RAK Ceramics (Bangladesh) Ltd.

Auditors' Report
and
Consolidated financial statements
as at and for the year ended 31 December 2016

AMARSTOCK

A. QASEM & CO.
Chartered Accountants Since 1953

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

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Other matter

The financial statements of two subsidiaries of RAK Ceramics (Bangladesh) Ltd. are audited by another auditor who expressed an unmodified opinion on those financial statements on 23 January 2017.

Report on other legal and regulatory requirements

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

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

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

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

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

(A. Qasem & Co.)
Chartered Accountants

Dated, 23 January 2017

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RAK Ceramics (Bangladesh) Ltd.

Consolidated statement of financial position
as at 31 December 2016

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

The notes on pages 6 to 38 are an integral part of these financial statements

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

As per our report of same date

(A Qasem & Co.)
Chartered Accountants

Dated, 23 January 2017

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RAK Ceramics (Bangladesh) Ltd.

Consolidated profit or loss and other comprehensive income
for the year ended 31 December 2016

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

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

As per our report of same date

(A. Qasem & Co.)
Chartered Accountants

Dated, 23 January 2017

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RAK Ceramics (Bangladesh) Ltd.

Consolidated statement of changes in equity

for the year ended 31 December 2016

	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 2015	3,368,506,110	1,473,647,979	1,077,275,395	5,919,429,484	(58,949,789)	5,860,479,695
Total comprehensive income for 2015						
Profit/(loss) for the year	-	-	1,059,275,865	1,059,275,865	35,063,902	1,094,339,767
Prior year adjustment	-	-	(275)	(275)	(499,725)	(500,000)
Elimination on disposal of subsidiary					195,261,930	195,261,930
Acquisition of further purchase of RAK Power shares			(97,981,435)	(97,981,435)	(126,799,789)	(224,781,224)
Transactions with the shareholders						
Cash dividend (2014)	-	-	(842,126,528)	(842,126,528)	(44,075,000)	(886,201,528)
Balance as at 31 December 2015	3,368,506,110	1,473,647,979	1,196,443,022	6,038,597,111	1,529	6,038,598,640
Balance as at 01 January 2016	3,368,506,110	1,473,647,979	1,196,443,022	6,038,597,111	1,529	6,038,598,640
Total comprehensive income for 2016						
Profit/(loss) for the year	-	-	915,254,299	915,254,299	472	915,254,771
Transactions with the shareholders:						
Cash dividend (2015)	-	-	(842,126,528)	(842,126,528)	(500)	(842,127,028)
Balance as at 31 December 2016	3,368,506,110	1,473,647,979	1,269,570,793	6,111,724,882	1,501	6,111,726,383

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RAK Ceramics (Bangladesh) Ltd.

Consolidated statement of cash flows
for the year ended 31 December 2016

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

The notes on pages 6 to 38 are an integral part of these financial statements

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RAK Ceramics (Bangladesh) Ltd.

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

1. Reporting entity

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

1.1 Nature of business

The Company is engaged in manufacturing and marketing of ceramics tiles, bathroom sets and all types of sanitary ware. It has started its commercial production on 12 November 2000. The commercial production of its new sanitary ware plant, expansion unit of ceramics facilities, tiles and sanitary plant was started on 10 January 2004, 1 July 2004,1 September 2007, 1 April 2015 and 17th May respectively.

1.2 Description of subsidiaries

RAK Power Pvt. Ltd.

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

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

RAK Security and Services Pvt. Limited

RAK Security and Services Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 21 December 2006 as a private company limited by shares with an authorized capital of Taka 1,00,000,000 divided into 1,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 1,000,000 as at 31 December 2016. The Company has gone into operation from 1 May 2007. The registered office of the Company is at House # 5, Road # 1/A Sector # 4, Uttara, Dhaka- 1230. 35% shares of RAK Security and Services (Pvt.) Ltd is held by RAK Ceramics (Bangladesh) Limited.

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

2. Basis of preparation

2.1 Statement of compliance

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

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

Authorisation for issue

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

2.2 Basis of measurement

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

2.3 Functional and presentational currency

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

2.4 Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are stated in the following notes:

Note 4	Property, plant & equipment
Note 15	Deferred tax liability
Note 16	Employees benefit payable
Note 20	Provision for income tax

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2.5 Reporting period

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

2.6 Going concern

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

3 Significant accounting policies

The accounting policies set out below, which comply with IFRS, have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

These consolidated financial statements comprise the consolidated financial position and the consolidated results of operations of the Company and its subsidiaries (collectively referred to as "the Group") on a line by line basis together with the Group's share in the net assets of its equity- accounted investees.

