RAK Ceramics (Bangladesh) Limited

Independent Auditor's Report and Audited Consolidated Financial Statements
as at and for the year ended 31 December 2019

ACNABIN
Chartered Accountants

BDBL Bhaban (Level-13)
12 Kawran Bazar Commercial Area
Dhaka-1215, Bangladesh.

Telephone: (+88-02) 410 20030 to 35
Facsimile: (+88-02) 410 20036
E-mail: <acnabin@bangla.net>
Web: www.acnabin.com

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

Opinion

We have audited the consolidated financial statements of RAK Ceramics (Bangladesh) Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give true and fair view, in all material respects, of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 02-03.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period and include the most significant assessed risk of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the significant effect on the overall audit strategy, allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How our audit addressed the Key Audit Matters
Recognition of rights of use assets and lease liabilities for lease rental arrangements	
Refer note no 3.14.3, 6 and 20 to the consolidated financial statements	
The Group recognized rights of lease assets (ROUA) and lease liabilities arising from the lease rental agreements for its display centers, accommodation floors and warehouse. The recognition is made for the first time in current year's consolidated financial statements as it adopted IFRS 16 (Leases) in its consolidated financial statements for the first time. However, that would not require a restatement of the comparative period information because the Group elected modified retrospective approach. The lease liability is measured at the present value of the lease payments that are not paid at that date. For calculation of the lease liability, the management applies its judgment in determination of lease term, where certainty of exercising the option to extend or the option not to terminate the lease is considered. The incremental borrowing rate is used as discounting rate in calculation of lease liability.	We assessed the Group's key internal controls in identification of lease, recognition and measurement of ROUA and lease liability, and related key assumptions. We performed following procedures for our assessment: • Read the contracts for lease rental arrangements, especially the terms and conditions related to payments, lease incentives, any indirect costs, dismantling and restoration, option to extend the lease or not to terminate the lease. • Checked the lease amortization schedule and depreciation schedule for each of the leases. • Checked the appropriateness of management's assumptions, especially in determining the certainty of exercising option to extend or terminate lease and the discounting rate applied to calculate lease liability.
Revenue recognition	
Refer note no 3.14.2 and 24	
The Group provides various benefits to its dealers, including discount, commissions, incentives and bonus. Considering the variability of the said benefits, effective from the current year, the management presented them as deduction from revenue in contrast to previous years' presentation as marketing and selling expense. Prior year's comparative figures are also restated in this regard. The management applies its judgment in determining whether there is valid expectation among the dealers arising from the Group's customary business practices for any further benefits in excess of the figures provisioned for.	Our audit procedures involved following activities: • Reading the contracts with the dealers and other circulars and announcements for terms and conditions related to discount, commissions, incentives and bonus; • Recalculate the amount of discount, commissions, incentives and bonus; • Checking the past trend of allowing discount, commissions, incentives and bonus.

Key Audit Matters	How our audit addressed the Key Audit Matters
Provision for slow moving and obsolete inventories	
Refer note no 3.9 and 9 to the consolidated financial statements	
The inventories of the Group are carried at lower of cost and net realizable value. The management applies judgment in determining the appropriate provisions for obsolete stock based upon a detailed analysis of old and slow-moving inventory.	We obtained assurance over relevance and appropriateness of management's assumptions applied in calculating the provision for slow moving and obsolete inventories by: • evaluating the design and implementation of key inventory controls operating across the Company; • attending stock counting and reconciling the count results to the inventory listings to test the completeness of data; • checking the ageing analysis of inventories and appropriateness of management's determination of probability of obsolescence for each group of inventory ageing; • reviewing the historical accuracy of inventory provisioning, and the level of inventory write-offs during the year.
Credit risk and impairment on trade receivables	
Refer note no 3.14.1, 10, 27.1 and 35.1 (b) to the consolidated financial statements	
Remarkable amount of the trade receivables of the Group is attributable to a single customer, which is also a related party (as disclosed in note no #36 to the consolidated financial statements) to the Group. Being related party, there may be unpalatable behavior putting reliability at risk. Significant amount of judgment is to be applied to determine the risk of default over the expected life of trade receivables, which may have material impact over the figures of trade receivable. As a result, there is risk of error in determining the allowance for impairment for trade receivables.	Our audit procedures included testing the Group's credit control procedures and judgment on determining the provisions for expected credit losses. The audit procedures involved following activities: • testing, on a sample basis, receivable balances and comparing it with our results from the external confirmations; • inspecting the arrangements, securities documents, credibility assessments and correspondences with parties concerned to assess the recoverability of significant long outstanding receivables; • reviewing the calculations of the allowance for impairment of trade receivables based on the judgments applied by the management.
Review of tax and regulatory matters	
Refer note no 23 and 40 to the consolidated financial statements	
The Group has several pending corporate tax assessments and legal proceedings with the government revenue authorities related to claims for tax, VAT and customs duty. The pending cases expose the Group to	We obtained an understanding, evaluated the design and tested the operational effectiveness of the Group's key controls over the legal provision and contingencies

Key Audit Matters	How our audit addressed the Key Audit Matters
significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may not be appropriate to predict. These uncertainties inherently affect the amount and timing of potential outflows with respect to the tax provisions and contingent liabilities. As a listed entity, the Group also has to maintain compliance with the requirements of the Bangladesh Securities and Exchange Commission.	recognition process. To get more insights we performed following procedures: • enquired into those charged with governance to obtain their view on the status of all significant litigation and regulatory matters; • enquired the Group's internal legal counsel for all significant litigation and regulatory matters and studied internal notes and reports. We also enquired formal confirmations from external counsel on these matters; • assessed the methodologies on which the provision amounts are based, recalculated the provisions, and tested the completeness and accuracy of the underlying information; • assessed the Group's provisions and contingent liabilities disclosure. We have reviewed the controls related to Corporate Governance compliance and reporting compliance as per Bangladesh Securities and Exchange Commission guidelines.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as explained in note 02-03, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Bangladesh Securities and Exchange Commission rules and regulations together with other applicable regulations require the Management to ensure effective internal audit, internal control and risk management functions of the Group.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Report, which we could not obtain prior to the date of this auditors' report and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the Key Audit Matters as reported in the respective section of the report above. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

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

a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

b) in our opinion, proper books of account as required by law have been kept by the Group so far as it appeared from our examination of these books;

c) the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account and returns; and

d) the expenditure incurred was for the purposes of the Group's business.

Dated, 04 FEB 2020

ACNABIN
Chartered Accountants

RAK Ceramics (Bangladesh) Ltd.
Consolidated statement of financial position
as at 31 December 2019

	Notes	2019 Taka	2018 Taka
Assets			
Property, plant and equipment	4	3,002,294,289	3,200,651,808
Investment property	5	681,433,369	691,149,776
Right of use assets	6	45,836,335	-
Intangible assets	7	6,495,047	11,916,384
Capital work-in-progress	8	177,641,997	127,781,532
Total non-current assets		3,913,701,037	4,031,499,500
Inventories	9	2,785,630,242	3,005,616,081
Trade and other receivables	10	859,960,257	871,791,127
Advances, deposits and prepayments	11	267,192,251	322,820,432
Advance income tax	12	3,434,063,275	3,125,317,011
Cash and cash equivalents	13	1,499,310,101	829,807,227
Total current assets		8,846,156,126	8,155,351,878
Total assets		12,759,857,163	12,186,851,378
Equity			
Share capital	14	4,279,687,010	3,890,624,560
Share premium	15	1,473,647,979	1,473,647,979
Retained earnings	16	1,601,275,518	1,628,694,442
Equity attributable to equity holders of the company		7,354,610,507	6,992,966,981
Non-controlling interests		1,393	1,546
Total equity		7,354,611,900	6,992,968,527
Liabilities			
Borrowings	19	-	88,203,349
Deferred tax liability	17	191,893,149	197,934,495
Lease liability	20	29,374,867	-
Total non-current liabilities		221,268,016	286,137,844
Borrowings	19	89,232,918	309,652,416
Lease liability	20	10,101,008	-
Trade and other payables	21	691,725,531	528,659,578
Accrued expenses	22	558,665,634	531,601,160
Provision for income tax	23	3,834,252,156	3,537,831,853
Total current liabilities		5,183,977,246	4,907,745,007
Total liabilities		5,405,245,263	5,193,882,851
Total equity and liabilities		12,759,857,163	12,186,851,378

The accompanying notes are an integral part of these financial statements

Managing Director | **Director** | **Company Secretary**

As per our report of same date

ACNABIN
Chartered Accountants

Dated, 04 February 2020

RAK Ceramics (Bangladesh) Ltd.

