RAK CERAMICS

ROOM FOR IMAGINATION

ANNUAL REPORT
2017

AMAR STOCK

RAK CERAMICS

WELCOME TO OUR FIRST - EVER INTEGRATED

ANNUAL REPORT 2017

MARSTOCK

DISCLAIMER

This document contains “forward-looking statements” – that is, statements related to future, not past events. In this context, forward-looking statements often depict our expected future business and financial performance which often contain words such as “expect”, “anticipate”, “intend”, “plan”, “believe”, “seek”, “see”, “will”, “would”, or “target”, Forward-looking statements, by their nature, address matters that are, to different degrees, uncertain, such as statements about expected income; earnings per share; return on capital; revenue growth; expected margins; cost structure; restructuring charges; cash flows; capital expenditure; capital structure and dividend. These uncertainties may cause our actual future results to materially differ from those expressed in our forward-looking statements. It includes certain projected financial information that are based on current as well as past trend.

PLANET STOCK

ROOM FOR IMAGINATION

At RAK Ceramics (Bangladesh), 'Room for Imagination' is not just a concept but an integral part of our culture.

We believe we are in the business of promoting diversity of style and aspire to inspire our patrons to decorate their homes or enrich their office interiors through our exciting product range.

Hence, the enduring theme underpinning Room for Imagination is to enable our customers to un-box and unleash their imagination!

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AT RAK CERAMICS (BANGLADESH), WE BELIEVE THAT IMAGINATION CAN TAKE US FAR

BUT RE-IMAGINATION CAN TAKE US FARTHER!

This is precisely why for the first time we have **reengineered** our Annual Report 2017 in line with the International Integrated Reporting Council (IIRC) guidelines.

This is why we have **reenergized** our product range to launch a number of new tiles and sanitaryware products that have found ready acceptance among our discerning customers and reinforced our positioning as the country's largest and fastest-growing ceramics company.

This is why we have **rejuvenated** our intellectual capital by providing extensive ongoing training to our employees, specifically our front-end teams, who provide knowledge driven solutions to our customers with industry-leading service levels.

This is why we have **reinvigorated** our operational processes and practices with a view to align them to global industry best practices and drive increased productivity.

This is why we have **recentered** our business strategy to cater to the emerging demand for our products in a country that is increasingly transforming its economy, anchored on the infrastructure and real estate industries.

This is why we have **recharged** our CSR practices to ensure that the benefits of our business reach a wider strata of society, especially those at the grassroots, thereby ensuring equitable social and economic benefit.

RAK Ceramics (Bangladesh) in 2017:

Re-imagined | Re-engineered
Re-energized | Rejuvenated
Reinvigorated | Re-centered | Recharged

AT RAK CERAMICS (BANGLADESH) WE BELIEVE THAT IMAGINATION WILL HELP US RISE OVER THE SHORT-TERM

BUT WE ARE CERTAIN THAT RE-IMAGINATION WILL ENABLE US TO WIN IN THE LONG-TERM!

OUR BUSINESS

RAK Ceramics (Bangladesh) is the Country's leading tiles and sanitaryware specialist commanding dominant and market-leading positions. Our core business is focused on the domestic tiles and sanitaryware market and also refurbishment/renovation/ remodeling of residential as well as commercial complexes.

OUR STRATEGY

Our core business strategy of "Ensuring outperformance through specialization" remains at the heart of everything we do. It is built on the foundation of ensuring that we have a great team and provide them with an environment in which they can thrive and help us sustain our positioning as the brand of choice among our stakeholders. Our key areas of strategic focus include having an industry-leading product range, providing our customers with an inspirational experience and leveraging cutting-edge technology that sustains our position as an innovator in ceramics domain.

OUR CHANNEL PARTNERS

RAK Ceramics (Bangladesh) has wide integrated dealers network across the country with a broad geographic reach. In addition, we also operate four large showrooms / display centers in Dhaka, Chittagong and Sylhet that exhibit the depth of our product range while enabling our customers to explore our products and make their choice. Moreover, our knowledgeable sales staff guides our customers to make their choice.

OUR PRODUCTS UNLEASH THE IMAGINATION OF OUR CUSTOMERS

THIS, IN TURN, ENABLES US TO BUILD THE FOUNDATIONS FOR SUSTAINABLE GROWTH!

REVENUE

BDT 7.07 bn

Revenue up 24.84% to BDT 7.07 bn, outpacing the industry growth with a much sharper net profit growth and margin sustenance.

NET PROFIT

BDT 1.02 bn

Net profit grew a strong 11.22%, reflecting the outcome of robust cost control measures and our focus on enhancing the share of premium products in the product mix and growing end-product realizations.

EARNINGS

BDT 1.89 bn

Our earnings before interest, tax and deprecation stood at BDT 1.89 bn, which is one of the highest in the ceramics industry of the country.

FINANCIAL POSITION

0.14x

Strong financial position with net debt-equity ratio of 0.14x, one of the lowest in the industry and credit metrics that continue to improve, supporting our growth plans.

CAPITAL EFFICIENCY

20.84%

Our return on capital employed stood at 20.84%, led by the efficient and productive use of capital.

EARNINGS PER SHARE

BDT 2.88

Our earnings per share stood at Taka 2.88, while our book value per share stood at BDT 18.25.

10% cash and **10%** stock Dividend recommended for 2017, aligned with our focus on creating long-term value in the hands of our shareowners.

WWW.STOCK

WE MANUFACTURE CERAMICS IN OUR PRODUCTION FACILITIES

BUT WE USE OUR INSIGHTS TO MARKET TRUST IN OUR STORES!

Positioning

RAK Ceramics (Bangladesh) is the country's largest and leading tiles and sanitaryware brand. Our Company, provides the industry's largest range of ceramic tiles and sanitaryware products thereby emerging as the most preferred brand in a competitive market place.

Legacy

RAK Ceramics (Bangladesh) was incorporated in Bangladesh on 26 November 1998 as a private limited company under the Companies Act, 1994, as a UAE-Bangladesh joint venture project. It commenced commercial production on 12 November 2000. It was converted into a public limited Company on 10 June 2008 and listed on the stock exchanges of Bangladesh on 13 June 2010.

Business

RAK Ceramics (Bangladesh) is engaged in the manufacture and sale of high quality and premium ceramics and gres porcellanato (porcelain/ fully vitrified) tiles, bathroom sets and all types of sanitaryware.

Production capacity

Our annual production capacities include 10.32 mn sqm of tiles and 1.45 mn pieces of sanitaryware. We manufacture products using the world-class SACMI technology that ensures high-quality and cost-effective output.

Customers

Our target customers include homeowners (predominantly retail customers), fitters, real estate developers and interior designers (trade customers) and institutions (both governmental and private). Our output is mostly consumed in the domestic markets. We also receive strong support from RAK Ceramics PJSC, UAE, in terms of technological knowhow, management, product insights, marketing and sales support.

Employees

Our workforce are a key ingredient of our business model – our customers rely on our strong product knowledge and world class customer service to make their preferred choice.

Innovation

The Company possesses around 2,500 active models in the ceramic and porcelain tiles business and regularly adds new and innovative designs to the product portfolio, thereby refreshing its range and sustaining consumer excitement. The Company manufactures tiles across a wide range – from 20x30 cm up to 80x80 cm, among the largest such available products in the country. The Company has over 41 exclusive models of sanitaryware products, hence opening up customer choice and enhancing the propensity of sales.

Investor recognition

The Company has anchored its leadership position in the country's ceramics industry on the basis of its market-leading capacities, world-

class manufacturing assets, high production utilization, optimized cost structures, vibrant sales and distribution network and robust customer engagement programs.

Something interesting!

AS ONE OF THE LARGEST SANITARYWARE PRODUCERS IN THE COUNTRY, OUR VARIOUS MODELS UNDER THIS SEGMENT INCLUDE:

- **WASH BASINS (WALL MOUNTED AS WELL AS PEDESTAL)**
- **WATER CLOSETS, WATER TANK AND ACCESSORIES**

Product mix

The Company's product mix is oriented towards the production of value-added products, which allow sustainable margin expansion as well as enable us to remain as the preferred brand of choice in the ceramics industry.

Fact!

THE STRENGTH OF OUR BRANDS IS EVIDENT IN OUR FOCUS ON THE MAXIMIZATION OF CAPACITY UTILIZATION. DURING THE YEAR 2017, OUR CAPACITY UTILIZATION STOOD AT 84% AT OUR TILES PLANT AND 99% AT OUR SANITARYWARE FACILITY!

Cost structures

Our costs are located in the lowest quartile in the industry by virtue of robust scale, cutting-edge technology and unmatched operational capabilities.

Multi-channel sales

We possess one of the largest dealer networks in the ceramics industry in the country. With a view to engage our customers better, we also own and operate four exclusive showrooms/display centres strategically located in the country. Moreover, our ongoing consumer engagement programs enable us to deliver customized solutions to our customers, leading to their complete satisfaction.

Recognition

The Company was adjudged as the 'Best Brand 2017' in the Country.

The Company was adjudged as the 'Best Brand 2017' in the Country.

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OUR COMPETITIVE ADVANTAGES ENABLE US TO OUTPERFORM THE INDUSTRY

BUT OUR IMAGINATION ALLOWS US TO OUTCOMPETE IN A HIGHLY COMPETITIVE MARKET

OUR CORE GROWTH

At RAK Ceramics (Bangladesh), we have created a strong foundation to drive profitable future growth.

We have strengthened and grown our competitive advantages, helping us create the foundations to deliver consistent growth. Favorable housing and commercial real estate market demand drivers coupled with a stronger and more agile business model position us extremely well not only for 2018 but for the years to come.

Our continued focus areas

- New products and solutions oriented programs in more profitable channels: We continue to focus on consumer-driven innovation within most profitable areas of the market.
- Stronger operating capabilities and platforms: Our capacity utilisation standards help us achieve accelerated growth across multiple brands.
- Capacity and productivity investments: We have strategically allocated capital to areas of business that can produce long-term returns, enabling us to sustain our returns on our equity.
- Experienced management team and performance driven culture aligned to focus on maximizing shareholder value.

Our most critical achievement is our foundation, which will enable us to scale newer heights. Bangladesh is a market with potential and we expect to harness this potential and provide our customers with world class products.

CORPORATE INFORMATION

Board of Directors

Chairman
Abdallah Massaad

Managing Director
S.A.K. Ekramuzzaman

Director
Pramod Kumar Chand

Independent Directors
Wassim Moukahhal
Faheemul Huq, Barrister-at-Law

Chief Executive Officer
Imtiaz Hussain

Chief Financial Officer
Kaushik Das

Company Secretary
Muhammad Shahidul Islam FCS

Audit Committee

Chairman
Faheemul Huq, Barrister-at-Law

Members
Wassim Moukahhal
Pramod Kumar Chand

Member Secretary
Muhammad Shahidul Islam FCS

Legal Advisor

Margub Kabir, Barrister-at-Law

Statutory Auditor

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

Principal Bankers

HSBC
Standard Chartered Bank
Commercial Bank of Ceylon
Dutch-Bangla Bank Ltd.

Website

www.rakcerambd.com

Registered Office

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

Factory

Dhanua, Sreepur, Gazipur, Bangladesh

ROOM FOR SCALING HIGHER TOWARDS THE SUMMIT



Well-positioned in terms of our core competitive advantages, we are constantly in the pursuit of reaching the summit of excellence. Our unwavering focus on accruing operational and productivity gains, combined with our emphasis on driving front-end sales through providing superlative customer service has kept us motivated on our journey to the top.



AMARSTOCK



ROOM FOR SCALING HIGHER TOWARDS THE SUMMIT

COMPANY PROFILE

RAK Ceramics (Bangladesh) Limited is the country's largest and leading tiles and sanitary ware brand. The Company was incorporated in Bangladesh on 26 November, 1998 as a private limited company under the Companies Act, 1994 as a UAE-Bangladesh joint venture project. It has started its commercial production on 12 November 2000.

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

The core business of RAK Ceramics (Bangladesh) Limited is to manufacture and sale of ceramics and gres porcellanato (Porcelain/ fully vitrified) tiles, bathroom sets and all types of sanitary ware. The Company has over 2,500 models active in the ceramic and porcelain tile business and regularly adds several new designs to the product portfolio. The Company manufactures tiles in a very wide range of tiles in the sizes from 20 cm X 30 cm up to 80 cm X 80 cm in Bangladesh location. The Company has over 41 models an exclusive range of sanitary ware to offer with a very wide choice. In sanitary ware various models are produced in wash basins (mounted as well as pedestal), water closets and accessories. Besides, the product mix is geared to produce mostly value added products. This paired with the other advantages will ensure a shrunken payback cycle. Production is mostly consumed in local market.