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

Subsidiaries

Subsidiaries are enterprises controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. The results of operations and total assets and liabilities of subsidiary companies are included in the consolidated financial statements on a line-by-line basis and the interest of minority shareholders, if any, in the results and net assets of subsidiaries is stated separately. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases. Any gains or losses on increase/decrease in non-controlling interest in subsidiaries without a change in control, is recognised as a component of equity.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

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Investments in associates

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

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

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

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

Transactions eliminated on consolidation

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

3.2 Financial instruments

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

3.2.1 Non-derivative financial assets

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

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

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

Financial assets at fair value through profit or loss

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

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

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Held-to-maturity financial assets

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

Available-for-sale financial assets

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

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

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

Loans and receivables

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

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

a) Investment in associates

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

b) Loans to associates

Loans to associates are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method, less any impairment losses.

c) Trade & other receivables

Trade & other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition trade & other receivables are measured at amortised cost using the effective interest method, less any bad debts provision.

d) Cash and cash equivalents

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

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3.2.2 Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

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

a) Trade & other payables

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

b) Borrowings

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

3.3 Share capital

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

3.4 Property, plant and equipment

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

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

An asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised as gain or loss in the statement of comprehensive income.

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3.4.1 Depreciation on property, plant and equipment

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Capital-work-in-progress and land are not depreciated. Depreciation on addition to fixed assets is charged from the day of their acquisition and charging of depreciation on property, plant and equipment ceases from the day on which the deletion thereof takes place. Depreciation continues to be charged on each item of property, plant and equipment until written down value of such fixed asset is reduced to Taka one.

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

Category of property, plant and equipment	Rate (%)
Factory building	2.5-5
General building	2.5-20
Head Office building	2.5-5
Plant and machinery	5-10
Mobile plant	10
Electrical installation	10-20
Gas pipeline	10-20
Furniture, fixture and equipment	10
Office equipment	10-20
Communication equipment	10-20
Tools and appliances	10-20
Vehicles	10-20
Fire fighting equipment	20

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

3.5 Capital work-in-progress

Capital work in progress is stated at cost less impairment, if any, until the construction is completed. Upon completion of construction, the cost of such assets together with the cost directly attributable to construction, including capitalised borrowing costs are transferred to the respective class of asset. No depreciation is charged on capital work in progress.

3.6 Intangible assets

Intangible assets that are acquired by the Group (such as designs and trade marks for manufacture of ceramic tiles and sanitary ware and pharmaceuticals products) and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses, if any.

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

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives of 2 to 3 years from the date that they are available for use.

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

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3.7 Leased assets

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

Lease payments

In respect of finance lease, lease payments are apportioned between finance charges and reduction of lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are reflected in profit or loss.

Operating leases payments are recognised as an expense in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.8 Inventories

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

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

3.9 Impairment

Non-derivative financial assets

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

Non-financial assets

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

Calculation of recoverable amount

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

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Recognition of impairment

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

Reversal of impairment

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

3.10 Employee benefit schemes

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

Defined contribution plan (provident fund)

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

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

Defined benefit plan

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

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

3.11 Workers' Profit Participation Fund and Welfare Fund (WPPF)

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

3.12 Provisions

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

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3.13 Revenue recognition

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

3.14 Finance income and expenses

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

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

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.15 Foreign currency

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

3.16 Taxation

Income tax expenses 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 2016.

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

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

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3.17 Earning per share

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

3.18 Determination and presentation of operating segment

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

3.19 Contingencies

Contingent liability

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

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

Contingent asset

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

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

3.20 Statement of cash flows

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

3.21 Events after the reporting period

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

3.22 Comparatives and reclassification

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

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

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4 Property, Plant and Equipment

2016

Amounts in Taka

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

2015

Amounts in Taka

Particulars	COST						DEPRECIATION							Net book value at 31 Dec 2015
	Balance at 01 Jan 2015	Addition due to acquisition	Additions	Sale/ disposal	Transfer to held for sale	Total at 31 Dec 2015	Rate (%)	Balance at 01 Jan 2016	Addition due to acquisition	Charged for the year	Adjustment	Transfer to held for sale	Total at 31 Dec 2016	
Land	763,396,641	7,596,466	19,164,250	-	-	790,157,357		-	-	-	-	-	-	790,157,357
Factory building	462,050,577	-	24,500,193	-	-	486,550,770	2.5-5	232,033,103	-	22,734,498	-	-	254,767,601	231,783,169
Factory office building	83,568,695	-	12,757,294	-	-	96,325,989	2.5-20	33,969,010	-	4,184,242	-	-	38,153,252	58,172,737
Head office building	103,647,545	-	-	-	-	103,647,545	2.5-5	38,339,365	-	5,182,377	-	-	43,521,742	60,125,803
Plant and machinery	3,141,538,261	-	383,962,488	-	-	3,525,500,749	5-10	2,350,570,893	-	193,501,155	-	-	2,544,072,048	981,428,701
Mobile plant	92,979,617	-	10,030,322	-	-	103,009,939	10	67,868,822	-	6,990,875	-	-	74,859,697	28,150,242
Electrical installation	176,368,708	-	6,903,457	-	-	183,272,165	10-20	148,510,240	-	9,042,252	-	-	157,552,492	25,719,673
Gas pipeline	43,985,379	-	4,151,512	-	-	48,136,891	10-20	42,107,920	-	1,047,651	-	-	43,155,571	4,981,320
Furniture and fixtures	27,395,225	524,848	3,097,824	(59,587)	-	30,958,310	10	18,467,403	203,077	2,656,588	(28,585)	-	21,298,483	9,659,827
Office equipment	23,353,785	1,210,380	71,079,726	(268,780)	-	95,375,111	10-20	16,404,913	603,708	3,208,712	(226,876)	-	19,990,457	75,384,654
Communication equipment	7,373,533	-	2,759,503	-	-	10,133,036	10-20	3,426,449	-	722,597	-	-	4,149,046	5,983,990
Tools and appliances	7,611,979	136,105	1,007,692	(16,350)	-	8,739,426	10-20	5,015,836	109,996	632,394	(10,072)	-	5,748,154	2,991,272
Vehicles	62,904,576	2,389,725	4,767,228	-	-	70,061,529	10-20	25,726,318	995,125	6,288,232	-	-	33,009,675	37,051,854
Fire fighting equipments	3,631,012	-	-	-	-	3,631,012	20	3,631,012	-	-	-	-	3,631,012	-
Total at 31 December 2015	4,999,805,533	11,857,524	544,181,489	(344,717)	-	5,555,499,829		2,986,071,284	1,911,906	256,191,573	(265,533)	-	3,243,909,230	2,311,590,599