Consolidated profit or loss and other comprehensive income
for the year ended 31 December 2019

	Notes	2019 Taka	2018 Taka
Sales	24	6,463,857,312	6,331,083,301
Cost of sales	25	(4,556,112,666)	(4,317,689,669)
Gross profit		1,907,744,646	2,013,393,632
Other income	26	46,204,060	65,663,417
Administrative expenses	27	(400,512,718)	(378,274,211)
Impairment loss on trade receivable	27.1	(5,624,637)	(3,601,431)
Marketing and selling expenses	28	(455,996,281)	(411,359,546)
		(815,929,576)	(727,571,771)
Profit from operating activities		1,091,815,070	1,285,821,861
Finance income	29	32,878,148	38,410,830
Finance expenses	30	(27,323,676)	(39,394,022)
Net finance income		5,554,472	(983,192)
Profit before contribution to worker's profit participation and welfare fund		1,097,369,542	1,284,838,669
Contribution to worker's profit participation and welfare fund	31	(52,965,129)	(58,913,315)
Profit before income tax		1,044,404,413	1,225,925,354
Income tax expense			
Current tax	32	(296,420,303)	(316,179,434)
Deferred tax	17	6,041,346	(19,120,735)
		(290,378,957)	(335,300,169)
Profit for the year		754,025,456	890,625,185
Other comprehensive income		-	-
Total comprehensive income for the year		754,025,456	890,625,185
Profit attributable to:			
Equity holders of the company		754,025,209	890,624,763
Non-controlling interests		247	422
Profit after tax for the year		754,025,456	890,625,185
Basic earnings per share (Par value TK 10)	38	**1.76**	**2.08**

The accompanying notes are an integral part of these financial statements

Managing Director | **Director** | **Company Secretary**

As per our report of same date

Dated, 04 February 2020

ACNABIN
Chartered Accountants

RAK Ceramics (Bangladesh) Ltd.
Consolidated statement of changes in equity
for the year ended 31 December 2019

	Attributable to owners of the Company					
	Share capital Taka	Share Premium Taka	Retained earnings Taka	Total Taka	Non-controlling interests Taka	Total equity Taka
Balance as at 01 January 2018	3,536,931,410	1,473,647,979	1,445,455,970	6,456,035,359	1,524	6,456,036,883
Total comprehensive income for 2018 Profit/(loss) for the year	-	-	890,624,763	890,624,763	422	890,625,185
Cash dividend (2017)	-	-	(353,693,141)	(353,693,141)	(400)	(353,693,541)
Stock dividend (2017)	353,693,150	-	(353,693,150)	-	-	-
Balance as at 31 December 2018	3,890,624,560	1,473,647,979	1,628,694,442	6,992,966,981	1,546	6,992,968,527
Balance as at 01 January 2019	3,890,624,560	1,473,647,979	1,628,694,442	6,992,966,981	1,546	6,992,968,527
Prior year adjustment (Leases)			(3,319,226)	(3,319,226)		(3,319,226)
Total comprehensive income for 2019 Profit/(loss) for the year	-	-	754,025,209	754,025,209	247	754,025,456
Transactions with the shareholders: Cash dividend (2018)	-	-	(389,062,456)	(389,062,456)	(400)	(389,062,856)
Stock dividend (2018)	389,062,450	-	(389,062,450)	-	-	-
Balance as at 31 December 2019	4,279,687,010	1,473,647,979	1,601,275,518	7,354,610,507	1,393	7,354,611,900

The accompanying notes are an integral part of these financial statements

RAK Ceramics (Bangladesh) Ltd.

Consolidated statement of cash flows
for the year ended 31 December 2019

	2019 Taka	2018 Taka
Cash flows from operating activities		
Cash receipts from customers	6,450,716,308	6,026,277,449
Cash payments to suppliers and employees	(4,563,582,744)	(5,170,880,115)
Cash generated from operating activities	1,887,133,564	855,397,334
Interest received from bank deposit	6,832,490	5,915,987
Income tax paid (note - 12)	(308,746,264)	(293,693,008)
Net cash (used in)/from operating activities (note-39.1)	1,585,219,790	567,620,313
Cash flows from investing activities		
Acquisition of property, plant and equipment	(279,524,603)	(307,844,206)
Sale of property, plant and equipment	179,500	145,690
Disposal proceeds of associate	-	74,025,000
Interest received from FDR	20,857,636	29,837,100
Income from rental	12,045,000	4,605,000
Intangible assets	(771,526)	(11,950,323)
Insurance claim received	56,976,731	-
Dividend received	200	200
Net cash (used in)/from investing activities	(190,237,062)	(211,181,539)
Cash flows from financing activities		
Finance charges	(18,947,425)	(48,091,939)
Avail/(repayment) of term loan	(88,203,349)	(270,959,943)
Avail/(repayment) of short-term loan	(220,419,498)	(238,509,621)
Payment of lease liability	(10,730,542)	-
Dividend paid	(386,966,131)	(351,973,215)
Unclaimed share application refund	(8,160)	(19,200)
Adjustment related with non-controlling interest	(400)	(400)
Net cash (used in)/from financing activities	(725,275,505)	(909,554,318)
Effect of exchange rate changes in cash and cash equivalents	(204,349)	563,565
Net increase/(decrease) in cash and cash equivalents	669,502,874	(552,551,979)
Cash and cash equivalents as at 01 January	829,807,227	1,382,359,206
Cash and cash equivalents as at 31 December (Note 13)	1,499,310,101	829,807,227

The accompanying notes are an integral part of these financial statements

RAK Ceramics (Bangladesh) Limited

Notes to the consolidated financial statements as at and for the year ended 31 December 2019

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, wash room 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.

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 at the end of reporting year. The Company has gone into operation from 1 May 2009. The registered office of the Company is at RAK Tower (8th floor), Jashimuddin Avenue, Plot # 1/A, Sectoe # 03, Uttara Model Town, 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 99.99% 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 100,000,000 divided into 1,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 1,000,000 at the end of reporting year. The Company has gone into operation from 1 May 2007. The registered office of the Company is at RAK Tower (8th floor), Plot # 1/A, Jasimuddin Avenue, Sector # 03, Uttara Model Town, 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 99.00% 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.

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act 1994 and the Securities and Exchange Rules 1987.
The title and format of these financial statements follow the requirements of IFRS 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 IFRS 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 04 February 2020.

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 IFRS 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 5	Investment property
Note 6	Right of use assets
Note 17	Deferred tax liability
Note 18	Employees benefit payable
Note 20	Lease liability
Note 23	Provision for income tax
Note 27.1	Impairment loss on trade receivable

2.5 Reporting period

The financial period of the Company covers one year from 1 January to 31 December 2019 and is followed consistently.

2.6 Going concern

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

3 Significant accounting policies

The accounting policies set out below, which comply with IFRS, have been applied consistently to all 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.

IFRS-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 statement 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.

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 assets

a) 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 impairment provision.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank including short notice deposits and fixed deposits having maturity of three months or less that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

3.3 Financial liabilities

a) Trade & other payables

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

b) Borrowings

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

3.4 Share capital

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

3.5 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the property, plant and equipment. 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.

3.5.1 Depreciation on property, plant and equipment

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Capital-work-in-progress and land are not depreciated. Depreciation on addition to fixed assets is charged when it is available for use and charging of depreciation on property, plant and equipment ceases at the earliest of the date the assets is classified held for sale in accordance with IFRS 5 and the date that assets is derecognised.
Rates of depreciation on various classes of property, plant and equipment are as under:

Category of property, plant and equipment	Rate (%)
Factory building	5-20
General building	5
Head Office building	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 deemed to have an indefinite life.

3.6 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the investment property. Maintenance, renewals and betterments that enhances the economic useful life of the investment property or that improve the capacity, quality or reduce subsequently the operation cost or administration expenses and capitalized by adding it to the related investment property. Ongoing repairs and maintenance is expensed as incurred.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss and other comprehensive income the period in which the property is derecognised.

3.6.1 Depreciation on investment property

Depreciation charged on the basis of straight line method. Depreciation continues to be charged on each item of investment property until written value of such fixed asset is reduced to Taka one. Depreciation on addition to fixed assets is charged when it is available for use and charging of depreciation on property, plant, equipment & investment property ceases at the earliest of the date the assets is classified held for sale in accordance with IFRS 5 and the date that aasets is derecognised.

Rates of depreciation on various classes of investment property are as under:

Category of property, plant and equipment	Rate (%)
Building	5

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

3.7 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.

3.8 Intangible assets

Intangible assets that are acquired by the Group (such as designs and trade marks for manufacture of ceramic tiles and sanitary ware 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.

3.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Raw materials in transit are valued at cost.

Net realisable value (NRV) is the estimated selling price in the ordinary course of business, less estimated cost of completion and any estimated costs necessary to make the sale.

3.10 Impairment

Non-derivative financial assets

Non derivative financial assets are assessed at each reporting date to determine the loss allowance for lifetime expected credit losses, if the credit risk on that financial instrument has increased significantly since initial recognition. When there is no significant increase in credit risk on the financial instruments since initial recognition, the expected credit losses for next 12 months is measured as loss allowance on that financial instrument.

Non-financial assets

The carrying amount of the non-financial assets 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.

3.11 Employee benefit schemes

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

Defined contribution plan (Provident fund)

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

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

Defined benefit plan (Gratuity)

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.

3.12 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 Act 2006 amended upto 2018".

3.13 Provisions

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

3.14 Standards, amendmends and interpretations

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018/2019 with earlier application permitted. The group does not plan to adopt these standards early. The new standards which may be relevant to the group are set out below.

3.14.1 IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items including a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. This standard replaces IAS 39 Financial Instruments: *Recognition and Measurement*. The final version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

i. Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

ii. Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

· 12-months ECLs: these are ECLs which result from possible default events within the 12 months after the reporting date; and

· 12-Lifetime ECLs: these are ECLs which result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the group has a choice to also apply this policy for trade receivables and contract assets with a significant financing component.
The estimated ECL will be calculated based on actual credit loss experience. The group will perform the calculation of ECL rates separately for different types of customers including related parties.

Actual credit losses will be adjusted to reflect differences between economic conditions during the period over which the historical data will be collected, prevalent conditions and the Group's view of economic conditions over the expected lives of the receivables and related party balances.

ii. Hedging

IFRS 9 incorporates new hedge accounting rules which intend to align hedge accounting with a group's risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness. In accordance with IFRS 9, the group has an accounting policy choice to defer the adoption of IFRS 9 hedge accounting and to continue with IAS 39 hedge accounting.

The group will avail of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Impact of IFRS 9 shown in note no. 35.1 (b).

3.14.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

i. Sales of goods

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods.