Our annual production capacities: 10.32 mn sqm of tiles and 1.45 mn pieces of sanitaryware.

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

Our production capacity utilization: We continue to

focus on maximizing capacity utilization. In the year 2017 actual capacity utilization of 84% at our tiles plant and 99% at our sanitary ware facility.

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

Our vibrant sales network: We possess one of the largest dealers network across the country and four exclusive display centre.

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

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

The Company emerged as the first Bangladeshi Company in its industry to be awarded the prestigious ISO 9001: 2008 certification by the UKAS accredited internationally recognized certification agency BVQI in May 2006. As a responsible global leader in the ceramic industry, we are maintaining our commitment to protect and preserve the environment by operating an Environmental Management System which is certified to ISO 14001:2004 standard. The Company complies with ISO 13006:2015 (E), the latest international standard for ceramic tile; locally known as BDS ISO 13006:2015. The Company's sanitary ware complies with the quality criteria of BDS 1162:2012. Both tiles and sanitary products are BSTI-approved. The Company also awarded as 'Best Brand Award 2017' in Bangladesh. The ceramic tiles and sanitary wares are continuously tested to the factory's own laboratory to adhere to BS EN ISO 10545 and BS EN 997 standards respectively.

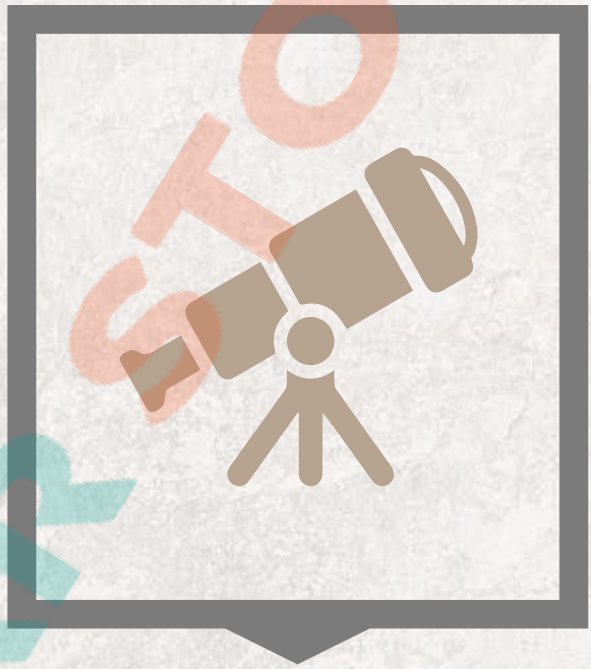
The ownership of RAK Ceramics (Bangladesh) Limited comprises with 72.05% held by the sponsors and remaining 27.95% is held by general public including institutional investors as on December 31, 2017. With an annual turnover of over BDT 7,067.87 million in 2017, within the short span of 17 years RAK has firmly established itself as one of the leading manufacturer of high quality ceramic wall, floor tiles and sanitary ware products in Bangladesh.

THE OWNERSHIP OF RAK CERAMICS (BANGLADESH) LIMITED COMPRISES WITH 72.05% HELD BY THE SPONSORS AND REMAINING 27.95% IS HELD BY GENERAL PUBLIC INCLUDING INSTITUTIONAL INVESTORS AS ON DECEMBER 31, 2017.

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VISION & MISSION





Vision

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

Mission

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

OUR CORE VALUES, CODE OF CONDUCT AND ETHICAL PRINCIPLES

Our code of conduct and ethical standards addresses ethical conduct in our work environment, business practices and relationship with external stakeholders.

As a responsible corporate citizen RAK Ceramics' business practices have been to foster integrity, honesty, fair dealing.

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

Our code of conduct and ethical standards addresses ethical conduct in our work environment, business practices and relationship with external stakeholders. RAK Ceramics sets out the guiding principles known as "Code of Conduct and Ethical Principles" as well as ensures the highest ethical standards in all of the Company's business dealings. Our code of conduct guides us for our daily business interactions, reflecting our standard of proper behavior and our corporate values. The code clearly conveys to each of us the manner in which we achieve our business.

Our priorities for 2018 and beyond are to continue embedding appropriate procedures and controls for managing the supply chain and other third-party risks to support our growth strategy for new products and markets.

Customer Relations

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

Guiding Principles

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

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

Statutory Compliance, Rules and Regulations

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

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

Corporate Commitment

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

Environmental governance and compliance

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

Giving back to our communities

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

RAK Ceramics actively promotes and engages in social contribution activities that help to strengthen communities and contribute to the enrichment of the society both at the individual level and with group companies. The Company understands its responsibility towards social welfare and contributed an amount of BDT 5.50 mn as CSR during the year that encompass donations to counter terrorism units, education, social and cultural activities of our country.

OVERALL STRATEGIC OBJECTIVE

Our business has an overarching goal to achieve profitable and sustainable sales growth. Our constant endeavour is to provide our customers with an innovative product range while deriving a larger sales share of premium products. We are also focused on ensuring product and service consistency that builds trust and reinforces a favourable recall of our brands.

- Enhance sales to existing customers
- Introduce innovative products and design on an ongoing basis
- Improve distributor, supplier and stakeholders relationship
- Our endeavour is to provide best in class working conditions and training to our employees to drive them deliver the best results
- We thrive to continously improve on our quality health and safety standards
- Modern plant and machinery is our wealth and we ensure these are always well-maintained and technologically updated
- Well-developed MIS systems is a focus area with a comprehensive dashboard for key data retrieval and effective decision making
- Incorporating and operating state-of the-art technology is our priority
- Environmental awareness and care for the planet will be part of our business philosophy
- Our competitive advantage is maintained through specialized skills, commitment to training and R&D

DESCRIPTION OF THE PERFORMANCE OF THE COMPANY AND ITS SUBSIDIARIES

The performances of ceramic Tiles product were as follows: Annual production capacities: 10.32 mnsqm. Our production capacity utilization: We continue to focus on maximizing capacity utilization. In the year 2017 capacity utilization was 84% at our tiles plant.

A. RAK Ceramics (Bangladesh) Limited

i) Tiles

Installed capacity: 10.32 mn sqm. annually

Highlights 2017

Capacity utilization was 84% at our tiles plant in 2017

Production for 2017 was 8.70 mn sqm, an increase of 23.16% over the previous year driven by capacity expansion in 2016.

Quantity sales for 2017 was 8.39 mn sqm. an increase of 29.48% over the previous year.

Roadmap 2018

Explore new markets, especially those of the neighboring countries.

Focus on process efficiency and robust cost control.

ii) Sanitaryware

Installed capacity: 1.45 mn pcs. annually.

Highlights 2017

Capacity utilization was 99% at our Sanitaryware Plant in 2017

Quantity sales for 2017 was 1.48 mn pcs. an increase of 3.16% over previous year

Roadmap 2018

Continued focus on production and sale of premium products.

Explore new markets, especially those of the neighboring countries.

B. RAK Power Pvt. Ltd.

Installed generation: 10 MW

Highlights 2017

Actual generation during the year was 54.11 MWH thereby attaining a capacity utilization of 90% in 2017 as against 86.2% in 2016

During 2017, the Company discontinued supplies to third parties and entire generation is now made available to the Parent organization after expansion of Tiles production capacity in June 2016.

C. RAK Security and Services (Pvt.) Ltd

The Company is in the business of providing Security and other services both to group companies as well as third party customers.

Highlights 2017

Service revenue of BDT 193.24 mn in 2017, an increase of 25.85 percent against BDT 153.54 mn in 2016 due to addition of new business initiatives in the domain of verification service in 2017.

Roadmap 2018

To explore and expand customer base in the country by leveraging its attained skills and experience.

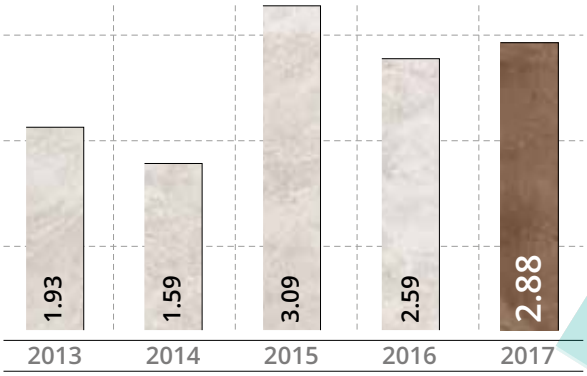
Segment Reporting 2017

(Amount in BDT mn)

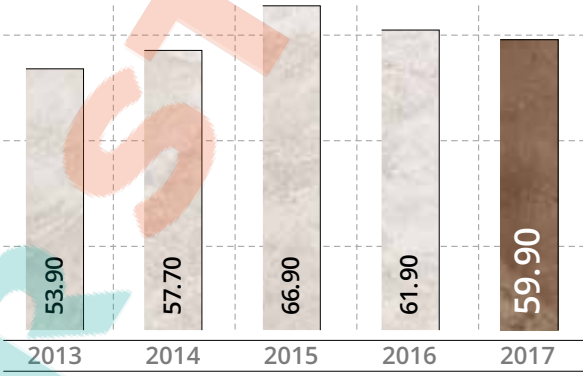
Particulars	RAK Ceramics	RAK Power	RAK Security	Eliminations	Entity Total
Sales	6,968.84	381.12	193.24	(475.33)	7,067.87
Gross Profit	2,631.22	134.96	44.40	6.07	2,816.65
Profit before Tax	1,348.83	126.08	22.19	(82.50)	1,414.60
Profit after Tax	999.65	86.53	14.32	(82.49)	1,018.01

A YEAR OF RESPECTABLE PROGRESS AGAINST A CHALLENGING BACKDROP

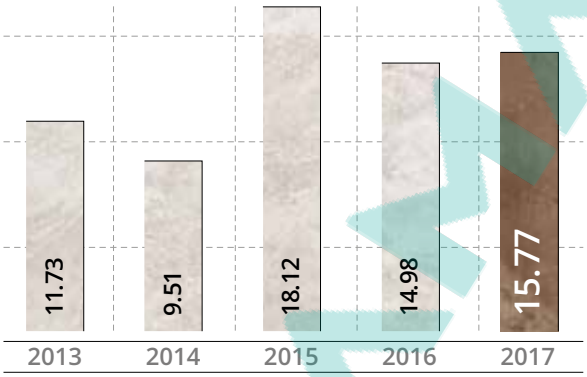
Earning Per Share (Restated)



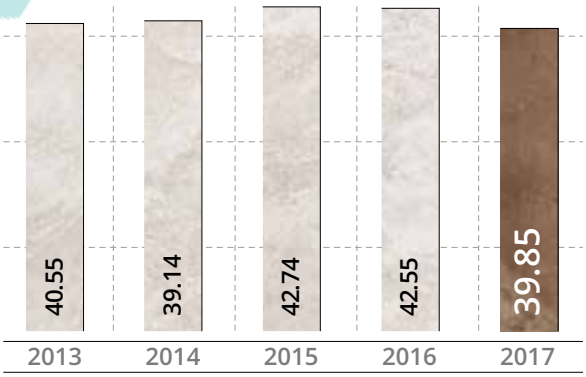
Stock Performance



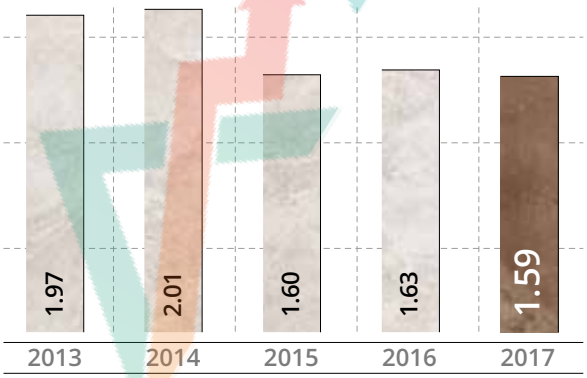
Return on Shareholders' Funds (%)