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

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

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	2016 Taka	2015 Taka
4.1 Depreciation charged on the basis of the purpose of use		
Cost of sales (Note 22)	354,613,598	233,947,512
Administrative expenses (Note 24)	37,871,910	22,244,061
	392,485,508	256,191,573

4.2 Disposal of property, plant and equipment

2016

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

2015

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

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5 Equity-accounted investees

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

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		2016 Taka	2015 Taka
6	**Intangible assets**		
	Balance as at 1 January	6,683,955	4,815,453
	Add: Addition during the year	12,401,543	5,673,511
		19,085,498	10,488,964
	Less: Amortisation during the year (Note-6.1)	12,345,339	3,805,009
	Balance as at 31 December	6,740,159	6,683,955
6.1	Amortisation charged on the basis of the purpose of use		
	Administrative expenses (Note - 24)	12,345,339	3,805,009
		12,345,339	3,805,009
7	**Capital Work-in-Progress**		
	Balance as at 1 January	1,545,379,710	289,116,566
	Add: Addition during the year	28,099,014	1,767,883,626
		1,573,478,724	2,057,000,192
	Less: Transfer to property, plant & equipment during the year (note 7.1)	1,528,441,226	506,960,135
	Impairment loss on capital equipment during the year	16,311,214	4,660,347
	Balance as at 31 December	28,726,285	1,545,379,710
7.1	**Items transferred from capital work in progress to property, plant & equipment**		
	Facotory building	237,219,154	24,500,193
	Factory office building	-	12,757,294
	Plant & machinery	1,256,599,871	384,578,817
	Mobile plant	-	10,030,322
	Electrical installation	-	5,003,457
	Gas pipe line	-	3,321,512
	Furniture & fixture	-	495,965
	Communication equipment	-	1,316,503
	Office equipment	-	64,956,072
	Others	34,622,201	-
		1,528,441,226	506,960,135
8	**Loan to disposed subsidiary**		
	Julphar Bangladesh Ltd. (Erstwhile RAK Pharmaceuticals Pvt. Ltd.)	201,898,000	201,898,000
		201,898,000	201,898,000

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

9	**Inventories**		
	Raw materials	844,891,203	852,533,747
	Less : Provision for obsolescence made during the year	(13,878,807)	(4,665,753)
		831,012,396	847,867,994
	Stores and consumables spares	1,082,968,219	957,748,655
	Finished goods	387,942,404	216,781,132
	Work-in-process	96,173,371	37,268,593
	Goods-in-transit	129,410,652	180,177,856
		2,527,507,042	2,239,844,230

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		2016 Taka	2015 Taka
10	**Trade and other receivables**		
	Non current :		
	Receivable against disposal of investment	74,025,000	148,050,000
	Current :		
	Trade receivables (Note 10.1)	548,029,728	553,947,412
		548,029,728	553,947,412
	Accrued interest (Note 10.2)	2,336,714	3,659,847
	Accrued rental income	380,000	-
	Receivable against disposal of investment	68,095,114	80,780,114
		618,841,556	638,387,373
10.1	**Trade receivables**		
	Receivables from local sales	548,029,728	553,303,108
	Receivables from export sales	-	644,304
		548,029,728	553,947,412
10.2	**Accrued interest**		
	Interest accrued on FDR	2,336,714	3,659,847
		2,336,714	3,659,847
11	**Advance, deposit and prepayments**		
	Advances:		
	Employees	17,500	18,726
	Land advance & others	36,776,888	28,421,141
	Suppliers agaisnt material & services	225,082,941	159,240,033
		261,877,329	187,679,900
	Security and other deposits:		
	Titas gas	22,262,600	20,215,520
	Mymenshing Palli Bidyut Samity-2	1,955,000	1,955,000
	VAT and supplementary duty (note 11.1)	36,231,093	58,015,290
	Deposit with income tax authority	17,185,655	9,705,739
	Deposit with VAT authority	7,530,001	7,530,001
	Other deposits	1,491,853	1,491,853
		86,656,202	98,913,403
	Prepayments:		
	House rent	9,176,471	10,715,974
	Insurance	48,237,825	42,609,058
	Others	300,141	240,057
		57,714,437	53,565,089
		406,247,968	340,158,392