Revenue will be recognised for the contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As a consequence, for those contracts for which the group is unable to make a reasonable estimate of return, revenue is expected to be recognised sooner than when the return period lapses or a reasonable estimate can be made.

Based on the group's assessment, the timing of revenue recognition from sale of goods are broadly similar. Therefore, the group does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these sales.

ii. Rendering of services

Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the group sells the services in separate transactions.

Based on the group's assessment, the fair value and the stand-alone selling prices of the services are broadly similar. Therefore, the group does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these services.

iii. Construction contracts

Contract revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognised, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date.

3.14.3 IFRS 16 Leases

IFRS 16, published in January 2016 replaces the previous guidance in IAS 17 *Leases*. Under this revised guidance, leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. It further removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for a lease classification test. The revised guidance has an increased focus on who controls the asset and may change which contracts are leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

General impact of application of IFRS 16 *Leases*

In the current year, the group, for the first time, has applied IFRS 16 *Leases* (as issued by the IASB in January 2016) in its effective date.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Notes to the financial statements. The impact of the adoption of IFRS 16 on the Group's financial statements is described below.

The date of initial application of IFRS 16 for the group is 1 January 2019

The group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information.

Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the group has carried out an implementation project.

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

Recognizes right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;

Recognizes depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and separates the total amount of cash paid presented within financing activities in the statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*. This replaces the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the group has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within rent expenses in the statement of profit or loss.

Former finance leases

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the group recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the group's financial statements.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in the leased assets.

As required by IFRS 9, an allowance for expected credit loss has been recognized on the finance lease receivables.

3.15 Finance income and expenses

Finance income comprises interest income on fixed deposits, Short Notice Deposit (SND) and amounts due from related parties. Interest income is recognized in profit or loss as it accrues, using the effective interest rate method.

Finance costs comprises interest expense on overdraft, LTR, term loan, short term borrowings and finance lease. All finance expenses are recognised in the statement of comprehensive income.
Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.
Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.16 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 International Accounting Standard IAS-21 "The Effects of Changes in Foreign Exchange Rates".

3.17 Taxation

Income tax expenses represents 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 2019.

Deferred tax:

Deferred tax has been recognised in accordance with International Accounting Standard (IAS) 12. Deferred tax is provided using the liability method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purpose. Deferred tax is determined at the effective income tax rate prevailing at the reporting date.
A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.18 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.

3.19 Determination and presentation of operating segment

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

3.20 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.

3.21 Statement of cash flows

Statement of cash flows is prepared under direct method in accordance with International Accounting Standard IAS-7 *"Statement of cash flows"* as required by the Securities and Exchange Rules 1987.

3.22 New standards adopted

The following new standard is effective for annual years beginning from 1 January 2018/2019 and have been applied in preparing these financial statements.

IFRS 9	Financial Instruments.
IFRS 15	Revenue from contract with customers.
IFRS 16	Leases

3.23 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.

3.24 Comparatives and reclassification

Comparative information have been disclosed in respect of 2018 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.

ACNABIN
Chartered Accountants

4 Property, plant and equipment

2019

Amounts in Taka

Particulars	COST					DEPRECIATION				Net book value as at 31 Dec 2019
	Balance as at 01 Jan 2019	Addition during the year	Sale/ disposal during the year	Balance as at 31 Dec 2019	Rate (%)	Balance as at 01 Jan 2019	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2019	
Land	338,570,507	-	-	338,570,507		-	-	-	-	338,570,507
Factory building	999,375,345	38,657,783	-	1,038,033,128	5-20	382,353,134	52,280,276	-	434,633,410	603,399,718
Office building	204,836,622	8,784,691	(12,757,294)	200,864,019	5	111,325,399	10,936,085	(2,553,122)	119,708,362	81,155,657
Plant and machinery	5,387,988,133	157,640,006	-	5,545,628,139	5-10	3,452,988,485	305,368,735	-	3,758,357,220	1,787,270,919
Mobile plant	135,573,374	6,728,522	-	142,301,896	10	99,008,863	4,623,588	-	103,632,451	38,669,445
Electrical installation	242,630,147	-	-	242,630,147	10-20	193,187,791	7,675,319	-	200,863,110	41,767,037
Gas pipeline	77,047,294	2,391,051	-	79,438,345	10-20	52,329,342	3,922,021	-	56,251,363	23,186,982
Furniture and fixtures	40,827,059	3,742,359	-	44,569,418	10	27,704,762	2,418,307	-	30,123,069	14,446,349
Office equipment	113,918,875	5,908,723	-	119,827,598	10-20	74,241,892	18,826,666	-	93,068,558	26,759,040
Communication equipment	14,768,857	3,336,425	-	18,105,282	10-20	8,599,956	2,040,145	-	10,640,101	7,465,181
Tools and appliances	19,113,047	64,050	-	19,177,097	10-20	10,304,624	1,714,744	-	12,019,368	7,157,729
Vehicles	89,762,354	1,594,836	(294,728)	91,062,462	10-20	51,715,558	7,077,035	(175,856)	58,616,737	32,445,725
Fire fighting equipments	3,631,012	-	-	3,631,012	20	3,631,012	-	-	3,631,012	-
Total	**7,668,042,626**	**228,848,446**	**(13,052,022)**	**7,883,839,050**		**4,467,390,818**	**416,882,921**	**(2,728,978)**	**4,881,544,761**	**3,002,294,289**

2018

Amounts in Taka

Particulars	COST					DEPRECIATION				Net book value as at 31 Dec 2018
	Balance as at 01 Jan 2018	Addition during the year	Sale/ disposal during the year	Balance as at 31 Dec 2018	Rate (%)	Balance as at 01 Jan 2018	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2018	
Land	336,575,507	1,995,000	-	338,570,507		-	-	-	-	338,570,507
Factory building	932,964,883	66,410,462	-	999,375,345	5-20	333,451,642	48,901,492	-	382,353,134	617,022,211
Office building	203,113,529	1,723,093	-	204,836,622	5	101,236,417	10,088,982	-	111,325,399	93,511,223
Plant and machinery	5,268,607,207	119,380,926	-	5,387,988,133	5-10	3,149,903,876	303,084,609	-	3,452,988,485	1,934,999,648
Mobile plant	122,434,617	13,138,757	-	135,573,374	10	90,904,362	8,104,501	-	99,008,863	36,564,511
Electrical installation	241,464,647	1,165,500	-	242,630,147	10-20	183,208,804	9,978,987	-	193,187,791	49,442,356
Gas pipeline	77,047,294	-	-	77,047,294	10-20	48,717,653	3,611,689	-	52,329,342	24,717,952
Furniture and fixtures	37,026,750	3,982,583	(182,274)	40,827,059	10	25,855,408	2,023,987	(174,633)	27,704,762	13,122,297
Office equipment	110,835,457	3,083,418	-	113,918,875	10-20	55,298,970	18,942,922	-	74,241,892	39,676,983
Communication equipment	12,231,404	2,537,453	-	14,768,857	10-20	6,853,414	1,746,542	-	8,599,956	6,168,901
Tools and appliances	17,669,297	1,443,750	-	19,113,047	10-20	8,355,786	1,948,838	-	10,304,624	8,808,423
Vehicles	83,352,902	6,617,452	(208,000)	89,762,354	10-20	44,596,878	7,269,848	(151,168)	51,715,558	38,046,796
Fire fighting equipments	3,631,012	-	-	3,631,012	20	3,631,012	-	-	3,631,012	-
Total	**7,446,954,506**	**221,478,394**	**(390,274)**	**7,668,042,626**		**4,052,014,222**	**415,702,397**	**(325,801)**	**4,467,390,818**	**3,200,651,808**

bakertilly
NETWORK MEMBER

5 Investment Property

2019

Amounts in Taka

Particulars	COST				Rate	DEPRECIATION				Net book value as at 31 Dec 2019
	Balance as at 01 Jan 2019	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2019		Balance as at 01 Jan 2019	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2019	
Land[1]	500,571,750	-	-	500,571,750		-	-	-	-	500,571,750
Office building[2]	210,636,382	815,692	-	211,452,074	5%	20,058,356	10,532,101	-	30,590,455	180,861,619
	711,208,132	**815,692**	**-**	**712,023,824**		**20,058,356**	**10,532,101**	**-**	**30,590,455**	**681,433,369**

2018

Amounts in Taka

Particulars	COST				Rate	DEPRECIATION				Net book value as at 31 Dec 2018
	Balance as at 01 Jan 2018	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2018		Balance as at 01 Jan 2018	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2018	
Land[1]	500,571,750	-	-	500,571,750		-	-	-	-	500,571,750
Office building[2]	210,636,382	-	-	210,636,382	5%	9,526,255	10,532,101	-	20,058,356	190,578,026
Total	**711,208,132**	**-**	**-**	**711,208,132**		**9,526,255**	**10,532,101**	**-**	**20,058,356**	**691,149,776**

1 The land 10 khata is situated besides the RAK Tower was acquired in March 2012. The same was classified as Property, plant & equipment till 31st Dec 2016. However, presently the asset is under operating lease considering undetermined future use. Hence in the current financial statements, the same is reclassified as an item of "Investment Property" as defined under IAS 40.

The said property are stated at cost as per IAS 16 due to alternate reliable sources of measurement being unavailable.

2 The property, being an Apartment on 10th floor, RAK Tower, was acquired in the month of February 2017 from M/s Julphar Bangladesh. (Erstwhile RAK Pharmaceuticals Pvt. Ltd) and godown office building is situated at above mentioned land. This property is too under operating lease culminating in undetermined future use. Hence the same is classified under "Investment Property" under IAS 40.

The fair values of the property has been adopted at the transaction value considering that the munnicipal valuation of the property has fairly remained unchanged, the company has adopted the transaction value as the fair value of the property.