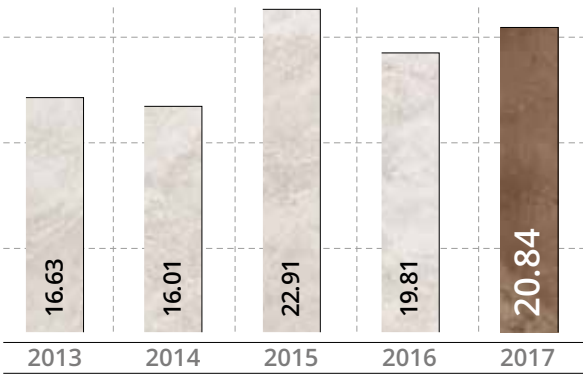
Gross Profit Margin (%)



Current Ratio (Times)

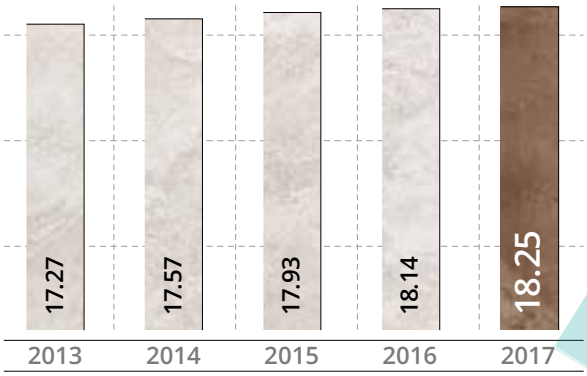


ROCE (%)

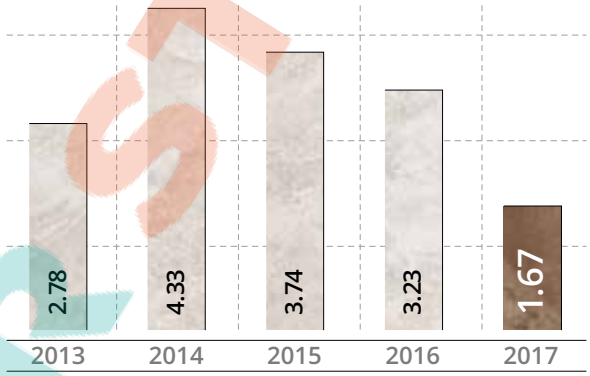


In our continuing endeavor to maximize returns to our shareholders, our performance over the years reflect sustainable growth in almost all fronts as per their expectation. Market positioning, productivity and other operation as well financial indicators exhibit our firm commitment towards sustaining the RAK Ceramics Brand as the most preferred in Tiles and Sanitaryware industry

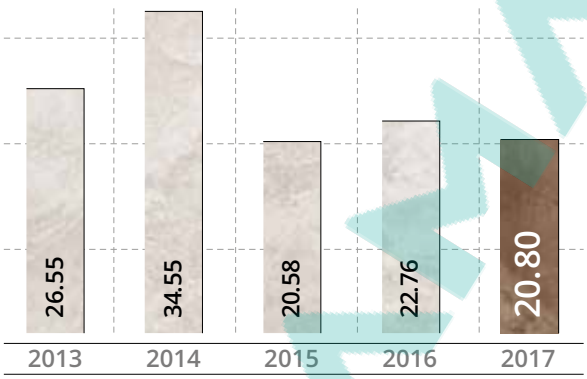
NAV Per Share (BDT)



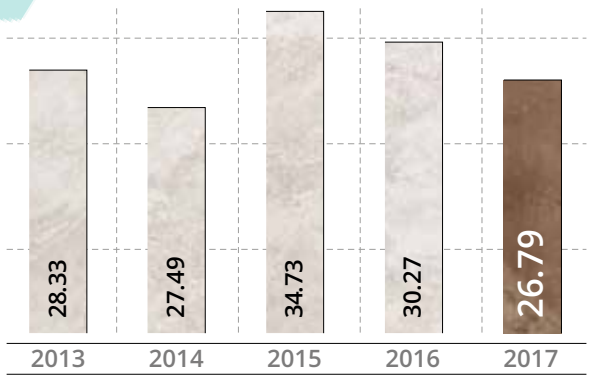
Dividend Yield-Cash (%)



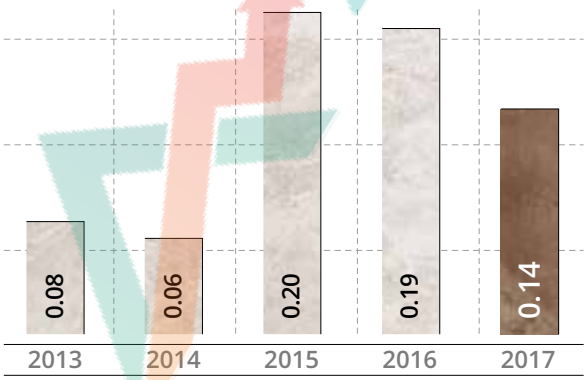
P/E Ratio (Times)



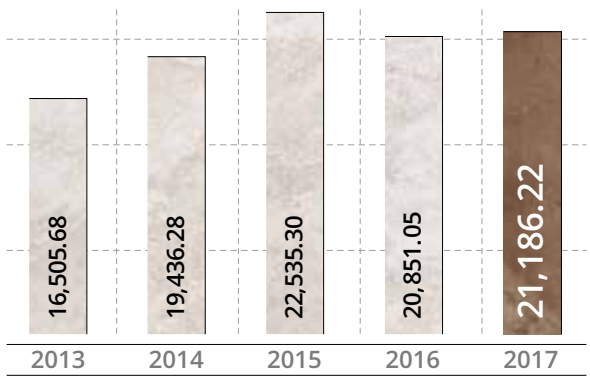
EBIDTA (%)



Debt Equity Ratio (Times)



Market Capitalization (BDT mn)











INSPIRED BY NATURE

Nature and natural elements drive the source of our inspiration, enabling us to visualize textures, patterns, structures and hues that nature has bestowed us with abundance and portray these in the development of our artistic tiles and sanitaryware products.

FROM THE CHAIRMAN'S DESK



We are in constant pursuit to shape a wider product portfolio through constant innovation, vibrant design patterns and a spectrum of strategic focus that exemplifies.

ABDALLAH MASSAAD
Chairman

DEAR SHAREHOLDERS AND STAKEHOLDERS,

I extend a warm welcome to you to the first-ever Integrated Annual Report of RAK Ceramics (Bangladesh) Limited for the year 2017.

The year under assessment delivered some challenging conditions for the business but I am pleased to report that we have delivered a number of important new strategic initiatives that are detailed throughout the pages of this report.

OUR FINANCIAL PERFORMANCE-INDUSTRY-LEADING AND PRIDE-ENHANCING

Our performance is a clear reflection of the fact that many of the initiatives that we have implemented over the past couple of years are having a meaningful impact on the growth of our business and in enhancing shareholder returns.

Our net sales for fiscal 2017 of BDT 7,067.87 million increased 24.84% over the previous fiscal year of 2016. Operating income (EBIDTA) of BDT 1,893.19 million increased by a healthy BDT 179.46 million or 10.47% with an operating profit (EBIDTA) margin of 26.79%, which is one of the highest in our industry. Net profit of BDT 1,018.01 million increased 11.23% and earnings per share (EPS) of BDT 2.88 increased 11.20% over 2016.

In line with our focus on providing consistent value in the hands of our shareowners, we have recommended a dividend of 10% cash and 10% stock for 2017, which will be

disbursed upon approval of shareholders at the ensuing Annual General Meeting.

2017 - REENERGIZING OUR BRAND THROUGH EXTENSIVE REBRANDING

At RAK Ceramics (Bangladesh), we launched a new corporate brand identity in 2017. The new logo was unveiled in the presence of hon'ble dignitaries officials and members from our dealer community across the country.

The new corporate brand identity clearly articulates the Company's proposition under the exciting platform of 'Room for Imagination' and features the latest products and designs, encompassed under our overarching intent of promoting diversity of style and, in doing so, making us as the preferred ceramics brand of choice among our customers.

With the launch of a new corporate brand identity, we celebrated a new milestone and the unveiling of our new brand image is a part of our comprehensive 'Value Creation' plan that was launched in 2014 and designed to improve integration across the business including streamlining our distribution network and unifying our brand globally.

Bangladesh is a land of tremendous opportunity and RAK Ceramics (Bangladesh) is proud to be a part of the economic progress of the country. Over the coming days, we intend to explore and cement a more effective role in national economic growth and development.

EMPHASIZING ON CUSTOMER EXPERIENCE AS A KEY DIFFERENTIATOR

In a commoditized business, we believe we have a very strong lever in hand to place us apart from the other players in the market, which is providing our customers with a superlative experience.

It might be easy for competitors to replicate our designs but it is almost impossible for them to match the sheer breadth of experience that we provide to our customers. Our competitiveness in providing our customers with unmatched experience stems from our knowledgeable sales staff, an extensive product range and our solutions-driven approach that elevates the customer purchase experience. Moreover, our entire sales orientation is anchored on the philosophy of helping our customers as much or as little as they like.

RAK Ceramics (Bangladesh) is uniquely positioned to provide unmatched interior design services across ceramic tiles, gres porcellanato and sanitaryware. Moreover, we have further empowered our design and front-end teams to use new technology to interact with our customers.

LEVERAGING VERTICAL INTEGRATION FOR COST AND SCALE BENEFITS

At RAK Ceramics (Bangladesh), our vertical integration empowers us by giving us control over every aspect of our business – from determining the need for new products to designing and sourcing those products, to manufacturing and delivering it to our customers with unmatched levels of service. This also makes it possible for us to establish, execute and deliver on our commitments to environmental stewardship, sustainability, health and safety and social responsibility, which are important aspects of our business that cannot be ignored in the pursuit of profits or market share. Moreover, new manufacturing technology, combined with the talent and depth of knowledge of our craftspeople, has made our manufacturing division even stronger.

Our exclusive large-format showrooms and display centers represent a major competitive advantage as, being situated in upmarket and high footfall locations, enable us to engage with our customers better, which in turn, reinforces a favourable word-of-mouth recall that represents a high-impact marketing medium for us.

ATTRACTIVELY UNFOLDING INDUSTRY PROSPECTS

We expect the housing and commercial market's renovation and refurbishment segments to remain relatively stable in 2018. Specifically, we envisage that residential construction activity will pick up with the pipeline of new housing stock that is yet to be completed remaining reasonably strong, supporting continued demand for our brands into 2018 and beyond.

Several structural macro-economic indicators point to relatively robust demand for housing and commercial activity that include a fast-growing GDP, increase in per capita income, more disposable incomes in the hands of a larger consumer base driven by the overall economic growth and easy and uncomplicated availability of housing finance with relatively stable interest rates. This is coupled with increasing urbanization as masses look for better work and life opportunities in urban areas, the government's thrust on housing and the deep-seated cultural impetus of the need to have an own house.

In this unfolding scenario, the Company continues to pursue initiatives to improve revenue and profitable market share across its core product categories and segments through the launch of new products, working collaboratively with key customers and engaging with end-consumers as part of our brand 'pull' strategy.

CONTROLLING COSTS TO MAXIMIZE PROFITABILITY

As we pursue new opportunities, we remain focused on continuing to address the Company's cost base through SG&A and supply chain savings. With a debt-equity ratio of 0.14x, the Company's financial position remains robust with the ability to generate strong operating cash flow across the business.

Proper operational control and supervision is critical for success in the ceramics business. This not only enables the right use or consumption of raw material resources but is also essential for controlling end-product quality and minimizing wastages. All these, in turn, enable us to price our products more competitively.

At our Company, we have installed machinery and equipment from the global leaders in ceramics technology, the Italian SACMI, that enables a robust operational platform, enabling us to scale-up our production with industry-leading capacity utilisation levels, control overhead costs and ensure the highest quality output with reinforced structural integrity.

2018 PRIORITIES

At our Company, we intend to strongly build our 'Room for Imagination' concept that actually reflect everything that we stand for.

Our design teams with global alliances help spot and convert trends into trendy designs that ultimately enhance customer affinity for our products, also reinforcing our go-to-market capabilities. We also intend to maximize production at our newly launched fourth line, thereby enabling us to better match demand with supply.

Going into 2018, we also intend to continue to expand our geographic footprint in a bid to grow our share of the market on a micro level and enhance the country's per capita tiles consumption on a macro level.

As a direct proxy of Bangladesh's consumption play, we offer our shareholders and prospective shareholders a stable investment access, especially as the country is on an upswing with economic transition and increasing traction.

CONCLUSION

RAK Ceramics (Bangladesh) delivered improved financial performance in 2017 while continuing to build a stronger business for the future.