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		2016 Taka	2015 Taka
11.1	**Supplementary duty & VAT**		
	Balance as at 1 January	58,015,290	41,050,431
	Add: Treasury deposit for SD & VAT purpose	1,121,800,000	987,440,000
	Rebate of input VAT	273,305,798	298,183,784
		1,453,121,088	1,326,674,215
	Add: Receivable - SD & VAT	-	657,660
		1,453,121,088	1,327,331,875
	Less: SD & VAT on sales	1,416,418,729	1,268,899,645
	Payable- SD & VAT	471,266	416,940
		1,416,889,995	1,269,316,585
	Balance as at 31 December	36,231,093	58,015,290
12	**Advance Income Tax**		
	Balance as at 1 January	2,219,806,786	2,013,796,131
	Add: Paid during the year	266,034,973	191,578,493
	Add: Addition due to acquisition of RAK Security	-	14,432,162
	Balance as at 31 December (12.1)	2,485,841,759	2,219,806,786
12.1	**Payment for the year**		
	Income year		
	Year 2016	229,618,424	-
	Year 2015	187,267,285	150,935,063
	Year 2014	295,379,428	295,379,428
	Year 2013	392,118,319	392,118,319
	Year 2012	336,319,884	336,319,884
	Year 2011	328,082,711	327,998,384
	Year 2010	265,684,491	265,684,491
	Year 2009	218,091,876	218,091,876
	Year 2008	85,378,847	85,378,847
	Year 2007	124,813,161	124,813,161
	Year 2006	23,087,333	23,087,333
		2,485,841,759	2,219,806,786

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		2016 Taka	2015 Taka
13	**Cash and cash equivalents**		
	Cash in hand	9,880,543	1,877,620
	Cash at banks		
	HSBC (current account -001-013432-011,001-107580-011,001-096015-011, 001-096007-011 - BDT)	40,412,746	41,911,217
	Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - BDT)	66,626,593	62,681,974
	Citibank N.A. (current account - G0100001200262018 - BDT)	15,162,084	11,566,925
	Dutch Bangla Bank Ltd. (current account - 117-110-12733,117-110-2481, 117.110.23474 -BDT)	142,302	18,647,617
	HSBC (ERQ account - 001-013432-047 - USD)	6,549,288	4,595,333
	Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	973,813	267,806
	EXIM Bank (SND account - 01513100031877 - BDT)	114,271	113,239
	Standard Chartered Bank (SND account - 02-3767272-01 - BDT)	1,038,142	400,958
	Dutch Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330,117-120.2550 - BDT)	81,821,359	133,216,271
	BRAC Bank (SND - 1513101731248001 - BDT)	356,703	354,466
	Prime Bank Ltd. (SND - 12531010022563 - BDT)	20,282,604	14,168,711
	Commercial Bank of Ceylon (SND-2817000777 - BDT.)	6,559,754	7,792,797
		240,039,659	295,717,314
	IPO bank account		
	Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	2,453,275	389,032
	Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262042 - USD)	3,941,453	3,941,472
	Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262026 - EURO)	153,603	153,608
	Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262034 - GBP)	126,588	126,593
		6,674,919	4,610,705
	Dividend bank account		
	BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,627,831	2,636,151
	BRAC Bank (Current - 1513201731248001 - BDT) - 2011	2,222,418	2,326,783
	SCB (Current - 02-6162940-02- BDT) - 2012	3,899,024	3,893,227
	SCB (Current - 02-6162940-03- BDT) - 2013	16,697,585	16,679,336
	SCB (Current - 02-6162940-04- BDT) - 2014	5,082,074	5,685,749
	SCB (Current - 02-6162940-05- BDT) - 2015	4,082,795	-
		34,611,727	31,221,246
	Investment in Fixed Deposit Receipt (FDR)		
	HSBC	30,674,551	30,652,345
	SCB	762,080	762,080
	Prime Bank Ltd.	-	155,000,000
	Dutch Bangla Bank Ltd.	480,000,000	581,725,210
		511,436,631	768,139,635
	Total	802,643,479	1,101,566,520

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	2016	2015
	Taka	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 :

336,850,611 ordinary shares of Taka 10/- each	3,368,506,110	3,368,506,110

Percentage of shareholdings :

	2016		2015	
	%	Taka	%	Taka
RAK Ceramics PJSC, UAE	71.67	2,414,100,210	71.67	2,414,100,210
S.A.K. Ekramuzzaman	3.92	132,119,850	4.22	142,119,850
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	280	0.00	280
Sheikh Omer Bin Saqr Al Qassimi	0.00	280	0.00	280
Sheikh Ahmad Bin Humaid al Qassimi	0.00	280	0.00	280
Hamad Abdulla Al Muttawa	0.00	140	0.00	140
Dr. Khater Massaad	0.00	140	0.00	140
Abdallah Massaad	0.00	140	0.00	140
Manoj Uttamrao Ahire	0.00	140	0.00	140
General Public	24.41	822,284,650	24.11	812,284,650
	100.00	3,368,506,110	100.00	3,368,506,110