	2019 Taka	2018 Taka
5.1 Depreciation charged on the basis of the purpose of use		
Cost of sales (Note 25)	377,142,595	377,083,481
Administrative expenses (Note 5.2)	44,810,746	44,714,209
Marketing & selling expenses (Note 28)	5,461,681	4,436,808
	427,415,022	**426,234,498**
5.2 Administrative expenses		
Depreciation on property, plant & equipment (Note 27)	34,278,645	34,182,108
Depreciation on investment property (Note 27)	10,532,101	10,532,101
	44,810,746	**44,714,209**

5.3 Disposal of property, plant and equipment

2019

Particulars	Original cost	Accumulated depreciation	Book value	Receipt against sales/insurance	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Motor Bike	294,728	175,856	118,873	179,500	60,627
Total	**294,728**	**175,856**	**118,873**	**179,500**	**60,627**

2018

Particulars	Original cost	Accumulated depreciation	Book value	Receipt against sales/insurance	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Furniture & fixture	182,274	174,633	7,641	11,550	3,909
Motor Bike	208,000	151,168	56,832	134,140	77,308
Total	**390,274**	**325,801**	**64,473**	**145,690**	**81,217**

ACNABIN
Chartered Accountants

6 Right of use assets

2019

Amounts in Taka

Particulars	COST				DEPRECIATION				Net book value as at 31 Dec 2019
	Balance as at 01 Jan 2019	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2019	Balance as at 01 Jan 2019	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2019	
Display center	76,028,968	-	(28,391,487)	47,637,481	22,705,295	8,433,056	-	31,138,351	16,499,130
Accomodation Building	2,644,593	655,543	-	3,300,136	353,312	1,458,868	-	1,812,180	1,487,956
Warehouse	-	32,707,529	-	32,707,529	-	5,723,818	-	5,723,818	26,983,711
Office Building	3,776,889	-	-	3,776,889	1,967,130	944,222	-	2,911,352	865,537
	82,450,450	**33,363,072**	**(28,391,487)**	**87,422,036**	**25,025,737**	**16,559,964**	-	**41,585,701**	**45,836,335**

Allocation of Depreciation

Administrative expenses (Note:27)	2,403,090
Marketing & Selling expenses (Note:28)	14,156,874
	16,559,964

6.1 Gain on retirement of Right of use assets

Particulars	Lease liability	Right of use assets	Gain
Display center	30,048,249	28,391,487	1,656,762

1. Company rented four display center's situated in Dhaka, Chittagong and Sylhet.
2. Accomodation Buildings rented for the use of transit employees.
3. Company has taken a warehouse at pubail to store the finished goods to distribute in nearby area promptly.
2. Office Buildings rented for the use of official work.

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		2019 Taka	2018 Taka
7	**Intangible assets**		
	Balance as at 1 January	11,916,384	5,429,027
	Add: Addition during the year	771,526	11,950,323
		12,687,910	17,379,350
	Less: Amortisation during the year (Note-27)	6,192,863	5,462,966
	Balance as at 31 December	**6,495,047**	**11,916,384**

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

		2019 Taka	2018 Taka
8	**Capital Work-in-Progress**		
	Balance as at 1 January	127,781,532	41,415,719
	Add: Addition during the year	261,225,698	259,518,324
		389,007,230	300,934,043
	Less: Transfer to property, plant & equipment and Investment Property (note 8.1)	211,365,233	173,152,511
	Balance as at 31 December	**177,641,997**	**127,781,532**

		2019 Taka	2018 Taka
8.1	**Items transferred from capital work in progress to property, plant & equipment**		
	Factory building	38,326,033	52,019,988
	Plant & machinery	139,907,809	112,846,905
	Mobile plant	-	7,826,143
	Communication equipment	-	345,362
	Others	33,131,391	114,113
		211,365,233	**173,152,511**

		2019 Taka	2018 Taka
9	**Inventories**		
	Raw materials	818,594,596	839,612,529
	Less : Provision for slow moving & obsolete inventories	19,685,939	-
		798,908,657	839,612,529
	Stores and consumables spares and packing	951,862,906	1,043,685,123
	Less: Write off for stores, consumables and packing during the year	-	31,843,008
		951,862,906	1,011,842,115
	Finished goods (net of net realizable value adjustment)	719,463,284	872,171,284
	Less : Provision for slow moving & obsolete inventories	17,505,541	
		701,957,743	872,171,284
	Work-in-process	104,694,796	105,323,515
	Goods-in-transit	228,206,140	176,666,638
		2,785,630,242	**3,005,616,081**

		2019 Taka	2018 Taka
10	**Trade and other receivables**		
	Trade receivables (Note 10.1)	813,475,817	805,880,110
		813,475,817	805,880,110
	Receivable against insurance claim	38,287,131	56,976,730
	Accrued interest (Note 10.2)	8,197,308	3,009,287
	Accrued rental income	-	5,925,000
		859,960,257	**871,791,127**

		2019 Taka	2018 Taka
10.1	**Trade receivables**		
	Receivables from local sales	816,128,848	809,481,541
	Receivables from export sales	6,573,037	-
		822,701,885	809,481,541
	Less: Provision of impairment loss on trade receivable:		
	Unrelated parties	2,640,080	348,092
	Related parties	6,585,988	3,253,339
		813,475,817	**805,880,110**
10.2	**Accrued interest**		
	Interest accrued on FDR	8,197,308	3,009,287
		8,197,308	**3,009,287**
11	**Advance, deposit and prepayments**		
	Advances:		
	Employees	3,000	175,500
	Purchase of land and others	5,729,371	7,185,449
	Suppliers against materials and services	78,360,866	94,233,766
		84,093,237	101,594,715
	Security and other deposits:		
	Titas gas	65,658,900	55,772,000
	Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
	VAT and Supplementary duty (Note-11.1)	1,833,190	46,576,861
	Deposited with income tax authority	68,128,195	50,628,195
	Deposited with VAT authority	6,726,946	6,726,946
	Display center and others	3,757,500	-
	Other deposits	1,494,626	1,499,853
		149,554,357	163,158,855
	Prepayments:		
	Showroom, warehouse and office rent	-	12,454,619
	Insurance and others	33,544,657	45,612,243
		33,544,657	58,066,862
		267,192,251	**322,820,432**
11.1	**Supplementary duty & VAT**		
	Balance as at 1 January	216,803	43,078,066
	Add: Treasury deposit for SD & VAT purpose	1,616,388	1,393,216,802
	Rebate of input VAT	-	418,046,905
		1,833,190	1,854,341,774
		1,833,190	1,854,341,774
	Less: SD & VAT on sales	-	1,805,059,097
	Other payable	-	2,705,815
		-	1,807,764,912
	Balance as at 31 December	**1,833,190**	**46,576,861**

The above amount represents only RAK Security and services Pvt. Ltd.

		2019 Taka	2018 Taka
12	**Advance Income Tax**		
	Balance as at 1 January	3,125,317,011	2,831,624,003
	Add: Paid during the year	308,746,264	299,845,698
	Less: Adjusted during the year	-	6,152,690
	Balance as at 31 December (Note - 12.1)	**3,434,063,275**	**3,125,317,011**

12.1 Payment for the year

Income year		
Year 2019	235,349,636	-
Year 2018	314,338,282	240,941,655
Year 2017	344,518,556	344,518,556
Year 2016	291,375,845	291,375,845
Year 2015	187,267,285	187,267,285
Year 2014	291,694,002	291,694,002
Year 2013	389,651,054	389,651,054
Year 2012	334,263,453	334,263,453
Year 2011	328,701,317	328,701,317
Year 2010	265,532,626	265,532,626
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
	3,434,063,275	**3,125,317,011**

	2019 Taka	2018 Taka
13 Cash and cash equivalents		
Cash in hand	3,628,454	5,267,464
Cash at banks		
HSBC (current account -001-013432-011, 107580-011, 096015-011, 096007-011 BDT)	20,555,049	44,563,430
Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - BDT)	180,849,061	27,557,487
Brac Bank Ltd. (current account - 1530201731248001 - BDT)	39,046,938	7,022,039
Citibank N.A. (current account - G0100001200262018 - BDT)	161,889	167,340
Dutch Bangla Bank Ltd. (current account -117-110-12733,117-110-4311,117.110.23474 BDT)	2,600,632	1,519,425
HSBC (ERQ account - 001-013432-047 - USD)	-	15,969,457
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	11,995,287	713,861
Standard Chartered Bank (Margin money account)	15,827,195	3,834,947
Dutch Bangla Bank (Margin money account)	246,006	-
United Commercial Bank (SND account - 0831301000000164 BDT)	27,528,317	9,233,763
Eastern Bank Ltd. (SND account - 1131350237146 - BDT)	96,642,480	48,550,824
Eastern Bank Ltd. (SND account - 1131350237393 WH - BDT)	4,980	-
EXIM Bank (SND account - 01513100031877 - BDT)	510,116	493,820
Standard Chartered Bank (SND account - 02-3767272-01 - BDT)	52,842	53,650
Dutch Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330,117-120.2550 - BDT)	100,382,750	117,790,656
Dutch Bangla Bank Ltd. (SND account - 117-120-376 (WH)- BDT)	128,657	-
BRAC Bank (SND - 1513101731248001 - BDT)	362,785	360,789
Prime Bank Ltd. (SND - 12531010022563 - BDT)	27,898,730	5,741,297
Dhaka Bank Ltd (SND - 102.150.274- BDT))	24,223,605	39,444,913
Commercial Bank of Ceylon (CD-2817000776 - BDT.)	22,154	9,811
Dhaka Bank Ltd (CD - 204100000019318- BDT))	234,064	599,154
Commercial Bank of Ceylon (SND-2817000777 - BDT.)	52,176,242	65,731,073
Meghna Bank Ltd. (SND 1112-13500000004 - BDT)	52,844,531	30,234,529
Midland Bank Ltd. (SND 0006-1070000015 - BDT)	608,850	11,420,033
	654,903,160	431,012,298
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	2,431,487	2,437,422
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262042 - USD)	3,919,501	3,916,999
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262026 - EURO)	153,606	153,455
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262034 - GBP)	126,599	126,440
	6,631,193	6,634,316
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,610,821	2,614,781
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	2,196,201	2,200,512
SCB (Current - 02-6162940-02- BDT) - 2012	3,873,556	3,858,070
SCB (Current - 02-6162940-03- BDT) - 2013	16,882,899	16,816,804
SCB (Current - 02-6162940-04- BDT) - 2014	5,006,270	4,986,605
SCB (Current - 02-6162940-05- BDT) - 2015	3,847,241	3,832,380
SCB (Current - 02-6162940-06- BDT) - 2016	4,307,616	4,326,361
SCB (Current - 02-6162940-07- BDT) - 2017	1,715,963	1,790,467
SCB (Current - 02-6162940-08- BDT) - 2018	2,199,822	-
	42,640,389	40,425,980
Investment in Fixed Deposit Receipt (FDR)		
HSBC	11,906,325	11,866,589
SCB	762,080	762,080
Dutch Bangla Bank Ltd.	28,838,500	28,838,500
Eastern Bank Ltd.	250,000,000	150,000,000
Dhaka Bank Ltd.	500,000,000	150,000,000
Meghna Bank Ltd.	-	5,000,000
	791,506,905	346,467,169
Total	1,499,310,101	829,807,227