On behalf of the Board, I acknowledge the efforts of Mr. Ekramuzzaman and his executive team and our people across the Company for their contribution over the past year in delivering these results.

As we close the books for 2017, I conclude by indicating that RAK Ceramics (Bangladesh) remains in a strong financial position and we have a clear strategy and focus to build our platforms further to maximize returns to our shareholders.

Sincerely,



(Abdallah Massaad)
Chairman

OUR CORPORATE PRIORITIES

- Build on our core assets and brands to drive revenue and market share growth
- Add value to customers through improved insights, analytics and processes
- Build a proactive culture and enhance customer engagement capabilities
- Reinforce our global supply chain to ensure the qualty and cost effective availability of key raw material resources
- Drive cost out in SG&A and supply chain to improve profitability
- Augment financial position to enhance reinvestment capacity

KEY PERFORMANCE INDICATORS

At RAK Ceramics (Bangladesh), we have delivered strong results by leveraging and building upon our structural competitive advantages and focusing on profitable growth. Towards this extent, the Board monitors a number of financial and non-financial metrics and KPIs for the Company.

Capacity Utilisation (%)

2014		2015		2016		2017	
Tiles	Sanitaryware	Tiles	Sanitaryware	Tiles	Sanitaryware	Tiles	Sanitaryware
73	118	75	98	68	100	84	99

Commentary: Capacity utilisation at our tiles division (as indicated above) has been consistent over the past few years with an upward trend and remains aligned with demand, enabling us to meet our customers' requirements. Moreover, capacity utilisation at our sanitaryware division has clocked about 99%, indicating the strong demand for this line of products.

Revenue (BDT mn)

2014	2015	2016	2017
5,047.35	5,059.30	5,661.41	7,067.87

Commentary: The year 2017 was strong as we achieved broad-based growth across our product platforms as well as sales channels. Besides, revenue growth was also aided by higher sales volumes and a respectable increase in realisations. Notably, our ability to sustain high capacity utilisation at both our tiles and sanitaryware divisions reinforced our supply positions and ensured that we meet market demand within the shortest possible time with optimum inventory stocked at the retailers end.

Gross Margin (%)

2014	2015	2016	2017
39.14	42.74	42.55	39.85

Commentary: Two consecutive increase in Gas prices have affected our input costs of Gas as well as power resulting in a marginal decline of gross margins in 2017. However we continue to focus on margin enhancement by emphasizing on enhancing the sales of premium value-added products on the one hand and leveraging stronger cost controls on the other.

EBIDTA (BDT mn)

2014	2015	2016	2017
1,387.27	1,756.90	1,713.73	1,893.19

Commentary: A fairly decent growth in our revenues combined with better coverage of fixed costs led to 10.47% growth in our EBIDTA (excluding exchange gain/loss) to BDT 1,893.19 mn in 2017.

Net Profit (BDT mn)

2014	2015	2016	2017
562.80	1,094.34	915.25	1,018.01

Commentary: Our net profit up by 11.23% to BDT 1,018.01 mn.

Net Current Assets (BDT mn)

2014	2015	2016	2017
3,585.05	2,523.33	2,726.73	2,850.54

Commentary: Net current assets growth of about 4.54% to BDT 2,850.54 mn, reflects good financial health even as the Company operates in a working capital-intensive business, indicating the potential for expansion of operations with a low dependence on external capital.

ROOM FOR REINFORCING OUR COMMITMENT TO THE ENVIRONMENT



We consider ourselves to be as much environmentalists as industrialists. With this core philosophy ingrained in our culture, we always look at the long-term in ensuring that we minimize the impact of our operations on the environment and actively promote its preservation and sustenance. We are also conscious of decarbonizing the economy and minimizing our carbon footprint.





ROOM FOR REINFORCING OUR COMMITMENT TO THE ENVIRONMENT

DIRECTORS' PROFILE



ABDALLAH MASSAAD
Chairman

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

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

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

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

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

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

In 2015, Mr. Massaad won the International Business Stevie® Award for 'Executive of the Year (Manufacturing)'. The efforts of Mr. Massaad as a visionary CEO were also further recognized when he was awarded 'Industry CEO of the Year' at the CEO Middle East Annual Awards 2015 and in 2016 Mr. Massaad was shortlisted as a Top 100 CEO as part of Mediaquest's Top CEO Awards in the GCC. In 2017, Mr. Massaad was shortlisted as one of the Top 100 Smartest People in the United Arab Emirates by Arabian Business, and he was also honoured as one of the top 100 Most Sustainable CEOs by the World Sustainability Congress.

Having over 25 years of experience from field sales to sales management, to product marketing, Mr. Massaad has highly developed business leadership skills in national and international markets. Prior to joining RAK Ceramics, Mr. Massaad was the General Manager of International Ceramics Company SARL (ICC) Lebanon.

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



S.A.K. EKRAMUZZAMAN
Managing Director

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

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

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

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

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

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



PRAMOD KUMAR CHAND
Director



WASSIM MOUKAHHAL
Independent Director

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

Mr. Moukahhal has more than 13 years of experience in private equity investments and is currently a Managing Director of Samena Capital Investments Limited in Dubai, focusing on investments within the MENA region. He is also a member of the Board of Directors of Anghami and a member of the Investment Committee of the Samena Special Situations Funds.

Mr. Moukahhal previously worked at EFG-Hermes in Dubai where he was a Vice President in the Private Equity and Infrastructure investments team. Prior to EFG, he worked in the Private Equity Group for The National Investor (TNI) in the UAE.

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



FAHEEMUL HUQ, BARRISTER-AT-LAW
Independent Director

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

Mr. Huq completed his LL.B.(Hon's) from the University of Dhaka and the University of Wolverhampton, UK., PGDL, Bar Vocational Course, Lincoln's Inn, UK, Barrister-at-Law and was Called to the Bar from Hon'ble Society of Lincoln's Inn, UK. He is enrolled in the Appellate Division of the Supreme Court of Bangladesh. Mr. Huq is one of the senior Advocate in the Supreme Court of Bangladesh with more than 19 years of experience in Bangladesh.

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

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

EXECUTIVE MANAGEMENT



IMTIAZ HUSSAIN
Chief Executive Officer



KAUSHIK DAS
Chief Financial Officer



MD. MAHBUBUR RAHMAN
General Manager-HR & Admin



J. REZA
Head of
Supply Chain Management



SAMBA SIVA RAO KODALI
Factory Manager



MUHAMMAD SHAHIDUL ISLAM
Company Secretary

MANAGEMENT DISCUSSION AND ANALYSIS

Global overview

The world economy has been on an uptrend with a reported economic growth rate of 3% in 2017, which represents the highest growth rate since 2011. This rate is expected to remain steady during the coming year. Specifically, the economic outlook for South Asia remains favourable, driven by robust private consumption and sound macroeconomic policies. The positive outlook will contribute to further progress in the labour market indicators with a concomitant reduction in poverty rates.

The improved global economic situation provides an opportunity for countries to direct policy towards longer-term issues such as low carbon growth, reduced inequalities, economic diversification and the elimination of deep-rooted barriers that hinder progress and development.

(Source: UN global economy outlook)

Global ceramic tiles industry

The worldwide ceramic tiles market reported a growth rate of 5.7% in 2016. Global tiles production crossed the 13 billion sqm mark in 2016, driven by robust growth in the fast-growing economies of China, India, Vietnam and Iran. Moreover, the rapid rate of urbanization has given significant impetus to construction activities in emerging Asian economics over the last few years.

Top tiles manufacturing countries

Country	CY'12 (Sqm mn)	CY'13 (Sqm mn)	CY'14 (Sqm mn)	CY'15 (Sqm mn)	CY'16 (Sqm mn)
China	5,200	5,700	6,000	5,970	6,495
India	691	750	825	850	955
Brazil	866	871	903	899	792
Iran	500	500	410	300	492
Vietnam	290	300	360	440	485
Italy	367	363	382	395	416
Indonesia	360	390	420	370	360
Spain	404	420	425	440	340
Turkey	280	340	315	320	330
Mexico	229	228	230	242	267
Total	**9,187**	**9,862**	**10,270**	**10,226**	**10,932**
World total	**11,194**	**11,913**	**12,409**	**12,355**	**13,056**

(Source: World Ceramics Review 2017)

World tiles consumption

Global tiles consumption increased by 5% in 2016. In Asia, the demand for ceramic tiles reached 8,818 million sqm, equivalent to 69% of the global consumption. Consumption in the European

Top tiles consumption countries

Country	CY'12 (Sqm mn)	CY'13 (Sqm mn)	CY'14 (Sqm mn)	CY'15 (Sqm mn)	CY'16 (Sqm mn)
China	4,250	4,556	4,894	4,885	5,475
India	681	748	756	763	785
Brazil	803	837	853	816	706
Vietnam	254	251	310	400	412
Indonesia	340	360	407	357	369
USA	204	230	231	254	274
Saudi Arabia	230	235	244	263	248
Turkey	184	226	215	234	241
Mexico	375	350	280	216	235
Thailand	160	180	175	192	189
Total	**7,534**	**8,024**	**8,409**	**8,380**	**8,934**
World total	**10,932**	**11,574**	**12,095**	**12,175**	**12,783**

(Source: World Ceramics Review 2017)

Union (EU) also rose by a healthy 5.9%. Outlook

An upswing in construction activities owing to increasing urbanization and rapid industrialization is boosting the demand for ceramic tiles significantly across the world.

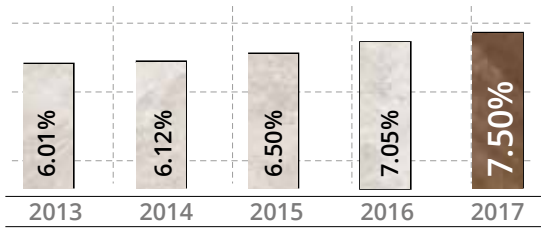
The global ceramic tiles market is forecasted to grow at a CAGR of 6.7% by value from 2016 to 2021. The major growth driver for this market is the growth in new construction and renovation activities. Asian countries produce over two-thirds of the global production, led by China (49%), India (7%), Brazil (6%), Iran (3%) and Italy (3%). With favourable economic growth and rise in infrastructure and construction activities, the global tiles market is expected to top USD 76 billion in 2016 and is projected to surge to USD 120 billion by 2020.

Bangladesh economy

With a projected GDP growth of 7.5%, Bangladesh has emerged as one of the fastest growing countries of the world. The World Bank has put forth a bright picture for Bangladesh's economy for the next two fiscal years. The global bilateral institution expects that Bangladesh will grow at an average of 6.7% a year over the fiscal years of 2018-2020, benefiting from strong domestic demand and strengthening exports. Per capita income of the country rose to $1,610 in 2017. Bangladesh's GDP stands at $249.86 billion, or nearly Tk 20.88 trillion. Almost all the major economic constituents reported healthy growth with the agriculture sector growing 2.90%, manufacturing rising 10.22% and the services sector growing by 6.69%.

Real GDP growth (%)

Year	GDP growth (%)
2017 (P)	7.50
2016	7.05
2015	6.50
2014	6.12
2013	6.01



(Source: Bangladesh Bureau of Statistics and IMF Bangladesh economy review)

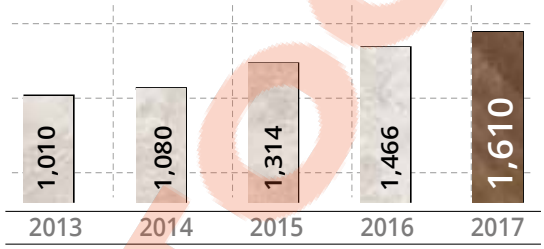
Outlook:

The Bangladeshi government's Seventh Five Year Plan, along with the Vision 2021 document, sets strong developmental targets for the country. The government has targeted GDP growth of about 8% by 2020. The key parameters of this growth projection include a reduction

in unemployment by more than 50% by 2021,continued impetus to the readymade garment (RMG) sector, focus on the energy sector that is on an upswing with an installed generation capacity of 15,379 MW (as on 2017) that is projected to rise to 24,000 MW by 2021 and increased remittances.

