed by the Board of Directors and approved by the shareholders in the Annual General Meeting (AGM).	√		
1.2(iv)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days.	√		
1.2(v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded.	√		
1.2(vi)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only.	√		
1.3	Qualification of Independent Director (ID)			
1.3(i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.	√		
1.3(ii)	The person should be a Business Leader / Corporate Leader / Bureaucrat / University Teacher with Economics or Business Studies or Law background / Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management / professional experiences.	√		
1.3(iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.			No such matter
1.4	Chairman of the Board and Chief Executive Officer			
	The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals. The Chairman of the Company shall be elected from among the directors of the Company. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.	√		

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
1.5	The Directors' Report to Shareholders			
	Directors Report to Shareholders shall include following additional statements on:			
1.5(i)	Industry outlook and possible future developments in the industry.	√		
1.5(ii)	Segment-wise or product-wise performance.	√		
1.5(iii)	Risks and concerns.	√		
1.5(iv)	Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	√		
1.5(v)	Discussion on continuity of any Extra-Ordinary gain or loss.			No such matter
1.5(vi)	Statement of all related party transactions.	√		
1.5(vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments.			No such matter
1.5(viii)	An explanation if the financial results deteriorate after the Company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.			No such matter
1.5(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.			No such matter
1.5(x)	Remuneration to directors including independent directors.	√		
1.5(xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	√		
1.5(xii)	Proper books of account of the issuer Company have been maintained.	√		
1.5(xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	√		
1.5(xiv)	International Accounting Standards (IAS) / Bangladesh Accounting Standards (BAS) / International Financial Reporting Standards (IFRS) / Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	√		
1.5(xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	√		

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
1.5(xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.			No such matter
1.5(xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.			No such matter
1.5(xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	√		
1.5(xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.			No such matter
1.5(xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		
1.5(xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:-			
1.5(xxi)(a)	Parent / Subsidiary / Associated Companies and other related parties (name wise details);	√		
1.5(xxi)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		
1.5(xxi)(c)	Executives;	√		
1.5(xxi)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	√		
1.5(xxii)	In case of the appointment / reappointment of a director the company shall disclose the following information to the shareholders:-			
1.5(xxii)(a)	A brief resume of the director;	√		
1.5(xxii)(b)	Nature of his / her expertise in specific functional areas;	√		
1.5(xxii)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
2.0	CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS):			
2.1	Appointment			
	The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	√		
2.2	Requirement to attend the Board Meetings			
	The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors, provided that the CFO and / or the Company Secretary shall not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to their personal matters.	√		
3.0	AUDIT COMMITTEE:			
3.0 (i)	The Company shall have an Audit Committee as a sub-committee of the Board of Directors.	√		
3.0(ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business.	√		
3.0(iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√		
3.1	Constitution of the Audit Committee:			
3.1(i)	The Audit Committee shall be composed of at least 3 (three) members.	√		
3.1(ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the Company and shall include at least 1 (one) Independent Director.	√		
3.1(iii)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	√		
3.1(iv)	Filling of casual vacancy in the Audit Committee.			No such matter
3.1(v)	The company secretary shall act as the secretary of the Committee.	√		
3.1(vi)	The quorum of the Audit Committee meeting shall not constitute without independent director.	√		

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
3.2	Chairman of the Audit Committee			
3.2(i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.	√		
3.2(ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	√		
3.3	Role of Audit Committee:			
3.3(i)	Oversee the financial reporting process.	√		
3.3(ii)	Monitor choice of accounting policies and principles.	√		
3.3(iii)	Monitor Internal Control Risk management process.	√		
3.3(iv)	Oversee hiring and performance of external auditors.	√		
3.3(v)	Review along with the management, the annual financial statements before submission to the board for approval.	√		
3.3(vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval.	√		
3.3(vii)	Review the adequacy of internal audit function.	√		
3.3(viii)	Review statement of significant related party transactions submitted by the management.	√		
3.3(ix)	Review Management Letters / Letter of Internal Control weakness issued by statutory auditors.	√		
3.3(x)	Declaration to Audit Committee by the Company regarding utilization of IPO / RPO, Right issue money.			No such matter
3.4	Reporting of the Audit Committee:			
3.4.1(i)	The Audit Committee shall report on its activities to the Board of Directors.	√		
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-			
3.4.1(ii)(a)	Report on conflicts of interests;			No such matter
3.4.1(ii)(b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;			No such matter
3.4.1(ii)(c)	Suspected infringement of laws, including securities related laws, rules and regulations;			No such matter
3.4.1(ii)(d)	Any other matter which shall be disclosed to the Board of Directors immediately.			No such matter

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
3.4.2	Reporting to the Authorities Reported to the Board of Directors about anything which has material impact on the financial condition and results of operation.			No such matter
3.5	Reporting to the Shareholders and General Investors Report on the activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.4.1 (ii).	√		
4.0	EXTERNAL / STATUTORY AUDITORS:			
	The issuer company should not engage its external / statutory auditors to perform the following services of the company; namely:-			
4.0(i)	Appraisal or valuation services or fairness opinions.	√		
4.0(ii)	Financial information systems design and implementation.	√		
4.0(iii)	Book-keeping or other services related to the accounting records or financial statements.	√		
4.0(iv)	Broker-dealer services.	√		
4.0(v)	Actuarial services.	√		
4.0(vi)	Internal Audit service.	√		
4.0(vii)	Any other services that the Audit Committee determines.	√		
4.0(viii)	No partner or employees of the external audit firms shall possess any share of the Company they audit at least during the tenure of their audit assignment of that Company.	√		
4.0(ix)	Audit / certification services on compliance of corporate governance as required under clause (i) of condition No. 7	√		
5.0	SUBSIDIARY COMPANY:			
5.0(i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	√		
5.0(ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	√		
5.0(iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	√		

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

Report of Audit Committee

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

Formation and Operation of the Committee

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

Composition

In accordance with the Corporate Governance Guidelines of BSEC (No. SEC/CMRRCD/2006-158/134/Admin/44) issued on August 07, 2012, the Audit Committee of RAK Ceramics (Bangladesh) Limited comprises of three members including two Independent Directors. The Chairman of the Committee is an Independent Director of the Company. The Company Secretary is the member secretary of the Committee.

The current members of the Audit Committee are as follows:

1. Mr. Faheemul Huq, Barrister-at-Law (Independent Director), Chairman
2. Mr. Wassim Moukahhal, Member
3. Mr. Pramod Kumar Chand, Member
4. Mr. Muhammad Shahidul Islam, Member Secretary.

Mr. Wassim Moukahhal and Barrister Faheemul Huq, Independent Directors of the Company were appointed as the new Members of the Audit Committee of RAK Ceramics (Bangladesh) Limited in place of Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla and Barrister Rafique-ul Huq in the meeting of the Board of Directors held on July 27, 2016.

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

Roles and Responsibilities

The roles and responsibilities of the Audit Committee are clearly defined in the Audit Committee Charter. The Audit Committee shall assist the Board in fulfilling its oversight responsibilities. To recognise the importance of oversight responsibilities of the Board with special emphasis on ensuring compliance with all applicable legislations and regulations, the prime responsibilities of the Audit Committee, among others, are as follows:

- Oversee the financial reporting process.
- Monitor choice of accounting policies and principles.
- Monitor internal control risk management process.
- Oversee hiring process and performance of statutory auditors.
- Review along with the management, the annual, quarterly and half yearly financial statements of the Company and its subsidiaries before submission to the Board for approval.
- Review the adequacy of internal audit functions.
- Review statement of significant related party transactions submitted by the management.
- Review Management Letters / Letter of Internal Control Weakness issued by the statutory auditors.

- Advise the Management on key improvement areas of operation.
- Perform other activities related to this Charter as requested by the Board of Directors.

Internal Control and Risk Management Process

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

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

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

The risk management process in RAK Ceramics (Bangladesh) Limited comprises the arrangement of resources to ensure the achievement of strategy and business plans, including the exploitation of available

opportunities that meet the risk appetite criteria set by the Board. Risk profiles inherent to existing activities are furthermore maintained within the approved risk tolerance levels, thereby optimizing the risk return parameters for the creation of sustainable growth and value for shareholders and other stakeholders. However the Committee discussed with management how they would continue to deliver high-quality oversight and risk evaluation against the background of the current economic climate.

Committee Meetings and Attendance

During 2016, the Committee held 4 (four) meetings complying with the requirement of at least one meeting in every quarter in which the Committee reviewed issues relating to business operation, compliance, human resource, finance and accounts, among other things. Managing Director, Chief Executive Officer, Chief Financial Officer and Head of Internal Audit were the permanent invitees of the meeting. Relevant departmental heads and other members of the management also attended the meetings as required. The proceedings of the meetings are properly minuted and regularly reported to the Board of Directors.

The number of Audit Committee meetings held and the attendance by each member during the year 2016:

Name of directors	Position	Number of meetings held while a member	Number of meetings attended
Mr. Rafique-ul Huq, Barrister-at-Law	Independent Director and Chairman of the Committee till July 27, 2016	03	03
Mr. Faheemul Huq, Barrister-at-Law	Independent Director and Chairman of the Committee appointed in the Board Meeting held on July 27, 2016	01	01
Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla (Nominee of RAK Ceramics PJSC, UAE)	Director and Member of the Committee till July 27, 2016	03	Nil
Mr. Wassim Moukahhal, (Nominee of RAK Ceramics PJSC, UAE)	Director and Member of the Committee appointed in the Board Meeting held on July 27, 2016	01	01
Mr. Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director and Member of the Committee	04	03
Mr. Muhammad Shahidul Islam	Company Secretary and Member Secretary of the Committee	04	04

Committee's Report Summary

The Committee has the following opinions regarding Corporate and the Financial Affairs of the Company:

- Laws and regulations relating to business and internal policies, procedures & guidelines have been complied with.
- Financial Statements for the year ended December 31, 2016 contained full disclosures and these are prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB).
- Adequate internal control systems are put in place to detect, correct and prevent fraud and errors on timely manner.
- Appropriate Management Information Systems (MIS) are in place to facilitate decision making process.
- Existing risk management procedures are effective to capture and mitigate risk.
- The Committee considered the recommendations made by the statutory and internal auditors of the Company in their respective reports.

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

Statutory Auditor

The Committee has satisfied itself through its own process of review that the statutory auditor of the Company is independent as defined by the related Act.

The Audit Committee of the Board recommended to re-appoint M/s A. Qasem &

Co., Chartered Accountants (a Member Firm of Ernst & Young Global Limited) as the statutory auditors of the Company for the year 2017.

Internal Audit

Internal audit is regarded as one of the four pillars of corporate governance. Internal audit is conducted under the supervision of Mr. Zakir Hossain FCA, Head of Internal Audit in accordance with the approved Audit Committee Charter and corporate governance guidelines/best practice.

Financial Management

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

Evaluation of Quarterly Report

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

Annual Financial Statements

The Committee has tabled the financial statements for approval by the Board. The Board has subsequently approved the financial statements which will be opened for discussion at the forthcoming annual general meeting.

Appreciation

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

Dated: 23.01.2017


Barrister Faheemul Huq
Chairman
Audit Committee

Certificate for Financial Statements

Date: 23.01.2017

This is to certify that:

(i) We have reviewed the audited standalone and consolidated financial statements of RAK Ceramics (Bangladesh) Limited for the year ended December 31, 2016 and that to the best of our knowledge and belief:

a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

b) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.

(ii) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violation of the Company's Code of Conduct.



(Kaushik Das)
Chief Financial Officer



(Imtiaz Hussain)
Chief Executive Officer

Financial Reports

With a sophisticated framework for internal and external control and optimum care for resources, we pledge to prevent discrepancies with numbers and ensure clarity with our holistic monetary policy. With strict adherence to regulatory frameworks, RAK Ceramics remains a trusted entity for leveraging resources, optimizing desired productivity.



RAK CERAMICS (BANGLADESH) LIMITED

*Auditor's Report and Consolidated
Financial Statements*

as at and for the year ended 31 December 2016

Independent Auditor's Report to the Shareholders of RAK Ceramics (Bangladesh) Ltd.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RAK Ceramics (Bangladesh) Ltd. which comprise the consolidated statement of financial position as at 31 December 2016, 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) Ltd. as at 31 December 2016 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) Ltd. are audited by another auditor who expressed an unmodified opinion on those financial statements on 23 January 2017

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.

Dated, 23 January 2017


(A. Qasem & Co.)
Chartered Accountants

RAK Ceramics (Bangladesh) Ltd.
Consolidated statement of financial position
as at 31 December 2016

	Notes	2016 Taka	2015 Taka
Assets			
Property, plant and equipment	4	4,005,119,013	2,311,590,599
Intangible assets	6	6,740,159	6,683,955
Capital work-in-progress	7	28,726,285	1,545,379,710
Trade and other receivables	10	74,025,000	148,050,000
Total non-current assets		4,114,610,457	4,011,704,264
Inventories	9	2,527,507,042	2,239,844,230
Trade and other receivables	10	618,841,556	638,387,373
Loan to disposed subsidiary	8	201,898,000	201,898,000
Advances, deposits and prepayments	11	406,247,968	340,158,392
Advance income tax	12	2,485,841,759	2,219,806,786
Cash and cash equivalents	13	802,643,479	1,101,566,520
Total current assets		7,042,979,804	6,741,661,301
Total assets		11,157,590,261	10,753,365,565
Equity			
Share capital	14	3,368,506,110	3,368,506,110
Share premium		1,473,647,979	1,473,647,979
Retained earnings		1,269,570,793	1,196,443,022
Equity attributable to equity holders of the company		6,111,724,882	6,038,597,111
Non-controlling interests		1,501	1,529
Total equity		6,111,726,383	6,038,598,640
Liabilities			
Borrowings	17	594,926,064	420,624,802
Deferred tax liability	15	128,416,223	75,811,194
Total non-current liabilities		723,342,287	496,435,996
Employees benefit payable	16	3,458,783	26,224,135
Borrowings	17	567,719,326	771,119,369
Trade and other payables	18	589,425,022	640,626,199
Accrued expenses	19	275,376,870	196,618,285
Provision for income tax	20	2,886,541,590	2,583,742,941
Total current liabilities		4,322,521,591	4,218,330,929
Total liabilities		5,045,863,878	4,714,766,925
Total equity and liabilities		11,157,590,261	10,753,365,565


The notes on pages 85 to 117 are an integral part of these financial statements


Managing Director


Director


Company Secretary
As per our report of same date

Dated, 23 January 2017


(A. Qasem & Co.)
Chartered Accountants

RAK Ceramics (Bangladesh) Ltd.
**Consolidated statement of profit or loss and
other comprehensive income**
for the year ended 31 December 2016

	Notes	2016 Taka	2015 Taka
Sales	21	5,661,411,578	5,059,300,403
Cost of sales	22	(3,252,054,966)	(2,896,889,441)
Gross profit		2,409,356,612	2,162,410,962
Other income	23	3,109,360	841,198,710
Administrative expenses	24	(357,446,247)	(859,551,141)
Marketing and selling expenses	25	(704,320,334)	(688,070,995)
		(1,058,657,221)	(706,423,426)
Profit from operating activities		1,350,699,391	1,455,987,536
Finance income	26	21,029,885	90,059,260
Finance expenses	27	(40,014,661)	(18,935,684)
Net finance income		(18,984,776)	71,123,576
Share of profit/(loss) of equity-accounted investees	5	-	(20,409,802)
Profit before contribution to workers' profit participation and welfare fund		1,331,714,615	1,506,701,310
Contribution to worker's profit participation and welfare fund	28	(61,056,166)	(27,305,761)
Profit before income tax		1,270,658,449	1,479,395,549
Income tax expense			
Current tax	29	(302,798,649)	(387,662,773)
Deferred tax	15	(52,605,029)	2,606,991
		(355,403,678)	(385,055,782)
Profit for the year		915,254,771	1,094,339,767
Other comprehensive income		-	-
Total comprehensive income for the year		915,254,771	1,094,339,767
Profit attributable to:			
Equity holders of the company		915,254,299	1,094,339,280
Non-controlling interests		472	487
Profit after tax for the year		915,254,771	1,094,339,767
Basic earnings per share (Par value TK 10)	33	2.72	3.25


The notes on pages 85 to 117 are an integral part of these financial statements


Managing Director


Director


Company Secretary
As per our report of same date

Dated, 23 January 2017


(A. Qasem & Co.)
Chartered Accountants

RAK Ceramics (Bangladesh) Ltd.

Consolidated statement of changes in equity

for the year ended 31 December 2016

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Share Premium	Retained earnings	Total		
	Taka	Taka	Taka	Taka	Taka	Taka
Balance as at 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						
Prior year adjustment	-	-	(275)	(275)	(499,725)	(500,000)
Elimination on disposal of subsidiary					195,261,930	195,261,930
Acquisition of further purchase of RAK Power shares			(97,981,435)	(97,981,435)	(126,799,789)	(224,781,224)
Transactions with the shareholders						
Cash dividend (2014)	-	-	(842,126,528)	(842,126,528)	(44,075,000)	(886,201,528)
Balance as at 31 December 2015	<u>3,368,506,110</u>	<u>1,473,647,979</u>	<u>1,196,443,022</u>	<u>6,038,597,111</u>	<u>1,529</u>	<u>6,038,598,640</u>
Balance as at 01 January 2016	3,368,506,110	1,473,647,979	1,196,443,022	6,038,597,111	1,529	6,038,598,640
Total comprehensive income for 2016	-	-	915,254,299	915,254,299	472	915,254,771
Profit/(loss) for the year						
Transactions with the shareholders:						
Cash dividend (2015)	-	-	(842,126,528)	(842,126,528)	(500)	(842,127,028)
Balance as at 31 December 2016	<u>3,368,506,110</u>	<u>1,473,647,979</u>	<u>1,269,570,793</u>	<u>6,111,724,882</u>	<u>1,501</u>	<u>6,111,726,383</u>

The notes on pages 85 to 117 are an integral part of these financial statements

RAK Ceramics (Bangladesh) Ltd.

Consolidated statement of cash flows

for the year ended 31 December 2016

	2016 Taka	2015 Taka
Cash flows from operating activities		
Cash receipts from customers	5,601,413,958	4,867,818,550
Cash payments to suppliers and employees	(4,235,590,594)	(3,750,429,478)
Cash generated from operating activities	<u>1,365,823,364</u>	<u>1,117,389,072</u>
Interest received from bank deposit	3,356,834	6,584,014
Income tax paid	(266,034,973)	(206,010,655)
Net cash (used in)/from operating activities	<u>1,103,145,225</u>	<u>917,962,431</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(585,844,016)	(1,805,104,980)
Sale of property, plant and equipment	707,150	158,681
Disposal proceeds of subsidiary and associate	86,710,000	374,599,560
Interest received from FDR	15,105,005	68,179,402
Income from rental	2,020,000	2,280,000
Intangible assets	(12,401,543)	(5,673,511)
Dividend received	250	-
Net cash (used in)/from investing activities	<u>(493,703,154)</u>	<u>(1,365,560,848)</u>
Cash flows from financing activities		
Finance charges	(42,554,701)	(15,570,077)
Avail/(repayment) of term loan	174,301,262	420,624,802
Avail/(repayment) of short-term loan	(203,400,043)	447,364,206
Dividend paid	(838,775,610)	(836,657,004)
Unclaimed share application refund	2,064,480	(1,017,600)
Loan realized from associate	-	102,973,608
Adjustment related with non-controlling interest	(500)	(44,075,000)
Net cash (used in)/from financing activities	<u>(908,365,112)</u>	<u>73,642,935</u>
Net increase/(decrease) in cash and cash equivalents	<u>(298,923,041)</u>	<u>(373,955,482)</u>
Cash and cash equivalents as at 01 January	<u>1,101,566,520</u>	<u>1,475,522,002</u>
Cash and cash equivalents as at 31 December (Note 13)	<u>802,643,479</u>	<u>1,101,566,520</u>

The notes on pages 85 to 117 are an integral part of these financial statements

RAK Ceramics (Bangladesh) Ltd.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2016

1. Reporting entity

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

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, 1 April 2015 and 17th May respectively.

1.2 Description of subsidiaries

RAK Power Pvt. Ltd.

RAK Power Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 30 June 2005 as a private company limited by shares with an authorized capital of Taka 1,000,000,000 divided into 10,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 205,000,000 as at 31 December 2016. The Company has gone into operation from 1 May 2009. The registered office of the Company is at House # 5, Road # 1/A Sector # 4, Uttara, Dhaka- 1230. The Power Plant is located at Village : Dhanua, P.S: Sreepur, District: Gazipur. 57% shares of RAK Power Pvt. Ltd. is held by RAK Ceramics (Bangladesh) Limited.

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 totaling 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 been taken place as approved in Board of Directors meeting of RAK Power (Pvt.) Ltd on 20 October 2015

RAK Security and Services (Pvt.) Limited

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 December 2016. 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. 35% shares of RAK Security and Services (Pvt.) Ltd is 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 totaling 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 been taken place as approved in Board of Directors meeting of RAK Security and Services (Pvt.) Ltd on 20 October 2015.

Notes to the Financial Statements

as at and for the year ended 31 December 2016

2. Basis of preparation

2.1 Statement of compliance

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

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

Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on 23 January 2017.

2.2 Basis of measurement

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

2.3 Functional and presentational currency

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

2.4 Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the 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 15 Deferred tax liability

Note 16 Employees benefit payable

Note 20 Provision for income tax

2.5 Reporting period

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

2.6 Going concern

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

Notes to the Financial Statements

as at and for the year ended 31 December 2016

3 Significant accounting policies

The accounting policies set out below, which comply with IFRS, 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 or as an available-for-sale financial asset depending on the level of influence retained.