	2019 Taka	2018 Taka
14 Share Capital		
Authorised :		
600,000,000 ordinary shares of Taka 10/- each	6,000,000,000	6,000,000,000
Issued, subscribed, called and paid up :		
427,968,701 ordinary shares of Taka 10/- each	4,279,687,010	3,890,624,560

Percentage of shareholdings :

	2019		2018	
	%	Taka	%	Taka
RAK Ceramics PJSC, UAE	68.13	2,915,864,310	68.13	2,650,785,740
S.A.K. Ekramuzzaman	3.95	168,958,240	3.95	153,598,410
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	340	0.00	310
Sheikh Omer Bin Saqr Al Qassimi	0.00	340	0.00	310
Sheikh Ahmad Bin Humaid al Qassimi	0.00	340	0.00	310
Hamad Abdulla Al Muttawa	0.00	160	0.00	150
Dr. Khater Massaad	0.00	160	0.00	150
Abdallah Massaad	0.00	160	0.00	150
Manoj Uttamrao Ahire	0.00	160	0.00	150
General Public	27.92	1,194,862,800	27.92	1,086,238,880
	100.00	4,279,687,010	100.00	3,890,624,560

The company was incorporated on 26th of November 1998 with paid up capital of BDT 1,000 and subsequently has issued ordinary shares including bonus shares in several dates i.e. 30 September 2000, 30 October 2005, 15 June 2009, 28 July 2009, 31 January 2010, 24 May 2010, 20 March 2011, 15 April 2012, 10 April 2013, 02 April 2014, 29 March 2017, 18 April 2018 and 09 April 2019.

Classification of shareholders by holding

Shareholder's range	Number of shareholders		Number of shares	
	2019	2018	2019	2018
01-499 shares	20,366	22,333	4,995,826	5,070,691
500 to 5,000 shares	8,198	8,992	13,460,461	14,323,202
5001 to 10,000 shares	1,031	1,018	7,277,910	7,132,096
10,001 to 20,000 shares	527	521	7,320,397	7,268,499
20,001 to 30,000 shares	167	152	4,076,759	3,787,490
30,001 to 40,000 shares	70	73	2,404,839	2,520,150
40,001 to 50,000 shares	48	48	2,143,014	2,169,779
50,001 to 100,000 shares	106	93	7,222,580	6,487,948
100,001 to 1,000,000 shares	100	92	25,398,876	24,171,658
1,000,001 to 1,000,000,000 Shares	15	13	353,668,039	316,130,943
	30,628	33,335	427,968,701	389,062,456

15 Share premium

On 31 January, 2010, company issued 10,000,000 ordinary shares in favor of institutional shareholder and employees per share BDT. 40 (include BDT. 30 as premium). On 24 May, 2010 Company again issued 34,510,000 ordinary shares through IPO per share BDT. 48 (include BDT. 38 as premium). Details reconciliation shown below:

No. of shares	Share premium (per share)	2019 Taka	2018 Taka
10,000,000	30	300,000,000	300,000,000
34,510,000	38	1,311,380,000	1,311,380,000
		1,611,380,000	1,611,380,000
Less : Share issue expenses		137,732,021	137,732,021
		1,473,647,979	1,473,647,979

16 Reserve and surplus

	2019	2018
Balance as on 1 January	1,628,694,442	1,445,455,970
Less : Adjustment for prior year (Leases)	(3,319,226)	-
Add : Profit during the year	754,025,209	890,624,763
	2,379,400,424	2,336,080,733
Less: Dividend declared during the year	(778,124,906)	(707,386,291)
Balance as on 31 December	1,601,275,518	1,628,694,442

Detail movement for reserve and surplus shown under statement of changes in equity.

		2019 Taka	2018 Taka
17	**Deferred tax liabilities**		
	Balance as at 1 January	197,934,495	178,813,760
	Less : Deferred tax (income)/expenses	(6,041,346)	19,120,735
	Balance as at 31 December	191,893,149	197,934,495

	Carrying amount on the date of statement of financial position Taka	Tax base Taka	Taxable/ (deductible) temporary difference Taka
As at 31 December 2019			
Property, plant and equipment (Excluding land and others)	2,769,055,533	1,978,873,851	790,181,682
Trade receivable	791,627,927	800,414,926	(8,786,999)
Inventory	2,716,061,804	2,763,754,793	(47,692,989)
Net taxable temporary difference			733,701,694
Deferred tax liability (applying applicable tax rate for individual company)			191,893,149
As at 31 December 2018			
Property, plant and equipment (Excluding land and others)	2,965,075,192	2,206,204,829	758,870,363
Trade receivable	825,965,144	829,566,575	(3,601,431)
Net taxable temporary difference			755,268,932
Deferred tax liability (applying applicable tax rate for individual company)			197,934,495

18 Employees benefits payable

	2019		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	61,044,474	32,792,338	93,836,812
	61,044,474	32,792,338	93,836,812
Less: Payments made to fund during the year	61,044,474	32,792,338	93,836,812
Balance as at 31 December	-	-	-

Provision and payment includes BDT. 1,946,890 for the year 2019 as employee contribution paid to employee leaving company before being eligible for provident fund and employer's contribution reversed.

	2018		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	61,860,370	33,220,831	95,081,200
	61,860,370	33,220,831	95,081,200
Less: Payments made to fund during the year	61,860,370	33,220,831	95,081,200
Balance as at 31 December	-	-	-

Provision and payment includes BDT. 516,106 for the year 2018 as employee contribution paid to employee leaving company before being eligible for provident fund and employer's contribution reversed.

19 Borrowings

	2019	2018
Non-current:		
Term loan	89,232,918	362,201,591
Current portion of term loan	(89,232,918)	(273,998,242)
	-	88,203,349
Current:		
Bank overdrafts	-	35,654,174
Current portion of term loan	89,232,918	273,998,242
	89,232,918	309,652,416
Balance as at 31 December	89,232,918	397,855,765

19.1 Borrowings by maturity

At 31 December 2019	< 1 year	1-2 years	2-5 years	Total
Term loan	89,232,918	-	-	89,232,918
	89,232,918	-	-	89,232,918

At 31 December 2018	< 1 year	1-2 years	2-5 years	Total
Bank overdrafts	35,654,174	-	-	35,654,174
Term loan	273,998,242	88,203,349	-	362,201,591
	309,652,416	88,203,349	-	397,855,765

19.2 Facilities details (Funded)

Bank	Name of facilities	Limit	Utilisation	Maturity	Repayment	Security - STL	Security - LTL
SCB	Overdraft	50,000,000	-	Revolving	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.
	Short term loan	378,000,000	-	180/360 days from B/L date			
HSBC	Overdraft	30,000,000		Revolving	From company's own source		
	Short term loan	550,000,000	-	180/360 days from B/L date			
	Long term loan	1,366,872,000	89,232,918	5 years			
Dutch Bangla Bank Ltd.	Overdraft	25,000,000	-	Revolving			
	Short term loan	90,000,000	-	180/360 days from B/L date	From company's own source		
Commercial Bank of Ceylon	Overdraft	25,000,000	-	Revolving	From company's own source		
	Short term loan	300,000,000	-	180/360 days from B/L date			

	2019 Taka	2018 Taka
20 Lease liability		
Non-current:		
Lease liability	39,475,875	-
Less : Current portion of lease liability	10,101,008	-
	29,374,867	-
Current:		
Current portion of lease liability	10,101,008	-

Lease liability schedule

Particulars	Balance as on 01 January, 2019	Addition/(deletion)	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2019
Display center	46,374,623	(30,048,249)	7,049,344	2,306,778	4,742,566	11,583,808
Accomodation Building	2,319,576	655,543	1,602,312	185,750	1,416,562	1,558,557
Warehouse	-	28,907,529	6,050,262	2,473,372	3,576,890	25,330,639
Office Building	1,997,395	-	1,140,000	145,477	994,523	1,002,871
	50,691,594	(485,177)	15,841,918	5,111,376	10,730,542	39,475,875