GNI per capita

Year	GNI per capita (US$)
2017	1,610
2016	1,466
2015	1,314
2014	1,080
2013	1,010



(Source: Bangladesh Bureau of Statistics and IMF Bangladesh economy review)

Bangladeshi ceramics industry

Production: The national ceramics industry is a fast-growing manufacturing sector of Bangladesh. Over the years, the industry has flourished with fairly high growth rates and sustained product demand. While the industry catering to as much as 85% of the local demand, it also exports quality ceramic products to international markets. The local ceramics industry mainly produces tiles, tableware and sanitaryware. According to Bangladesh Ceramics Manufacturers and Exporters Association (BCMEA), the annual production capacity of the national ceramics industry is:

- Tableware (250 million pieces)
- Tiles (120 million sqm)
- Sanitaryware (7.5 million pieces)

Currently, more than 500,000 people are engaged in the local ceramics industry. According to BCMEA, the cumulative investment in this sector is more than 1 billion USD and the industry earns more than 42 million USD through exports with value addition of 65%.

Consumption:

An estimate by BCMEA indicates that despite the tremendous growth of the local industry, the country still imports between 25-35% of the tiles consumed to fulfill the demand, representing a strong case for import substitution. According to the apex industry body, local consumption of tiles stands at 259.11 million USD, sanitaryware at 38.03 million USD and tableware at 60.05 million USD. Moreover, Bangladesh exports ceramic products to more than 50 countries around the world. The principal export regions include some of the most demanding and quality-conscious markets of Europe, America, Australia and Asia.

Main challenges of this sector

One of the principal challenges impeding the growth of the ceramics industry is inadequate supply of natural gas. Natural gas is not only the key energy source for the industry but also crucial for maintaining the structural quality and integrity of the products. The Bangladeshi government is focused on resolving the crisis of natural gas by June / July 2018 by seeking active replacement with liquefied natural gas (LNG), the capacities of which are expected to come on-stream. This will also reduce the burden on the country's natural gas reserves.

Future of the ceramics industry

Bangladesh's ceramics industry has experienced 200% growth in production over the last five years. This growth momentum is expected to sustain into the future, thanks to the robust developmental potential of the real estate sector and rising living standards. The industry is also positioned to expand rapidly in the global markets on the back of such inherent advantages as high-quality products, low labour costs and product innovation.

GENERAL REVIEW OF THE PERFORMANCE OF THE COMPANY

Business review

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

Key highlights, 2017 **(Amount in BDT mn)**

Particulars	2017	2016
Sales	7,067.87	5,661.41
Gross Profit	2,816.65	2,409.36
PAT	1,018.01	915.25
EBIDTA	1,893.19	1,713.73
EPS (Absolute BDT)	2.88	2.59 (Restated)

- Sales increased by a significant 24.84% to BDT 7,067.87 mn from BDT 5,661.41 mn in 2016, led by a growth in volumes as well as product realisations
- Gross profit increased by 16.90% to BDT 2,816.65 mn from BDT 2,409.36 mn in 2016, led by sales growth
- Profit after tax increased by a respectable 11.23% to BDT 1,018.01 mn from BDT 915.25 mn in 2016, also representing one of the industry's highest net profit margins of 14.40%
- EBITDA increased by 10.47% to BDT 1,893.19 mn from BDT 1,713.73 mn in 2016, driven by cost control and efficiency enhancement
- EPS increased by 11.20% to BDT 2.88 from BDT 2.59 per share in 2016 (restated)

Financial Highlights, 2017

- EBITDA margin declined by 348 bps to 26.79% from 30.27% in 2016
- PAT margin declined by 177 bps to 14.40% from 16.17% in 2016
- ROCE increased by 103 bps to 20.84% from 19.81% in 2016, driven by the outcome of our capital efficiency focus

Financial analysis, 2017

- Invested BDT 8,199.56 mn (BDT 7,668.62 mn as on 31 December 2016) in the gross block in 2017 with a view to enhance our technological backbone and derive cost and efficiency benefits
- Maintained an industry-leading debt-equity ratio of 0.14, down from 0.19 as on 31 December 2016
- Interest income from treasury operations stood at BDT 20.66 mn

AMARSTOCK

Income statement analysis

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

Revenue

The topline grew by 24.84% compared to previous year.

Revenue mix: The ceramics business accounted for a significant share of the Company's revenues; other businesses (power and security) made contributions to the growth of the Group's consolidated topline.

Ceramics: Revenues increased by 24.95% to BDT 6,968.84 mn in 2017 from BDT 5,577.44 mn in 2016. Profit after tax increased by 9.34% to BDT 999.65 mn in 2017 from BDT 914.26 mn in 2016 despite BDT 51.37 mn foreign exchange loss in 2017.

Power: Profit after tax declined by 10.48% to BDT 86.53 mn in 2017 from BDT 96.66 mn in 2016, with increase in sales to the extent of 1.91% to BDT 381.12 mn in 2017 from BDT 373.99 mn in 2016.

Security: Profit after tax increased by 82.89% to BDT 14.32 mn in 2017 from BDT 7.83 mn in 2016 with increase in revenue by around 25.86% to BDT 193.24 mn in 2017 from BDT 153.54 mn in 2016.

Operating profit: Net operating profit increased by 15.56% to BDT 1,560.90mn in 2017 from BDT 1,350.70 mn in 2016.

Operating expenses

The Company's operating expenses (operating, marketing and administrative) increased by 27.70% to BDT 5,586.80 mn in 2017 from BDT 4,374.88 mn in 2016 in tandem with operational volume and country inflation. Operating cost as a proportion of sales increased by 1.77% in 2017 against 2016.

Operating cost matrix:

Particulars	2017		2016		% Increase/ (Decrease)
	Amount (BDT mn)	% of sales	Amount (BDT mn)	% of sales	
Cost of goods sold	4,251.22	60.15	3,252.05	57.44	2.71
Marketing expenses	890.03	12.59	706.36	12.48	0.11
Administration expenses	445.55	6.30	416.47	5.89	0.41

Cost of goods sold: Cost of goods sold increased by 2.71% compared to 2016 owing to cost increase throughput.

Administrative expenses: Administrative expenses increased by BDT 22.71 mn mainly due to increase in depreciation.

Marketing expenses: Marketing expenses increased by BDT 183.67 mn mainly due to increase in the sales quantity.

Financial expenses

Interest expenses increased to BDT 46.23 mn in 2017 on account of short-term loans taken for import of raw materials. Due to depreciation in Bangladesh currency and high volatility, there is foreign exchange losses stood at BDT 51.53 mn in 2017. Bank charges increased to BDT 3.26 mn in 2017 from BDT 1.78 mn in 2016.

Analysis of the Balance Sheet

Shareholders' fund: Shareholders' fund increased by 5.63% to BDT 6,456.04 mn in 2017, up from BDT 6,111.72 mn in 2016.

Non-current assets:

Fixed assets additions:

During the year 2017, the total additions to the fixed assets, including subsidiary

companies, was BDT 518.27 mn. The major additions to the fixed assets were land, factory building, office building, purchase of plant and machinery, mobile plant, gas pipeline, furniture and fixtures, office equipment, communication equipment, tools and appliances and vehicles, etc.

Intangible assets: Expenditures to acquire designs, developments, brand, trademarks and various licenses for manufacturing of ceramic tiles and sanitaryware products are capitalised. The amortization policy covers the period up to the expected tenure of accrual of benefits derived from the particular asset.

Capital work-in-progress: The Company invested BDT 41.42 mn in heavy equipment in its ceramic tiles and sanitaryware facilities, which is expected to be commissioned in the coming year. Capital work-in-progress also includes construction work for factory building, plant and machinery, furniture and fixtures, communication equipment and the mobile plant.

Current assets:

Inventory: Inventory comprises finished goods of BDT 502.34 mn, raw materials of BDT 655.09 mn, stores and consumables spares of BDT 1,098.23 mn, material-in-transit of BDT 169.86 mn and work-in-process of BDT 108.18 mn. The Company has a policy of maintaining adequate inventory of key inputs to ensure uninterrupted operations.

Trade and other receivables:

These largely comprise of trade receivables where in average receivables cycle is maintained at 45 days.

Cash and bank balance: Cash and bank balances include cash in hand of BDT 5.63 mn, balances in bank accounts of BDT 779.13 mn and fixed deposits of BDT 597.59 mn. Liquid balances of cash and bank are necessary for the smooth functioning of the business.

Asset composition

Particulars	2017		2016		% Increase/ (Decrease)
	Amount (BDT mn)	% of assets	Amount (BDT mn)	% of assets	
Non-current assets	4,143.47	35.14	4,114.61	36.88	(1.74)
Current assets	7,647.88	64.86	7,042.98	63.12	1.74

Equity and liabilities

Capital and reserves: The equity capital comprised 353,693,141 equity shares of BDT 10 each. The market value of the share is BDT 59.90 is (as on 31 December 2017, DSE) resulting in a market capitalization of BDT 21.19 bn.

Non-current borrowings: Non-current borrowings include BDT 359.16 mn in 2017 for tiles and sanitaryware plant expansion.

Current borrowings:

Current borrowings include short-term UPAS loan of BDT 256.25 mn and BDT 273.66 mn as the current portion of long-term foreign currency loan.

Current Liabilities: Current liabilities increased by 11.15% to BDT 4,797.34 mn in 2017 from BDT 4,316.25 mn in 2016.

STATEMENT OF SUBSIDIARIES

The Company has the following subsidiaries as on 31 December 2017.

Company Name	Share Holding (%)	Relationship	Investment in BDT mn	Nature of Business	Present Status
RAK Power Pvt. Ltd.	99.99	Subsidiary	341.63	Electricity generation	On production
RAK Security & Services (Pvt.) Ltd.	99.00	Subsidiary	18.75	Security and other services	On operation

AMAR STOCK

RISK AND MITIGATION OF RISK AT RAK CERAMICS (BANGLADESH)

With a strong sense of being proactive towards risk identification, the Company has built unparalleled capacities in risk mitigation, measurement, control and monitoring. As a means to reinforce our ability to ring-fence the Company against certain core risks, the senior management of our Company reviews and adopts industry best practices that enable us to achieve our ultimate risk control objectives.

RAK Ceramics (Bangladesh) has built robust capabilities to identify the risk of future uncertainty emanating out of changes in the local, national and global economy.

With a strong sense of being proactive towards risk identification, the Company has built unparalleled capacities in risk mitigation, measurement, control and monitoring. As a means to reinforce our ability to ring-fence the Company against certain core risks, the senior management of our Company reviews and adopts industry best practices that enable us to achieve our ultimate risk control objectives.

Principally, risks are defined as uncertainties that might result in adverse variations in profitability or in losses, financial or otherwise. The core risk areas of the business operations comprise industry risks, market risks, quality risks, technological risks and liquidity risks (include foreign exchange risks, interest rate risks, etc). Some of these risks and their mitigation measures are discussed elaborately as under:

Industry risks

Risk description

Industry risks refer to the risk of enhanced competition arising out of foreign and domestic sources leading to lower product realizations, revenues, profit margins and market share, etc., which could have an adverse impact on the business, results from operations and the financial performance of the Company.

Mitigation

RAK Ceramics (Bangladesh) is renowned in the market as an innovation centric, technology-led and customer-driven Company. The Company enjoys a strong track record to keep pace with technological investments that enable us to strongly differentiate our product propositions. Also, due to our superior product quality, competitive pricing and a wide range of products to suit multiple tastes and budgets, the Company has been able to carve out a dominant position in the market with a brand equity that is anchored on quality, trust and reliability.

Moreover, globally-benchmarked product quality ensures that the Company provides quality products that match imports and, being available at a lower price, represent an unmatched proposition. In addition, the robust worldwide network of our parent brings forth it's latest designs to the Company's manufacturing facilities and makes the same available locally.

On the product development front too, the Company continuously engages in modern research and development (R&D) with a view to improve product designs and service levels to enable the Company to keep pace with evolving customer choices with the latest in fashion and design. The Company, being a market leader in the ceramic tiles and sanitaryware products in Bangladesh, has already captured over one-fourth of the tiles market and more than two-thirds of the sanitaryware industry. As a result, the Company is well-insulated from the risks of competitive intensity emerging from both local as well as foreign sources.

It is imperative to identify and measure all sources of market risks associated with business operations. Supervised entities have policies and procedures in place to identify all types of market risks impacting their operations, by risk as well as product type.

Market risks

Risk description

Market risks refer to the risk of adverse market conditions affecting the Company's sales and profitability. Mostly, this risk arises from declining demand for the product / service, which would negatively impact the Company's performance.