Classification of shareholders by holding

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

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

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

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

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

17.1 Borrowings by maturity

At 31 December 2016	< 1 year	1-2 years	2-5 years	> 5 years	Total
Bank overdrafts	29,663,693		-	-	29,663,693
Short-term borrowings	278,103,796	-	-	-	278,103,796
Term loan	259,951,837	259,951,837	334,974,228	-	854,877,901
	567,719,326	259,951,837	334,974,228	-	1,162,645,390

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

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		2016 Taka	2015 Taka
18	**Trade and other payables**		
	Trade payables		
	Payable to local suppliers	174,944,298	146,223,649
	Payable to foreign suppliers	182,859,392	329,901,031
	Payable to service provider	80,465,357	44,247,355
	Payable to C & F agent	10,283,280	18,636,933
		448,552,327	539,008,968
	Other payables		
	Tax deducted at source	15,971,206	18,885,935
	VAT deducted at source	9,998,255	9,086,375
	Dividend Payable	33,889,190	30,538,272
	Unclaimed share application	20,838,116	18,773,636
	Advance from cutomer against sales	8,237,699	22,393,794
	Security deposit payable	1,638,234	1,939,219
	Provisional liabilities - material & services	50,299,995	-
		140,872,695	101,617,231
		589,425,022	640,626,199
19	**Accrued expenses**		
	Power and gas	23,498,627	23,895,998
	Staff cost	41,406,844	69,173,773
	Audit fees	1,157,500	846,000
	Professional charges	538,000	338,000
	Interest on loans	1,495,042	4,035,081
	Telephone	270,927	146,882
	Provision of exchange rate difference	5,856,833	-
	Provision for freight	11,774,670	-
	Managing Director's remuneration (Note 19.1)	40,911,795	34,075,485
	Worker's profit participation and welfare fund (Note 19.2)	61,056,166	54,064,400
	Royalty and technical know-how fees (Note 19.3)	83,946,396	2,399,388
	Others	3,464,070	7,643,278
		275,376,870	196,618,285
19.1	**Managing Director's remuneration**		
	Balance as at 1 January	34,075,485	30,682,702
	Add: Provision made during the year	40,911,795	34,075,485
	Less : Adjustment for prior year	-	(16,850,928)
		74,987,280	47,907,259
	Less: Paid to Managing Director	34,075,485	13,831,774
	Balance as at 31 December	40,911,795	34,075,485
19.2	**Worker's profit participation and welfare fund**		
	Balance as at 1 January	54,064,400	48,623,250
	Add: Contribution made to the fund during the year	61,056,166	54,064,400
	Less : Adjustment for prior year	-	(26,758,639)
		115,120,566	75,929,011
	Less: Payment made from the fund during the year	54,064,400	21,864,611
	Balance as at 31 December	61,056,166	54,064,400

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	2016 Taka	2015 Taka
19.3 Provision for royalty and technical know-how fees		
Balance as at 1 January	2,399,388	38,352,170
Add: Provision made during the year	96,547,008	80,414,124
Add: Adjustment for prior year	-	233,797
	98,946,396	119,000,091
Less: Payment made during the year	-	36,683,680
Less: Tax provision on disallowance of royalty paid for the year 2009	15,000,000	25,000,000
Less: Tax provision on disallowance of royalty paid for the year 2010	-	36,160,532
Less: Tax provision for delay payment of vat on royalty for the year 2010	-	18,756,491
Balance as at 31 December (note 35.1)	83,946,396	2,399,388
20 Provision for income Tax		
Balance as at 1 January	2,583,742,941	2,182,344,567
Add: Provision made for the year	302,798,649	319,661,270
Add: Provision made for earlier year	-	54,917,023
Add: Adjustment for prior year	-	11,928,337
Add: Addition due to acquisition of RAK Security	-	14,891,744
Balance as at 31 December (Note 20.1)	2,886,541,590	2,583,742,941
20.1 Provision for income Tax		
Income year		
Year 2016	302,798,649	
Year 2015	323,397,728	323,397,728
Year 2014	381,571,248	381,571,248
Year 2013	364,979,858	364,979,858
Year 2012	341,267,796	341,267,796
Year 2011	328,376,284	328,376,284
Year 2010	350,044,556	350,044,556
Year 2009	266,823,984	266,823,984
Year 2008	147,117,914	147,117,914
Year 2007	80,163,573	80,163,573
	2,886,541,590	2,583,742,941