21 Trade and other payables

	2019 Taka	2018 Taka
Trade payables		
Payable to local suppliers	92,068,742	109,881,660
Payable to foreign suppliers	334,034,758	265,572,347
Payable to service provider	31,996,004	20,171,194
Payable to C & F agent	18,884,970	11,187,712
	476,984,474	406,812,913
Other payables		
Tax deducted at source	20,422,540	18,295,834
VAT deducted at source	7,771,816	6,765,578
VAT and Supplementary duty payable (Note-21.1)	103,722,054	-
Dividend Payable	41,670,516	39,574,191
Unclaimed share application	20,810,756	20,818,916
Advance from cutomer against sales	14,403,615	10,893,079
Security deposit payable	3,470,342	1,658,392
Payable to employees	1,202,084	658,229
Provisional liabilities - material & services	1,267,333	23,182,446
	214,741,056	121,846,665
	691,725,531	528,659,578

21.1 VAT and Supplementary duty (SD) payable

	2019 Taka	2018 Taka
VAT and Supplementary duty on sales	1,855,334,444	-
Payable - SD & VAT	107,215,433	-
Other payable	3,336,899	-
	1,965,886,776	-
Less: Balance as at 1 January	46,360,059	-
Treasury deposit for SD & VAT purpose	1,276,905,762	-
Rebate of input VAT	538,898,901	-
	1,862,164,722	-
Balance as at 31 December	103,722,054	-

Due to introduction of new SD & VAT Act, SD & VAT now require to deposit within 15 days of next month instead of advance. Therefore instead of advance it is now shown as payable.

		2019 Taka	2018 Taka
22	**Accrued expenses**		
	Power and gas	41,446,942	33,809,781
	Staff cost	128,303,482	101,868,611
	Audit fees	1,525,000	1,543,750
	Professional charges	463,000	451,750
	Interest on loans	1,554,585	52,889
	Telephone	239,907	240,867
	Provision for freight	1,114,737	6,236,754
	Managing Director's remuneration (Note 22.1)	35,910,357	39,943,228
	Worker's profit participation and welfare fund (Note 22.2)	52,965,129	58,913,315
	Royalty and technical know-how fees (Note 22.3)	287,408,635	284,211,437
	Others	7,733,860	4,328,778
		558,665,634	531,601,160
22.1	**Managing Director's remuneration**		
	Balance as at 1 January	39,943,228	45,725,177
	Add: Provision made during the year	35,910,357	39,943,228
		75,853,585	85,668,405
	Less: Paid to Managing Director during the year	39,943,228	45,725,177
	Balance as at 31 December	35,910,357	39,943,228
22.2	**Worker's profit participation and welfare fund**		
	Balance as at 1 January	58,913,315	67,441,264
	Add: Contribution made to the fund during the year	52,965,129	58,913,315
		111,878,444	126,354,579
	Less: Payment made from the fund during the year	58,913,315	67,441,264
	Balance as at 31 December	52,965,129	58,913,315
22.3	**Provision for royalty and technical know-how fees**		
	Balance as at 1 January	284,211,437	191,852,419
	Add: Provision made during the year	84,744,206	94,261,305
		368,955,643	286,113,724
	Less: Payment made during the year	81,547,008	1,902,287
	Balance as at 31 December	287,408,635	284,211,437
23	**Provision for income Tax**		
	Balance as at 1 January	3,537,831,853	3,227,805,110
	Add: Provision made for the year	296,420,303	316,179,434
		3,834,252,156	3,543,984,544
	Less: Provision release during the year	-	6,152,691
	Balance as at 31 December (Note 23.1)	3,834,252,156	3,537,831,853
23.1	**Provision for income Tax**		
	Income year		
	Year 2019	296,420,303	-
	Year 2018	316,355,666	316,355,666
	Year 2017	346,089,883	346,089,883
	Year 2016	302,798,649	302,798,649
	Year 2015	323,397,728	323,397,728
	Year 2014	377,885,822	377,885,822
	Year 2013	362,336,361	362,336,361
	Year 2012	339,211,366	339,211,366
	Year 2011	326,685,215	326,685,215
	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
		3,834,252,156	3,537,831,853

		2019 Taka	2018 Taka
24	**Sales**		
	Gross sales from Ceramics product	8,869,234,727	8,692,532,056
	Gross sales from Power generation	379,906,242	392,089,748
	Gross sales from Security service	121,388,597	183,249,674
		9,370,529,566	9,267,871,478
	Less: Elimination	404,110,423	489,551,833
	Supplementary Duty	670,842,773	674,107,884
	VAT	1,201,656,333	1,157,559,196
	Discount	47,695,679	115,868,831
	Commission, incentive and bonus	582,367,046	499,700,433
	Net sales	**6,463,857,312**	**6,331,083,301**

		2019 Taka	2018 Taka
25	**Cost of salos**		
	Materials consumed:		
	Opening inventory as at 1 January	839,612,529	655,088,511
	Add: Purchase during the year	2,239,349,844	2,681,307,156
		3,078,962,373	3,336,395,667
	Less: Closing inventory as at 31 December	818,594,596	839,612,529
		2,260,367,777	2,496,783,138
	Manufacturing overhead:		
	Direct labour (note 25.1)	595,504,852	588,450,015
	Direct expenses:		
	Power and gas	234,312,245	220,935,411
	Repairs and indirect materials (note 25.2)	716,398,223	810,642,376
	Rental charges	-	922,886
	Depreciation on property, plant & equipment (note - 5.1)	377,142,595	377,083,481
	Royalty and technical know-how/assistance fees	84,744,206	94,261,305
	Other production overhead (Note 25.3)	46,178,500	97,271,900
	Provision for slow moving & obsolete inventories (note 9)	37,191,480	-
	Movement in stock	204,272,788	(368,660,843)
		4,556,112,666	**4,317,689,669**
25.1	**Direct labour**		
	Salary & wages	366,268,122	345,718,759
	Overtime	35,996,638	44,323,368
	Bonus	68,754,469	48,979,076
	Incentive	20,000	780,984
	Temporary labour wages	67,609,061	96,441,332
	Staff uniform expenses	1,548,395	1,630,344
	Gratuity	22,559,693	23,045,568
	Employer's contribution to provident fund	19,860,877	20,679,049
	Leave encashment	9,387,856	4,109,877
	Group life insurance	2,547,186	2,312,256
	Compensation	952,555	429,402
		595,504,852	**588,450,015**
25.2	**Repairs and indirect materials**		
	Stores, spares, repair & maintenance	366,435,809	416,473,740
	Packing expenses	349,962,414	394,168,636
		716,398,223	**810,642,376**
25.3	**Other production overhead**		
	Hotel fare and tour expenses	3,675,774	5,163,985
	Demurrage	2,384,244	14,254,258
	Insurance	27,331,071	20,378,368
	Hiring charges and transportation	6,163,396	17,116,989
	Write off for stores, consumables and packing	-	31,843,008
	Other expenses	6,624,015	8,515,292
		46,178,500	**97,271,900**
26	**Other income**		
	Dividend income	200	200
	Miscellaneous income	79,340	145,270
	Rental income	6,120,000	8,460,000
	Profit on sale of fixed assets (note- 5.3)	60,627	81,217
	Gain on retirement of right of use assets (note-6.1)	1,656,762	-
	Insurance claim	38,287,131	56,976,730
		46,204,060	**65,663,417**

	2019 Taka	2018 Taka
27 Administrative expenses		
Staff cost (note-27.2)	198,668,844	188,186,072
Annual General Meeting expenses	5,091,981	16,239,911
Telephone and postage	5,879,843	3,937,359
Office repair and maintenance (note 27.3)	11,602,345	8,695,888
Registration and renewal	899,311	1,906,411
Security and guard expenses	12,963,951	12,125,487
Electricity, gas and water	8,735,395	7,754,536
Depreciation on property, plant & equipment (note - 5.2)	34,278,645	34,182,108
Depreciation on investment property (note - 5.2)	10,532,101	10,532,101
Depreciation on right of use assets (note-6)	2,403,090	-
Amortisation	6,192,863	5,462,966
Legal and professional fees	9,962,298	6,933,955
Vehicle repair and maintenance	14,449,905	11,332,073
Rent, rate and tax	4,320,400	7,416,946
Loss on retirement of fixed assets	10,204,172	-
IT expenses	5,284,353	4,231,184
General Servicing	10,615,266	8,893,019
Donation	1,102,500	4,053,037
Managing Director's remuneration (note-27.4)	35,910,357	39,943,228
Technical consultancy & others	11,415,098	6,447,930
	400,512,718	**378,274,211**

Rent,rates and taxes includes rent expenses for short term lease for BDT. 1,455,560 and related government levis wherever applicable. Details of the short term lease is shown in note 34 . No low value item exists at the reporting period.

	2019 Taka	2018 Taka
27.1 Impairment loss on trade receivable		
Unrelated parties	2,291,988	348,092
Related parties	3,332,649	3,253,339
	5,624,637	**3,601,431**

New classification of financial assets shown in note 35.1(b) Impairment loss allowance has not been considered on other receivables and bank balances because business is confident to recover the full amount from the party.

	2019 Taka	2018 Taka
27.2 Staff cost		
Salary & wages	138,394,082	136,802,633
Overtime	30,166	-
Bonus	24,022,478	20,121,783
Incentive	-	335,979
Gratuity	7,586,413	7,856,289
Employer's contribution to provident fund	7,301,369	7,721,457
Leave encashment	5,411,101	1,518,227
Group life insurance	801,988	763,146
Canteen and conveyance expenses	9,270,590	8,100,268
Staff uniform expenses	770,127	914,819
Travelling expenses	1,571,722	2,628,231
Compensation	129,002	-
Medical expenses	1,262,481	1,094,402
Accommodation expenses	1,703,857	117,878
Other employee benefit	413,468	210,960
	198,668,844	**188,186,072**

	2019 Taka	2018 Taka
27.3 Office repair & maintenance		
Repairs office equipment	756,985	104,211
Office maintenance	10,845,360	8,591,677
	11,602,345	**8,695,888**

	2019 Taka	2018 Taka
27.4 Managing Director's remuneration		
Provision made during the year	35,910,357	39,943,228
	35,910,357	**39,943,228**

Managing Director's remuneration represents provision made 3% of net profit before tax of RAK Ceramics (Bangladesh) Ltd.