Mitigation

RAK Ceramics possesses unmatched brand presence in the micro-markets, reinforced by the Company's foreign affiliation. The Company's unique proposition comprises the ability to manufacture quality products available at affordable prices, backed by committed service. Moreover, for a growing economy like Bangladesh that is transitioning from a low-income into a middle-income nation, there will always be sustainable demand for tiles and sanitaryware products that are an essential part of commercial as well as residential interior infrastructure. The Company, by virtue of launching innovative and first-of-its-kind products in the market, has been able to consistently capture newer markets with newer products.

Quality risks

Risk description

Managing quality risks is a systematic process encompassing the identification, assessment and control of risks to ensure the quality and structural integrity of products across their performance lifecycle. Any compromise in product quality could result in customer and brand attrition.

Mitigation

RAK Ceramics (Bangladesh) is the first Bangladeshi Company in the ceramics industry to be awarded the prestigious ISO 9001:2008 certification by the UKAS-accredited internationally-recognized certification agency BVQI, in May 2006.

As a responsible global leader in the ceramics industry, we are committed to protect and preserve the environment by operating an Environmental Management System (EMS) that is certified to ISO 14001:2004 standards. Moreover, the Company complies with ISO 13006:2015 (E), the latest international standards for ceramic tiles, locally known as BDS ISO 13006:2015. Additionally, the Company's sanitaryware products comply with the quality criteria laid down under BDS 1162:2012. Both tiles and sanitaryware products are BSTI-approved. Moreover, ceramic tiles and sanitaryware products are continuously tested in our factory's modern in-house laboratory and follows BS EN ISO 10545 and BS EN 997 standards.

As a further endorsement of the superior quality of our products, The Company also awarded as 'Best Brand Award 2017' in Bangladesh.

Cost inflation risks

Risk description

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

working capital-intensive business operating in a highly competitive industry, the ability to sustainably pass on cost inflation to the market is central to sustaining profitability.

Mitigation

The Company is secure in terms of its key raw material resources, enabling it to maintain its market position and competitiveness. RAK Power Pvt. Ltd. (a 100% subsidiary) operates a 10MW captive power unit that supplies uninterrupted power to our manufacturing complex at a competitive price. This helps the Company to operate production smoothly and seamlessly with the inherent ability to price its products competitively. In addition, the Company has undertaken several process optimization initiatives to optimise costs.

In terms of raw material procurement as well as finished products dispatch, the Company is also largely insulated from fuel cost hikes as its plants are proximate to two major ports, a railway station and the international airport in Dhaka.

Interest rate risks

Risk description

Interest rate risk may emerge from the borrowed funds of short and long term maturity. Interest rate risk is the risk that a company may face due to unfavorable movements in interest rates.

Unfavorable interest rate movements caused by volatile money markets, adverse policy regulations and growing demand for capital could impact the Company's ability to raise cost-effective funds.

Mitigation

RAK Ceramics (Bangladesh) operates with low dependence on external borrowings. The Company possesses strong retained earnings of Taka 1,445.45 mn, cash and bank balances of Taka 1,382.36 mn and a low debt-equity ratio of 0.14, as on 31 December 2017, showcasing our ability to raise low cost debt for prospective needs. Moreover, a strong balance sheet and high quality ratings also enable us to raise funds, when and if required, at competitive rates.

Currency risks

Risk description

Exchange rate risk is relevant for RAK Ceramics (Bangladesh) since a large proportion of our raw material requirements are invoiced in foreign currency. Unfavorable currency fluctuations could impact profitability.

Mitigation

It is the Company's policy to enter into safe forward contracts sanctioned as per the Central Bank's forex policy towards cushioning itself against adverse foreign currency movements risks.

Importantly, the parent Company possesses a database of over 2,500 global suppliers engaged with it for more than 18 years. RAK Ceramics (Bangladesh) leverages its parent Company's monthly global resource planning exercise, which takes care of resource procurement schedules and currency fluctuation escalations.

Regulatory risks

Risk description

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

Mitigation

The Bangladeshi economy, led by the incumbent government, has been socio-economically stable over the past few years. Besides, the government holds the democratic mandate of ensuring holistic and sustainable growth and, towards this extent, has created a favourable environment with structurally robust policies. This has ensured regulatory predictability leading to a secure business environment.

The government's Seventh Five Year Plan, along with the Vision 2021, sets strong developmental targets for the country, even as the economy achieved GDP growth of 7.50% in 2017, one of the fastest growth rates in the world. With the momentum thus gained, the government has targeted a GDP growth of about 8% by 2020 with the key manifesto of reducing unemployment by more than 50% by 2021.

Operating in one of the fastest growing nations of the world, Bangladesh's ceramics industry is a sector that has witnessed

considerable domestic demand for differentiated products. Contribution from this sector has been very significant and, over the last two decades, it has contributed an average 8.24% to the overall GDP of the country. With the real estate and infrastructure industries positioned at the heart of Bangladesh's economic transformation, the prospects of ancillary industries, including tiles and sanitaryware, appear bright going into the future.

Technological risks

Risk description

Technology plays a vital role in the existence of any industrial concern, ensuring superior customer service and minimizing costs across the production and operations value chain. The Company's production facilities are based on the currently available technology. Any development of new and more cost-effective technology may cause technological obsolescence, leading to negative operational efficiency.

Mitigation

RAK Ceramics (Bangladesh) is a subsidiary of RAK Ceramics PJSC, UAE. This ownership enables the Company to enjoy access to the latest technology incorporated in its manufacturing facilities. The Company has adopted the world class SACMI technology that ensures high-quality, cost-effective output for the production of tiles and sanitary ware.

Today, the Company remains at the cutting-edge of technology, earning the reputation of pioneering new ceramics technology in Bangladesh. The Company has also invested in a full-fledged R&D team to facilitate the absorption of new technology with optimal investments. The Company also has access to international/multinational companies for supplying appropriate technology and technical managerial support for the establishment of new projects. Moreover, with foreign affiliation with RAK Ceramics PJSC, UAE for technical know-how and assistance, the Company is expected to always remain ahead of the other producers in the local market, which ultimately reduces the technology-related risks impacting the Company.

Management risks

Risk description

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

Mitigation

The Company places top priority on developing its human resources. Each and every employee is considered, developed and motivated to contribute optimally towards the achievement of corporate goals. A dynamic business environment requires having a well-trained workforce. Hence, the Company has given emphasis on developing management skills and capabilities to suit a contemporary business environment.

The Company offers well-designed compensation package to its employees to encourage professionalism, stimulate collaboration and team work and promote innovation, reinforced with high ethical standards. Moreover, the employees enjoy benefits of Contributory Provident Fund, Gratuity Scheme and Group Life Insurance, etc. The Company has also established a Workers Profit Participation Fund and Welfare Fund that enables our workforce to remain committed, loyal, engaged and motivated.

INTEGRATED REPORTING

Our Integrated Report represents concise communication about how RAK Ceramics (Bangladesh) has effectively managed its strategy, governance, performance and prospects, leading to the creation of sustainable value over the short-, medium- and long-term.

For the first time, the RAK Ceramics (Bangladesh) Limited Annual Report 2017 is being presented as an 'Integrated Report' with the aim of providing integrated representation of the Company's performance in terms of both financial and other valuable relevant information.

Our Integrated Report represents concise communication about how RAK Ceramics (Bangladesh) has effectively managed its strategy, governance, performance and prospects, leading to the creation of sustainable value over the short, medium and long-term. Moreover, it elucidates our purpose and describes the holistic impact of our business, in terms of our contribution to economic prosperity, environmental sustainability and social well-being for a brighter and more optimistic future.

At RAK Ceramics (Bangladesh), we have embedded integrated thinking within our mainstream business practices. At our Company, the cycle of integrated thinking and reporting has resulted in a more efficient capital allocation that has acted as a force multiplier for financial as well as organizational stability and sustainability. In this context, our Integrated Annual Report 2017 is a concise communication about how the organization's strategy, governance, performance and prospects, in the backdrop of the external environment, has led to the creation of value over the short, medium and long-term. Our report also makes explicit the connectivity of information to communicate how our organisation has created value over time.

Organizational overview and the external environment

Culture, ethics and values

Our Code of Conduct and ethical standards addresses ethical conduct in our work environment, business practices and relationships with external stakeholders. RAK Ceramics (Bangladesh) sets out the guiding principles known as the "Code of Conduct and Ethical Principles" as well as ensures that the highest ethical and transparent standards are adopted across all of the Company's business dealings.

Our culture, ethics and values are disclosed in the core values, Code of Conduct and ethical principles statement on page-19 in this Annual Report.

Ownership and operating structure

RAK Ceramics (Bangladesh) ownership and operating structure is disclosed in the shareholding pattern in Annexure-3 on page-74 in this Annual Report.

Principal activities and market positioning

RAK Ceramics (Bangladesh) is the largest and among the fastest-growing tiles and sanitaryware brands in the country. The core business of RAK Ceramics (Bangladesh) represents the manufacture and sale of ceramics and gres porcellanato (porcelain/fully vitrified) tiles, bathroom sets and other accessories as well as all types of sanitaryware.

The principal activities under the Company's business segments and performance and its subsidiaries are separately disclosed in the 'Statement of performance of the Company and its subsidiaries' on page-22 in this Annual Report.

Corporate governance

In order to ensure the highest levels of alignment with the true spirit of corporate governance and with full accountability for inspiring the confidence of investors, regulators, financers and other stakeholders, RAK Ceramics (Bangladesh) is committed to comply with all the requirements of corporate governance, as required by the Bangladesh Securities and Exchange Commission. The details about corporate governance are discussed in the Corporate Governance Report on page-77 in this Annual Report.

Shareholder identification/ relationships

RAK Ceramics (Bangladesh) strongly believes in maintaining an open dialogue and smooth relationships with all the participants under its stakeholder ecosystem. In the Annual General Meeting, the Company's management receive their valuable opinions/ feedback and focuses on the implementation of these for ensuring the betterment of the Company in its journey towards creating sustainable value.

The statement of shareholder relationship is separately disclosed in the 'Shareholder Relationship' section on page-65 in this Annual Report.

Our business model

RAK Ceramics (Bangladesh) is a leading manufacturer and marketer of premium branded ceramic tiles and sanitaryware products, having over 18 years of unparalleled experience in the market. Our business model is designed to withstand market competition with the overall intent of enhancing, protecting and maintaining the places and spaces in which people live and work, through providing high quality and pride-enhancing interior infrastructure products.

Performance

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

The details of the Company's operational results and performance are discussed in the 'General review of the performance of the Company' on page-43 in this Annual Report.

Risks and opportunity and internal controls

RAK Ceramics (Bangladesh) has a strong base to identify the risks of future uncertainty with the changes in the local and global economy. The Company has built strong capabilities to identify the key business risks and ensure the adequate mitigation of these risks with robust monitoring and control.

The details of risks and

concerns of the Company are discussed in the 'Risk and mitigation of risk' section on page-47 in this Annual Report.

Outlook

The ceramics industry is a fast-growing manufacturing sector of Bangladesh. Over the years, the industry has flourished with the opening up of the real estate sector and increasing disposable incomes in the hands of a growing consumer base. The details about the industry outlook and probable future industry developments are discussed in the 'Management Discussion and Analysis' report-on page-40 in this Annual Report.

Basis of preparation and presentation

In our opinion, our Integrated Annual Report 2017 meets the criteria mentioned in the framework issued by the 'International Integrated Reporting Council (IIRC)' and the guidelines issued by the 'Institute of Chartered Accountants of Bangladesh' have been followed properly and present fairly the integrated performance of RAK Ceramics (Bangladesh) and the impact thereof.

Responsibility

In terms of taking responsibility over the content of this Integrated Report, we have presented information that is relevant to our key stakeholders, including our employees, regulators and communities, to discuss 'value creation' through our operations and other related activities.

Comparability and materiality

All the information presented in this Integrated Annual Report 2017 is on the same basis as the Annual Report 2016, in terms of entities covered, the measurement methods applied, and time frame used and the ratios used that are comparable across the industry. The information provided covers all material aspects relating to our business strategy, area of risk and mitigation thereof as well as our road map for 2018, which all are important and valuable assessment tools for our stakeholders.

External assurance

RAK Ceramics (Bangladesh) has obtained external assurance on the following report in the reporting period under consideration. The financial statements of the Company have been audited by M/s A. Qasem & Co., Chartered Accountants (a member firm of Ernst & Young Global Limited, UK).

Report boundary

The scope of our Integrated Annual Report 2017 comprises activities that have been carried out within the boundaries of Bangladesh. No significant changes have occurred after the last reporting date as of December 31, 2017.