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		2016 Taka	2015 Taka
21	**Sales**		
	Gross sales (Local)	7,086,463,915	6,303,404,641
	Gross sales (Export)	14,869,100	26,559,633
	Total Sales	7,101,333,015	6,329,964,274
	Less: Supplementary Duty	505,431,618	452,357,549
	VAT	934,489,819	818,306,322
	Net sales	5,661,411,578	5,059,300,403
22	**Cost of sales**		
	Materials consumed:		
	Opening stock as at 1 January	847,867,994	699,653,297
	Add: Purchase during the year	1,533,071,495	1,779,555,491
		2,380,939,489	2,479,208,788
	Less: Closing stock as at 31 December	831,012,396	847,867,994
		1,549,927,093	1,631,340,794
	Manufacturing overhead:		
	Direct labour (Note 22.1.1)	444,973,745	323,585,760
	Direct expenses:		
	Power and gas	130,098,593	148,565,272
	Repairs and indirect materials (Note 22.1.2)	689,372,362	612,028,483
	Rental charges	1,033,670	821,739
	Moulds and punches	16,012,411	32,029,495
	Depreciation	354,613,598	233,947,512
	Royalty and technical know-how/assistance fees (22.1.3)	81,547,008	730,898
	Other production overhead (Note 22.1.4)	66,552,096	36,417,434
	Movement in stock	(82,075,610)	(122,577,947)
		3,252,054,966	2,896,889,441
22.1.1	**Direct labour**		
	Salary & wages	244,761,008	178,787,327
	Overtime	39,468,500	22,298,872
	Bonus	34,404,958	28,841,216
	Incentive	3,817,616	11,807,366
	Temporary labour wages	82,877,430	55,442,744
	Gratuity	22,873,314	14,253,446
	Employer's contribution to provident fund	14,709,574	10,663,602
	Leave encashment	75,173	-
	Group life insurance	1,986,172	1,491,187
		444,973,745	323,585,760
22.1.2	**Repairs and indirect materials**		
	Stores, spares, repair & maintenance	379,775,144	350,734,468
	Packing expenses	309,597,218	261,294,015
		689,372,362	612,028,483
22.1.3	**Royalty and technical know-how/assistance fees**		
	Royalty and technical know-how/assistance fees	96,547,008	80,414,124
	Add : Adjustment for prior year	-	233,797
	Less : Tax provision on disallowance of royalty paid for the year 2009	15,000,000	25,000,000
	Less : Tax provision on disallowance of royalty paid for the year 2010	-	36,160,532
	Less : Tax provision for delay payment of vat on royalty for the year 2010	-	18,756,491
		81,547,008	730,898

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		2016 Taka	2015 Taka
22.1.4	**Other production overhead**		
	Hotel fare and expenses for technician	4,763,388	5,210,385
	Demurrage	1,644,495	4,142,877
	Insurance	16,262,644	14,820,501
	Hiring charges and transportation	2,195,697	-
	Impairment loss on capital equipment	16,311,214	4,660,347
	Provision for obsolescence	13,878,807	4,665,753
	Other expenses	11,495,851	2,917,571
		66,552,096	36,417,434
23	**Other income**		
	Dividend income	250	-
	Miscellaneous income	174,266	-
	Rental income	2,400,000	2,400,000
	Profit on sale of fixed assets	534,844	-
	Gain on disposal of investment against subsidiary	-	600,568,643
	Gain on disposal of investment against associates	-	236,379,531
	Revaluation gain on acquisition of RAK security shares	-	1,850,536
		3,109,360	841,198,710
24	**Administrative expenses**		
	Staff cost (note-24.1)	156,846,313	126,694,890
	Annual General Meeting expenses	15,445,361	28,200,673
	Telephone and postage	5,873,788	6,751,399
	Office repair and maintenance (note 24.2)	6,357,274	9,413,660
	Registration and renewal	1,064,355	1,138,470
	Security and guard expenses	11,826,935	12,032,300
	Electricity, gas and water	7,882,910	6,127,490
	Depreciation	37,871,910	22,244,061
	Amortisation	12,345,339	3,805,009
	Legal and professional fees	8,678,487	8,546,078
	Vehicle repair and maintenance	11,354,916	9,897,829
	Rent, rate and tax	5,512,554	9,794,128
	Loss on sale of property, plant and equipment	-	52,224
	Bad debts	357,846	-
	Write off of loan and interest to subsidiary :		
	Current year	-	10,100,916
	Prior year	-	578,548,552
	CSR expenses	5,742,270	3,494,124
	Managing Director's remuneration (note-24.3)	40,911,795	17,224,557
	Technical consultancy & others	29,374,192	5,484,781
		357,446,247	859,551,141
24.1	**Staff cost**		
	Salary & wages	105,028,514	83,344,859
	Bonus	14,438,616	12,509,899
	Incentive	3,176,143	5,517,327
	Gratuity	7,983,353	5,874,315
	Employer's contribution to provident fund	3,873,145	4,802,175
	Leave encashment	210,439	-
	Group life insurance	587,102	609,490
	Canteen and conveyance expenses	7,230,364	5,246,286
	Staff uniform expenses	2,392,774	1,230,754
	Travelling expenses	9,969,236	4,829,997
	Medical expenses	1,429,061	423,089
	Accommodation expenses	88,280	444,559
	Other employee benefit	439,286	1,862,140
		156,846,313	126,694,890

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		2016 Taka	2015 Taka
24.2	**Office repair & maintenance**		
	Repairs office equipment	1,580,698	1,016,153
	Office maintenance	4,776,576	8,397,507
		6,357,274	9,413,660
24.3	**Managing Director's remuneration**		
	Provision made during the year	40,911,795	34,075,485
	Less : Adjustment for prior year	-	(16,850,928)
		40,911,795	17,224,557