Investments in associates

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

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

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

Notes to the Financial Statements

as at and for the year ended 31 December 2016

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.

Notes to the Financial Statements

as at and for the year ended 31 December 2016

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.

Notes to the Financial Statements

as at and for the year ended 31 December 2016

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	10-20
Furniture, fixture and equipment	10
Office equipment	10-20
Communication equipment	10-20
Tools and appliances	10-20
Vehicles	10-20
Fire fighting equipment	20

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

Notes to the Financial Statements

as at and for the year ended 31 December 2016

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.

Notes to the Financial Statements

as at and for the year ended 31 December 2016

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.

Notes to the Financial Statements

as at and for the year ended 31 December 2016

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 2016.

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.

Notes to the Financial Statements

as at and for the year ended 31 December 2016

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.

Notes to the Financial Statements
as at and for the year ended 31 December 2016

4. Property, plant and equipment

2016

Amounts in Taka

Particulars	C O S T			D E P R E C I A T I O N						Net book value as at 31 Dec 2016		
	Balance as at 01 Jan 2016	Addition due to acquisition	Additions during the year	Sale/disposal during the year	Balance as at 31 Dec 2016	Rate (%)	Balance as at 01 Jan 2016	Addition due to acquisition	Charged during the year		Adjustment during the year	Balance as at 31 Dec 2016
Land	790,157,357	-	-	-	790,157,357	-	-	-	-	-	-	790,157,357
Factory building	486,550,770	-	399,135,849	-	885,686,619	2.5-5	254,767,601	-	34,254,266	-	289,021,867	596,664,752
Office building	199,973,534	-	2,135,892	-	202,109,426	2.5-5	81,674,994	-	10,169,456	-	91,844,450	110,264,976
Plant and machinery	3,525,500,749	-	1,570,824,461	-	5,096,325,210	5-10	2,544,072,048	-	296,686,167	-	2,840,758,215	2,255,566,995
Mobile plant	103,009,939	-	13,297,840	-	116,307,779	10	74,859,697	-	8,014,118	-	82,873,815	33,433,964
Electrical installation	183,272,165	-	58,192,482	-	241,464,647	10-20	157,552,492	-	12,407,066	-	169,959,558	71,505,089
Gas pipeline	48,136,891	-	21,510,403	-	69,647,294	10-20	43,155,571	-	2,383,926	-	45,539,497	24,107,797
Furniture and fixtures	30,958,310	-	2,569,644	-	33,527,954	10	21,298,483	-	2,883,018	-	24,181,501	9,346,453
Office equipment	95,375,111	-	3,920,247	(112,730)	99,182,629	10-20	19,990,457	-	17,199,735	(75,275)	37,114,917	62,067,711
Communication equipment	10,133,036	-	1,128,297	-	11,261,333	10-20	4,149,046	-	1,221,364	-	5,370,410	5,890,923
Tools and appliances	8,739,426	-	8,330,443	-	17,069,869	10-20	5,748,154	-	871,759	-	6,619,913	10,449,956
Vehicles	70,061,529	-	5,140,669	(1,682,494)	73,519,704	10-20	33,009,675	-	6,394,633	(1,547,643)	37,856,665	35,663,039
Fire fighting equipments	3,631,012	-	-	-	3,631,012	20	3,631,012	-	-	-	3,631,012	-
Total at 31 December 2016	5,555,499,829	-	2,086,186,228	(1,795,224)	7,639,890,833		3,243,909,230	-	392,485,508	(1,622,918)	3,634,771,820	4,005,119,013

Notes to the Financial Statements
as at and for the year ended 31 December 2016

2015

Amounts in Taka

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

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

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

Amounts in Taka

Notes to the Financial Statements

as at and for the year ended 31 December 2016

4.1 Depreciation charged on the basis of the purpose of use

Cost of sales (Note 22)

Administrative expenses (Note 24)

2016	2015
Taka	Taka
354,613,598	233,947,512
37,871,910	22,244,061
392,485,508	256,191,573

4.2 Disposal of property, plant and equipment

Year 2016

Particulars	Original cost	Accumulated depreciation	Book value	Receipt against sales/insurance	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Vehicle	1,682,494	1,547,643	134,851	687,050	552,199
Office equipment	112,730	75,275	37,455	20,100	(17,355)
Total	1,795,224	1,622,918	172,306	707,150	534,844

Year 2015

Particulars	Original cost	Accumulated depreciation	Book value	Sale/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)

5. Equity-accounted investees

Share of net profit/ (loss) :	Ownership	Reprting date	Nature of investment	Income	Expenses	Tax expenses	Profit or (loss)	Share of profit/ (loss)
				Taka	Taka	Taka	Taka	Taka
31 December 2015								
RAK Security and Services (Pvt.) Ltd.	35%	31 Dec 2015	Associate	58,329,409	50,957,080	2,580,315	4,792,014	1,677,205
RAK Paints Pvt. Ltd.	47%	31 Dec 2015	Associate	716,421,865	776,932,553		(60,510,688)	(21,749,142)
RAK Mosfly (Bangladesh) Pvt. Ltd.	20%	31 Dec 2015	Associate	87,089,723	91,561,460	-	(4,471,737)	(337,865)
								<u>(20,409,802)</u>

Notes to the Financial Statements as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
6 Intangible assets		
Balance as at 1 January	6,683,955	4,815,453
Add: Addition during the year	12,401,543	5,673,511
	<u>19,085,498</u>	<u>10,488,964</u>
Less: Amortisation during the year (Note-6.1)	12,345,339	3,805,009
Balance as at 31 December	<u>6,740,159</u>	<u>6,683,955</u>
6.1 Amortisation charged on the basis of the purpose of use		
Administrative expenses (Note - 24)	12,345,339	3,805,009
	<u>12,345,339</u>	<u>3,805,009</u>
7 Capital work-in-Progress		
Balance as at 1 January	1,545,379,710	289,116,566
Add: Addition during the year	28,099,014	1,767,883,626
	<u>1,573,478,724</u>	<u>2,057,000,192</u>
Less: Transfer to property, plant & equipment during the year (note 7.1)	1,528,441,226	506,960,135
Impairment loss on capital equipment during the year	16,311,214	4,660,347
Balance as at 31 December	<u>28,726,285</u>	<u>1,545,379,710</u>
7.1 Items transferred from capital work in progress to property, plant & equipment		
Facotory building	237,219,154	24,500,193
Factory office building	-	12,757,294
Plant & machinery	1,256,599,871	384,578,817
Mobile plant	-	10,030,322
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
Others	34,622,201	-
	<u>1,528,441,226</u>	<u>506,960,135</u>
8 Loan to disposed subsidiary		
Julphar Bangladesh Ltd. (Erstwhile RAK Pharmaceuticals Pvt. Ltd.)	201,898,000	201,898,000
	<u>201,898,000</u>	<u>201,898,000</u>

*It represents the value of corporate office space (10th floor of RAK tower) of which ownership transferred is in under process and that had been adjusted with given loan to disposed subsidiary effective from 01 January 2015.

Notes to the Financial Statements
as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
9 Inventories		
Raw materials	844,891,203	852,533,747
Less : Provision for obsolescence made during the year	(13,878,807)	(4,665,753)
	831,012,396	847,867,994
Stores and consumables spares	1,082,968,219	957,748,655
Finished goods	387,942,404	216,781,132
Work-in-process	96,173,371	37,268,593
Goods-in-transit	129,410,652	180,177,856
	<u>2,527,507,042</u>	<u>2,239,844,230</u>
10 Trade and other receivables		
Non current :		
Receivable against disposal of investment	74,025,000	148,050,000
Current :		
Trade receivables (Note 10.1)	548,029,728	553,947,412
	<u>548,029,728</u>	<u>553,947,412</u>
Accrued interest (Note 10.2)	2,336,714	3,659,847
Accrued rental income	380,000	-
Receivable against disposal of investment	68,095,114	80,780,114
	<u>618,841,556</u>	<u>638,387,373</u>
10.1 Trade receivables		
Receivables from local sales	548,029,728	553,303,108
Receivables from export sales	-	644,304
	<u>548,029,728</u>	<u>553,947,412</u>
10.2 Accrued interest		
Interest accrued on FDR	2,336,714	3,659,847
	<u>2,336,714</u>	<u>3,659,847</u>
11 Advances, deposits and prepayments		
Advances:		
Employees	17,500	18,726
Land advance & others	36,776,888	28,421,141
Suppliers against material & services	225,082,941	159,240,033
	<u>261,877,329</u>	<u>187,679,900</u>
Security and other deposits:		
Titas gas	22,262,600	20,215,520
Mymenshing Palli Bidyut Samity-2	1,955,000	1,955,000
VAT and supplementary duty (note 11.1)	36,231,093	58,015,290
Deposit with income tax authority	17,185,655	9,705,739
Deposit with VAT authority	7,530,001	7,530,001
Other deposits	1,491,853	1,491,853
	<u>86,656,202</u>	<u>98,913,403</u>
Prepayments:		
House rent	9,176,471	10,715,974
Insurance	48,237,825	42,609,058
Others	300,141	240,057
	<u>57,714,437</u>	<u>53,565,089</u>
	<u>406,247,968</u>	<u>340,158,392</u>
11.1 Supplementary duty & VAT		
Balance as at 1 January	58,015,290	41,050,431
Add: Treasury deposit for SD & VAT purpose	1,121,800,000	987,440,000
Rebate of input VAT	273,305,798	298,183,784

Notes to the Financial Statements

as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
	1,453,121,088	1,326,674,215
Add: Receivable - SD & VAT	-	657,660
	1,453,121,088	1,327,331,875
Less: SD & VAT on sales	1,416,418,729	1,268,899,645
Payable- SD & VAT	471,266	416,940
	1,416,889,995	1,269,316,585
Balance as at 31 December	36,231,093	58,015,290
12 Advance income tax		
Balance as at 1 January	2,219,806,786	2,013,796,131
Add: Paid during the year	266,034,973	191,578,493
Add: Addition due to acquisition of RAK Security	-	14,432,162
Balance as at 31 December (12.1)	2,485,841,759	2,219,806,786
12.1 Payment for the year		
Income year		
Year 2016	229,618,424	-
Year 2015	187,267,285	150,935,063
Year 2014	295,379,428	295,379,428
Year 2013	392,118,319	392,118,319
Year 2012	336,319,884	336,319,884
Year 2011	328,082,711	327,998,384
Year 2010	265,684,491	265,684,491
Year 2009	218,091,876	218,091,876
Year 2008	85,378,847	85,378,847
Year 2007	124,813,161	124,813,161
Year 2006	23,087,333	23,087,333
	2,485,841,759	2,219,806,786
13 Cash and cash equivalents		
Cash in hand	9,880,543	1,877,620
Cash at banks		
HSBC (current account -001-013432-011,001-107580-011,001-096015-011, 001-096007-011 - BDT)	40,412,746	41,911,217
Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - BDT)	66,626,593	62,681,974
Citibank N.A. (current account - G0100001200262018 - BDT)	15,162,084	11,566,925
Dutch Bangla Bank Ltd. (current account - 117-110-12733,117-110-2481, 117.110.23474 -BDT)	142,302	18,647,617
HSBC (ERQ account - 001-013432-047 - USD)	6,549,288	4,595,333
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	973,813	267,806
EXIM Bank (SND account - 01513100031877 - BDT)	114,271	113,239
Standard Chartered Bank (SND account - 02-3767272-01 - BDT)	1,038,142	400,958
Dutch Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330,117-120.2550 - BDT)	81,821,359	133,216,271
BRAC Bank (SND - 1513101731248001 - BDT)	356,703	354,466
Prime Bank Ltd. (SND - 12531010022563 - BDT)	20,282,604	14,168,711
Commercial Bank of Ceylon (SND-2817000777 - BDT.)	6,559,754	7,792,797
	240,039,659	295,717,314

Notes to the Financial Statements
as at and for the year ended 31 December 2016

	2016 Taka	2015 Taka
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	2,453,275	389,032
Citibank N.A. (RAK-IPO-NRB Subscription - G010001200262042 - USD)	3,941,453	3,941,472
Citibank N.A. (RAK-IPO-NRB Subscription - G010001200262026 - EURO)	153,603	153,608
Citibank N.A. (RAK-IPO-NRB Subscription - G010001200262034 - GBP)	126,588	126,593
	<u>6,674,919</u>	<u>4,610,705</u>
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,627,831	2,636,151
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	2,222,418	2,326,783
SCB (Current - 02-6162940-02- BDT) - 2012	3,899,024	3,893,227
SCB (Current - 02-6162940-03- BDT) - 2013	16,697,585	16,679,336
SCB (Current - 02-6162940-04- BDT) - 2014	5,082,074	5,685,749
SCB (Current - 02-6162940-05- BDT) - 2015	4,082,795	-
	<u>34,611,727</u>	<u>31,221,246</u>
Investment in Fixed Deposit Receipt (FDR)		
HSBC	30,674,551	30,652,345
SCB	762,080	762,080
Prime Bank Ltd.	-	155,000,000
Dutch Bangla Bank Ltd.	480,000,000	581,725,210
	<u>511,436,631</u>	<u>768,139,635</u>
	<u>802,643,479</u>	<u>1,101,566,520</u>
14 Share Capital		
Authorised :		
600,000,000 ordinary shares of Taka 10/- each	<u>6,000,000,000</u>	<u>6,000,000,000</u>
Issued, subscribed, called and paid up :		
336,850,611 ordinary shares of Taka 10/- each	<u>3,368,506,110</u>	<u>3,368,506,110</u>

Percentage of shareholdings	2016		2015	
	%	Taka	%	Taka
RAK Ceramics PJSC, UAE	71.67	2,414,100,210	71.67	2,414,100,210
S.A.K. Ekramuzzaman	3.92	132,119,850	4.22	142,119,850
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	24.41	822,284,650	24.11	812,284,650
	<u>100.00</u>	<u>3,368,506,110</u>	<u>100.00</u>	<u>3,368,506,110</u>

Notes to the Financial Statements

as at and for the year ended 31 December 2016

Classification of shareholders by holding

Shareholder's range	Number of shareholders		Number of shares	
	2016	2015	2016	2015
Less than 500 shares	26,718	32,023	5,617,564	6,687,947
501 to 5,000 shares	8,021	8,478	11,426,420	11,550,626
5001 to 10,000 shares	618	623	4,593,958	4,591,318
10,001 to 20,000 shares	308	302	4,505,626	4,371,383
20,001 to 30,000 shares	99	110	2,463,012	2,717,968
30,001 to 40,000 shares	50	47	1,774,201	1,695,813
40,001 to 50,000 shares	38	31	1,760,460	1,400,209
50,001 to 100,000 shares	80	77	5,479,795	5,437,755
100,001 to 1,000,000 shares	63	76	18,732,649	21,716,461
Over 1,000,000 shares	11	8	280,496,926	276,681,131
	36,005	41,775	336,850,611	336,850,611

	2016	2015
	Taka	Taka
15 Deferred tax liabilities		
Balance as at 1 January	75,811,194	78,418,185
Less : Deferred tax (income)/expenses	52,605,029	(2,606,991)
Balance as at 31 December	128,416,223	75,811,194
16 Employees benefits payable		
Provident fund	362,708	3,292,467
Gratuity fund	3,096,075	22,931,668
	3,458,783	26,224,135

	2016		
	Provident fund	Gratuity fund	Total
	Taka	Taka	Taka
Balance as at 1 January	3,292,467	22,931,668	26,224,135
Add: Provision made during the year	50,299,846	34,732,847	85,032,693
	53,592,313	57,664,515	111,256,828
Less: Payments made to fund during the year	53,229,605	54,568,440	107,798,045
Balance as at 31 December	362,708	3,096,075	3,458,783

	2015		
	Provident fund	Gratuity fund	Total
	Taka	Taka	Taka
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
	37,916,628	91,692,797	129,609,425
Less: Payments made to fund during the year	34,624,161	68,761,129	103,385,290
Balance as at 31 December	3,292,467	22,931,668	26,224,135

Notes to the Financial Statements
as at and for the year ended 31 December 2016

	2016 Taka	2015 Taka
17 Borrowings		
Non-current:		
Term loan	854,877,901	497,742,616
Current portion of term loan	(259,951,837)	(77,117,814)
	<u>594,926,064</u>	<u>420,624,802</u>
Current:		
Bank overdrafts	29,663,693	-
Short-term borrowings	278,103,796	694,001,555
Current portion of term loan	259,951,837	77,117,814
	<u>567,719,326</u>	<u>771,119,369</u>
Balance as at 31 December	<u>1,162,645,390</u>	<u>1,191,744,171</u>

17.1 Borrowings by maturity

At 31 December 2016	< 1 year	1-2 years	2-5 years	> 5 years	Total
Bank overdrafts	29,663,693	-	-	-	29,663,693
Short-term borrowings	278,103,796	-	-	-	278,103,796
Term loan	259,951,837	259,951,837	334,974,228	-	854,877,901
	<u>567,719,326</u>	<u>259,951,837</u>	<u>334,974,228</u>	-	<u>1,162,645,390</u>
At 31 December 2015	< 1 year	1-2 years	2-5 years	> 5 years	Total
Short-term borrowings	694,001,555	-	-	-	694,001,555
Term loan	77,117,814	124,789,765	295,835,037	-	497,742,616
	<u>771,119,369</u>	<u>124,789,765</u>	<u>295,835,037</u>	-	<u>1,191,744,171</u>

	2016 Taka	2015 Taka
18 Trade and other payables		
Trade payables		
Payable to local suppliers	174,944,298	146,223,649
Payable to foreign suppliers	182,859,392	329,901,031
Payable to service provider	80,465,357	44,247,355
Payable to C & F agent	10,283,280	18,636,933
	<u>448,552,327</u>	<u>539,008,968</u>
Other payables		
Tax deducted at source	15,971,206	18,885,935
VAT deducted at source	9,998,255	9,086,375
Dividend Payable	33,889,190	30,538,272
Unclaimed share application	20,838,116	18,773,636
Advance from customer against sales	8,237,699	22,393,794
Security deposit payable	1,638,234	1,939,219
Provisional liabilities - material & services	50,299,995	-
	<u>140,872,695</u>	<u>101,617,231</u>
	<u>589,425,022</u>	<u>640,626,199</u>

Notes to the Financial Statements
as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
19 Accrued expenses		
Power and gas	23,498,627	23,895,998
Staff cost	41,406,844	69,173,773
Audit fees	1,157,500	846,000
Professional charges	538,000	338,000
Interest on loans	1,495,042	4,035,081
Telephone	270,927	146,882
Provision of exchange rate difference	5,856,833	-
Provision for freight	11,774,670	-
Managing Director's remuneration (Note 19.1)	40,911,795	34,075,485
Worker's profit participation and welfare fund (Note 19.2)	61,056,166	54,064,400
Royalty and technical know-how fees (Note 19.3)	83,946,396	2,399,388
Others	3,464,070	7,643,278
	<u>275,376,870</u>	<u>196,618,285</u>
19.1 Managing Director's remuneration		
Balance as at 1 January	34,075,485	30,682,702
Add: Provision made during the year	40,911,795	34,075,485
Less : Adjustment for prior year	-	(16,850,928)
	<u>74,987,280</u>	<u>47,907,259</u>
Less: Paid to Managing Director	34,075,485	13,831,774
Balance as at 31 December	<u>40,911,795</u>	<u>34,075,485</u>
19.2 Worker's profit participation and welfare fund		
Balance as at 1 January	54,064,400	48,623,250
Add: Contribution made to the fund during the year	61,056,166	54,064,400
Less : Adjustment for prior year	-	(26,758,639)
	<u>115,120,566</u>	<u>75,929,011</u>
Less: Payment made from the fund during the year	54,064,400	21,864,611
Balance as at 31 December	<u>61,056,166</u>	<u>54,064,400</u>
19.3 Provision for royalty and technical know-how fees		
Balance as at 1 January	2,399,388	38,352,170
Add: Provision made during the year	96,547,008	80,414,124
Add: Adjustment for prior year	-	233,797
	<u>98,946,396</u>	<u>119,000,091</u>
Less: Payment made during the year	-	36,683,680
Less: Tax provision on disallowance of royalty paid for the year 2009	15,000,000	25,000,000
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 (note 35.1)	<u>83,946,396</u>	<u>2,399,388</u>

Notes to the Financial Statements as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
20 Provision for income Tax		
Balance as at 1 January	2,583,742,941	2,182,344,567
Add: Provision made for the year	302,798,649	319,661,270
Add: Provision made for earlier year	-	54,917,023
Add: Adjustment for prior year	-	11,928,337
Add: Addition due to acquisition of RAK Security	-	14,891,744
Balance as at 31 December (Note 20.1)	<u>2,886,541,590</u>	<u>2,583,742,941</u>
20.1 Provision for income Tax		
Income year		
Year 2016	302,798,649	
Year 2015	323,397,728	323,397,728
Year 2014	381,571,248	381,571,248
Year 2013	364,979,858	364,979,858
Year 2012	341,267,796	341,267,796
Year 2011	328,376,284	328,376,284
Year 2010	350,044,556	350,044,556
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>2,886,541,590</u>	<u>2,583,742,941</u>
21 Sales		
Gross sales (Local)	7,086,463,915	6,303,404,641
Gross sales (Export)	14,869,100	26,559,633
Total Sales	7,101,333,015	6,329,964,274
Less: Supplementary Duty	505,431,618	452,357,549
VAT	934,489,819	818,306,322
Net sales	<u>5,661,411,578</u>	<u>5,059,300,403</u>
22 Cost of sales		
Materials consumed:		
Opening stock as at 1 January	847,867,994	699,653,297
Add: Purchase during the year	1,533,071,495	1,779,555,491
	<u>2,380,939,489</u>	<u>2,479,208,788</u>
Less: Closing stock as at 31 December	831,012,396	847,867,994
	<u>1,549,927,093</u>	<u>1,631,340,794</u>
Manufacturing overhead:		
Direct labour (Note 22.1.1)	444,973,745	323,585,760
Direct expenses:		
Power and gas	130,098,593	148,565,272
Repairs and indirect materials (Note 22.1.2)	689,372,362	612,028,483
Rental charges	1,033,670	821,739
Moulds and punches	16,012,411	32,029,495
Depreciation	354,613,598	233,947,512