Availability of the Annual Report

This Annual Report of Company is sent to all shareholders in due time and copy of the same is also made available on the website of the Company, http://www.rakcerambd.com. In case of non-receipt of the Annual Report sent through courier, shareholders are well come to collect the same from the Registered Office of the Company.

ROOM FOR TAKING INSPIRATION FROM NATURE



RAK Ceramics believes in sustainable practices of manufacturing all its products. We remain sensible and responsible in consuming resources and minimizing waste. At the same time, we focus on reaching out to the nature for our inspiration and also to amalgamate the essence of nature to our products that are meant to be a part of our daily lives.




ROOM FOR TAKING
INSPIRATION
FROM NATURE

SUSTAINABILITY REPORT

Sustainability is not only a business goal; it is also an assurance that we offer our customers by helping them make more sustainable choices.

Corporate sustainability represents a business approach that enables the creation of long-term shareholder value by embracing opportunities and managing risks emerging out of economic, environmental and social developments.

RAK Ceramics' business strategies are anchored on the fundamental conviction and concept of a sustainable business that integrates good governance, environmental issues and social concerns into the heart of the business to create maximum value for our stakeholders.

Sustainability

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

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

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

Our people

Our people contribute to our success, enabling the Company to achieve its goals and aspirations. Our human resource strategy is built on the recognition of the skills and the potential of our people and their ability to work effectively and in collaboration with each other and the external environment. As part of our initiatives to enrich our human resources, we continuously encourage employees and work dedicatedly towards fostering a healthy, ethical and supportive work environment.

Some of our principal human resource management tenets include the following:

- We are committed to people development at every level of the organization
- We offer competitive compensation standards to our people
- We value our people and actively work to improve employee engagement
- We understand, respect and value personal and cultural differences

Our products

RAK Ceramics (Bangladesh) is the country's largest and most trusted tiles and sanitaryware brand. The Company consistently works on product innovation through engaging in cutting-edge research and development (R&D), improving designs and service levels to keep pace with evolving customer choices, fashion trends and design developments. As a market leader in the ceramic tiles and sanitaryware industries in Bangladesh, we:

- Work with our suppliers to maintain excellent standards in terms of product quality and safety
- Expect our suppliers, contractors and agents to adhere to our Code of Conduct and to adopt similar standards
- Promote green and eco-friendly products and practices

Our operations

RAK Ceramics (Bangladesh) has adopted the world-class SACMI technology that ensures high product quality on the one hand and cost-effective output in the production of tiles and sanitaryware on the other. The Company remains at the cutting-edge of technology, earning the unparalleled reputation of being a pioneer of new technology in Bangladesh. Our focus on sustaining operational value includes the following:

- Running efficient operations that consume less energy and generate minimum waste
- Observing the law in the spirit of ensuring full compliance
- Encouraging and promoting the preservation of precious resources, including water, paper and electricity across our branches, showrooms and offices

Our communities

RAK Ceramics (Bangladesh) actively promotes and engages in social enrichment activities that help strengthen communities, especially those living at the grassroots, and contribute to the betterment of the society, both at the individual level and with group companies.

- We voluntarily contribute our time, ideas and energy and also provide financial support to the communities in which we work
- RAK Ceramics (Bangladesh)'s, approach to social responsibility is embedded in the Company's culture and focuses on creating sustainable value for our stakeholders, especially those at the bottom of the economic pyramid.

Reporting Scope

This report intends to touch upon all the significant environmental, economic and social impacts of the Company in the financial year 2017.

Basis of preparation and presentation

We have presented our sustainability report based on the Global Reporting Initiative (GRI) reporting framework with an effort to measure, disclose and be accountable to internal as well as external stakeholders in terms of governance and economic, environmental and social aspects.

CORPORATE SOCIAL RESPONSIBILITY

RAK Ceramics (Bangladesh)'s, approach to social responsibility is embedded in the Company's culture and focuses on creating sustainable value for our stakeholders, especially those at the bottom of the economic pyramid.

RAK Ceramics (Bangladesh)'s, approach to social responsibility is embedded in the Company's culture and focuses on creating sustainable value for our stakeholders, especially those at the bottom of the economic pyramid. Towards this extent, corporate social responsibility (CSR) is at the heart of RAK Ceramics' business values and we recognize that many of our stakeholders, from site neighbours and employees through to our customers and investors, have rising expectations out of our corporate responsibility commitment and performance.

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

At our Company, we are engaged in a number of valuable activities that are being undertaken within all of our businesses and across our manufacturing sites. However, we have identified and agreed to the need to do more and do so in a more focused manner, as we strive to ensure the highest CSR impact within the realm of all of our activities.

RAK Ceramics (Bangladesh) actively promotes and engages in the concept of social contribution that helps strengthen communities and contribute to the enrichment of the grassroots of the society, both at the individual level and consolidated as a group. The Company is cognizant of its responsibility towards social welfare and contributed an amount of BDT 5.50 mn as CSR during the year 2017, encompassing donations to counter terrorism units and foster education, social and cultural activities of the country.

OUR OBLIGATIONS: TO THE ENVIRONMENT AND THE SOCIETY

RAK Ceramics (Bangladesh) fully embraces its role as a responsible custodian of the environment. We are committed to practice environmental stewardship throughout our value chain, including product design, sourcing and operations. The Company is committed to an active role in building a better world by taking care of the surrounding environment with focus and dedication.

Green environmental practices

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

- High-efficiency burners
- Regulated water consumption
- Re-cycle and re-use of in-process waste water
- Water conservation awareness
- Solid waste management
- Natural resource conservation and pollution control
- Mezzanine shelving system installation in the central store warehouse

Green production facilities

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

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

Water conservation

Our operations develop and execute a holistic water management programme consistent with the Company's strategy for suitable and quality water supply. We consider several

water management options that may be divided into various groups, making it possible to pinpoint reduction possibilities:

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

2) Optimisation: We ensure that through engaging in regular preventive maintenance of equipment and devices water is used judiciously without any wastage.

Natural resource conservation and pollution control: In our focus on minimizing the depletion of natural minerals, RAK Ceramics (Bangladesh) has developed the expertise to combine as many as 5-9 types of natural minerals coming from several countries around the world to minimize the damage to the environment.

Indoor air quality and its effect on office interiors

RAK Ceramics (Bangladesh) promotes building fit-outs that ensure a healthier indoor environment and more productive workplaces, which also have a less negative impact on the environment. We focus on conserving natural resources by embracing environment-friendly processes and practices.

Solid waste management

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

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

Energy-efficient systems

RAK Ceramics (Bangladesh) emphasizes on the procurement and installation of energy-efficient systems that contribute to preserving the environment and protecting our reputation as a socially-committed organization.

Ventilated facade system

Normal ventilation system is used in the plant that is suitable for local environmental conditions and helps in the conservation of energy.

Environmental governance and compliance

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

Our people

At the heart of our human resource strategy is the recognition that the skills and potential of our people and their ability to work effectively with our customers and across the supply chain is a crucial differentiator for the Company. In addition to enhancing the quality of the solutions we develop, building and sustaining strong relationships help us improve our services and drive operational efficiency. In our ongoing commitment to pursue high-quality development, our leadership is supporting us to attract and retain the best

quality talent with attributes that we require to operate our business profitably and sustainably.

RAK Ceramics (Bangladesh) is committed to treating its employees well

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

Provident Fund and Gratuity scheme: The Company maintains a recognized Contributory Provident Fund and an approved Gratuity scheme for all its employees.

Workers' Profit Participation Fund: The Company maintains a Workers' Profit Participation Fund (WPPF) as per the Bangladesh Labour Act, 2006.

Employee Welfare Fund: Financial assistance is provided to employee and their immediate family members for medical and educational purposes from the Employee Welfare Fund maintained by the Company.

Focus on creating a happier and more productive workplace

We recognize that our Company will succeed and grow only if we attract and retain the highest quality talent. We engage talented employees dedicated to serve our customers and responsibly embracing our Company's mission and values. The health and safety of our people and everyone who come under the ambit of our activities is fundamental to our business and is a source of our uncompromising stance on the security and welfare of our stakeholder ecosystem.

RAK Ceramics' products

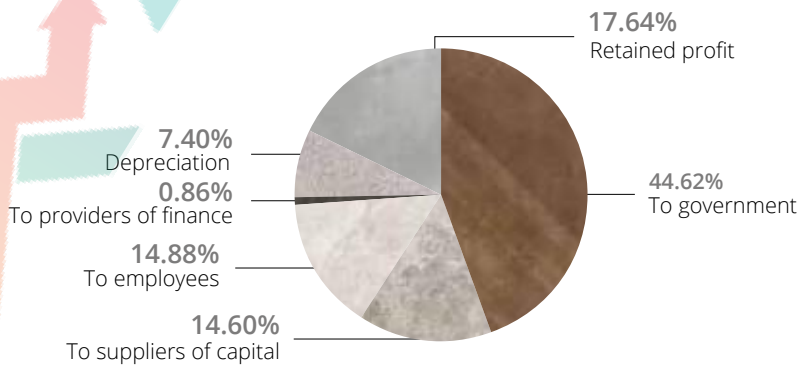
RAK Ceramics is a founding member of the Emirates Green Building Council that supports the development of sustainable buildings in the UAE. As part of its commitment to focus on 'green building' products, it has launched several exciting and innovative products that contribute to creating a greener and cleaner environment. The UAE Ministry of Environment and Water (MOEW) has awarded the Company the prestigious 'Environmental Performance Certificate' (EPC) in recognition of its successful efforts to comply with environmental protection standards and regulations. The Company is proud of its many performance material products, which provide excellent quality and value and actively support our customers in responsibly reducing their environmental footprint.

VALUE ADDED STATEMENT

The value added statement provides a detailed account of consolidated value addition and the distribution of value created by the organization. RAK Ceramics (Bangladesh), as one of the country's largest ceramics manufacturing enterprises, contributes positively to socio-economic development by empowering employees through the payment of salaries and allowances, by disbursing consistent dividends to the suppliers of capital, by assisting the regulatory authorities through paying taxes and providing several other benefits to our stakeholder ecosystem through engaging in continuous business expansion and growth.

Particulars	31 December 2017	
	Taka	%
Revenue	8,939,865,835	
Other income	34,558,774	
Less: Paid to suppliers for materials and services	3,204,231,083	
Value added	**5,770,193,526**	**100**
Distribution of value added		
To government Income taxes, duties and value added tax	2,574,868,180	44.62
To suppliers of capital Dividends to shareholders	842,126,522	14.60
To employees Wages, salaries, bonus, commissions, pensions and other benefits	858,925,970	14.88
To providers of finance Interest and bank charges on borrowings	49,492,498	0.86
Retained for reinvestment and future growth		
Depreciation	426,768,657	7.40
Retained profit	1,018,011,699	17.64
Total	**5,770,193,526**	**100**

Distribution of Value Added



ECONOMIC VALUE ADDED (EVA) STATEMENT

Economic value added is a measure of profitability that takes into cognizance the cost of the total invested equity. Investors / equity providers are always conscious about the return on the capital invested. The EVA also provides a measure of a company's economic success (or failure) over a period of time.