	2019 Taka	2018 Taka
28 Marketing & selling expenses		
Staff cost (note-28.1)	66,340,939	52,750,302
Advertisement	33,829,109	8,800,695
Freight and transportation	265,406,265	271,435,892
Compensation	11,826,912	16,068,593
Business promotion	37,446,893	31,095,739
Depreciation on property, plant & equipment	5,461,681	4,436,808
Depreciation on right of use assets (note-6)	14,156,874	-
Showroom, office & house rent	5,047,545	18,562,018
Sample expenses	9,936,512	3,999,199
Travel, entertainment and others	6,543,551	4,210,300
	455,996,281	**411,359,546**

Showroom, office and house rent includes rent expenses for short term lease for BDT. 1,234,000 and related government levis wherever applicable. Details of the short term lease is shown in note no 34. No low value item exists at the reporting period.

	2019 Taka	2018 Taka
28.1 Staff cost		
Salary & wages	44,191,989	37,341,109
Bonus	9,086,827	4,115,614
Incentive	173,977	1,131,016
Gratuity	2,646,232	2,318,974
Employer's contribution to provident fund	2,386,546	2,271,626
Leave Encashment	1,649,726	445,054
Group life insurance	239,568	218,665
Conveyance & food expenses	5,758,730	4,829,060
Compensation	139,920	-
Staff uniform expenses	67,424	79,184
	66,340,939	52,750,302

28.2 Salary & wages under staff cost (note no. 25.1, 27.2 & 28.1) includes employee conttribution to provident fund for BDT. 19,860,877, BDT. 7,301,369 & BDT. 2,386,546.

	2019 Taka	2018 Taka
29 Finance income		
Interest on bank account (SND)	6,832,490	5,915,987
Interest on fixed deposits	26,045,658	28,068,332
Un-winding gain	-	4,426,511
	32,878,148	38,410,830
30 Finance expenses		
Interest expenses against loan	12,774,595	34,297,301
Interest expenses against lease liability	5,111,376	-
Foreign exchange loss/(gain)	6,874,554	810,559
Bank charges	2,563,151	4,286,162
	27,323,676	39,394,022
31 Contribution to worker's profit participation and welfare fund		
Provision made during the year	52,965,129	58,913,315
	52,965,129	58,913,315
32 Current tax		
Current year	296,420,303	316,179,434
	296,420,303	316,179,434

33 Reconciliation of effective tax rate

	%	2019 Taka	%	2018 Taka
Profit before tax		1,044,404,413		1,225,925,354
Current tax expenses	28.38%	296,420,303	25.79%	316,179,434
Deferred tax expenses	-0.58%	(6,041,346)	1.56%	19,120,735
Total tax expenses	27.80%	290,378,957	27.35%	335,300,169
Expected income tax using applicable tax rate for individual company	27.63%	288,576,854	27.36%	335,394,915
Tax on non-deductible expenses	0.8%	7,843,448	-1.6%	(19,215,481)
Effective current tax	28.38%	296,420,303	25.79%	316,179,434
Effective deferred tax	-0.58%	(6,041,346)	1.56%	19,120,735
	27.80%	290,378,957	27.35%	335,300,169

34 Short term lease expenses

Nature of the lease	Lease term	Allocation	Rent Payment
Rented accomodation	<1 year	Marketing	1,234,000
Rented accomodation	<1 year	Admin	1,455,560
			2,689,560

35 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

35.1 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 2019	As at 31 Dec 2018	As at 31 Dec 2019	As at 31 Dec 2018
Trade receivables				
Customer-Local	-	-	806,902,780	805,880,110
Customer-Export	78,297	-	6,573,037	-
	78,297	-	813,475,817	805,880,110
Other receivables				
Receivable against insurance claim			38,287,131	56,976,730
Accrued Interest			8,197,308	3,009,287
Accrued rental income			-	5,925,000
			46,484,439	65,911,017
Cash equivalents			1,495,681,647	824,539,763

b) Impact of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the financial assets as at 31 December 2019.

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impairment loss (Refer note 10.1)
Trade receivable-unrelated	10.1	Loan & receivable	Amortized cost	327,655,223	325,015,143	2,640,080
Trade receivable-related	10.1	Loan & receivable	Amortized cost	495,046,661	488,460,673	6,585,988
Cash & cash equivalent	13	Loan & receivable	Amortized cost	1,495,681,647	1,495,681,647	-

i The above table provides information ECLs till date. Impairment provision till Dec 2018 was Tk. 3,601,431 and provision made during the year is Tk. 5,624,637.

ii Trade receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these receivables was recognised in the current year on transition to IFRS 9.

iii Cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these cash & cash equivalent was recognised in the current year on transition to IFRS 9.

c) Ageing of receivables

The ageing of trade receivables as at 31 December was:

	Amounts in Taka	
	As at 31 Dec 2019	As at 31 Dec 2018
Not past due	751,147,263	745,648,990
0-90 days past due	32,705,826	16,912,926
91-180 days past due	18,869,623	21,642,349
181-365 days past due	3,437,613	12,917,992
over 365 days past due	7,315,492	8,757,853
	813,475,817	805,880,110

35.2 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 2019			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	691,725,531	691,725,531	691,725,531	-
Term loan (foreign)	89,232,918	89,232,918	89,232,918	-
	780,958,449	780,958,449	780,958,449	-

	As at 31 Dec 2018			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Bank overdraft	35,654,174	35,654,174	35,654,174	-
Trade and other payables	528,659,578	528,659,578	528,659,578	-
Term loan	362,201,591	362,201,591	273,998,242	88,203,349
	926,515,343	926,515,343	838,311,994	88,203,349

35.3 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 2019				As at 31 Dec 2018			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
Foreign currency denominated assets								
Receivable from customers-Export	-	-	78,297	-	-	-	-	-
Cash at bank	-	-	141,204	-	-		198,729	-
	-	-	219,501	-	-	-	198,729	-

	As at 31 Dec 2019				As at 31 Dec 2018			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
Foreign currency denominated liabilities								
Trade payables	-	132,189	2,201,698	1,373,117	26,250	164,612	2,246,077	631,228
Term loan	-	-	1,050,417	-	-	-	4,314,492	-
Royalty & Technical Fees	-	-	3,383,268	-	-	-	3,385,485	-
	-	132,189	6,635,383	1,373,117	26,250	164,612	9,946,054	631,228
Net exposure	-	(132,189)	(6,415,882)	(1,373,117)	(26,250)	(164,612)	(9,747,325)	(631,228)

The Company has foreign exchange loss of Tk 6,874,554 during the year ended 31 December 2019 (31 December 2018: Exchange loss Tk 810,559).

The following significant exchange rates have been applied:

	Exchange rate as at (Average)	
	31 Dec 2019	31 Dec 2018
	Taka	Taka
AED	23.0627	22.7911
GBP	111.3664	106.2826
USD	84.4500	83.4500
EURO	95.0948	95.5444

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

	As at 31 Dec 2019		As at 31 Dec 2018	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
	Taka	Taka	Taka	Taka
At 31 December				
AED (3 percent movement)	-	-	(812)	765
GBP (3 percent movement)	(4,088)	3,850	(5,091)	4,795
USD (3 percent movement)	(198,429)	186,870	(301,464)	283,903
EURO (3 percent movement)	(42,468)	39,994	(19,523)	18,385

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 company has not entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

Profile

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

	Carrying amount	
	As at 31 Dec 2019 Taka	As at 31 Dec 2018 Taka
Fixed rate instruments		
Financial assets		
Investment in FDR	791,506,905	346,467,169
Cash at banks	704,174,743	478,072,594
Financial liabilities		
Term loan (Foreign)	89,232,918	362,201,591
Bank overdraft	-	35,654,174

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 Dec 2019		As at 31 Dec 2018	
	Carrying amount Taka	Fair value Taka	Carrying amount Taka	Fair value Taka
Financial assets				
Held to maturity assets				
Investment in FDR	791,506,905	791,506,905	346,467,169	346,467,169
Loans and receivables				
Trade receivables	813,475,817	813,475,817	805,880,110	805,880,110
Other receivables	46,484,439	46,484,439	65,911,017	65,911,017
Cash equivalents	1,495,681,647	1,495,681,647	824,539,763	824,539,763
Financial liabilities				
Liabilities carried at amortised costs				
Term loan	89,232,918	89,232,918	362,201,591	362,201,591
Bank overdraft	-	-	35,654,174	35,654,174
Trade and other payables	691,725,531	691,725,531	528,659,578	528,659,578

Interest rates used for determining amortised cost

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

	31 Dec 2019	31 Dec 2018
Investment in FDR (local currency/BDT)	1.95%-10.50%	1.95%-8.50%
Bank overdraft (local currency/BDT)	8.00%-10.25%	8%-10.00%
Short term bank loan (local currency/BDT)	9.50%-10.00%	8%-10.00%
Short term bank loan (foreign currency/USD)	Libor+2.75%	Libor+(2.75%-2.85%)
Long term bank loan (foreign currency/USD)	Libor+3%	Libor+3%