Notes to the Financial Statements

as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
Royalty and technical know-how/assistance fees (22.1.3)	81,547,008	730,898
Other production overhead (Note 22.1.4)	66,552,096	36,417,434
Movement in stock	(82,075,610)	(122,577,947)
	<u>3,252,054,966</u>	<u>2,896,889,441</u>
22.1.1 Direct labour		
Salary & wages	244,761,008	178,787,327
Overtime	39,468,500	22,298,872
Bonus	34,404,958	28,841,216
Incentive	3,817,616	11,807,366
Temporary labour wages	82,877,430	55,442,744
Gratuity	22,873,314	14,253,446
Employer's contribution to provident fund	14,709,574	10,663,602
Leave encashment	75,173	-
Group life insurance	1,986,172	1,491,187
	<u>444,973,745</u>	<u>323,585,760</u>
22.1.2 Repairs and indirect materials		
Stores, spares, repair & maintenance	379,775,144	350,734,468
Packing expenses	309,597,218	261,294,015
	<u>689,372,362</u>	<u>612,028,483</u>
22.1.3 Royalty and technical know-how/assistance fees		
Royalty and technical know-how/assistance fees	96,547,008	80,414,124
Add : Adjustment for prior year	-	233,797
Less : Tax provision on disallowance of royalty paid for the year 2009	15,000,000	25,000,000
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>81,547,008</u>	<u>730,898</u>
22.1.4 Other production overhead		
Hotel fare and expenses for technician	4,763,388	5,210,385
Demurrage	1,644,495	4,142,877
Insurance	16,262,644	14,820,501
Hiring charges and transportation	2,195,697	-
Impairment loss on capital equipment	16,311,214	4,660,347
Provision for obsolescence	13,878,807	4,665,753
Other expenses	11,495,851	2,917,571
	<u>66,552,096</u>	<u>36,417,434</u>

Notes to the Financial Statements
as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
23 Other income		
Dividend income	250	-
Miscellaneous income	174,266	-
Rental income	2,400,000	2,400,000
Profit on sale of fixed assets	534,844	-
Gain on disposal of investment against subsidiary	-	600,568,643
Gain on disposal of investment against associates	-	236,379,531
Revaluation gain on acquisition of RAK security shares	-	1,850,536
	3,109,360	841,198,710
24 Administrative expenses		
Staff cost (note-24.1)	156,846,313	126,694,890
Annual General Meeting expenses	15,445,361	28,200,673
Telephone and postage	5,873,788	6,751,399
Office repair and maintenance (note 24.2)	6,357,274	9,413,660
Registration and renewal	1,064,355	1,138,470
Security and guard expenses	11,826,935	12,032,300
Electricity, gas and water	7,882,910	6,127,490
Depreciation	37,871,910	22,244,061
Amortisation	12,345,339	3,805,009
Legal and professional fees	8,678,487	8,546,078
Vehicle repair and maintenance	11,354,916	9,897,829
Rent, rate and tax	5,512,554	9,794,128
Loss on sale of property, plant and equipment	-	52,224
Bad debts	357,846	-
Write off of loan and interest to subsidiary :		
Current year	-	10,100,916
Prior year	-	578,548,552
CSR expenses	5,742,270	3,494,124
Managing Director's remuneration (note-24.3)	40,911,795	17,224,557
Technical consultancy & others	29,374,192	5,484,781
	357,446,247	859,551,141
24.1 Staff cost		
Salary & wages	105,028,514	83,344,859
Bonus	14,438,616	12,509,899
Incentive	3,176,143	5,517,327
Gratuity	7,983,353	5,874,315
Employer's contribution to provident fund	3,873,145	4,802,175
Leave encashment	210,439	-
Group life insurance	587,102	609,490
Canteen and conveyance expenses	7,230,364	5,246,286
Staff uniform expenses	2,392,774	1,230,754
Travelling expenses	9,969,236	4,829,997
Medical expenses	1,429,061	423,089
Accommodation expenses	88,280	444,559
Other employee benefit	439,286	1,862,140
	156,846,313	126,694,890

Notes to the Financial Statements
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	2016	2015
	Taka	Taka
24.2 Office repair & maintenance		
Repairs office equipment	1,580,698	1,016,153
Office maintenance	4,776,576	8,397,507
	<u>6,357,274</u>	<u>9,413,660</u>
24.3 Managing Director's remuneration		
Provision made during the year	40,911,795	34,075,485
Less : Adjustment for prior year	-	(16,850,928)
	<u>40,911,795</u>	<u>17,224,557</u>
Managing Director's remuneration represents provision made 3% of net profit before tax of RAK Ceramics (Bangladesh) Ltd.		
25 Marketing & selling expenses		
Staff cost (note-25.1)	30,039,530	34,964,930
Advertisement	3,300,823	14,143,967
Freight and transportation	228,405,546	222,315,294
Performance rebates (note-25.2)	260,753,693	214,502,266
Business promotion	15,108,279	24,882,555
Discount	136,150,662	145,491,345
Travel, entertainment and others	30,561,801	31,770,638
	<u>704,320,334</u>	<u>688,070,995</u>
25.1 Staff cost		
Salary & wages	22,118,115	24,725,511
Bonus	2,999,899	3,543,159
Incentive	1,120,679	2,881,905
Gratuity	1,636,563	1,830,280
Employer's contribution to provident fund	835,966	1,372,772
Group life insurance	125,620	179,488
Conveyance & food expenses	1,202,688	431,815
	<u>30,039,530</u>	<u>34,964,930</u>
25.2 Performance rebates		
Compensation to customer	6,616,203	18,351,094
Dealers' commission	102,695,348	91,585,364
Breakage commission	151,442,142	104,565,808
	<u>260,753,693</u>	<u>214,502,266</u>
26 Finance income		
Interest on bank account (SND)	3,356,834	6,584,014
Interest on loan to associate	-	13,353,532
Interest on FDR	13,781,872	58,486,010
Exchange gain	3,891,179	11,635,704
	<u>21,029,885</u>	<u>90,059,260</u>
27 Financial expenses		
Interest expenses	38,237,651	17,504,954
Bank charges	1,777,010	1,430,730
	<u>40,014,661</u>	<u>18,935,684</u>
28 Contribution to worker's profit participation and welfare fund		
Provision made during the year	61,056,166	54,064,400
Less : Adjustment for prior year	-	(26,758,639)
	<u>61,056,166</u>	<u>27,305,761</u>

Notes to the Financial Statements

as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
29 Current tax		
Current year	302,798,649	320,817,413
Other tax provision	-	54,917,023
Adjustment for prior year	-	11,928,337
	302,798,649	387,662,773

30 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

30.1 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 2016	As at 31 Dec 2015	As at 31 Dec 2016	As at 31 Dec 2015
Trade receivables				
Customer-Local	-	-	548,029,728	553,303,108
Customer-Export	-	8,260	-	644,304
	-	8,260	548,029,728	553,947,412
Other receivables				
Accrued Interest			2,336,714	3,659,847
Accrued rental income			380,000	-
Receivable against disposal of investment			142,120,114	228,830,114
			144,836,828	232,489,961
Loan to disposed subsidiary				
Julphar Bangladesh Ltd. (Erstwhile RAK Pharmaceuticals Pvt. Ltd.)			201,898,000	201,898,000
			201,898,000	201,898,000
Cash equivalents			792,762,936	1,099,688,900

Notes to the Financial Statements

as at and for the year ended 31 December 2016

b) Ageing of receivables

The ageing of trade receivables as at 31 December was:

	Amounts in Taka	
	As at 31 Dec 2016	As at 31 Dec 2015
Not past due		
0-90 days past due	514,179,767	545,496,820
91-180 days past due	26,281,407	2,692,474
181-365 days past due	7,568,554	5,758,118
	<u>548,029,728</u>	<u>553,947,412</u>

30.2 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 2016			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Bank overdraft	29,663,693	29,663,693	29,663,693	-
Trade and other payables	589,425,022	589,425,022	589,425,022	-
Short term borrowing (foreign)	278,103,796	278,103,796	278,103,796	-
Term loan (foreign)	854,877,901	854,877,901	259,951,837	594,926,065
	<u>1,752,070,412</u>	<u>1,752,070,412</u>	<u>1,157,144,347</u>	<u>594,926,065</u>

	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	694,001,555	694,001,555	694,001,555	-
Term loan	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>

Notes to the Financial Statements

as at and for the year ended 31 December 2016

30.3 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 2016				As at 31 December 2015		
	GBP	USD	EURO	JPY	USD	EURO	JPY
Foreign currency denominated assets							
Receivable from customers-Export	-	-	-	-	8,260	-	-
Cash at bank	-	96,388	-	-	62,348	-	-
	-	96,388	-	-	70,608	-	-
	As at 31 December 2016				As at 31 December 2015		
	GBP	USD	EURO	JPY	USD	EURO	JPY
Foreign currency denominated liabilities							
Trade payables	164,899	1,274,984	797,167	-	635,721	1,240,389	-
Short term borrowings	-	3,100,548	375,259	-	2,148,305	5,932,170	5,145,000
Term loan	-	10,893,763	-	-	6,300,539	-	-
Royalty & Technical Fees	-	1,061,940	-	-	30,372	-	-
	164,899	16,331,235	1,172,426	-	9,114,937	7,172,559	5,145,000
Net exposure	(164,899)	(16,234,847)	(1,172,426)	-	(9,044,329)	(7,172,559)	(5,145,000)

The Company has foreign exchange gain of Tk 3,891,179 during the year ended 31 December 2016 (31 December 2015: Exchange gain Tk 11,635,704).

The following significant exchange rates have been applied:

	Exchange rate as at	
	31 Dec 2016	31 Dec 2015
	Taka	Taka
GBP	96.2662	116.3353
USD	78.5500	78.5000
EURO	82.3516	85.8006
JPY	0.6737	0.6518

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

Notes to the Financial Statements

as at and for the year ended 31 December 2016

	As at 31 December 2016		As at 31 December 2015	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
	Taka	Taka	Taka	Taka
At 31 December				
GBP (3 percent movement)	(5,100)	4,803	-	-
USD (3 percent movement)	(502,109)	472,860	(279,722)	263,427
EURO (3 percent movement)	(36,261)	34,148	(221,832)	208,909
JPY (3 percent movement)	-	-	(159,124)	149,854

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 2016	As at 31 December 2015
	Taka	Taka
Fixed rate instruments		
Financial assets		
Investment in FDR	511,436,631	768,139,635
Cash at banks	281,326,305	331,549,267
Financial liabilities		
Term loan (Foreign)	854,877,901	497,742,616
Bank overdraft	29,663,693	-
Short term borrowing (foreign)	278,103,796	694,001,555

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 2016		As at 31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	Taka	Taka	Taka	Taka
Financial assets				
Held to maturity assets				
Investment in FDR	511,436,631	511,436,631	768,139,635	768,139,635
Loans and receivables				
Trade receivables	548,029,728	548,029,728	553,947,412	553,947,412
Other receivables	144,836,828	144,836,828	232,489,961	232,489,961
Loan to disposed subsidiary	201,898,000	201,898,000	201,898,000	201,898,000
Cash equivalents	792,762,936	792,762,936	1,099,688,900	1,099,688,900

Notes to the Financial Statements

as at and for the year ended 31 December 2016

Financial liabilities

Liabilities carried at amortised costs

Term loan	854,877,901	854,877,901	497,742,616	497,742,616
Bank overdraft	29,663,693	29,663,693	-	-
Trade and other payables	589,425,022	589,425,022	640,626,199	640,626,199
Short term borrowing (foreign)	278,103,796	278,103,796	694,001,555	694,001,555

Interest rates used for determining amortised cost

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

	31 December 2016	31 December 2015
Investment in FDR	2.50%-4.00%	3.70%-7.00%
Term loan	Libor+3.00%	Libor+3.00%
Bank overdraft	8.00%-10.75%	12.00%-13.50%
Short term bank loan (local currency)	8.00%-13.50%	12.00%-13.50%
Short term bank loan (foreign currency/USD)	Libor+(2.75%-3.00%)	Libor+(2.75%-3.00%)

31 Related party disclosures under BAS-24

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

Amount in Taka

31.1	Name of related party	Relationship	Period	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables	Outstanding payable	Remuneration	Loan	Interest receivables
	RAK Power Pvt. Ltd	Subsidiary	Current year	347,049,244	6,891,130	-	30,270,872	-	-	-
			Previous year	287,431,234	5,478,261	-	27,282,047	-	-	-
	RAK Security & Services (Pvt.) Ltd	Subsidiary	Current year	94,606,305	-	-	12,282,590	-	-	-
			Previous year	77,977,779	-	-	7,498,230	-	-	-
	RAK Ceramics - UAE	Parent	Current year	47,125,490	-	-	21,118,318	-	-	-
			Previous year	67,027,200	-	360,822	-	-	-	-
	Kea Printing & Packaging Industries	Other related party	Current year	112,892,298	-	-	17,671,058	-	-	-
			Previous year	96,773,812	-	-	15,595,692	-	-	-
	Palli Properties Pte. Ltd	Other related party	Current year	18,901,088	-	-	1,277,772	-	-	-
			Previous year	11,137,513	-	-	1,253,443	-	-	-
	Sky Bird Travel Agents Pvt. Ltd.	Other related party	Current year	5,553,673	-	-	-	-	-	-
			Previous year	4,551,466	-	-	17,163	-	-	-
	Green Planet Communications	Other related party	Current year	5,298,996	-	-	-	-	-	-
			Previous year	7,088,620	-	-	290,323	-	-	-

Notes to the Financial Statements

as at and for the year ended 31 December 2016

Name of related party	Relationship	Period	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables	Outstanding payable	Remuneration	Loan	Interest receivables
Global Business Associates Ltd.	Other related party	Current year	-	-	-	-	-	-	-
		Previous year	139,512	-	-	12,150	-	-	-
Mohammed Trading	Other related party	Current year	-	2,522,019,940	380,083,753	-	-	-	-
		Previous year	-	1,711,216,467	397,263,967	-	-	-	-
S.A.K. Ekramuzzaman	Key Management Personnel	Current year	-	-	-	40,911,795	40,911,795	-	-
		Previous year	-	-	-	34,075,485	34,075,485	-	-
Imtiaz Hussain	Key Management Personnel	Current year	-	-	-	680,520	9,588,240	-	-
		Previous year	-	-	-	636,000	9,537,000	-	-

31.2 Events after the reporting period

No events, adjusting or non-adjusting, occurred after the date of statement of financial position which require adjustments or disclosures.

31.3 Paid to Directors

During the year, provision was made as MD's remuneration for Taka. 40,911,795.

During the year, Board meeting fees of Taka 450,000 was paid to the board members for attending the Board meetings.

32 Segment reporting

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

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

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

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

Notes to the Financial Statements

as at and for the year ended 31 December 2016

31 December 2016

	Business Segments					Entity total
	Ceramic & sanitary ware	Power	Security and Services	Inter segment	Prior year adjustment	
	Taka	Taka	Taka	Taka	Taka	
Revenue - external customers	5,577,443,970	26,937,134	57,030,474	-	-	5,661,411,578
Revenue - inter segment	-	347,049,244	96,512,158	(443,561,402)	-	-
Total segment revenue	5,577,443,970	373,986,378	153,542,632	(443,561,402)	-	5,661,411,578
Cost of sales- external customer	(2,906,473,929)	(224,380,162)	(121,200,876)	-	-	(3,252,054,966)
Cost of sales- inter segment	(448,546,679)	(1,905,853)	-	450,452,532	-	-
Total segment cost of sales	(3,355,020,608)	(226,286,015)	(121,200,876)	450,452,532	-	(3,252,054,966)
Gross profit	2,222,423,362	147,700,363	32,341,756	-	-	2,409,356,612
Other income	469,194	239,916				709,110
Dividend income	103,489,500	10,000	250	(103,499,500)	-	250
Rental income	9,291,130	-	-	(6,891,130)	-	2,400,000
Financial income	18,400,859	2,567,214	61,812	-	-	21,029,885
Financial expenses	(39,747,963)	(256,318)	(10,380)	-	-	(40,014,661)
Depreciation	(374,020,896)	(18,093,909)	(370,703)	-	-	(392,485,508)
Other operating expenses	(719,181,874)	8,824,166	(19,979,528)	-	-	(730,337,236)
Segment profit before tax	1,221,123,312	140,991,432	12,043,207	-	-	1,270,658,449
Income tax expense	(253,189,745)	(45,393,782)	(4,215,122)	-	-	(302,798,649)
Deferred tax	(53,671,503)	1,066,474	-	-	-	(52,605,029)
Non -Controlling interest	-	472	0.38	-	-	472
Profit for the year						915,254,299

Notes to the Financial Statements

as at and for the year ended 31 December 2016

31 December 2015

	Business Segments					Entity total
	Ceramic & sanitary ware	Power	Security and services	Inter segment	Prior year adjustment	
	Taka	Taka	Taka	Taka	Taka	
Revenue - external customers	5,013,034,253	46,607,310	(341,160)	-	-	5,059,300,403
Revenue - inter segment	-	287,431,234	15,751,786	(303,183,020)	-	-
Total segment revenue	5,013,034,253	334,038,544	15,410,626	(303,183,020)	-	5,059,300,403
Cost of sales- external customer	(2,707,097,224)	(180,169,235)	(9,389,183)	-	(233,797)	(2,896,889,441)
Cost of sales- inter segment	(308,291,416)	(369,868)	-	308,661,283	-	-
Total segment cost of sales	(3,015,388,640)	(180,539,103)	(9,389,183)	308,661,283	(233,797)	(2,896,889,441)
Gross profit	1,997,645,613	153,499,441	6,021,443	-	(233,797)	2,162,410,962
Dividend income	58,775,000	-	-	(58,775,000)	-	-
Rental income	7,878,261	-	-	(5,478,261)	-	2,400,000
Gain on disposal of investment against subsidiary	-	-	-	-	-	600,568,643
Gain on disposal of investment against associates	-	-	-	-	-	236,379,531
Revaluation gain on acquisition of associates shares	-	-	-	-	-	1,850,536
Financial income	86,212,028	3,824,325	22,907	-	-	90,059,260
Financial expenses	(18,812,730)	(118,101)	(4,853)	-	-	(18,935,684)
Depreciation	(237,990,276)	(18,116,617)	(84,680)	-	-	(256,191,573)
Other operating expenses	(812,419,898)	6,599,108	(2,651,550)	-	-	(808,472,340)
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						<u>1,094,339,280</u>

Notes to the Financial Statements as at and for the year ended 31 December 2016

33 Earnings per share (EPS)

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

Earnings attributable to the ordinary shareholders

Profit attributable to equity holders of the Company

No. of ordinary equity shares

Weighted average no. of equity shares outstanding (Note 33.1)

Earnings per share (EPS) for the year

2016	2015
Taka	Taka
915,254,299	1,094,339,280
336,850,611	336,850,611
336,850,611	336,850,611
2.72	3.25

33.1 Weighted average number of ordinary shares

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

Outstanding shares

2016	2015
336,850,611	336,850,611
336,850,611	336,850,611

33.2 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.

34 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 541,950,341 (31 Dec 2015: Tk 340,532,611). 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 398,511,738 (31 Dec 2015: Tk 363,013,905) and letter of guarantee of Tk 42,310,078 (31 Dec 2015: Tk 38,625,334).

35 Other disclosures

35.1 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.

RAK CERAMICS (BANGLADESH) LIMITED
*Auditor's Report and Financial
Statements*
as at and for the year ended 31 December 2016

Independent Auditor's Report to the Shareholders of RAK Ceramics (Bangladesh) Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of RAK Ceramics (Bangladesh) Ltd. which comprise the statement of financial position as at 31 December 2016 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of RAK Ceramics (Bangladesh) Ltd. as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS).