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

25	**Marketing & selling expenses**		
	Staff cost (note-25.1)	30,039,530	34,964,930
	Advertisement	3,300,823	14,143,967
	Freight and transportation	228,405,546	222,315,294
	Performance rebates (note-25.2)	260,753,693	214,502,266
	Business promotion	15,108,279	24,882,555
	Discount	136,150,662	145,491,345
	Travel, entertainment and others	30,561,801	31,770,638
		704,320,334	688,070,995
25.1	**Staff cost**		
	Salary & wages	22,118,115	24,725,511
	Bonus	2,999,899	3,543,159
	Incentive	1,120,679	2,881,905
	Gratuity	1,636,563	1,830,280
	Employer's contribution to provident fund	835,966	1,372,772
	Group life insurance	125,620	179,488
	Conveyance & food expenses	1,202,688	431,815
		30,039,530	34,964,930
25.2	**Performance rebates**		
	Compensation to customer	6,616,203	18,351,094
	Dealers' commission	102,695,348	91,585,364
	Breakage commission	151,442,142	104,565,808
		260,753,693	214,502,266
26	**Finance income**		
	Interest on bank account (SND)	3,356,834	6,584,014
	Interest on loan to associate	-	13,353,532
	Interest on FDR	13,781,872	58,486,010
	Exchange gain	3,891,179	11,635,704
		21,029,885	90,059,260
27	**Financial expenses**		
	Interest expenses	38,237,651	17,504,954
	Bank charges	1,777,010	1,430,730
		40,014,661	18,935,684
28	**Contribution to worker's profit participation and welfare fund**		
	Provision made during the year	61,056,166	54,064,400
	Less : Adjustment for prior year	-	(26,758,639)
		61,056,166	27,305,761
29	**Current tax**		
	Current year	302,798,649	320,817,413
	Other tax provision	-	54,917,023
	Adjustment for prior year	-	11,928,337
		302,798,649	387,662,773

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30 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

30.1 Credit risk

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, debtors are grouped according to their risk profile, i.e. their legal status, financial condition etc. Trade & other receivable are mainly related to receivables from dealers, receivables from export sales, claim receivables, accrued interest and other receivables. The Company's exposure to credit risk on accounts receivables is mainly influenced by the individual payment characteristics of customers.

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

a) Exposure to credit risk

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

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

b) Ageing of receivables

The ageing of trade receivables as at 31 December was:

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

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30.2 Liquidity risk

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

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

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

	As at 31 December 2016			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Bank overdraft	29,663,693	29,663,693	29,663,693	-
Trade and other payables	589,425,022	589,425,022	589,425,022	-
Short term borrowing (foreign)	278,103,796	278,103,796	278,103,796	-
Term loan (foreign)	854,877,901	854,877,901	259,951,837	594,926,065
	1,752,070,412	1,752,070,412	1,157,144,347	594,926,065

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

30.3 Market risk

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

a) Currency risk

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

i) Exposure to currency risk

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

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

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

The Company has foreign exchange gain of Tk 38,91,179 during the year ended 31 December 2016 (31 December 2015: Exchange gain Tk 11,635,704).

The following significant exchange rates have been applied:

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

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

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

b) Interest rate risk

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

Profile

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

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

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

	As at 31 December 2016		As at 31 December 2015	
	Carrying amount Taka	Fair value Taka	Carrying amount Taka	Fair value Taka
Financial assets				
Held to maturity assets				
Investment in FDR	511,436,631	511,436,631	768,139,635	768,139,635
Loans and receivables				
Trade receivables	548,029,728	548,029,728	553,947,412	553,947,412
Other receivables	144,836,828	144,836,828	232,489,961	232,489,961
Loan to disposed subsidiary	201,898,000	201,898,000	201,898,000	201,898,000
Cash equivalents	792,762,936	792,762,936	1,099,688,900	1,099,688,900
Financial liabilities				
Liabilities carried at amortised costs				
Term loan	854,877,901	854,877,901	497,742,616	497,742,616
Bank overdraft	29,663,693	29,663,693	-	-
Trade and other payables	589,425,022	589,425,022	640,626,199	640,626,199
Short term borrowing (foreign)	278,103,796	278,103,796	694,001,555	694,001,555

Interest rates used for determining amortised cost

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

	31 December 2016	31 December 2015
Investment in FDR	1.70%-5.50%	3.70%-7.00%
Term loan	Libor+3%	Libor+3%
Bank overdraft	8%-10.75%	12.00%-13.50%
Short term bank loan (local currency)	8%-13.50%	12.00%-13.50%
Short term bank loan (foreign currency/USD)	Libor+(2.75%-3.00%)	Libor+(2.75%-3.00%)

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31 Related party disclosures under BAS-24