36 **Related party disclosures under IAS-24**

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

Amounts in Taka

Name of related party	Relationship	Security/ Gurantee status	Bad debts Status	Period	Purchase of goods/services	Sale of goods/services	Outstanding receivables/Advance	Outstanding payable	Remuneration	Dividend income
RAK Power Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	350,456,021	11,064,211	-	69,096,649	-	81,999,600
				Previous year	392,089,748	6,152,571	-	98,658,782	-	81,999,600
RAK Security & Services Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	52,160,129	-	-	6,400,853	-	4,950,000
				Previous year	95,939,059	-	-	19,908,164	-	3,960,000
RAK Ceramics - PJSC, UAE	Parent	Unsecured	Nil	Current year	22,466,247	-	-	24,122,508	-	-
				Previous year	29,055,626	-	-	25,144,693	-	-
Ceramin FZ LLC	Fellow subsidiary	Secured	Nil	Current year	392,749,682	-	-	81,573,238	-	-
				Previous year	509,397,456	-	-	83,236,425	-	-
Julphar Pharmaceuticals Ltd.	Other related party	Unsecured	Nil	Current year	-	2,520,000	-	-	-	-
				Previous year	-	4,860,000	3,645,000	-	-	-
RAK Paints Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	419,421	3,600,000	5,144	-	-	-
				Previous year	1,796,925	3,600,000	2,280,000	-	-	-
Kea Printing & Packaging Industries	Other related party	Unsecured	Nil	Current year	68,191,789	-	-	10,047,843	-	-
				Previous year	76,073,703	-	-	12,706,166	-	-
Palli Properties Pte. Ltd	Other related party	Unsecured	Nil	Current year	14,711,593	-	-	722,088	-	-
				Previous year	18,684,918	-	-	865,356	-	-
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	353,672	-	-	-	-	-
				Previous year	2,401,433	-	-	24,544	-	-
Green Planet Communications	Other related party	Unsecured	Nil	Current year	379,457	-	-	-	-	-
				Previous year	9,584,482	-	-	48,720	-	-
Global Business Associates Ltd.	Other related party	Unsecured	Nil	Current year	780,380	-	-	17,595	-	-
				Previous year	717,674	-	-	-	-	-
Pelikan Plastic & Packing Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	39,045,942	-	-	5,772,579	-	-
				Previous year	118,354,894	-	-	8,046,142	-	-
Mohammed Trading	Other related party	Secured by Guaranted Cheque	Nil	Current year	-	2,384,669,868	494,919,371	-	-	-
				Previous year	-	2,277,534,117	520,382,927	-	-	-
S.A.K. Ekramuzzaman	Key Management Personnel	Unsecured	Nil	Current year	2,563,008	-	-	35,910,357	35,910,357	-
				Previous year	2,193,288	-	-	39,943,228	39,943,228	-
Imdaz Hussain	Key Management Personnel	Unsecured	Nil	Current year	-	-	-	-	10,367,732	-
				Previous year	-	-	-	1,123,305	10,793,225	-

36.1 **Paid to Directors**

During the year, provision was made as MD's remuneration for Taka. 35,910,357.

During the year, Board meeting fees of Taka 150,000 was paid to the board members for attending the Board meetings.

37 Segment reporting

The company 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 and services : Engages in providing security guard, cleaning services, verification services,termite and pest control services and set up manpower technical training.

2019	Business Segments				
	Ceramic & sanitary ware	Power	Security and Services	Inter segment	Entity total
	Taka	Taka	Taka	Taka	Taka
Revenue - external customers	6,408,004,827	1,946,067	53,906,419	-	6,463,857,312
Revenue - inter segment	-	350,456,021	53,654,402	(404,110,423)	-
Total segment revenue	6,408,004,827	352,402,088	107,560,821	(404,110,423)	6,463,857,312
Cost of sales- external customer	(4,205,457,932)	(259,456,704)	(91,198,028)	-	(4,556,112,666)
Cost of sales- Inter segment	(402,616,150)	(10,191,442)	-	412,807,592	-
Total segment cost of sales	(4,608,074,082)	(269,648,146)	(91,198,028)	412,807,592	(4,556,112,666)
Gross profit	1,799,930,745	82,753,942	16,362,793	-	1,907,744,646
Other income	40,004,520	79,340			40,083,860
Dividend income	86,949,600	50,000	200	(86,999,600)	200
Rental income	17,184,211	-	-	(11,064,211)	6,120,000
Financial income	30,596,482	2,146,781	134,885	-	32,878,148
Financial expenses	(27,060,159)	(437,197)	(116,834)	290,514	(27,323,676)
Depreciation	(412,290,356)	(14,806,996)	(317,670)	-	(427,415,022)
Other operating expenses	(476,012,461)	5,614,794	(17,286,076)	-	(487,683,743)
Segment profit before tax	1,059,302,582	75,400,664	(1,222,702)	-	1,044,404,413
Income tax expense	(269,804,714)	(26,615,589)	-	-	(296,420,303)
Deferred tax	4,152,154	1,889,192	-	-	6,041,346
Non -Controlling interest	-	247	(0.06)	-	247
Profit for the year					**754,025,209**

2018

	Business Segments				
	Ceramic & sanitary ware	**Power**	**Security and services**	**Inter segment**	**Entity total**
	Taka	Taka	Taka	Taka	Taka
Revenue - external customers	6,269,197,881	-	61,885,420	-	6,331,083,301
Revenue - inter segment	-	392,089,748	97,462,085	(489,551,833)	-
Total segment revenue	6,269,197,881	392,089,748	159,347,505	(489,551,833)	6,331,083,301
Cost of sales- external customer	(3,931,403,155)	(249,137,217)	(137,149,296)	-	(4,317,689,669)
Cost of sales- inter segment	(488,028,807)	(7,675,597)	-	495,704,404	-
Total segment cost of sales	(4,419,431,962)	(256,812,814)	(137,149,296)	495,704,404	(4,317,689,669)
Gross profit	1,849,765,919	135,276,934	22,198,209	-	2,013,393,632
Other income	57,054,039	149,179	-		57,203,218
Dividend income	85,959,600	40,000	200	(85,999,600)	200
Rental income	14,612,571	-	-	(6,152,571)	8,460,000
Unwinding gain on receivable (Note - 29)	-	-	-		4,426,511
Financial income	32,051,045	1,847,140	86,135	-	33,984,319
Financial expenses	(37,086,831)	(2,276,634)	(30,557)	-	(39,394,021)
Depreciation	(407,803,840)	(17,871,387)	(559,270)	-	(426,234,497)
Other operating expenses	(416,286,194)	8,632,156	(18,259,970)	-	(425,914,008)
Segment profit before tax	1,178,266,309	125,797,388	3,434,746	-	1,225,925,354
Income tax expense	(273,027,981)	(42,125,554)	(1,025,899)	-	(316,179,434)
Deferred tax	(22,057,495)	2,783,086	153,674	-	(19,120,735)
Non -Controlling interest	-	422	0.13	-	422
Profit for the year					**890,624,763**

	2019 Taka	2018 Taka
38 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	754,025,209	890,624,763
No. of ordinary equity shares	427,968,701	427,968,701
Weighted average no. of equity shares outstanding (Note 38.1)	427,968,701	427,968,701
Earnings per share (EPS) for the year	1.76	2.08
Diluted earnings per share for the year	1.76	2.08
Net assets value per share	17.18	17.97
Net operating cash flow per share	3.70	1.33

38.1 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.

	2019	2018
Outstanding shares	389,062,456	389,062,456
Effect of issue of bonus shares for the year 2018	38,906,245	38,906,245
	427,968,701	427,968,701

38.2 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.

38.3 Reason of deviation of earnings per share:

The expenditure increased due to normal increase is salary & wages and also incremental amounts in respect of dealers performance incentives, inventory provisioning based on ageing analysis.

39 Reason of deviation of net operating cash flow per share:

The company registered improvement in cash inflows from customers as well as better credit term with suppliers in the year as compared to previous year.

39.1 Reconciliation of operating cash flow:	2019	2018
Cash flows from operating activities		
Profit before taxation	1,044,404,413	1,225,925,354
Adjustment for:		
Depreciation	443,974,986	426,234,497
Amortization	6,192,863	5,462,966
Loss on assets retirement	10,204,172	-
Advance rent adjustment	(13,852,346)	-
Tax adjustment	-	(6,152,691)
Foreign exchange loss	6,874,554	810,559
Finance expenses	20,449,121	38,583,462
Finance income	(32,878,148)	(38,410,830)
Other income	(46,124,720)	(65,518,148)
	1,439,244,896	1,586,935,170
Increase/decrease in trade and other receivables	(7,595,707)	(304,951,125)
Increase/decrease in inventories	219,985,839	(471,912,815)
Increase/decrease in trade and other payables	235,498,541	45,326,102
Cash generated from operating activities	1,887,133,564	855,397,334
Interest received from bank deposit	6,832,490	5,915,987
Income tax paid	(308,746,264)	(293,693,008)
Net cash (used in)/from operating activities	1,585,219,790	567,620,313

40 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 888,227,095 (31 Dec 2018: Tk 992,574,842). 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 228,072,306 (31 Dec 2018: Tk 307,987,625) and letter of guarantee of Tk 100,575,768 (31 Dec 2018: Tk 115,134,048).

41 Events after the reporting period

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

The Board of Directors of RAK Ceramics (Bangladesh) Limited , in its meeting held in February 04, 2020, has unanimously recommended cash dividend @15% of the paid up capital of the company for the year ended 31 December 2019 equivalent to BDT. 641,953,052 to be distributed as cash dividend among shareholders, which is more than 30% of the current year profit. The dividend is subject to final approval by the shareholders at the forthcoming 31 March 2020 Annual General Meeting of the Company.