Report on other legal and regulatory requirements

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

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

Dated, 23 January 2017



(A. Qasem & Co.)
Chartered Accountants

RAK Ceramics (Bangladesh) Ltd.
Statement of financial position
as at 31 December 2016


	Notes	2016 Taka	2015 Taka
Assets			
Property, plant and equipment	4	3,812,044,109	2,101,671,865
Intangible assets	5	6,740,159	6,683,955
Capital work in progress	6	28,726,284	1,545,379,710
Investment in subsidiary	7	360,379,950	360,379,950
Trade and other receivables	10	74,025,000	148,050,000
Total non-current assets		4,281,915,502	4,162,165,480
Inventories	9	2,461,037,120	2,182,676,306
Trade and other receivables	10	600,037,283	611,920,398
Loan to disposed subsidiary	8	201,898,000	201,898,000
Advances, deposits and prepayments	11	398,705,901	332,412,027
Advance income tax	12	2,280,196,137	2,059,429,603
Cash and cash equivalents	13	693,707,402	997,806,852
Total current assets		6,635,581,843	6,386,143,186
Total assets		10,917,497,345	10,548,308,666
Equity			
Share capital	14	3,368,506,110	3,368,506,110
Share premium		1,473,647,979	1,473,647,979
Retained earnings		1,291,214,523	1,219,078,987
Total equity		6,133,368,612	6,061,233,076
Liabilities			
Deferred tax liability	15	91,907,602	38,236,099
Borrowings	17	594,926,064	420,624,802
Total non-current liabilities		686,833,666	458,860,901
Employees benefit payable	16	-	23,904,515
Borrowings	17	567,719,326	771,119,369
Trade and other payables	18	621,222,937	662,561,271
Accrued expenses	19	251,406,561	166,873,036
Provision for income tax	20	2,656,946,243	2,403,756,498
Total current liabilities		4,097,295,067	4,028,214,689
Total liabilities		4,784,128,733	4,487,075,590
Total equity and liabilities		10,917,497,345	10,548,308,666

The notes on pages 124 to 155 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

Dated, 23 January 2017

RAK Ceramics (Bangladesh) Ltd.
**Statement of profit or loss and other
comprehensive income**
for the year ended 31 December 2016

	Notes	2016 Taka	2015 Taka
Sales	21	5,577,443,970	5,013,034,253
Cost of sales	22	(3,355,020,608)	(3,015,388,640)
Gross profit		2,222,423,362	1,997,645,613
Other income	23	113,249,824	66,653,261
Administrative expenses	24	(332,594,844)	(308,662,916)
Marketing and selling expenses	25	(699,551,760)	(687,682,858)
		(918,896,780)	(929,692,513)
Profit from operating activities		1,303,526,582	1,067,953,100
Finance income	26	18,400,859	86,212,028
Finance expenses	27	(39,747,963)	(18,812,730)
Net finance income		(21,347,104)	67,399,298
Profit before contribution to workers' profit participation and welfare fund and income tax		1,282,179,478	1,135,352,398
Contribution to workers' profit participation and welfare fund		(61,056,166)	(54,064,400)
Profit before income tax		1,221,123,312	1,081,287,998
Income tax expense:			
Current tax	28	(253,189,745)	(329,336,045)
Deferred tax	15	(53,671,503)	3,328,681
		(306,861,248)	(326,007,364)
Profit for the year		914,262,064	755,280,634
Other comprehensive income		-	-
Total comprehensive income for the year		914,262,064	755,280,634
Basic earnings per share (par value Taka 10)	33	2.71	2.24


The notes on pages 124 to 155 are an integral part of these financial statements.


Managing Director


Director


Company Secretary
As per our report of same date

Dated, 23 January 2017


(A. Qasem & Co.)
Chartered Accountants

RAK Ceramics (Bangladesh) Ltd.
Statement of changes in equity
for the year ended 31 December 2016

	Share capital	Share premium	Retained earnings	Total
	Taka	Taka	Taka	Taka
Balance as at 1 January 2015	3,368,506,110	1,473,647,979	1,305,924,881	6,148,078,970
Total comprehensive income for 2015				
Profit for the year	-	-	755,280,634	755,280,634
Other comprehensive income	-	-	-	-
Transactions with the shareholders				
Cash dividend (2014)	-	-	(842,126,528)	(842,126,528)
Balance as at 31 December 2015	<u>3,368,506,110</u>	<u>1,473,647,979</u>	<u>1,219,078,987</u>	<u>6,061,233,076</u>
Balance as at 1 January 2016	3,368,506,110	1,473,647,979	1,219,078,987	6,061,233,076
Total comprehensive income for 2016				
Profit for the year	-	-	914,262,064	914,262,064
Other comprehensive income	-	-	-	-
Transactions with the shareholders				
Cash dividend (2015)	-	-	(842,126,528)	(842,126,528)
Balance as at 31 December 2016	<u>3,368,506,110</u>	<u>1,473,647,979</u>	<u>1,291,214,523</u>	<u>6,133,368,612</u>

The notes on pages 124 to 155 are an integral part of these financial statements.

RAK Ceramics (Bangladesh) Ltd.
Statement of cash flows
for the year ended 31 December 2016

	2016	2015
	Taka	Taka
Cash flows from operating activities		
Cash receipts from customers	5,509,595,241	5,077,233,550
Cash payments to suppliers and employees	(4,303,618,433)	(3,910,804,174)
Cash generated from operating activities	<u>1,205,976,808</u>	<u>1,166,429,376</u>
Interest received from bank deposit	2,501,297	5,878,296
Income tax paid	(220,766,533)	(147,147,845)
Net cash from operating activities	<u>987,711,572</u>	<u>1,025,159,827</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(584,223,234)	(1,797,584,154)
Sale of property, plant and equipment	641,500	-
Loan realized from associates	-	102,973,608
Investment in subsidiary and associates	-	(243,179,950)
Disposal proceeds of subsidiary and associates	86,710,000	374,599,560
Interest received from FDR and associates	13,159,539	65,415,094
Income from rental	8,911,130	7,758,261
Intangible assets	(12,401,543)	(5,673,511)
Dividend received	103,489,500	58,775,000
Net cash (used in)/from investing activities	<u>(383,713,108)</u>	<u>(1,436,916,092)</u>
Cash flows from financing activities		
Finance charges	(42,288,002)	(15,447,122)
Avail/ (repayment) of short term borrowings	(203,400,043)	447,364,206
Avail/ (repayment) of long term borrowings	174,301,261	420,624,802
Dividend paid	(838,775,610)	(836,657,005)
Unclaimed share application fund	2,064,480	(1,017,600)
Net cash (used in)/from financing activities	<u>(908,097,914)</u>	<u>14,867,281</u>
Net increase/(decrease) in cash and cash equivalents	<u>(304,099,450)</u>	<u>(396,888,984)</u>
Cash and cash equivalents as at 1 January	<u>997,806,852</u>	<u>1,394,695,836</u>
Cash and cash equivalents as at 31 December (Note 13)	<u><u>693,707,402</u></u>	<u><u>997,806,852</u></u>

The notes on pages 124 to 155 are an integral part of these financial statements.

RAK Ceramics (Bangladesh) Ltd.

Notes to the Financial Statements

as at and for the year ended 31 December 2016

1. Reporting entity

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

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, 1 April 2015 and 17th May 2016 respectively.

2. Basis of preparation

2.1 Statement of compliance

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

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

Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on 23 January 2017.

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 period in which the estimates are revised and in any future periods affected.

Notes to the Financial Statements as at and for the year ended 31 December 2016

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 15	Deferred tax liability
Note 16	Employees benefit payable
Note 20	Provision for income tax

2.5 Reporting period

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

2.6 Going concern

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

3. Significant accounting policies

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

3.1 Property, plant and equipment

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

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

3.2 Depreciation on property, plant and equipment

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

Notes to the Financial Statements

as at and for the year ended 31 December 2016

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

Category of property, plant and equipment	Rate (%)
Building	5
Plant and machinery	10
Mobile plant	10
Electrical installation	10
Gas pipeline	10
Furniture, fixture and equipment	10
Office equipment	10-20
Communication equipment	10-20
Tools and appliances	10
Vehicles	10

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

3.3 Intangible assets

Expenditure to acquire designs and trade marks for manufacture of ceramic tiles and sanitary ware is capitalised. This is being amortised equally within a period of two to three years depending upon the tenure of accrual of benefits.

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

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

3.4 Capital work-in-progress

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

3.5 Financial instruments

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

3.5.1 Non-derivative financial assets

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

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

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

Notes to the Financial Statements

as at and for the year ended 31 December 2016

Financial assets at fair value through profit or loss

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

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

Held-to-maturity financial assets

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

Available-for-sale financial assets

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

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

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

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

a) Investment in subsidiaries

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

b) Investment in associates

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

Notes to the Financial Statements

as at and for the year ended 31 December 2016

c) Loans to subsidiaries & associate companies

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

d) Trade & other receivables

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

e) Cash and cash equivalents

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

3.5.2 Financial liabilities

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

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

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

a) Trade & other payables

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

b) Borrowings

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

3.6 Leased assets

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

Lease payments

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

Notes to the Financial Statements

as at and for the year ended 31 December 2016

3.7 Inventories

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

3.8 Impairment

Non-derivative financial assets

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

Non-financial assets

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

Calculation of recoverable amount

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

Recognition of impairment

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

Reversal of impairment

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

3.9 Share capital

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

3.10 Employee benefit schemes

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

Notes to the Financial Statements

as at and for the year ended 31 December 2016

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 (gratuity fund)

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

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

3.11 Workers' Profit Participation and Welfare Fund

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

3.12 Provisions

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

3.13 Revenue recognition

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

3.14 Finance income and expenses

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

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

3.15 Taxation

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

Notes to the Financial Statements

as at and for the year ended 31 December 2016

Current tax:

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Provisions for corporate income tax is made following the rate applicable for a publicly-traded company of the same industry. The tax rate 25% is used for the reporting period 2016 as per Finance Act 2016.

Deferred tax:

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

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

3.16 Foreign currency

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

3.17 Earning per share

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

3.18 Contingencies

3.18.1 Contingent liability

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

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

3.18.2 Contingent asset

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

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

Notes to the Financial Statements

as at and for the year ended 31 December 2016

3.19 Statement of cash flows

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

3.20 Duty drawback

Duty drawback paid on imported material for export sale is adjusted against VAT payable on domestic sale.

3.21 Events after the reporting period

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

3.22 Comparatives and reclassification

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

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

Notes to the Financial Statements
as at and for the year ended 31 December 2016

4. Property, plant and equipment

2016

Amount in Taka

Particulars	Cost			Depreciation				Net book value as at 31 Dec 2016		
	Balance as at 01 Jan 2016	Additions during the year	Sale/disposal/Adjustment during the year	Balance as at 31 Dec 2016	Rate	Balance as at 01 Jan 2016	Charged during the year		Adjustment during the year	Balance as at 31 Dec 2016
Land	771,266,890	-	-	771,266,890	-	-	-	-	-	771,266,890
Factory building	467,355,639	399,135,849	-	866,491,488	5%	235,572,471	34,254,266	-	269,826,737	596,664,751
Office building	199,973,534	2,135,892	-	202,109,426	5%	81,674,995	10,169,456	-	91,844,451	110,264,975
Plant and machinery	3,256,885,150	1,570,824,461	-	4,827,709,611	10%	2,450,056,588	283,255,387	-	2,733,311,975	2,094,397,636
Mobile plant	69,412,782	13,297,840	-	82,710,622	10%	51,460,854	4,654,401	-	56,115,255	26,595,367
Electrical installation	158,388,020	57,253,991	-	215,642,011	10%	134,472,565	11,886,036	-	146,358,601	69,283,410
Gas pipeline	30,437,159	21,510,403	-	51,947,562	10%	26,688,041	1,930,912	-	28,618,953	23,328,609
Furniture and fixtures	28,909,885	2,218,254	-	31,128,139	10%	20,114,887	2,678,351	-	22,793,238	8,334,901
Office equipment	93,332,556	3,589,347	(49,730)	96,872,173	10-20%	18,810,564	17,026,271	(12,275)	35,824,560	61,047,613
Communication equipment	10,008,250	1,128,297	-	11,136,547	10-20%	4,061,694	1,208,884	-	5,270,578	5,865,969
Tools and appliances	8,615,227	8,330,443	-	16,945,670	10%	5,642,474	868,056	-	6,510,530	10,435,140
Vehicles	65,223,973	5,140,669	(1,535,194)	68,829,448	10%	29,582,067	6,088,876	(1,400,343)	34,270,600	34,558,848
Total as at 31 December 2016	5,159,809,065	2,084,565,446	(1,584,924)	7,242,789,587		3,058,137,200	374,020,896	(1,412,618)	3,430,745,478	3,812,044,109

2015

Amount in Taka

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

Notes to the Financial Statements as at and for the year ended 31 December 2016

4.1 Depreciation charged on the basis of the purpose of use

	2016	2015
	Taka	Taka
Cost of sales (Note 22)	336,849,058	216,395,322
Administrative expenses (Note 24)	37,171,838	21,594,954
	<u>374,020,896</u>	<u>237,990,276</u>

4.2 Disposal of property, plant and equipment Year 2016

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against insurance claim and sale.	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Vehicles	1,535,194	1,400,343	134,851	631,500	496,649
Office equipment	49,730	12,275	37,455	10,000	(27,455)
Total	1,584,924	1,412,618	172,306	641,500	469,194

Year 2015

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

5 Intangible assets

	2016	2015
	Taka	Taka
Balance as at 1 January	6,683,955	4,815,453
Add: Addition during the year	12,401,543	5,673,511
	19,085,498	10,488,964
Less: Amortized during the year	12,345,339	3,805,009
Balance as at 31 December	<u>6,740,159</u>	<u>6,683,955</u>

The above amount represents cost of various licenses which are being amortised over 2-3 years from the date of their expenses.

6 Capital work in progress

	2016	2015
Balance as at 1 January	1,545,379,710	289,116,566
Add: Addition during the year	28,099,014	1,767,883,626
	1,573,478,724	2,057,000,192
Less: Transfer to property, plant & equipment during the year (Note-6.1)	1,528,441,226	506,960,135
Impairment loss on capital equipment during the year	16,311,214	4,660,347
Balance as at 31 December	<u>28,726,284</u>	<u>1,545,379,710</u>

Notes to the Financial Statements
as at and for the year ended 31 December 2016

	2016	2015			
	Taka	Taka			
6.1 Items transferred from capital work in progress to property, plant & equipment					
Factory office building	-	12,757,294			
Factory building	237,219,154	24,500,193			
Plant and machinery	1,256,599,871	384,578,817			
Mobile Plant	-	10,030,322			
Electrical Installation	-	5,003,457			
Gas pipe line	-	3,321,512			
Furniture & fixture	-	495,965			
Office equipment	-	64,956,072			
Communication equipment	-	1,316,503			
Others	34,622,201	-			
	<u>1,528,441,226</u>	<u>506,960,135</u>			
7 Investment in subsidiaries (Note-7.1)					
RAK Power Pvt. Ltd	341,629,950	341,629,950			
RAK Security & Services Pvt. Ltd	18,750,000	18,750,000			
	<u>360,379,950</u>	<u>360,379,950</u>			
7.1 Details of investments in subsidiaries					
Name of subsidiaries	Nature of business	% of holding		2016 Taka	2015 Taka
		2016	2015		
RAK Power Pvt. Ltd	Electricity generation	99.99	99.99	341,629,950	341,629,950
RAK Security & Services (Pvt.) Ltd	Security services provider	99.00	99.00	18,750,000	18,750,000
				<u>201,898,000</u>	<u>201,898,000</u>
8 Loan to disposed subsidiary					
Julphar Bangladesh Ltd. * (Erstwhile RAK Pharmaceuticals Pvt. Ltd.)				201,898,000	201,898,000
				<u>201,898,000</u>	<u>201,898,000</u>
* It represents the value of corporate office space (10th floor of RAK tower) of which ownership transferred is in under process.					
9 Inventories					
Raw materials				844,891,203	852,533,747
Less : Provision for obsolescence made during the year				13,878,807	4,665,753
				<u>831,012,396</u>	<u>847,867,994</u>
Stores and consumables spares				1,016,498,297	900,614,223
Finished goods				387,942,404	216,781,132
Work-in-process				96,173,371	37,268,593
Goods-in-transit				129,410,652	180,144,364
				<u>2,461,037,120</u>	<u>2,182,676,306</u>

Notes to the Financial Statements
as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
10 Trade and other receivables		
Non-current:		
Receivable against disposal of investment (Note-10.3)	74,025,000	148,050,000
	<u>74,025,000</u>	<u>148,050,000</u>
Current:		
Trade receivables (Note-10.1)	523,695,477	522,140,620
Accrued interest (Note-10.2)	1,936,806	3,069,778
Accrued rental income	380,000	-
Receivable against disposal of investment (Note-10.3)	74,025,000	86,710,000
	<u>600,037,283</u>	<u>611,920,398</u>
10.1 Trade receivables		
Receivable from dealers	523,695,477	521,496,316
Receivable from export sales	-	644,304
	<u>523,695,477</u>	<u>522,140,620</u>
10.2 Accrued Interest		
Interest accrued on FDR	1,936,806	3,069,778
Interest accrued on loan to subsidiary	-	10,100,916
	1,936,806	13,170,694
Less : Write off of interest and loan to subsidiary	-	10,100,916
	<u>1,936,806</u>	<u>3,069,778</u>
10.3 Receivable against disposal of investment		
Classic Porcelain Pvt. Ltd.	-	2,550,000
RAK Food & Beverage Pvt. Ltd.	-	510,000
RAK-Mosfly (Bangladesh) Pvt. Ltd.	-	9,625,000
RAK Paints Pvt. Ltd. *	148,050,000	222,075,000
	<u>148,050,000</u>	<u>234,760,000</u>

* Receivable against disposal of investment includes Taka. 148,050,000 relating to RAK Paints (Pvt.) Limited in which Taka 74,025,000 shown as Non current receivable and remaining is current receivable.

11 Advance, deposits and prepayments		
Advances:		
Employees	17,500	6,000
Purchase of land and others	36,776,888	28,421,141
Suppliers against materials and services	224,624,271	158,568,287
	261,418,659	186,995,428
Security and other deposit:		
Titas gas	16,389,450	14,342,370
Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
VAT and Supplementary duty (Note-11.1)	36,075,086	57,875,829
Deposited with income tax authority	17,185,655	9,705,739
Deposited with VAT authority	7,530,001	7,530,001
Other deposits	1,491,853	1,491,853
	<u>80,627,045</u>	<u>92,900,792</u>

Notes to the Financial Statements
as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
Prepayments:		
House rent	9,063,471	10,625,974
Insurance and others	47,596,726	41,889,833
	56,660,197	52,515,807
	<u>398,705,901</u>	<u>332,412,027</u>
11.1 VAT and supplementary duty (SD)		
Balance as at 1 January	57,875,829	40,633,658
Add: Treasury deposit for SD & VAT purpose	1,121,000,000	987,000,000
Rebate of input VAT	273,305,798	298,183,784
	1,452,181,627	1,325,817,441
Add: Receivable - SD & VAT	-	657,660
	1,452,181,627	1,326,475,101
Less: SD & VAT on sales	1,415,635,275	1,268,182,333
Payable - SD & VAT	471,266	416,940
	1,416,106,541	1,268,599,273
Balance as at 31 December	<u>36,075,086</u>	<u>57,875,829</u>
12 Advance Income Tax		
Balance as at 1 January	2,059,429,603	1,912,281,758
Add: Paid during the year	220,766,534	147,147,845
Balance as at 31 December	<u>2,280,196,137</u>	<u>2,059,429,603</u>
12.01 Year wise closing balance		
Income year		
Year 2016	196,923,871	-
Year 2015	138,288,579	114,445,916
Year 2014	253,701,667	253,701,667
Year 2013	352,440,807	352,440,807
Year 2012	301,027,378	301,027,378
Year 2011	322,755,413	322,755,413
Year 2010	263,692,205	263,692,205
Year 2009	218,086,876	218,086,876
Year 2008	85,378,847	85,378,847
Year 2007	124,813,161	124,813,161
Year 2006 (Unadjusted balance)	23,087,333	23,087,333
	<u>2,280,196,137</u>	<u>2,059,429,603</u>
13 Cash and cash equivalents		
Cash in hand	8,663,146	1,550,778
Cash at banks		
HSBC (current account - 001-013432-011 - BDT)	38,312,406	40,554,823
Standard Chartered Bank (current account - 01-6162940-01 - BDT)	66,586,636	62,560,788

Notes to the Financial Statements

as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
Citibank N.A. (current account - G010000200262018 - BDT)	15,162,084	11,566,925
Dutch Bangla Bank Ltd. (current account - 117 - 110 - 12733 - BDT)	-	18,646,192
HSBC (ERQ account - 001-013432-047 - USD)	6,549,288	4,595,333
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	973,813	267,806
EXIM Bank (SND account - 01513100031877 - BDT)	114,271	113,239
Dutch Bangla Bank Ltd. (SND account - 117-120-589 - BDT)	58,860,051	114,803,043
BRAC Bank (STD - 1513101731248001 - BDT)	356,703	354,466
Prime Bank Ltd. (SND - 12531010022563 - BDT)	20,282,604	14,168,711
Commercial Bank of Ceylon (SND - 2817000777 - BDT)	6,559,754	7,792,797
	213,757,610	275,424,123
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	2,453,275	389,032
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262042 - USD)	3,941,453	3,941,472
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262026 - EURO)	153,603	153,608
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262034 - GBP)	126,588	126,593
	6,674,919	4,610,705
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,627,831	2,636,151
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	2,222,418	2,326,783
SCB (Current - 02-6162940-02 - BDT) - 2012	3,899,024	3,893,227
SCB (Current - 02-6162940-03 - BDT) - 2013	16,697,585	16,679,336
SCB (Current - 02-6162940-04 - BDT) - 2014	5,082,074	5,685,749
SCB (Current - 02-6162940-05 - BDT) - 2015	4,082,795	-
	34,611,727	31,221,246
Investment in Fixed Deposit Receipt (FDR)		
HSBC	30,000,000	30,000,000
Prime Bank Ltd.	-	155,000,000
Dutch Bangla Bank Ltd.	400,000,000	500,000,000
	430,000,000	685,000,000
Total	693,707,402	997,806,852
14 Share Capital		
Authorised		
600,000,000 ordinary shares of Tk 10 each	6,000,000,000	6,000,000,000
Issued, subscribed, called and paid up		
336,850,611 ordinary shares of Tk 10 each	3,368,506,110	3,368,506,110