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

Amounts in Taka

31.1

Name of related party	Relationship	Period	Purchase of goods/services	Sale of goods/services	Outstanding receivables	Outstanding payable	Remuneration	Loan	Interest receivables
RAK Power Pvt. Ltd	Subsidiary	Current year	347,049,244	6,891,130	-	30,270,872	-	-	-
		Previous year	287,431,234	5,478,261	-	27,282,047	-	-	-
RAK Security & Services Pvt. Ltd	Subsidiary	Current year	94,606,305	-	-	12,282,590	-	-	-
		Previous year	77,977,779	-	-	7,498,230	-	-	-
RAK Ceramics - UAE	Parent	Current year	47,125,490	-	-	21,118,318	-	-	-
		Previous year	67,027,200	-	360,822	-	-	-	-
Kea Printing & Packaging Industries	Other related party	Current year	112,892,298	-	-	17,671,058	-	-	-
		Previous year	96,773,812	-	-	15,595,692	-	-	-
Palli Properties Pte. Ltd	Other related party	Current year	18,901,088	-	-	1,277,772	-	-	-
		Previous year	11,137,513	-	-	1,253,443	-	-	-
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Current year	5,553,673	-	-	-	-	-	-
		Previous year	4,551,466	-	-	17,163	-	-	-
Green Planet Communications	Other related party	Current year	5,298,996	-	-	-	-	-	-
		Previous year	7,088,620	-	-	290,323	-	-	-
Global Business Associates Ltd.	Other related party	Current year	-	-	-	-	-	-	-
		Previous year	139,512	-	-	12,150	-	-	-
Mohammed Trading	Other related party	Current year	-	2,522,019,940	380,083,753	-	-	-	-
		Previous year	-	1,711,216,467	397,263,967	-	-	-	-
S.A.K. Ekramuzzaman	Key Management Personnel	Current year	-	-	-	40,911,795	40,911,795	-	-
		Previous year	-	-	-	34,075,485	34,075,485	-	-
Imtiaz Hussain	Key Management Personnel	Current year	-	-	-	680,520	9,588,240	-	-
		Previous year	-	-	-	636,000	9,537,000	-	-

31.2 Events after the reporting period

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

31.3 Paid to Directors

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

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

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32 Segment reporting

The company has three reportable segments which offer different products and services and are managed Decarately 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, termite and pest control services and set up manpower technical training.

31 December 2016

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

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31 December 2015

	Business Segments					
	Ceramic & sanitary ware	Power	Security and services	Inter segment	Prior year adjustment	Entity total
	Taka	Taka	Taka	Taka	Taka	Taka
Revenue - external customers	5,013,034,253	46,607,310	(341,160)	-	-	5,059,300,403
Revenue - inter segment	-	287,431,234	15,751,786	(303,183,020)	-	-
Total segment revenue	5,013,034,253	334,038,544	15,410,626	(303,183,020)		5,059,300,403
Cost of sales- external customer	(2,707,097,224)	(180,169,235)	(9,389,183)	-	(233,797)	(2,896,889,441)
Cost of sales- inter segment	(308,291,416)	(369,868)	-	308,661,283	-	-
Total segment cost of sales	(3,015,388,640)	(180,539,103)	(9,389,183)	308,661,283	(233,797)	(2,896,889,441)
Gross profit	1,997,645,613	153,499,441	6,021,443	-	(233,797)	2,162,410,962
Dividend income	58,775,000	-	-	(58,775,000)		-
Rental income	7,878,261	-	-	(5,478,261)		2,400,000
Gain on disposal of investment against subsidiary	-	-	-			600,568,643
Gain on disposal of investment against associates	-	-	-			236,379,531
Revaluation gain on acquisition of associates shares	-	-	-			1,850,536
Financial income	86,212,028	3,824,325	22,907	-		90,059,260
Financial expenses	(18,812,730)	(118,101)	(4,853)	-		(18,935,684)
Depreciation	(237,990,276)	(18,116,617)	(84,680)	-		(256,191,573)
Other operating expenses	(812,419,898)	6,599,108	(2,651,550)	-		(808,472,340)
Provision relating to subsidiary loan and interest					(578,548,552)	(578,548,552)
Adjustment relating to WPPF					26,758,639	26,758,639
Adjustment relating to Managing Director's remuneration					16,850,928	16,850,928
Elimination of investment loss of RAK Paints Pvt. Ltd.						24,675,000
Share of profit of equity-accounted investee	-	-		-		(20,409,802)
Segment profit before tax	1,081,287,998	145,688,156	3,303,267	-	-	1,479,395,549
Income tax expense	(329,336,045)	(45,242,248)	(1,156,143)	-		(375,734,436)
Adjustment relating to income tax					(11,928,337.00)	(11,928,337)
Deferred tax	3,328,681	(721,690)		-		2,606,991
Non -Controlling interest	-	486	0.10	-		487
Profit for the year						1,094,339,280

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		2016 Taka	2015 Taka
33	**Earnings per share (EPS)**		
	Calculation of earnings per share (EPS) is as under:		
	Earnings attributable to the ordinary shareholders		
	Profit attributable to equity holders of the Company	915,254,299	1,094,339,280
	No. of ordinary equity shares	336,850,611	336,850,611
	Weighted average no. of equity shares outstanding (Note 33.1)	336,850,611	336,850,611
	Earnings per share (EPS) for the year	2.72	3.25

33.1 Weighted average number of ordinary shares

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

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

33.2 Diluted earning per share

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

34 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 541,950,341 (31 Dec 2015: Tk 340,532,611). Considering the merits of the cases, it has not been deemed necessary to make provisions for all such disputed claims.

There is also contingent liability in respect of outstanding letters of credit of Tk 398,511,738 (31 Dec 2015: Tk 363,013,905) and letter of guarantee of Tk 42,310,078 (31 Dec 2015: Tk 38,625,334).

35 Other disclosures

35.1 Changes in policy & estimates

Changes of royalty policy from 2.5% of net sales to 8% of PBT or 2.5% of net sales whichever is lower effective from 01 January 2012.

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