Notes to the Financial Statements

as at and for the year ended 31 December 2016

Percentage of shareholding:

	2016		2015	
	%	Taka	%	Taka
RAK Ceramics PJSC, UAE	71.67	2,414,100,210	71.67	2,414,100,210
SAK Ekramuzzaman	3.92	132,119,850	4.22	142,119,850
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	24.41	822,284,650	24.11	812,284,650
	100.00	3,368,506,110	100.00	3,368,506,110

Classification of shareholders by range

Shareholder's range	Number of shareholders		Number of shares	
	2016	2015	2016	2015
Less than 500 shares	26,718	32,023	5,617,564	6,687,947
501 to 5,000 shares	8,021	8,478	11,426,420	11,550,626
5001 to 10,000 shares	618	623	4,593,958	4,591,318
10,001 to 20,000 shares	308	302	4,505,626	4,371,383
20,001 to 30,000 shares	99	110	2,463,012	2,717,968
30,001 to 40,000 shares	50	47	1,774,201	1,695,813
40,001 to 50,000 shares	38	31	1,760,460	1,400,209
50,001 to 100,000 shares	80	77	5,479,795	5,437,755
100,001 to 1,000,000 shares	63	76	18,732,649	21,716,461
Over 1,000,000 shares	11	8	280,496,926	276,681,131
	36,005	41,775	336,850,611	336,850,611

15 Deferred tax liabilities

	2016	2015
	Taka	Taka
Balance as at 1 January	38,236,099	41,564,780
Deferred tax (income) / expenses	53,671,503	(3,328,681)
Balance as at 31 December	91,907,602	38,236,099

Notes to the Financial Statements

as at and for the year ended 31 December 2016

	Carrying amount on the date of statement of financial position	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
As at 31 December 2016			
Property, plant and equipment (Excluding land and others)	2,926,442,603	2,514,345,896	412,096,707
Provision for obsolescence	(21,164,564)	-	(21,164,564)
Impairment loss on capital equipment	(23,301,734)	-	(23,301,734)
Net taxable temporary difference			<u>367,630,409</u>
Deferred tax liability (applying tax rate 25.00%)			<u>91,907,602</u>
As at 31 December 2015			
Property, plant and equipment (Excluding land and others)	1,202,808,738	1,035,588,065	167,220,673
Provision for obsolescence	(7,285,757)	-	(7,285,757)
Impairment loss on capital equipment	(6,990,520)	-	(6,990,520)
Net taxable temporary difference			<u>152,944,396</u>
Deferred tax liability (applying tax rate 25.00%)			<u>38,236,099</u>
16 Employees benefits payable			- 2,851,979
Provident fund			- 21,052,536
Gratuity fund			- 23,904,515

	2016		Total Taka
	Provident Fund Taka	Gratuity Fund Taka	
Balance as at 1 January	2,851,979	21,052,536	23,904,515
Add: Provision made during the year	44,902,055	28,664,587	73,566,642
	47,754,034	49,717,123	97,471,157
Less: Payments made to fund during the year	47,754,034	49,717,123	97,471,157
Balance as at 31 December	-	-	-

Notes to the Financial Statements
as at and for the year ended 31 December 2016

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

17 Borrowings	2016	2015
	Taka	Taka
Non-current:		
Term loan -HSBC	854,877,901	497,742,616
Less : Current portion of long term loan - HSBC	(259,951,837)	(77,117,814)
	594,926,064	420,624,802
Current:		
Overdraft - DBBL	27,579,039	-
Overdraft - CBC	2,084,654	-
Short term borrowings - HSBC	92,039,897	644,332,280
Short term borrowings - SCB	186,063,899	49,669,275
Current portion of long term loan - HSBC	259,951,837	77,117,814
	567,719,326	771,119,369
Balance as at 31 December	1,162,645,390	1,191,744,171

17.1 Borrowings by maturity

At 31 December 2016	< 1 year	1-2 years	2-5 years	> 5 years	Total
Overdrafts	29,663,693	-	-	-	29,663,693
Short-term borrowings	278,103,796	-	-	-	278,103,796
Term loan and others	259,951,837	259,951,837	334,974,228	-	854,877,901
	567,719,326	259,951,837	334,974,228	-	1,162,645,390
At 31 December 2015	< 1 year	1-2 years	2-5 years	> 5 years	Total
Short-term borrowings	694,001,555	-	-	-	694,001,555
Term loan and others	77,117,814	124,789,765	295,835,037	-	497,742,616
	771,119,369	124,789,765	295,835,037	-	1,191,744,171

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

Notes to the Financial Statements

as at and for the year ended 31 December 2016

17.2 Facilities details

Bank	Name of facilities	Limit	Utilisation	Maturity	Repayment	Security - STL	Security - LTL
SCB	Overdraft Short term loan	50,000,000 350,000,000	- 186,063,899	Revolving 180/360 days from B/L date	From company's own source	1) Letter of comfort, 2) Hypothecation over plant & machinery on parri - passu basis with other lenders. 3) Hypothecation over stock & book debts on a parri - passu basis with other lenders. 4) Demand promissory note.	1) Land, 2) Plant and machinery of the expansion plant.
HSBC	Overdraft Short term loan Long term loan	25,000,000 540,000,000 1,366,872,000	- 92,039,897 854,877,901	Revolving 180/360 days from B/L date 5 years	From company's own source		
Citibank N.A.	Overdraft Short term loan	50,000,000 700,000,000	- -	Revolving 180/360 days from B/L date	From company's own source		
Dutch- Bangla Bank Ltd.	Overdraft Short term loan	25,000,000 125,000,000	27,579,039 -	Revolving 180/360 days from B/L date	From company's own source		
Commercial Bank of Ceylon	Overdraft Short term loan	25,000,000 300,000,000	2,084,654 -	Revolving 180/360 days from B/L date	From company's own source		

18 Trade and other payables

Trade payables

Payable to local suppliers	204,134,111	173,351,469
Payable to foreign suppliers	182,859,392	329,901,031
Payable to service provider	86,458,040	42,540,947
Payable to C & F agent and freight forwarder	10,283,280	18,636,933
	483,734,823	564,430,380

Other payables

Tax deducted at source	15,189,449	18,192,562
VAT deducted at source	8,209,959	7,150,741
Dividend Payable	33,889,190	30,538,272
Unclaimed share application	20,838,116	18,773,636
Advance from customer against Sales	7,443,813	21,575,188
Provisional liabilities - material & services	50,299,995	-
Security deposit payable	1,617,592	1,900,492
	137,488,114	98,130,892
Total	621,222,937	662,561,271

19 Accrued expenses

Power and gas	11,309,101	11,309,101
Staff cost	33,292,631	59,849,699
Audit fees	1,100,000	800,000
Taxation Matter	400,000	200,000

Notes to the Financial Statements
as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
Interest on short term loan	1,495,042	4,035,081
Telephone	263,927	139,882
Provision for exchange rate difference	5,856,833	-
Provision for freight	11,774,670	-
Managing Director's remuneration (Note-19.1)	40,911,795	34,075,485
Workers profit participation and welfare fund (Note-19.2)	61,056,166	54,064,400
Royalty and technical know-how fee (Note-19.3)	83,946,396	2,399,388
	<u>251,406,561</u>	<u>166,873,036</u>
19.1 Managing Director's remuneration		
Balance as at 1 January	34,075,485	13,831,774
Add: Payable to Managing Director	40,911,795	34,075,485
	<u>74,987,280</u>	<u>47,907,259</u>
Less: Paid to Managing Director	34,075,485	13,831,774
Balance as at 31 December	<u>40,911,795</u>	<u>34,075,485</u>
19.2 Workers' Profit Participation and Welfare Fund		
Balance as at 1 January	54,064,400	21,864,611
Add: Contribution made to the fund during the year	61,056,166	54,064,400
	<u>115,120,566</u>	<u>75,929,011</u>
Less: Payment made from the fund during the year	54,064,400	21,864,611
Balance as at 31 December	<u>61,056,166</u>	<u>54,064,400</u>
19.3 Royalty and technical know-how fee		
Balance as at 1 January	2,399,388	38,585,967
Add: Provision made during the year	96,547,008	80,414,124
	<u>98,946,396</u>	<u>119,000,091</u>
Less: Payment made during the year	-	36,683,680
Less: Tax provision on disallowance of royalty paid for 2009	15,000,000	25,000,000
Less: Tax provision on disallowance of royalty paid for the year 2010	-	36,160,532
Less: Provision for interest being delay payment of VAT on royalty for the year 2010	-	18,756,491
Balance as at 31 December	<u>83,946,396</u>	<u>2,399,388</u>
20 Provision for income tax		
Balance as at 1 January	2,403,756,498	2,074,420,453
Add: Provision made for current year	253,189,745	274,419,022
Provision made for prior year	-	54,917,023
Balance as at 31 December (note 20.1)	<u>2,656,946,243</u>	<u>2,403,756,498</u>
20.1 Year wise closing balance		
Income year		
Year 2016	253,189,745	-
Year 2015	274,419,022	274,419,022
Year 2014	339,893,487	339,893,487
Year 2013	318,166,647	318,166,647

Notes to the Financial Statements

as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
Year 2012	305,056,869	305,056,869
Year 2011	323,149,311	323,149,311
Year 2010	348,965,691	348,965,691
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>2,656,946,243</u>	<u>2,403,756,498</u>

21 Sales

	Unit	2016		2015	
		Quantity in mn	Amount Taka	Quantity in mn	Amount Taka
Local					
Tiles	Sft	69.49	4,380,191,498	64.19	3,913,702,582
Decor/Border	Pcs	0.71	76,300,804	0.60	74,584,146
Sanitary ware	Pcs	1.43	2,522,189,109	1.30	2,266,370,225
			<u>6,978,681,411</u>		<u>6,254,656,953</u>
Less: Supplementary duty			505,431,618		452,357,549
			<u>6,473,249,793</u>		<u>5,802,299,404</u>
Less: VAT			910,674,923		815,824,784
			<u>5,562,574,870</u>		<u>4,986,474,620</u>
Export					
Tiles	Sft	0.24	14,213,646	0.44	25,356,146
Sanitary ware	Pcs	0.0003	655,454	0.0007	1,203,487
			<u>5,577,443,970</u>		<u>5,013,034,253</u>

22 Cost of sales

Material consumed:

	2016	2015
	Taka	Taka
Opening stock	847,867,994	699,653,297
Add: Purchase during the year	1,416,237,448	1,699,999,889
Less: Closing stock	831,012,396	847,867,994
	<u>1,433,093,046</u>	<u>1,551,785,192</u>

Factory overhead:

Direct labour (note-22.1.1)	412,574,431	323,396,519
Direct expenses:		
Power and gas	470,350,016	428,474,295
Repairs and indirect materials (note-22.1.2)	625,673,677	553,558,125
Moulds and punches	16,012,411	32,029,495
Depreciation	336,849,058	216,395,322
Royalty and technical know-how fees (22.1.3)	81,547,008	497,101
Other production overhead (note-22.1.4)	60,996,571	31,830,537

Notes to the Financial Statements
as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
Movement in stock	(82,075,610)	(122,577,947)
	<u>3,355,020,608</u>	<u>3,015,388,640</u>
22.1.1 Direct labour		
Salary & wages	235,766,374	183,299,278
Overtime	27,064,242	20,059,144
Bonus	30,221,427	27,515,079
Incentive	3,678,653	11,651,580
Temporary labour wages	82,877,431	55,442,744
Gratuity	17,897,123	13,672,491
Employers contribution to provident fund	13,464,159	10,373,380
Group life insurance	1,605,022	1,382,823
	<u>412,574,431</u>	<u>323,396,519</u>
22.1.2 Repair and indirect materials		
Stores, spares, repair & maintenance	316,076,459	292,264,110
Packing expenses	309,597,218	261,294,015
	<u>625,673,677</u>	<u>553,558,125</u>
22.1.3 Royalty & technical know how fees		
Royalty and technical know-how fee	96,547,008	80,414,124
Less: Tax provision on disallowance of royalty paid for the year 2009	15,000,000	25,000,000
Less: Tax provision on disallowance of royalty paid for the year 2010	-	36,160,532
Less: Provision for interest being delay payment of VAT on royalty for the year 2010	-	18,756,491
	<u>81,547,008</u>	<u>497,101</u>
22.1.4 Other production overhead		
Hotel fare and expenses for technician	4,763,388	5,210,385
Demurrage	1,644,495	4,142,877
Insurance	14,409,297	12,804,226
Impairment loss on capital equipment	16,311,214	4,660,347
Provision for obsolescence	13,878,807	4,665,753
Hiring charges and transportation	2,195,697	-
Other expenses	7,793,673	346,949
	<u>60,996,571</u>	<u>31,830,537</u>
23 Other income		
Dividend income	103,489,500	58,775,000
Rental income	9,291,130	7,878,261
Profit on sale of fixed assets	469,194	-
	<u>113,249,824</u>	<u>66,653,261</u>

Notes to the Financial Statements
as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
24 Administrative expenses		
Staff cost (note-24.1)	140,679,241	117,337,858
Annual General Meeting expenses	15,432,136	28,193,198
Telephone and postage	4,839,821	6,440,638
Office repair and maintenance (note-24.2)	5,110,969	9,050,231
Registration and renewal	965,738	1,053,742
Security and guard expenses	11,826,935	12,032,300
Electricity, gas and water	7,629,244	6,070,905
Depreciation	37,171,838	21,594,954
Amortization	12,345,339	3,805,009
Legal and professional fees	8,320,262	7,537,492
Vehicle repair and maintenance	9,636,242	9,078,048
Rent, rate and tax	2,851,132	8,985,085
CSR expenses	5,742,270	3,494,124
Write off of loan and interest	-	10,100,916
Impairment loss of investment	-	24,675,000
Others	29,131,882	5,137,930
Managing Director's remuneration (note-24.3)	40,911,795	34,075,485
	<u>332,594,844</u>	<u>308,662,916</u>
24.1 Staff cost		
Salary & wages	95,164,239	80,284,412
Bonus	12,916,793	11,139,763
Incentive	3,151,473	5,406,921
Gratuity	6,977,329	5,579,978
Employers contribution to provident fund	3,483,023	4,442,198
Leave encashment	178,500	-
Group life insurance	556,001	576,421
Canteen and conveyance expenses	6,779,106	4,208,519
Staff uniform expenses	18,140	346,534
Travelling expenses	9,937,296	4,485,464
Medical expenses	1,429,061	423,089
Accommodation expenses	88,280	444,559
	<u>140,679,241</u>	<u>117,337,858</u>
24.2 Office repair & maintenance		
Repairs office equipment	334,393	652,724
Office maintenance	4,776,576	8,397,507
	<u>5,110,969</u>	<u>9,050,231</u>
24.3 This represents provision made @ 3% of net profit before tax.		
25 Marketing & selling expenses		
Staff cost (note-25.1)	28,697,586	34,773,928
Advertisement	3,205,198	14,143,967
Freight and transportation	228,405,546	222,315,294
Performance rebates (note-25.2)	260,753,693	214,502,266

Notes to the Financial Statements
as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
Business promotion	14,672,343	24,581,105
Discount	136,150,662	145,491,345
Travel, entertainment and others	27,666,732	31,874,953
	<u>699,551,760</u>	<u>687,682,858</u>
25.1 Staff cost		
Salary & wages	21,055,742	24,711,010
Bonus	2,870,399	3,436,159
Incentive	1,120,679	2,881,905
Gratuity	1,550,517	1,800,067
Employers contribution to provident fund	774,005	1,334,252
Group life insurance	123,556	178,720
Conveyance and food expenses	1,202,688	431,815
	<u>28,697,586</u>	<u>34,773,928</u>
25.2 Performance rebates		
Compensation to customer	6,616,203	18,351,094
Dealers' commission	102,695,348	91,585,365
Breakage commission	151,442,142	104,565,807
	<u>260,753,693</u>	<u>214,502,266</u>
26 Finance income		
Interest on bank account (SND)	2,501,297	5,878,296
Interest on loan to subsidiary & associate	-	13,353,532
Interest on FDR	12,026,567	55,608,360
Exchange gain	3,872,995	11,371,840
	<u>18,400,859</u>	<u>86,212,028</u>
27 Finance expenses		
Interest expenses	38,231,070	17,491,924
Bank charges	1,516,893	1,320,806
	<u>39,747,963</u>	<u>18,812,730</u>
28 Income tax expenses		
Current year	253,189,745	274,419,022
Other tax provision	-	54,917,023
	<u>253,189,745</u>	<u>329,336,045</u>
29 Transaction in foreign currency		
CIF value of import:		
Raw materials	1,049,031,315	1,106,770,147
Spare parts	299,222,609	282,864,227
Capital machinery	45,568,474	1,103,235,000

Notes to the Financial Statements
as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
Expenditure:		
Royalty, consultancy & training fees	-	30,125,868
Dividend	573,348,800	579,286,300
Earning in foreign currency:		
FOB value of exports	14,869,100	26,559,633
	<u>1,982,040,298</u>	<u>3,128,841,175</u>

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

Quantity in mn

Description	Unit	Opening stock	Purchase / Production	Sale / Consumption	Closing stock
		Quantity	Quantity	Quantity	Quantity
Raw materials	KG				
Current year		121.36	223.11	197.94	146.53
Previous year		103.95	186.99	169.58	121.36
Finished goods					
Tiles:	Sft				
Ceramics/granite					
Current year		2.72	75.99	69.74	8.97
Previous year		2.60	64.75	64.63	2.72
Decor/border	Pcs				
Current year		0.09	0.74	0.71	0.12
Previous year		0.10	0.59	0.60	0.09
Sanitaryware:					
Sanitary items	Pcs				
Current year		0.14	1.46	1.43	0.17
Previous year		0.02	1.42	1.30	0.14

22.2.2 Production capacity and actual production are given below:

2016

Production	Unit	Installed Capacity (Million)	Utilisation during the year (Million)	% of Utilisation	Over/(Under) Utilisation (Million)
		Annual			
Tiles	Sft	111.04	75.99	68%	(35.05)
Sanitary ware	Pcs	1.45	1.46	100%	0.01

2015

Production	Unit	Installed Capacity (Million)	Utilisation during the year (Million)	% of Utilisation	Over/(Under) Utilisation (Million)
		Annual			
Tiles	Sft	86.40	64.75	75%	(21.65)
Sanitary ware	Pcs	1.45	1.42	98%	(0.03)

Notes to the Financial Statements

as at and for the year ended 31 December 2016

30 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

30.1 Credit risk

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

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

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

a) Exposure to credit risk

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

	Amount in USD		Amount in Taka	
	As at 31 Dec 2016	As at 31 Dec 2015	As at 31 Dec 2016	As at 31 Dec 2015
Trade receivables				
Customer-Local	-	-	523,695,477	521,496,316
Customer-Export	-	8,260	-	644,304
	-	8,260	523,695,477	522,140,620
Other receivables				
Accrued rental income			380,000	-
Accrued Interest			1,936,806	3,069,778
Receivable against disposal of investment			148,050,000	234,760,000
			150,366,806	237,829,778
Loan to disposed subsidiary				
Julphar Bangladesh Ltd. (Erstwhile RAK Pharmaceuticals Pvt. Ltd)			201,898,000	201,898,000
			201,898,000	201,898,000
Cash equivalents			685,044,256	996,256,074

Notes to the Financial Statements

as at and for the year ended 31 December 2016

b) Aging of receivables

The aging of trade receivables as at 31 December was:

Not past due

0-90 days past due

Amount in Taka	
As at 31 Dec 2016	As at 31 Dec 2015
523,695,477	522,140,620

30.2 Liquidity risk

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

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

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

	As at 31 Dec 2016			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Overdrafts	29,663,693	29,663,693	29,663,693	-
Short term borrowing (foreign)	278,103,796	278,103,796	278,103,796	-
Long term borrowing (foreign)	854,877,901	854,877,901	259,951,837	594,926,065
Trade and other payables	621,222,937	621,222,937	621,222,937	-
	<u>1,783,868,327</u>	<u>1,783,868,327</u>	<u>1,188,942,263</u>	<u>594,926,065</u>

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

Notes to the Financial Statements

as at and for the year ended 31 December 2016

30.3 Market risk

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

a) Currency risk

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

i) Exposure to currency risk

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

	As at 31 Dec 2016				As at 31 Dec 2015		
	GBP	USD	EURO	JPY	USD	EURO	JPY
Foreign currency denominated assets							
Receivables from customers-Export	-	-	-	-	8,260	-	-
Cash at bank	-	96,388	-	-	62,348	-	-
	-	96,388	-	-	70,608	-	-

	As at 31 Dec 2016				As at 31 Dec 2015		
	GBP	USD	EURO	JPY	USD	EURO	JPY
Foreign currency denominated liabilities							
Trade and other payables	164,899	1,274,984	772,181	-	635,721	1,214,844	-
Short term borrowings (foreign)	-	3,100,548	375,259	-	2,148,305	5,932,170	5,145,000
Long term borrowings (foreign)	-	10,893,763	-	-	6,300,539	-	-
Royalty & Technical Fees	-	1,061,940	-	-	30,372	-	-
	164,899	16,331,235	1,147,440	-	9,114,937	7,147,014	5,145,000
Net exposure	(164,899)	(16,234,847)	(1,147,440)	-	(9,044,329)	(7,147,014)	(5,145,000)

The Company has foreign exchange gain of Tk 3,872,995 during the year ended 31 Dec 2016 (31 Dec 2015: Exchange gain Tk 11,371,840).

The following significant exchange rates have been applied:

	Exchange rate	
	As at 31 Dec 2016	As at 31 Dec 2015
GBP	96.2662	116.3353
USD	78.5500	78.5000
EURO	82.3516	85.8006
JPY	0.6737	0.6518

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

Notes to the Financial Statements

as at and for the year ended 31 December 2016

	As at 31 Dec 2016		As at 31 Dec 2015	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
GBP (3 percent movement)	(5,100)	4,803	-	-
USD (3 percent movement)	(502,109)	472,860	(279,722)	263,427
EURO (3 percent movement)	(35,488)	33,421	(221,042)	208,165
JPY (3 percent movement)	-	-	(159,124)	149,854

b) Interest rate risk

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

Profile

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

	Carrying amount	
	Amount in Taka	
	As at 31 Dec 2016	As at 31 Dec 2015
Fixed rate instruments		
Financial assets		
Investment in FDR	430,000,000	685,000,000
Cash at banks	255,044,256	311,256,075
Financial liabilities		
Overdrafts	29,663,693	-
Long term borrowing	854,877,901	497,742,616
Short term borrowing	278,103,796	694,001,555

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

	Amount in Taka		Amount in Taka	
	As at 31 Dec 2016		As at 31 Dec 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Held to maturity assets				
Investment in FDR	430,000,000	430,000,000	685,000,000	685,000,000

Notes to the Financial Statements

as at and for the year ended 31 December 2016

Loans and receivables

Trade receivables	523,695,477	523,695,477	522,140,620	522,140,620
Other receivables	150,366,806	150,366,806	237,829,778	237,829,778
Loan to disposed subsidiary	201,898,000	201,898,000	201,898,000	201,898,000
Cash equivalents	685,044,256	685,044,256	996,256,074	996,256,074

Available for sale financial assets

Financial liabilities

Liabilities carried at amortised costs

Overdrafts	29,663,693	29,663,693	-	-
Short term borrowing (foreign)	278,103,796	278,103,796	694,001,555	694,001,555
Long term borrowing (foreign)	854,877,901	854,877,901	497,742,616	497,742,616
Trade and other payables	621,222,937	621,222,937	662,561,271	662,561,271

Accounting classification and fair values as at 31 December 2016 in respect of the separate financial statements does not vary significantly from the consolidated one.

Interest rates used for determining amortised cost.

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

	As at 31 Dec 2016	As at 31 Dec 2015
Investment in FDR	2.50%-4.00%	4.20%-7.00%
Bank overdraft	8.00%-10.75%	12.00%-13.50%
Short term bank loan (local currency)	8.00%-13.50%	12.00%-13.50%
Short term bank loan (foreign currency/USD)	Libor+(2.75%-3.00%)	Libor+(2.75%-3.00%)

31 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:

31.1

Name of related party	Relationship	Period	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables	Outstanding payable	Remuneration	Loan	Interest receivables
			Taka	Taka	Taka	Taka	Taka	Taka	Taka
RAK Power Pvt. Ltd	Subsidiary	Current year	347,049,244	6,891,130	-	30,270,872	-	-	-
		Previous year	287,431,234	5,478,261	-	27,282,047	-	-	-
RAK Security & Services (Pvt.) Ltd	Subsidiary	Current year	94,606,305	-	-	12,282,590	-	-	-
		Previous year	77,977,779	-	-	7,498,230	-	-	-
RAK Ceramics - UAE	Parent	Current year	47,125,490	-	-	21,118,318	-	-	-
		Previous year	67,027,200	-	360,822	-	-	-	-
Kea Printing & Packaging Industries	Other related party	Current year	112,892,298	-	-	17,671,058	-	-	-
		Previous year	96,773,812	-	-	15,595,692	-	-	-

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Name of related party	Relationship	Period	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables	Outstanding payable	Remuneration	Loan	Interest receivables
			Taka	Taka	Taka	Taka	Taka	Taka	Taka
Palli Properties Pte. Ltd	Other related party	Current year	18,901,088	-	-	1,277,772	-	-	-
		Previous year	11,137,513	-	-	1,253,443	-	-	-
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Current year	5,553,673	-	-	-	-	-	-
		Previous year	4,551,466	-	-	17,163	-	-	-
Green Planet Communications	Other related party	Current year	5,298,996	-	-	-	-	-	-
		Previous year	7,088,620	-	-	290,323	-	-	-
Global Business Associates Ltd.	Other related party	Current year	-	-	-	-	-	-	-
		Previous year	139,512	-	-	12,150	-	-	-
Mohammed Trading	Other related party	Current year	-	2,522,019,940	380,083,753	-	-	-	-
		Previous year	-	1,711,216,467	397,263,967	-	-	-	-
S.A.K. Ekramuzzaman	Key Management Personnel	Current year	-	-	-	40,911,795	40,911,795	-	-
		Previous year	-	-	-	34,075,485	34,075,485	-	-
Imtiaz Hussain	Key Management Personnel	Current year	-	-	-	680,520	9,588,240	-	-
		Previous year	-	-	-	636,000	9,537,000	-	-

31.2 Events after the reporting period

No events, adjusting or non-adjusting, occurred after the date of statement of financial position which require adjustments or disclosures.

31.3 Paid to Directors

During the year, provision was made as MD's remuneration for Taka 40,911,795

During the year, Board meeting fees of Taka 450,000 was paid to the board members for attending the Board meetings.

32 Number of employees

The number of employees engaged for the period who received total remuneration of Taka 36,000 and above was 1,689 (31 Dec 2015 : 1,475) None of receiving below Taka 3,000 per month.

Notes to the Financial Statements

as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
33 Earnings per share (EPS)		
Calculation of earnings per share (EPS) is as under:		
Earnings attributable to the ordinary shareholders		
Profit for the year	914,262,064	755,280,634
No. of ordinary equity shares	336,850,611	336,850,611
Weighted average no. of equity shares outstanding (Note 33.1)	336,850,611	336,850,611
Earnings per share (EPS) for the year	2.71	2.24

33.1 Weighted average number of ordinary shares

The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year.

	2016	2015
Outstanding shares	336,850,611	336,850,611
	336,850,611	336,850,611

33.2 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.

34 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 541,950,341 (31 Dec 2015: Tk 340,532,411). 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 398,511,738 (31 Dec 2015: Tk 358,541,110) and letter of guarantee of Tk 29,580,253 (31 Dec 2015: Tk 25,895,509).

35 Other disclosures

35.1 Changes in policy & estimates

Changes of royalty policy from 2.5% of net sales to 8% of PBT or 2.5% of net sales whichever is lower effective from 1 January 2012.

RAK POWER PVT. LTD.
*Auditor's Report and Financial
Statements*
For the year ended 31 December 2016

RAK POWER PVT. LTD.

Directors' Report

Dear Shareholders,

The Board of Directors of RAK Power Pvt. Ltd. is pleased to present this Directors' Report together with the Auditors' Report and Audited Financial Statements of the Company for the year ended December 31, 2016 thereon, for your valued consideration, approval and adoption.

Principal activities

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

Review of Business

The plant capacity was available in excess of 90 percent of installed capacity, during 2016. However, supply was primarily dedicated to the requirement of parent company RAK Ceramics (Bangladesh) Ltd. and other group companies. The company supplied power to Bangladesh Rural Electrification Board (BREB) to the extent of 1.5-2.5 MW in excess of group company requirement and also as per requirement of REB during the first 4 month of the year 2016. After coming in to operation of the 4th plant of RAK Ceramics (Bangladesh) Ltd. Group Company's requirement has been increased and the power supply to BREB is suspended.

Operational result:

The operational results of the Company for the year ended December 31, 2016 as follows:

(Amount in BDT mn)

Particulars	2016	2015
Sales	373.99	334.04
Gross Profit	147.70	153.50
Net Profit After Tax	96.66	99.72
Earnings Per Share (Absolute BDT)	47.15	48.65
Net Operating Cash Flow Per Share (NOCFPS)	50.27	60.14
Net Asset Value (NAV)	307.23	313.07
Net Asset Value per share (Absolute BDT)	149.87	152.72

Dividend

The Board of Directors of the Company is pleased to recommend cash dividend @ 40 percent of the paid up capital of the Company for the year 2016. While recommending the dividend, the Board of Directors has considered the operational performance, business result, the assets as at that date and the working capital requirement for future development and expansion. The Company paid cash dividend @ 50 percent of paid up capital of the Company for the year 2015.

Auditors

M/s. K.M. Hasan & Co., Chartered Accountants shall retire in the 12th AGM, being eligible, they offered themselves for re-appointment and the Board also recommended re-appoint them for the year 2017. Remuneration of the auditor will be fixed by the shareholders at this Annual General Meeting.

Post statement of financial position date events

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

Appreciation

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

For and on behalf of the Board of Directors



Abdallah Massaad
Chairman
January 23, 2017
Ras Al Khaimah, UAE

RAK POWER PVT. LTD.

Auditor's Report to The Shareholders

We have audited the accompanying financial statements of RAK Power Pvt. Ltd., which comprise the statement of financial position as at 31 December 2016 the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management of RAK Power Pvt. Ltd. is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRSs) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

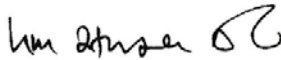
Opinion

In our opinion, the financial statements, prepared in accordance with Bangladesh Financial Reporting Standard (BFRSs), give a true and fair view of the financial position as at 31 December 2016 and its financial performance and its cash flows for the year then ended and comply with the Companies Act, 1994 and other applicable laws and regulations.

We also report that:

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

Dated: 23 January 2017


K. M. HASAN & CO.
Chartered Accountants


RAK POWER PVT. LTD.

Statement of Financial Position

As at 31 December 2016

	Notes	2016 Taka	2015 Taka
ASSETS			
Non - Current Assets			
Property, plant and equipment	4	183,270,263	200,136,981
Investment in RAK Security and Services Pvt. Ltd.	5	287,500	287,500
Total non-current assets		183,557,763	200,424,481
Current Assets			
Inventories	6	66,469,916	57,167,915
Trade and other receivables	7	33,593,221	37,069,491
Advance, deposits & prepayments	8	6,836,797	7,340,323
Advance income tax	9	187,568,115	145,945,021
Cash and cash equivalents	10	102,371,034	100,305,618
Total current assets		396,839,083	347,828,368
Total assets		580,396,846	548,252,849
EQUITY & LIABILITIES			
Capital and Reserves			
Share capital	11	205,000,000	205,000,000
Retained earnings		102,231,168	108,067,044
Total equity		307,231,168	313,067,044
Non-Current liabilities			
Deferred tax liability	12	36,508,621	37,575,095
Total non-current liabilities		36,508,621	37,575,095
Current Liabilities			
Provision for employees' benefit	13	-	91,809
Trade and other payables	14	9,641,273	10,881,516
Liability for expenses	15	16,527,304	21,542,687
Provision for corporate tax	16	210,488,480	165,094,698
Total current liabilities		236,657,057	197,610,710
Total equities and liabilities		580,396,846	548,252,849

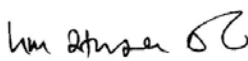
The annexed notes form an integral part of these financial statements (Page 163-179)


Director


Managing Director

Signed in terms of separate report of even date annexed.

Dated: 23 January 2017


K.M. HASAN & CO.
Chartered Accountants

RAK POWER PVT. LTD.

Statement of Profit or Loss and other
Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 Taka	2015 Taka
Sales	17	373,986,378	334,038,544
Cost of sales	18	(226,286,015)	(180,539,103)
Gross profit		147,700,363	153,499,441
Administrative expenses	19	(9,269,743)	(11,517,509)
Profit from operating activities		138,430,620	141,981,932
Other income	20	2,817,130	3,824,325
Financial expenses	21	(256,318)	(118,101)
Net finance income		2,560,812	3,706,224
Profit before income tax		140,991,432	145,688,156
Income tax expenses			
Current tax	22	(45,393,782)	(45,242,248)
Deferred tax	12	1,066,474	(721,690)
		(44,327,308)	(45,963,938)
Profit for the year		96,664,124	99,724,218
Other comprehensive income		-	-
Total comprehensive income		96,664,124	99,724,218
Basic Earnings Per Share (EPS) of Taka 100 each	25.2	47.15	48.65

The annexed notes form an integral part of these financial statements (Page 163-179)



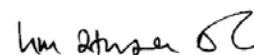
Director



Managing Director

Signed in terms of separate report of even date annexed.

Dated: 23 January 2017



K.M. HASAN & CO.
Chartered Accountants

RAK POWER PVT. LTD.

Statement of Changes in Equity

For the year ended 31 December 2016

Amount in Taka

Particulars	Share capital	Retained earnings	Total
Balance as at 01 January 2016	205,000,000	108,067,044	313,067,044
Profit for the year	-	96,664,124	96,664,124
Cash dividend for 2015	-	(102,500,000)	(102,500,000)
Balance as at 31 December 2016	205,000,000	102,231,168	307,231,168

Amount in Taka

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



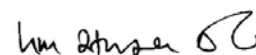
Director



Managing Director

Signed in terms of separate report of even date annexed.


Dated: 23 January 2017



K.M. HASAN & CO.
Chartered Accountants

RAK POWER PVT. LTD.
Statement of Cash Flows
For the year ended 31 December 2016

	2016 Taka	2015 Taka
Cash flows from operating activities		
Cash receipts from customers	377,530,587	328,294,712
Cash paid to customer and others	(232,857,496)	(160,574,862)
	144,673,091	167,719,850
Income tax paid	(41,623,094)	(44,430,648)
Net cash from operating activities	103,049,997	123,289,202
Cash flows from investing activities		
Acquisition of property, plant and equipments	(1,227,191)	(2,860,480)
Investment in RAK securities and services	-	(287,500)
Interest received from Bank	2,739,191	3,447,120
Dividend received	10,000	-
Net cash from investing activities	1,522,000	299,140
Cash flows from financing activities		
Finance charge	(6,581)	(13,030)
Dividend paid	(102,500,000)	(102,500,000)
Net cash used in financing activities	(102,506,581)	(102,513,030)
Increase/(decrease) in cash and cash equivalents	2,065,416	21,075,312
Cash and cash equivalent as at 01 January 2016	100,305,618	79,230,306
Cash and cash equivalent as at 31 December 2016	102,371,034	100,305,618



Director



Managing Director

Signed in terms of separate report of even date annexed.

Dated: 23 January 2017



K.M. HASAN & CO.
Chartered Accountants

RAK POWER PVT. LTD.

Notes to the Financial Statements

As at and for the year ended 31 December 2016

1. The company and its activities

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

The registered office of the company is at RAK Tower (8th Floor), Jashimuddin Avenue, Plot # 1/A, Sector # 3, Uttara Model Town, Dhaka-1230. The Power Plant is located at Vill : Dhanua, P.S: Sreepur, Dist : Gazipur, Bangladesh.

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

2. Significant accounting policies

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

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

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

2.2 Property, plant and equipment

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

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

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

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

2.3. Depreciation on Property, plant and equipment

Depreciation on property, plant and equipment is charged on straight line method and over the estimated useful life. Depreciation of assets is charged as and when the assets is available for use and depreciation is provided for the period in use of the assets.

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

Notes to the Financial Statements

as at and for the year ended 31 December 2016

Category of fixed asset	Estimated useful life in years	Rate (%)
Building for plant	5	20
Plant and machinery :		
- Main genset	20	5
- Auxiliary equipments	10	10
Electrical installation	5	20
Gas pipeline	5	20
Furniture and fixtures & fittings	10	10
Office equipment	5	20
Communication equipment	10	10
Tools and appliances	5	20
Vehicles	5	20
Fire fighting equipments	5	20

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

2.4. Trade receivable

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

2.5. Valuation of inventories

Inventories are stated at lower of cost and net realizable value in compliance with the requirements of paras 21 and 25 of IAS-2/BAS-2: "Inventory".

2.6. Employees' benefit plan

i) Provident fund

The company for its permanent employees operates a scheme of contributory provident fund. The provident fund is administrated by a Board of Trustees and is funded by contributions from the employees @ 10% of basic salary and wages equally matched by the company. The contributions are invested separately from the company's assets.

ii) Gratuity

Permanent employees are also entitled to gratuity after completion of minimum six months of service in the company. The gratuity is calculated on the last basic pay and is payable at the rate of one month's basic pay for every completed year of service. The employees who has completed ten years of service is entitled for one and half time of last basic salary. The expected cost of this benefit is included in respective annual Statement of Profit or Loss and Other Comprehensive Income over the period of employment.

iii) WPPF

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

2.7. Revenues recognition

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

Notes to the Financial Statements as at and for the year ended 31 December 2016

2.8. Borrowing cost

In compliance with the requirement of BAS-23."Borrowing Cost", borrowing cost relating to operational period on long term loans, short term loans and overdraft facilities was charged to profit or loss and other comprehensive income as an expenses as incurred.

2.9. Creditors and accruals

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

2.10. Foreign currency transaction

Foreign currency transactions are recorded in Taka at the applicable rates of exchange ruling at the transaction date. The monetary assets and liabilities, if any, denominated in foreign currencies at the statement of financial position date are translated at the applicable rates of exchanges ruling at the date. Exchange rate differences are charged off as revenue expenditure to statement of comprehensive income in compliance with the provisions of IAS-21/BAS-21-The effect of changes in foreign exchange rates.

2.11. Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at banks, term deposits, etc. which are available for use by the Company without any restrictions. There is no significant risk of change in value of the same.

2.12. Statement of cash flows

Statement of cash flows is prepared principally in accordance with BAS-7: "Statement of Cash Flows" and the cash flow from operating activities has been prepared under direct method.

2.13. Taxation

The company has operating profit during the year as such provision for corporate tax @ 35% made for the current year.

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

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

3. Disclosures

The disclosures of information have been made in accordance with the requirements of the above mentioned standards and in compliance with Companies Act 1994 and the statement of financial position and statement of profit or loss and other comprehensive income have been prepared according to IAS-1/BAS-1 (Presentation of Financial Statements) based on accrual basis.

3.1. Segment reporting

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

3.2. General

- 3.2.1. The figures in the financial statements represent Bangladesh currency (Taka) which is the functional currency of the company.
- 3.2.2. Figures in these notes and annexed financial statements have been rounded off to the nearest Taka.
- 3.2.3. Previous year's figures have been regrouped and/or rearranged wherever considered necessary for the purpose of current year's presentation.

Notes to the Financial Statements
as at and for the year ended 31 December 2016

4. Property, plant and equipment

2016

PARTICULARS	C O S T				Rate	D E P R E C I A T I O N				WRITTEN DOWN VALUE AS AT 31 DECEMBER 2016
	Balance as at 01 January 2016	Addition during the year	Sales/ disposal	Total as at 31 December 2016		Balance as at 01 January 2016	Charged during the year	Adjustment during the year	Total as at 31 December 2016	
Land	11,294,000	-	-	11,294,000	0%	-	-	-	-	11,294,000
Building	19,195,131	-	-	19,195,131	20%	19,195,130	-	19,195,130	1	
Plant and machinery										
Main GenSet	268,615,599	-	-	268,615,599	5%	94,015,460	13,430,780	107,446,240	161,169,359	
Auxiliary equipments	33,597,157	-	-	33,597,157	10%	23,398,843	3,359,717	26,758,560	6,838,597	
Electrical installation	24,884,145	938,491	-	25,822,636	20%	23,079,927	521,030	23,600,957	2,221,679	
Gas pipeline	17,699,732	-	-	17,699,732	20%	16,467,529	453,014	16,920,543	779,189	
Furniture and fixtures	1,583,164	234,200	-	1,817,364	10%	1,000,833	172,551	1,173,384	643,980	
Office equipment	1,100,955	54,500	63,000	1,092,455	20%	791,844	104,723	833,567	258,887	
Communication equipment	124,786	-	-	124,786	10%	87,353	12,480	99,833	24,953	
Tools and appliances	4,445	-	-	4,445	20%	4,444	-	4,444	1	
Fire fighting equipments	3,631,012	-	-	3,631,012	20%	3,631,011	-	3,631,011	1	
Vehicles	2,447,831	-	147,300	2,300,531	20%	2,368,602	39,614	2,260,916	39,615	
Total as at 31 December 2016	384,177,957	1,227,191	210,300	385,194,848		184,040,976	18,093,909	210,300	201,924,585	183,270,263

Allocation of depreciation to

Administrative expenses	329,368
Cost of generation of electricity	17,764,541
	<u>18,093,909</u>

Disposal of Property, plant and equipment

Particulars	Cost	Accumulated depreciation	Net book value	Sales proceed	Profit on disposal
Vehicle	147,300	147,300	-	55,550	55,550
Office Equipment	63,000	63,000	-	10,100	10,100
Total	210,300	210,300	-	65,650	65,650

Notes to the Financial Statements
as at and for the year ended 31 December 2016

2015

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

Allocation of depreciation to

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

Notes to the Financial Statements

as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
5. Investment in RAK Security and Services Pvt. Ltd.	287,500	287,500
The company has purchased 100 ordinary shares of RAK security and services Ltd. on 20.10.2015 at its fair value of Taka 2,875 per share.		
6. Inventories		
Stores and consumables spares	66,469,916	57,134,423
Goods-in-transit	-	33,492
	66,469,916	57,167,915
7. Trade and other receivables		
Trade receivables (Note-7.1)	33,193,313	36,479,422
Accrued interest	399,908	590,069
	33,593,221	37,069,491
7.1. Trade receivables		
Receivables from captive customers	33,193,313	32,829,624
Receivables from Bangladesh Rural Electrification Board (BREB)	-	3,649,798
	33,193,313	36,479,422
8. Advance, deposits and prepayments		
Advance (Note-8.1)	-	469,246
Security and other deposits (Note-8.2)	6,029,157	6,012,611
Prepayments (Note-8.3)	807,640	858,466
	6,836,797	7,340,323
8.1 Advance		
Suppliers against materials and services	-	469,246
8.2 Security and other deposits		
Titas Gas Transmission & Distribution Ltd.	5,873,150	5,873,150
VAT and supplementary duty (Note-8.2.2)	156,007	139,461
	6,029,157	6,012,611
8.2.2 VAT and supplementary duty		
Balance as at 1 January 2016	139,461	416,773
Add: Treasury deposit for VAT & SD purpose	800,000	440,000
	939,461	856,773
Less: VAT & SD on sales	783,454	717,312
Closing Balance	156,007	139,461
8.3 Prepayments		
House rent	113,000	90,000
Insurance	641,099	719,225
Registration & renewal	53,541	49,241
	807,640	858,466
9. Advance income tax		
Balance as at 01 January 2016	145,945,021	101,514,373
Add: Paid during the year	41,623,094	44,430,648
Balance as at 31 December 2016	187,568,115	145,945,021

Notes to the Financial Statements
as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
9.1. Head wise payment		
Advance income tax-paid in cash	181,925,273	141,925,273
Against import	4,250,194	2,931,591
Vehicle registration	144,000	114,000
TDS on bank interest	1,246,648	974,157
TDS on dividend income	2,000	-
	187,568,115	145,945,021
9.2. Year wise payment		
Year 2016	29,432,885	-
Year 2015	45,242,248	33,052,039
Year 2014	37,992,335	37,992,335
Year 2013	37,210,247	37,210,247
Year 2012	33,236,075	33,236,075
Year 2011	3,535,904	3,535,904
Year 2010	913,421	913,421
Year 2009	5,000	5,000
	187,568,115	145,945,021
10. Cash and cash equivalents		
Cash in hand	475,964	51,384
Cash at banks (Note 10.1)	20,458,439	17,114,599
Investment in Fixed Deposit Receipt (FDR) (Note-10.2)	81,436,631	83,139,635
	102,371,034	100,305,618
10.1. Cash at banks		
HSBC (Current Account-001-107580-011), Main Branch	2,100,340	1,356,394
SCB (Current Account 01-3767272-01), Main Branch	39,957	121,186
SCB (SND Account 02-3767272-01), Main Branch	1,038,142	400,958
DBBL (Current Account 117.110.23474), Uttara Branch	1,425	-
DBBL (SND Account 117.120.2550), Uttara Branch	17,278,575	15,236,061
	20,458,439	17,114,599
10.2. Investment in fixed deposit receipt (FDR)		
SCB 9 37672720 01	762,080	762,080
HSBC 001-107580-101	674,551	652,345
DBBL 117-502-35088	-	10,788,749
DBBL 117-502-35574	-	10,621,461
DBBL 117-502-37995	-	10,157,500
DBBL 117-502-38006	-	10,157,500
DBBL 117-502-38490	-	10,000,000
DBBL 117-502-38987	-	10,000,000
DBBL 117-502-39211	-	10,000,000
DBBL 117-502-39295	-	10,000,000
DBBL 117-502-41358	10,000,000	-
DBBL 117-502-41365	10,000,000	-
DBBL 117-502-41547	10,000,000	-
DBBL 117-502-41552	10,000,000	-
DBBL 117-502-41568	10,000,000	-

Notes to the Financial Statements

as at and for the year ended 31 December 2016

	2016 Taka	2015 Taka
DBBL 117-502-41916	10,000,000	-
DBBL 117-502-41996	10,000,000	-
DBBL 117-502-42000	10,000,000	-
	81,436,631	83,139,635
11. Share capital		
Authorised		
10,000,000 ordinary shares of Tk 100 each ordinary shares	1,000,000,000	1,000,000,000
Issued, subscribed, called and paid up		
2,050,000 ordinary shares of Tk 100 each ordinary shares	205,000,000	205,000,000

Percentage of shareholdings

	2016 %	2015 %	2016 Taka	2015 Taka
RAK Ceramics (Bangladesh) Limited.	100.00	100.00	204,999,000	204,999,000
Engr. Md. Maqsubul Karim	0.00	0.00	500	500
RAK Security and Services Pvt. Ltd.	0.00	0.00	500	500
	100.00	100.00	205,000,000	205,000,000

Classification of shareholders by range

Shareholder's range	No. of shareholders		No. of shares	
	2016	2015	2016	2015
Less than 500 shares	2	2	10	10
501 to 1,000,000 shares	-	-	-	-
Over 1,000,000 shares	1	1	2,049,990	2,049,990
	3	3	2,050,000	2,050,000

12. Deferred tax liabilities

Deferred tax liability is arrived at as follows:

	2016 Taka	2015 Taka
Opening balance	37,575,095	36,853,405
Deferred tax income / (expenses)	1,066,474	(721,690)
Closing balance	36,508,621	37,575,095

	Carrying amount as per		Taxable/ (deductible) Temporary difference
	Statement of financial position	Tax base	
As at 31 December 2016			
Property, plant and equipment	183,270,263	78,959,916	104,310,347
As at 31 December 2015			
Property, plant and equipment	200,136,981	92,779,568	-
Net deductible temporary difference			104,310,347
Deferred tax liability (applying tax rate 35%)			36,508,621

Notes to the Financial Statements
as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
13. Provision for employees' benefit		
Provident fund (Note 13.1)	-	64,814
Gratuity fund (Note 13.2)	-	26,995
	-	91,809
13.1. Provident fund		
Balance as at 01 January 2016	64,814	181,698
Add: Addition during the year	851,707	723,596
	916,521	905,294
Less: Payment made during the year	916,521	840,480
Balance as at 31 December 2016	-	64,814
13.2. Gratuity fund		
Balance as at 01 January 2016	26,995	301,319
Add: Addition during the year	2,972,185	331,798
	2,999,180	633,117
Less: Payment made during the year	2,999,180	606,122
Balance as at 31 December 2016	-	26,995
14. Trade and other payables		
Trade payables		
Payable to supplier	1,081,059	154,227
Payable to service provider	6,289,907	9,204,638
	7,370,966	9,358,865
Other payables		
Tax deducted at source	880,588	670,373
VAT deducted at source	1,389,719	852,278
	2,270,307	1,522,651
	9,641,273	10,881,516
15. Liability for expenses		
Power and gas	12,142,346	12,567,717
Staff cost	3,849,495	3,914,642
Professional charges	109,250	109,250
Telephone bill & other expenses	7,000	7,000
Provision for operation & maintenance	419,213	4,944,078
	16,527,304	21,542,687
16. Provision for corporate tax		
Balance as at 01 January 2016	165,094,698	119,852,450
Add: Provision made during the year	45,393,782	45,242,248
Balance as at 31 December 2016	210,488,480	165,094,698

Notes to the Financial Statements

as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
16.1. Year wise provision		
Financial year 2016	45,393,782	-
Financial year 2015	45,242,248	45,242,248
Financial year 2014	37,992,335	37,992,335
Financial year 2013	44,169,714	44,169,714
Financial year 2012	33,236,076	33,236,076
Financial year 2011	3,535,904	3,535,904
Financial year 2010	913,421	913,421
Financial year 2009	5,000	5,000
	210,488,480	165,094,698
17. Sales		
Sales to group company	361,750,189	301,057,003
Sales to Bangladesh Rural Electrification Board (BREB)	13,019,643	33,698,853
Gross sales	374,769,832	334,755,856
Less : VAT	783,454	717,312
Net sales	373,986,378	334,038,544
Selling electricity to BREB is VAT exempted as per SRO 119 -ain/2015/725-VAT, Dated-04 June 2015.		
Selling electricity to Captive organizations is VAT exempted as per SRO 351 -ain/2010/578, Dated:18 October 2010.		
18. Cost of sales		
Stock of finished goods as at 01 January 2016	-	-
Cost of generation of electricity (Note 18.1)	226,286,015	180,539,103
Cost of finished goods available for sale	226,286,015	180,539,103
Less: Stock of finished goods as at 31 December 2016	-	-
	226,286,015	180,539,103
18.1. Cost of generation of electricity		
Cost of materials consumed:		
Opening stock	-	-
Purchase during the year	116,834,047	79,555,601
Less: Closing stock	-	-
	116,834,047	79,555,601
Production overheads:		
Direct labour (Note-18.1.1)	9,602,267	6,880,413
Direct expenses:		
Lubricating Oil	6,797,821	7,522,214
Repair & indirect materials (Note-18.1.2)	63,698,685	58,470,358
Rental for caterpillar Gensets	7,924,800	6,300,000
Depreciation	17,764,541	17,552,190
Other production overheads (Note 18.1.3)	3,663,854	4,258,327
	109,451,968	100,983,502
	226,286,015	180,539,103

Notes to the Financial Statements
as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
18.1.1. Direct labour		
Salary & wages	5,682,745	5,262,046
Bonus	968,237	837,664
Incentive	138,963	155,786
Gratuity	2,352,230	265,998
Employers contribution to provident fund	337,050	311,679
Leave Encashment	75,173	-
Group life insurance	47,869	47,240
	9,602,267	6,880,413
18.1.2. Repair and indirect materials		
Operation & maintenance	54,892,565	53,452,120
Spare parts Cat genset	7,820,229	4,671,973
Water & chemical	805,507	92,625
Diesel	180,384	253,640
	63,698,685	58,470,358
18.1.3. Other production overheads		
Security & services	1,659,091	1,555,582
Insurance	1,853,347	2,016,275
Other expenses	151,416	686,470
	3,663,854	4,258,327
19. Administrative expenses		
Staff cost (Note 19.1)	7,115,920	8,345,804
Telephone, postage and supplies	89,767	84,203
Office repairing and maintenance	321,372	233,391
Registration and renewal	98,617	84,728
Legal and professional fees	80,500	828,400
Audit Fees	74,750	63,250
Vehicle repairing and maintenance	585,112	698,300
Meeting fees admin	13,225	7,475
Rent, rates and taxes	420,540	411,200
Stationery expenses	90,264	101,232
Other expenses	50,308	95,099
Depreciation	329,368	564,427
	9,269,743	11,517,509
19.1. Staff cost (Admin)		
Salary & wages	4,704,976	4,219,147
Bonus	697,823	601,737
Gratuity	619,956	65,801
Employers contribution to provident fund	88,802	79,140
Leave Encashment	31,939	-
Incentive	24,670	110,406
Group life insurance	16,530	12,273
Other employee benefit	439,286	1,862,140
Staff welfare expenses	8,740	12,860

Notes to the Financial Statements

as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
Food expenses	451,258	1,037,767
Travelling & conveyance	31,940	344,533
	7,115,920	8,345,804
20. Other income		
Interest income on FDR	1,755,305	2,877,650
Interest income on SND	793,725	682,811
Exchange gain	18,184	263,864
Dividend Income	10,000	-
Insurance Commission	174,266	-
Profit on Sales of Fixed Asset	65,650	-
	2,817,130	3,824,325
21. Financial expenses		
Interest expenses	6,581	13,030
Bank charges	249,737	105,071
	256,318	118,101
22. Current tax		
For the year	45,393,782	45,242,248
	45,393,782	45,242,248

23. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

23.1. Credit risk

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

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

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

a) Exposure to credit risk

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

Notes to the Financial Statements

as at and for the year ended 31 December 2016

	USD		Amount in Taka	
	As at 31 December	As at 31 December	As at 31 December	As at 31 December
	2016	2015	2016	2015
Trade receivables				
Customer-local	-	-	33,193,313	36,479,422
Customer-Export	-	-	-	-
	-	-	33,193,313	36,479,422
Other receivables				
Accrued interest			399,908	590,069
Other receivables			-	-
			399,908	590,069
Cash equivalents			102,371,034	100,305,618
b) Aging of receivables				
The aging of trade receivables as at 31 December 2015 was :				
Not past due			-	-
0-90 days past due			33,193,313	33,710,078
91-180 days past due			-	2,692,474
Over 180 days			-	76,870
			33,193,313	36,479,422

23.2. Liquidity risk

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

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

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

	As at 31 December 2016			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	9,641,273	9,641,273	9,641,273	-
	9,641,273	9,641,273	9,641,273	-

Notes to the Financial Statements

as at and for the year ended 31 December 2016

	As at 31 December 2015			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	10,881,516	10,881,516	10,881,516	-
	10,881,516	10,881,516	10,881,516	-

23.3. Market risk

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

a) Currency risk

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

i) Exposure to currency risk

	As at 31 December 2016		As at 31 December 2015	
	USD	EURO	USD	EURO
Foreign currency denominated liabilities				25,545
Trade payables	-	24,986	-	-
	-	24,986	-	25,545
Net exposure	-	(24,986)	-	(25,545)

The Company has foreign exchange loss or gain. Exchange gain for the year was Tk. 18,184.

The following significant exchange rates have been applied:

	Exchange rates	
	As at 31 December	As at 31 December
	2016	2015
USD	79.0450	78.4950
EURO	82.3474	85.7963

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

A strengthening or weakening of the Taka, as indicated below, against the USD and EURO at 31 December 2016 would have increased/(decreased) profit or loss by the amounts shown below.

	As at 31 December 2016		As at 31 December 2015	
	Profit or (loss) Amount in Taka		Profit or (loss) Amount in Taka	
	Strengthening	Weakening	Strengthening	Weakening
Closing				
USD (3 percent movement)	-	-	-	-
EURO (3 percent movement)	63,636	(59,929)	67,784	(63,836)

Notes to the Financial Statements as at and for the year ended 31 December 2016

b) Interest rate risk

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

Profile

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

	Carrying amount in Taka	
	As at 31 December	As at 31 December
	2016	2015
Fixed rate instruments		
Financial assets		
Investment in FDR	81,436,631	83,139,635
Cash at banks	20,458,439	17,114,599

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

	Amount in Taka		Amount in Taka	
	As at 31 December 2016		As at 31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Held to maturity assets				
Investment in FDR	81,436,631	81,436,631	83,139,635	83,139,635
Loans and receivables				
Trade receivables	33,193,313	33,193,313	36,479,422	36,479,422
Other receivables	399,908	399,908	590,069	590,069
Cash equivalents	102,371,034	102,371,034	100,305,618	100,305,618

	Amount in Taka		Amount in Taka	
	As at 31 December 2016		As at 31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities carried at amortised cost				
Trade and other payables	9,641,273	9,641,273	10,881,516	10,881,516

Accounting classification and fair values as at 31 December 2016 in respect of the separate financial statements does not vary significantly from the consolidated one.

Interest rates used for determining amortised cost

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

	As at 31 December	As at 31 December
	2016	2015
Investment in FDR	1.70%-5.50%	3.70%-7.00%
Bank overdraft	10.75%	13%-13.50%

Notes to the Financial Statements

as at and for the year ended 31 December 2016

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

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

Name of related party	Relationship
RAK Ceramics (Bangladesh) Limited.	Parent Company
RAK Security & Services Pvt. Ltd	Fellow Subsidiary
Mr.Engr. Md. Maqsoodul Karim	Key Management Personnel
Mr. S.A.K. Ekramuzzaman	Key Management Personnel

24.2. Transaction with related parties (Amount in Taka)

Nature of transaction	Parent Company	Key Management Personnel	Other related parties
Purchase of goods/services	-	-	1,905,853
Sale of goods/services	347,049,244	-	13,917,491
Genset rental (excluding VAT)	6,891,130	-	-
Outstanding receivables	30,270,872	-	2,922,441
Outstanding payables	-	-	136,831
Dividend Payment	102,499,500	-	250

24.3. Payment to directors

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

Nature of Meeting	Amount in Taka
Board Meeting	13225

25. Other disclosures

25.1. Number of employees

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

25.2. Earning per share (EPS)

Particulars	As at 31 December 2016	As at 31 December 2015
Net profit after tax attributable to ordinary shareholder	96,664,124	99,724,218
Number of ordinary shares	205,000,000	2,050,000
Weighted number of ordinary shares outstanding	205,000,000	2,050,000
Nominal value per share	100	100
Earnings Per Share (EPS) for the year	47.15	48.65

25.3. Transaction in foreign currency

Nature of transaction	Amount in Taka
CIF value of imported spare parts	34,742,113

25.4. Trade & other receivable

Particulars	Amount in Taka
Advance, deposit & prepayments	6,836,797

Notes to the Financial Statements as at and for the year ended 31 December 2016

25.5. Contingent liabilities and commitments

Nature of transaction	Amount in Taka
Letter of Guarantee 90%	12,729,825

25.6. Amount paid to auditors and other professional service providers

Nature of transaction	Amount in Taka
Audit fee	74,750
Taxation	23,000
Professional fees (GF actuarial valuation)	57,500

Figures are including VAT


25.7. Capacity utilization

(MW)			(kwh)				
Licensed Capacity	Installed capacity	Available capacity	Standard capacity @ 85% (kwh)	Actual utilization for 2016 (kwh)	Period utilization (on Standard Capacity)	Over/ (under) utilization	Actual utilization for 2015 (kwh)
10 MW	10 MW	8.543 MW	63,785,455	51,726,433	81%	-19%	53,169,218

25.8. Event after reporting period

i) The Board of Directors in its meeting held on 23 January 2017 approved the financial statements of the company for the year ended 31 December 2016 and authorised the same for issue. The Board of Directors also recommended cash dividend @ 40% for the shareholders for the year 2016.

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



Director



Managing Director

Dated: 23 January 2017

RAK SECURITY AND SERVICES (PVT.) LTD.
*Auditor's Report and Financial
Statements*
For the year ended 31 December 2016

RAK SECURITY AND SERVICES (PVT.) LTD.

Directors' Report

Dear Shareholders,

The Board of Directors of RAK Security and Services (Pvt.) Ltd. is pleased to present this Directors' Report together with the Auditors' Report and Audited Financial Statements of the Company for the year ended December 31, 2016 thereon, for your valued consideration, approval and adoption.

Principal activities

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

Operational result

The operational results of the Company for the year ended December 31, 2016 as follows:

(Amount in BDT mn)

Particulars	2016	2015
Sales	153.54	73.70
Gross profit	32.34	24.40
Net profit after tax	7.83	6.94
Earnings Per Share (Absolute BDT)	782.81	693.91
Net Operating Cash Flow Per Share (NOCFPS)	450.45	37.70
Net Asset Value (NAV)	32.43	25.61
Net Asset Value per share (Absolute BDT)	3,243.79	1,967.07

Dated: January 23, 2017

Dividend

The Board of Directors of the Company is pleased to recommend cash dividend @ 200 percent of the paid up capital of the Company for the year 2016. While recommending the dividend, the Board of Directors has considered the operational performance, business result, the assets as at that date and working capital requirement for future development and expansion. The Company paid cash dividend @ 100 percent of paid up capital of the Company for the year 2015.

Auditors

M/s. K.M. Hasan & Co., Chartered Accountants shall retire in the 10th AGM, being eligible, they offered themselves for re-appointment and the Board also recommended to re-appoint them for the year 2017. Remuneration of the auditor will be fixed by the shareholders at this Annual General Meeting.

Post balance sheet events

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

Appreciation

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

For and on behalf of the Board of Directors



(Abdallah Massaad)
Chairman
Ras Al Khaimah, UAE

Auditor's Report to the Shareholders of RAK SECURITY AND SERVICES (PVT.) LTD.

We have audited the accompanying financial statements of RAK Security And Services (Pvt.) Ltd. which comprise the statement of financial position as at 31 December 2016, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management of RAK Security And Services (Pvt.) Ltd. is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRSS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

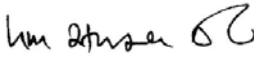
Opinion

In our opinion, the financial statements, prepared in accordance with Bangladesh Financial Reporting Standards (BFRSS), give a true and fair view of the financial position as at 31 December 2016 and its financial performance and its cash flows for the period then ended and comply with the Companies Act, 1994 and other applicable laws and regulations.

We also report that:

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

Dated: 23 January 2017


K.M. HASAN & CO.
Chartered Accountants

RAK SECURITY AND SERVICES (PVT.) LTD.
Statement of Financial Position
As at 31 December 2016

Assets	Notes	2016	2015
		Taka	Taka
Non - Current Assets			
Property, Plant and Equipment	4	4,517,395	4,494,508
Investment in RAK Power Pvt. Ltd.		1,275	1,275
		4,518,670	4,495,783
Current Assets			
Trade and Other Receivables	5	33,849,961	30,308,127
Loan, Advances and Prepayments	6	705,270	406,042
Advance Income Tax	7	18,077,507	14,432,162
Cash and Cash Equivalents	8	6,565,043	3,454,050
		59,197,781	48,600,381
Total Assets		63,716,451	53,096,164
Equity and Liabilities			
Capital and Reserves			
Share Capital	9	1,000,000	1,000,000
Retained Earnings		31,437,962	24,609,877
		32,437,962	25,609,877
Current Liabilities			
Trade and Other Payables	10	1,269,835	2,164,169
Liability for Expenses	11	7,443,005	8,202,562
Provision for Income Tax	12	19,106,866	14,891,744
Provision for Employees' Benefit	13	3,458,783	2,227,812
		31,278,489	27,486,287
Total Equity and Liabilities		63,716,451	53,096,164

The annexed notes form an integral part of these financial statements (Page 187-194)

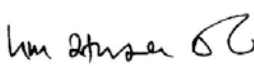
For RAK Security and Services (Pvt.) Ltd.


Director


Managing Director

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

Dated: 23 January 2017


K.M. HASAN & CO.
Chartered Accountants

RAK SECURITY AND SERVICES (PVT.) LTD.
**Statement of Profit or Loss and Other
 Comprehensive Income**
 For the year ended 31 December 2016

	Notes	2016 Taka	2015 Taka
Turnover - Services	14	153,542,632	73,697,636
Less: Direct Expenses	15	121,200,876	49,297,083
Gross Profit		32,341,756	24,400,553
Less: Operating Expenses			
Administrative Expenses	16	15,581,657	12,392,050
Marketing Expenses	17	4,768,574	1,381,760
Financial Expenses	18	10,380	16,453
		20,360,611	13,790,263
Operating Profit		11,981,145	10,610,290
Add: Other Income	19	62,062	65,305
Net Profit before Tax		12,043,207	10,675,595
Less: Provision for Income Tax		4,215,122	3,736,458
Net Profit After Tax		7,828,085	6,939,137
Add: Other Comprehensive Income		-	-
Total Comprehensive Income		7,828,085	6,939,137
Earnings Per Share (EPS)	20	782.81	693.91

The annexed notes form an integral part of these financial statements (Page 187-194)

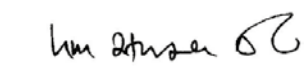
For RAK Security and Services (Pvt.) Ltd.


 Director


 Managing Director

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

Dated: 23 January 2017


K.M. HASAN & CO.
 Chartered Accountants

RAK SECURITY AND SERVICES (PVT.) LTD.
Statement of Changes in Equity
 For the year ended 31 December 2016

(Amount in Taka)

Particulars	Ordinary Shares (No)	Share Capital	Retained Earnings	Total
Balance as at 01 January 2016	10,000	1,000,000	24,609,877	25,609,877
Net Profit for the year	-	-	7,828,085	7,828,085
Dividend paid	-	-	(1,000,000)	(1,000,000)
Balance as at 31 December 2016	10,000	1,000,000	31,437,962	32,437,962

For the year ended 31 December 2015

(Amount in Taka)

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

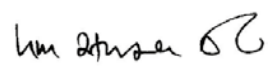
For RAK Security and Services (Pvt.) Ltd.


 Director


 Managing Director

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

Dated: 23 January 2017


K.M. HASAN & CO.
 Chartered Accountants

RAK SECURITY AND SERVICES (PVT.) LTD.

Statement of Cash Flows

For the year ended 31 December 2016

	2016 Taka	2015 Taka
a. Cash flows from operating activities		
Net profit before tax	12,043,207	10,675,595
Add: Adjustment for non cash items		
Loss on disposal of Property, Plant & Equipment	-	52,224
Depreciation	370,703	439,170
Operating profit before working capital changes	12,413,910	11,166,989
Changes in working capital:		
(Increase)/Decrease in Trade and Other Receivables	(3,541,834)	(7,927,082)
(Increase)/Decrease in Loan, Advances and Prepayments	(299,228)	(84,078)
Increase/(Decrease) in Trade and Other Payables	(894,334)	868,149
Increase/(Decrease) in Liability for Expenses	(759,557)	636,488
Increase/(Decrease) in Provision for Employees' Benefit	1,230,971	99,646
Changes in working capital	(4,263,982)	(6,406,877)
Income tax paid	(3,645,345)	(4,383,109)
Net cash provided from operating activities	4,504,583	377,003
b. Cash flows from investing activities		
Acquisition of Property, Plant & Equipment	(393,590)	(79,828)
Sale/Disposal of Property, Plant & Equipment	-	158,681
Investment in RAK Power Pvt. Ltd.	-	(1,275)
Net cash provided from/(used in) investing activities	(393,590)	77,578
c. Cash flows from financing activities		
Dividend paid	(1,000,000)	(1,000,000)
Net cash used in financing activities	(1,000,000)	(1,000,000)
Net increase/(decrease) in cash and cash equivalents (a+b+c)	3,110,993	(545,419)
Opening cash and cash equivalents	3,454,050	3,999,469
Closing cash and cash equivalents	6,565,043	3,454,050

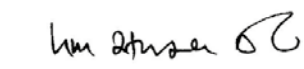
For RAK Security and Services (Pvt.) Ltd.


Director


Managing Director

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

Dated: 23 January 2017


K.M. HASAN & CO.
Chartered Accountants

RAK SECURITY AND SERVICES (PVT.) LTD.

Notes to the Financial Statements

As at and for the year ended 31 December 2016

1. Introduction

RAK Security And Services (Pvt.) Ltd. is a Private Company Limited by shares incorporated in Bangladesh on 21 December 2006 under the Companies Act XVIII of 1994. The registered office of the company is situated at RAK Tower (8th Floor), Plot No. 1/A, Jasimuddin Avenue, Sector No. 03, Uttara, Dhaka 1230.

2. Nature of Business

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

3. Significant Accounting Policies

3.1 Accounting convention and basis

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

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

3.2 Integral components of the financial statements

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

- a. Statement of Financial Position
- b. Statement of Profit or Loss and Other Comprehensive Income
- c. Statement of Changes in Equity
- d. Statement of Cash Flows
- e. Notes to the Financial Statements

3.3 Property, Plant & Equipments (PPE)

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

The rate of percentage of depreciation is as under:

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

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

Notes to the Financial Statements

as at and for the year ended 31 December 2016

3.4 Revenue recognition

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

3.5 Provision for taxation

Corporate tax

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

Deferred tax

There is no such timing difference between Profit as per Income Tax ordinance and accounting profit as per financial statements, hence no Deferred Tax liabilities/Assets calculated as per IAS/BAS-12 for the year ended 31 December 2016 created.

3.6 Related party disclosure under IAS - 24

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

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

Nature of transaction	Amount in Taka	
	Investee Company	Other Related Party
b) Purchases of goods/services	-	206,188
Sale of goods/services	96,777,367	41,155,118
Outstanding receivables	12,438,151	14,915,319
Investment	1,000,000	-

3.7 Amount paid to auditors

Nature of transaction	Amount in Taka
Audit fees	57,500

3.8 Number of employees and their remuneration

The number of employees engaged for the period was 395 who received a total remuneration of Taka 63,600 and above. None of the employee received below Taka 5,300 per month during the previous year.

Notes to the Financial Statements as at and for the year ended 31 December 2016

3.9 Payment to Directors

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

Nature of meeting	Amount in Taka
Board meeting	13,225

3.10 Employees' benefit

Provident fund :

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

Gratuity :

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

3.11 General:

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

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

4. Property, Plant and Equipment

Amount in Taka

Particulars	Cost				Rate of Dep. (%)	Depreciation				Written Down Value as at 31.12.2016
	Balance as at 01.01.2016	Additions during the year	Total sales/ disposal	Balance as at 31.12.2016		Balance as at 01.01.2016	Charged during the year	Adjustment during the year	Balance as at 31.12.2016	
Land	2,309,220	-	-	2,309,220	-	-	-	-	-	2,309,220
Furniture & fixtures	465,261	117,190	-	582,451	10%	182,762	32,116	-	214,878	367,573
Office equipments	941,600	276,400	-	1,218,000	10%	388,048	68,741	-	456,789	761,211
Tools & appliances	119,755	-	-	119,755	20%	101,236	3,703	-	104,939	14,816
Vehicles	2,389,725	-	-	2,389,725	20%	1,059,007	266,143	-	1,325,150	1,064,575
Total as at 2016	6,225,561	393,590	-	6,619,151		1,731,053	370,703	-	2,101,756	4,517,395
Total as at 2015	6,622,171	79,828	476,438	6,225,561		1,557,416	439,170	265,533	1,731,053	4,494,508

Notes to the Financial Statements
as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
5. Trade and Other Receivables		
Trade receivable exceeding 6 months	7,568,554	5,681,248
Trade receivables below 6 months	26,281,407	24,626,879
	33,849,961	30,308,127
6. Loan, Advances and Prepayments		
Advance to suppliers	458,670	202,500
Employees' PF	-	12,726
Prepaid expenses	246,600	190,816
	705,270	406,042
7. Advance Income Tax		
Balance as at 01 January	14,432,162	10,049,054
Add: Paid during the year	3,645,345	4,383,108
Balance as at 31 December	18,077,507	14,432,162
7.1 Head wise payment		
Interest on bank deposit	43,892	22,465
Registrations	30,500	95,500
Supplies	3,087,277	5,260,005
Paid in cash	14,915,838	9,054,192
	18,077,507	14,432,162
7.2 Year wise payment		
Advance Tax & TDS -2016	3,261,668	-
Advance Tax & TDS -2015	3,736,458	3,437,108
Advance Tax & TDS -2014	3,685,426	3,685,426
Advance Tax & TDS -2013	2,467,265	2,467,265
Advance Tax & TDS -2012	2,056,431	2,056,431
Advance Tax & TDS -2011	1,691,067	1,691,067
Advance Tax & TDS -2010	1,078,865	1,078,865
Advance Tax Appeal -2011	100,327	16,000
	18,077,507	14,432,162
8. Cash and Cash Equivalents		
Cash in hand	741,433	275,458
Cash at bank with DBBL:		
Current account	140,877	1,425
Short term deposit account	5,682,733	3,177,167
	6,565,043	3,454,050
9. Share Capital		
Authorized capital		
1,000,000 ordinary shares of Tk. 100 each	100,000,000	100,000,000
Issued, subscribed, called and paid up capital		
10,000 ordinary shares of Tk. 100 each	1,000,000	1,000,000

Notes to the Financial Statements
as at and for the year ended 31 December 2016

			2016 Taka	2015 Taka
<u>Particulars of share-holdings are as follows:</u>				
Name of shareholders	No. of shares	Value per share		
RAK Ceramics (Bangladesh) Ltd.	9,900	100	990,000	990,000
RAK Power Pvt. Ltd.	100	100	10,000	10,000
Total	10,000		1,000,000	1,000,000
10. Trade and Other Payables				
Advance from customers			793,886	818,606
Due to employee (Security deposit)			20,642	38,727
TDS Employee			38,000	23,000
VAT Payable			417,307	1,283,836
			1,269,835	2,164,169
11. Liability for Expenses				
Payable to personnel			3,094,620	3,926,792
Audit fees			57,500	46,000
Leave Encashment			392,198	380,090
Special Bonus			777,900	1,102,550
Legal & professional expenses			28,750	28,750
Utilities bill			47,180	19,180
Cleaning services			3,044,857	2,699,200
			7,443,005	8,202,562
12. Provision for Income Tax				
Balance as at 01 January			14,891,744	11,155,286
Add: Provision made during the year			4,215,122	3,736,458
Balance as at 31 December			19,106,866	14,891,744
12.1 Year wise provision				
For the year 2010			1,078,865	1,078,865
For the year 2011			1,691,067	1,691,067
For the year 2012			2,056,431	2,056,431
For the year 2013			2,643,497	2,643,497
For the year 2014			3,685,426	3,685,426
For the year 2015			3,736,458	3,736,458
For the year 2016			4,215,122	-
			19,106,866	14,891,744
13. Provision for Employees' Benefit				
Provident Fund (Note-13.1)			362,708	375,674
Gratuity Fund (Note-13.2)			3,096,075	1,852,138
			3,458,783	2,227,812

Notes to the Financial Statements
as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
13.1 Provident Fund		
Opening balance	375,674	342,436
Add: Addition during the year	4,546,084	4,307,346
	4,921,758	4,649,782
Less: Payment during the year	4,559,050	4,274,108
Closing balance	362,708	375,674
13.2 Gratuity Fund		
Opening balance	1,852,138	1,785,730
Add: Addition during the year	3,096,075	1,852,138
	4,948,213	3,637,868
Less: Payment during the year	1,852,138	1,785,730
Closing balance	3,096,075	1,852,138
14. Turnover-Services		
Gross receipts from services	176,574,074	86,226,806
Less: Value Added Tax (VAT)	23,031,442	12,529,170
	153,542,632	73,697,636
15. Direct Expenses		
Payment to personnel (Note-15.1)	119,309,205	47,792,093
Security training expenses (Note-15.2)	318,281	315,404
Other direct expenses (Note-15.3)	1,573,390	1,189,586
	121,200,876	49,297,083
15.1 Payment to Personnel		
Staff cost	99,824,047	30,689,621
Overtime	12,404,258	11,292,121
Bonus	3,215,294	2,999,223
Provident fund	908,364	907,364
Gratuity	2,623,961	1,593,389
Group Life Insurance	333,281	310,375
	119,309,205	47,792,093
15.2 Security Training Expenses		
Staff welfare	287,865	281,955
Conveyance	9,165	11,804
Repair and maintenance	21,251	21,645
	318,281	315,404
15.3 Other Direct Expenses		
Cleaning expenses	3,743	110,639
Uniform expenses	1,569,647	1,009,257
Bicycle expenses	-	8,490
Fuel expenses	-	61,200
	1,573,390	1,189,586

Notes to the Financial Statements
as at and for the year ended 31 December 2016

	2016	2015
	Taka	Taka
16. Administrative Expenses		
Payment to personnel (Note-16.1)	9,051,152	6,979,663
Rent, rates and taxes	2,240,882	2,048,671
Telephone and telex expenses	246,279	196,814
Repair and maintenance	924,933	452,379
Printing and stationery	607,657	309,321
Insurance	78,501	82,211
Electricity, gas and WASA	253,666	208,469
Vehicle running expenses	1,055,061	1,026,587
Bad debts	357,846	-
Legal and professional charges	145,475	381,000
Miscellaneous expenses	176,367	168,341
Taxation Expenses	15,635	1,200
Audit fee	57,500	46,000
Depreciation	370,703	439,170
Loss on sale of Fixed assets	-	52,224
	15,581,657	12,392,050
16.1 Payment to Personnel		
Salary	5,159,299	4,809,735
Bonus	824,000	768,399
Staff welfare	2,365,894	871,360
Provident fund	301,320	280,837
Gratuity	386,068	228,536
Group Life Insurance	14,571	20,796
	9,051,152	6,979,663
17. Marketing Expenses		
Payment to personnel (Note-17.1)	1,341,944	836,334
Entertainment	832,685	62,081
Promotional expenses	435,936	301,450
Conveyance	2,032,194	175,047
Telephone and telex expenses	26,870	6,733
Advertisement	95,625	-
Miscellaneous Expenses	3,320	115
	4,768,574	1,381,760
17.1 Payment to Personnel		
Salary	1,062,373	659,833
Bonus	129,500	107,000
Provident fund	61,961	38,520
Gratuity	86,046	30,213
Group Life Insurance	2,064	768
	1,341,944	836,334

Notes to the Financial Statements as at and for the year ended 31 December 2016

		2016	2015
		Taka	Taka
18. Financial Expenses			
Bank charges		10,380	16,453
19. Other Income			
Bank interest		61,812	65,305
Dividend received		250	-
		62,062	65,305
20. Earnings Per Share (EPS)			
Net profit after tax attributable to ordinary shareholders	"A"	7,828,085	6,939,137
Weighted Number of Ordinary Shares	"B"	10,000	10,000
Basic & Earnings Per Share (EPS) for the year	"C=A/B"	782.81	693.91

21. Event after the Reporting Period

i) The Board of Directors in its meeting held on 23 January 2017 approved the financial statements of the company for the year ended 31 December 2016 and authorised the same for issue. The Board of Directors also recommended cash dividend @ 200% for the shareholders for the year 2016.

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

For RAK Security and Services (Pvt.) Ltd.


Director


Managing Director

Dated: 23 January 2017

Statement Pursuant to Section 186 (1) (e) of the Companies Act, 1994

Name of the subsidiary	RAK Power Pvt. Ltd.	RAK Security and Services (Pvt.) Ltd.
Name of the holding company	RAK Ceramics (Bangladesh) Limited	RAK Ceramics (Bangladesh) Limited
Holding Company's interest	2,049,990 ordinary shares of Tk.100 each fully paid up	9,900 ordinary shares of Tk.100 each fully paid up
Extent of holding	99.99%	99.00%
The 'financial year' of the subsidiary company ended on	December 31, 2016	December 31, 2016
Net aggregate amount of the subsidiary company's profits/(losses) dealt with in the holding company's accounts	BDT 304.33 mn	BDT 2.00 mn
For the subsidiary's aforesaid financial year	BDT 102.50 mn	BDT 1.00 mn
For the previous financial years since it became subsidiary	BDT 201.83 mn	BDT 1.00 mn
Net aggregate amount of the subsidiary company's profits/(losses) not dealt with in the holding company's accounts	BDT 63.18 mn	BDT 12.77 mn
For the subsidiary's aforesaid financial year	NIL	BDT 6.83 mn
For the previous financial years since it became subsidiary	BDT 63.18 mn	BDT 5.94 mn
Changes, if any, in the holding company's interest in the subsidiary between the end of the financial year of the subsidiary and that of the holding company	N/A	N/A
Material changes, if any, between the end of the financial year of the subsidiary and that of the holding company	N/A	N/A

Notice of the 18th Annual General Meeting

Notice is hereby given that the 18th Annual General Meeting of RAK Ceramics (Bangladesh) Limited will be held on Wednesday, March 29, 2017 at 10.00 a.m. at International Convention City, Bashundhara (Pushpoguscho), Joarshahara, Purbachal Link Road, Khilkhet, Dhaka-1229 to transact the following businesses:

AGENDA:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31 December 2016 together with the reports of the Auditor and the Directors.
2. To declare dividend for the year ended 31 December 2016.
3. To elect/re-elect Director(s) of the Company.
4. To appoint the Auditors of the Company for the year 2017 and fix their remuneration.

By order of the Board of Directors

Dhaka, Bangladesh
Date: March 14, 2017

Sd/-
(Muhammad Shahidul Islam FCS)
Company Secretary

Notes:

1. The Shareholders whose name appeared in the Share Register of the Company or in the Depository Register on the 'Record Date' (i.e. February 14, 2017) will be entitled to attend the meeting and receive the dividend.
2. The Board unanimously recommended dividend @ 20% in cash and 5% in stock of the paid up capital of the Company for the year 2016.
3. A shareholder entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote in his/her behalf (such proxy shall be a shareholder of the Company). The Proxy Form, duly filled and stamped, must be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.
4. Admission to the meeting will be strictly on production of the attendance slip attached with the Annual Report.
5. Shareholders are requested to submit to the Registered Office of the Company on or before March 23, 2017, their written option to receive dividend in the form enclosed with the Annual Report. If the shareholders fail to submit such option within the stipulated time, the dividend will be paid off as deemed appropriate by the Company.
6. In case of non-receipt of the Annual Report of the Company sent through courier, shareholders may collect the same from the Registered Office of the Company on or before March 23, 2017. No additional Annual Report will be distributed in the AGM venue.
7. Brokerage Houses/DPs are requested to provide the statement along with detail of their margin loan holders on or before March 20, 2017 who are entitled to receive the cash dividend of the Company for the year ended December 31, 2016. The statement should include shareholder's name, BO ID Number, client-wise shareholding position, gross dividend receivable, applicable tax rate, net dividend receivable, bank account number, routing number, contact person etc.

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



RAK Ceramics (Bangladesh) Limited

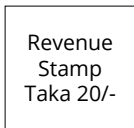
RAK Tower (7th, 8th & 9th floor), 1/A Jasimuddin Avenue, Sector-3, Uttara Model Town, Dhaka-1230.

Proxy Form

I/We
of
.....being a shareholder of RAK Ceramics (Bangladesh) Limited, do hereby appoint
Mr./Ms.....of..... as
my/our proxy to attend and vote on my/our behalf at the 18th Annual General Meeting of the Company to be held on
March 29, 2017 at 10.00 a.m. at International Convention City, Bashundhara (Pushpoguscho), Joarshahara, Purbachal
Link Road, Khilkhet, Dhaka-1229 and at any adjournment thereof.

As witness my / our hand this Day of2017.

.....
(Signature of Proxy)



.....
(Signature of Shareholder)

BO ID No.

BO ID No.

No. of Shares held:

Notes:

1. A shareholder entitled to attend and vote in the AGM may appoint a Proxy to attend and vote on his/her behalf.
2. The Proxy Form, duly filed and stamped must be deposited at the Registered Office of the Company, not later than 48 (Forty Eight) hours before the time fixed for the meeting.
3. Signature of the shareholder must be in accordance with the Specimen Signature recorded with the Company.
4. As per Article of Association of the Company, no person shall act as a proxy unless he himself is a shareholder of the Company.

.....
(Authorized Signature)
RAK Ceramics (Bangladesh) Limited

.....
(Signature Verified)



RAK Ceramics (Bangladesh) Limited

RAK Tower (7th, 8th & 9th floor), 1/A Jasimuddin Avenue, Sector-3, Uttara Model Town, Dhaka-1230.

Attendance Slip

I/We do hereby record my/our attendance at the 18th Annual General Meeting of the Company to be held on March 29, 2017 at 10.00 a.m at International Convention City, Bashundhara (Pushpoguscho), Joarshahara, Purbachal Link Road, Khilkhet, Dhaka-1229, Bangladesh.

Name of the Shareholder(s)/Proxy:

BO ID No. of Shareholder:

BO ID No. of Proxy holder:

.....
Signature of Shareholder(s)/Proxy

No. of Shares held by Shareholder:

No. of Shares held by Proxyholder:

Note: Please present this attendance slip at the registration counter on or before 9:30 am on the AGM date.



RAK
CERAMICS