Calculation of EVA

Particulars	Amount in Taka (2017)
Net operating profit after tax (NOPAT)	1,164,312,469
Total capital employed	6,994,013,935
Cost of capital (in %)	9%
Cost of capital (COC)	629,461,254
EVA = NOPAT - COC	534,851,215

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MARKET VALUE ADDED (MVA) STATEMENT

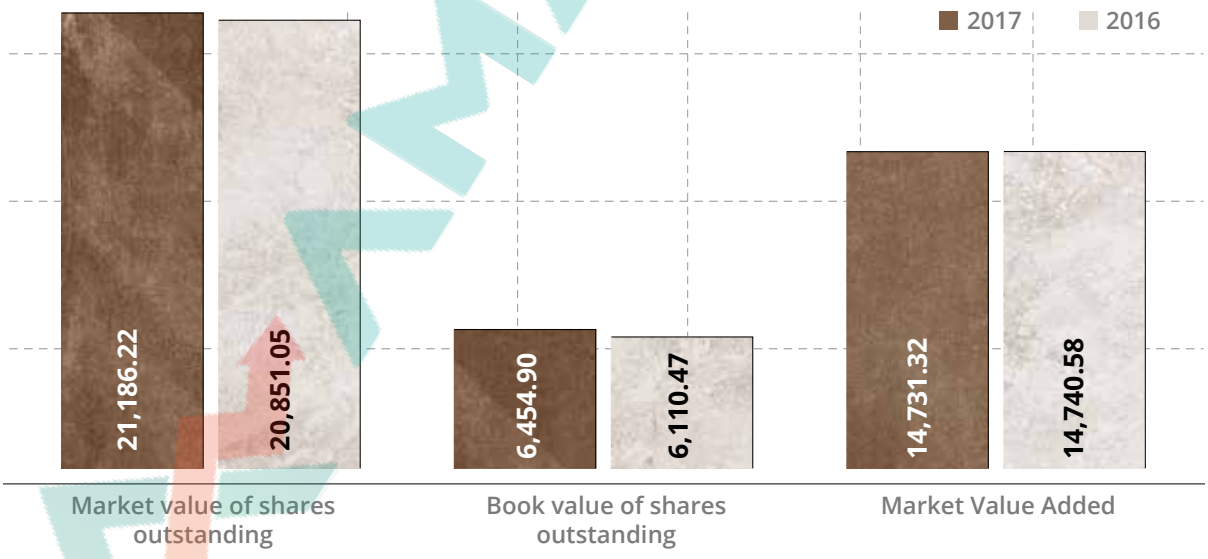
Market Value Added statement is a measure of external performance of RAK Ceramics (Bangladesh) evaluated by the market through its share price. This statement indicates the difference between the market value of capital of a Company and the book value of capital contributed by investors. A higher MVA indicates that the Company has created substantial wealth for its investors.

The following statement indicates the MVA at the year ended 31 December 2017 and 2016:

(Amount in Taka mn)

Particulars	2017	2016
Market value of shares outstanding	21,186.22	20,851.05
Book value of shares outstanding	6,454.90	6,110.47
Market Value Added	14,731.32	14,740.58

Market Value Added (MVA) Statement



SHAREHOLDER RELATIONSHIP

Communication with Shareholders

The Company encourages communications with the shareholders throughout the year and welcomes their participation in the annual general meeting. In the annual general meeting, the management of the Company received their valuable opinion and tries to implement it's for the betterment of the Company. The Company tries to maintain liaison with all shareholders as well as ensures that all stakeholders are informed about the company's activities on a regular basis.

The Company discloses the quarterly and yearly financial performance and other reports in due time for the best interests of the shareholders.

Company's Corporate Website

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

In addition to that, the Company regularly publishes the entire regulatory requirement in the website of the Company.

Grievance Redressal

RAK Ceramics (Bangladesh) strongly believes in maintaining smooth and interactive relationship with stakeholders. We pursue high quality shareholder's redressal policy proactively to handle all grievance, complaints in an effective and fair manner. Any query received from investors is treated efficiently and fairly. Queries from investor are dealt with courtesy and in a timely manner.

How Do RAK Ceramics Redress investors' Complaints

Any investors may lodge their complaint related to their investment in the Company through formal letter and Investor Relation Department official email and phone call to the Company Secretary.

- Official of Investor Relation Department of the Company shall review the investor complaint on weekly basis.
- Designated person of the Company look after the investor grievances on daily basis.
- Communicate to the shareholders for collection of dividend warrants which have been return from BEFTN system or non-delivery by courier service.
- Request for update e-Tin number in BO account if cash dividend declared.
- Request for update Bank account detail in BO account while sending dividend in through BEFTN system



INSPIRED BY THE ENVIRONMENT

We value and care for our surrounding environment. Therefore, we pay minute attention to maximize the use of natural resources as much as possible in parallel with our relentless emphasis on minimizing waste. Consequently, we are able to foster sustainable practices across our operational value chain and also implement green initiatives as an integral part of our business.



DIRECTORS' REPORT OF RAK CERAMICS (BANGLADESH) LIMITED

Dear Shareholders,

Assalamu Alaikum

The Board of Directors of RAK Ceramics (Bangladesh) is pleased to present this Directors' Report, along with audited financial statements of the Company for the year ended 31 December 2017 and the Auditors' Report thereon, for your valued consideration, approval and adoption.

Principle activities

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

Industry Outlook

The detail about industry outlook and possible future developments in the industry is discussed in Management Discussion and Analysis on page-40 in this annual report.

Production capacity

RAK Ceramics (Bangladesh) presently operates with an annual standard production capacity of 10.32 mn sqm of tiles and 1.45 mn pieces of sanitary ware with over 41 active designs and widest ranges.

Business review/ Operational results

The Company reported consolidated sales of BDT 7,067.87 mn in 2017 against BDT 5,661.41 mn in 2016. The consolidated net profit after tax attributable to the equity holders of the Company was BDT 1,018.01 mn against BDT 915.25 mn in 2016. The consolidated net profit increase due to increase in sale.The detail of operational results of the Company is discussed in General Review of the Performance of the Company on page-43 in this annual report.

Financial results and appropriations

The Directors are pleased to report the financial results for the year 2017 and recommend the following appropriations:

(Amount in BDT mn)

Particulars	2017	2016
Profit before tax	1,414.60	1,270.66
Less: Provision for tax	396.59	355.40
Profit after tax *	1,018.01	915.25
Add: Un-appropriated profit brought forward	1,269.57	1,196.44
Profit available for distribution	2,287.58	2,111.70
Less: Appropriation of dividend	842.13	842.13
Un-appropriated profit C/F	1,445.45	1,269.57

** Profit after tax exclusive of non controlling interest. The key operating and financial data of preceding five years is given in Annexure-1 on page-72 in this annual report.*

Fixed assets additions

During the year 2017 total additions to the fixed assets including subsidiary companies was BDT 518.27 mn. The major additions to the fixed assets were land, factory building, office building, purchase of plant and machinery, mobile plant, Gas pipeline, furniture & fixture, office equipment, communication equipment, tools and appliances, vehicles etc.

Reserve and surplus

Retained earnings of the Company in 2017 stood at BDT 1,445.45 mn against BDT 1,269.57 mn in 2016.

Dividend

The Company is exploring expansion of its production capacity, for which suitable land near the existing plants is being identified. The Company proposes to maintain sufficient cash position to fund the proposed land acquisition. Hence the Board of Directors is pleased to recommend dividend @10% in cash and @10% in stock of the paid up capital of the Company for the year 2017. The Company paid dividend @20% in cash and @5% in stock of the paid up capital of the Company for the year 2016.

Contribution to national exchequer

RAK Ceramics (Bangladesh) regularly pays its direct and indirect tax obligations in time. During the year 2017, RAK Ceramics (Bangladesh) Ltd. had contributed to National Exchequer total of BDT 2,574.87 mn, by way of Corporate Income tax of BDT 314.31mn, withholding tax and VAT from suppliers and service providers of BDT 244.25 mn, VAT of BDT 1,154.57 mn, supplementary duty of BDT 698.39 mn and other duties/ taxes of BDT 163.35 mn.

Risks and concerns

The detail of risks and concerns of the Company is discussed in Risk and Mitigation of Risk on page-47 in this annual report.

Auditors

M/s A. Qasem & Co., Chartered Accountants (a member firm of Ernst & Young Global Limited, UK) were auditors of the Company for previous three consecutive years including 2017, shall retire in the 19th AGM and are not eligible for re-appointment as per the Bangladesh Securities and Exchange Commission order. The Company invited and received proposals from the shareholders for appointment of the auditors of the Company for the year 2018. The Audit Committee of the Board scrutinized the proposals and recommended to appoint M/s ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL) as the auditors of the Company for the year 2018. The Board of Directors also recommended to appoint M/s ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL) as the auditors of the Company for the year 2018 which will be placed before the 19th AGM for shareholders' approval. Remuneration of the auditor will also be fixed by the shareholders in the 19th AGM.

Parent and subsidiary companies

RAK Ceramics PJSC, UAE (the Company) is the parent company of RAK Ceramics (Bangladesh). It is a UAE based leading tiles and sanitary ware manufacturer and one of the largest ceramics' brands in the world. It has the capacity to produce 110 mn sqm of tiles, 5 mn pcs of sanitary ware, 24 mn pcs of porcelain tableware and 1 mn pcs of faucets per year at its 20 state-of-the-art plants including Bangladesh. The Company serves clients in more than 150 countries through its network of operational hubs in Europe, Middle East and North Africa, Asia, North and South America and Australia. It is a publicly listed company on the Abu Dhabi Securities Exchange in the United Arab Emirates and as a group have an annual turnover of approximately US$1 bn.

RAK Ceramics (Bangladesh) has two subsidiaries namely RAK Power Pvt. Ltd. and RAK Security and Services (Pvt.) Ltd. which are fully owned subsidiary of the Company. The principal activities and status of these subsidiaries are separately disclosed in Statement of Subsidiaries on page-46 in this annual report.

Basis for related party transactions

The detail list of the related parties with whom transactions have been taken place and their relationship as identified and certified by management is disclosed in related party disclosures under BAS-24 on page-131 in this annual report.

Corporate Social Responsibility

The Company understands its responsibility towards social welfare and contributed an amount of BDT 5.50 mn as CSR during the year under review. The detail of the CSR activities of the Company during the year is discussed in Corporate Social Responsibility on page-58 in this annual report.

Human resources and staff welfare

RAK Ceramics (Bangladesh) gives the highest priority on human resources and staff welfare. The Company ensures the safe and healthy working environment for its employees. The Company is currently has 1,807 full time employees. It offer well designed compensation package for the employees to encourage professionalism, stimulate team work and promote innovation reinforced with high ethical standards. The employees of the Company enjoy benefits of Contributory Provident Fund, Gratuity Scheme and Group Life Insurance etc. The Company established "Workers Profit Participation Fund and Welfare Fund". In year 2017, the Company contributed 5 (five) percent of its profit before tax towards Workers' Profit Participation and Welfare Fund amounting to BDT 67.44 mn.

Internal control

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

Board of Directors

The Board of Directors of the Company is comprised with 5 (Five) members including 2 (two) independent directors. Names and profiles including nature of expertise in specific functional areas of the Directors of the Company are shown in Directors' Profile on page-36 in this annual report. A statement for each of their involvement in other corporate bodies within the group is disclosed in Annexure-4 on page-75 in this annual report. The Board of Directors of the Company met together 7 (Seven) times for meeting during the year under review. The number of Board meeting held and the attendance of each director during the year 2017 is disclosed in Annexure-2 on page-73 in this annual report.

Appointment/re-appointment of directors

In accordance with the Article 93, 94 and 95 of the Articles of Association of the Company, Mr. Abdallah Massaad will retire from his office as Director by rotation in the 19th Annual General Meeting and being eligible, offers himself for re-election in accordance with the terms of Article 96 of the Articles of Association of the Company.

Mr. Wassim Moukahhal has been re-appointed by the Board on August 31, 2017 (with effect from October 19, 2017) as independent director of the Company for further 3 (three) years and shall be placed for approval by the shareholders in the 19th Annual General Meeting in compliance with the condition of the corporate governance guidelines issued by the Bangladesh Securities and Exchange Commission on August 07, 2012.

Code of Conduct

In compliance with the corporate governance, the Board has laid down a code of conduct of all Board members and annual compliance of the code is recorded accordingly.

The Company did not pay any remuneration to any director including the independent directors, except board meeting attendance fee and

3% of profit before tax to Managing Director.

Pattern of shareholding

In accordance with the condition of the corporate governance guidelines issued by the Bangladesh Securities and Exchange Commission on August 07, 2012, the shareholding pattern of the Company is disclosed in Annexure-3 on page-74 in this annual report.

Financial Reporting Standards

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

a. The financial statements prepared by the management of Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

b. Proper books of accounts of the Company have been maintained.

c. Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.

d. International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.

e. The system of internal control is sound in design and has been effectively implemented and monitored.

f. There are no significant doubts of the Company's ability to continue as a going Concern.

g. The significant deviations from the last year's operating results of the Company have been highlighted in the report and reasons thereof have been explained.

Corporate Governance

To ensure the spirit of the corporate governance with accountability for inspiring confidence of investors, regulators, financer and other stakeholders, RAK Ceramics (Bangladesh) is committed to comply with all the requirements of corporate governance as required by the Bangladesh Securities and Exchange Commission. The detail about corporate governance is discussed in Corporate Governance Report on page-77 in this annual report.

Reporting and Compliance of Corporate Governance

The Company has complied with the conditions of corporate governance guidelines of the Bangladesh Securities and Exchange Commission Notification no. SEC/ CMRRCD/2006-158/134/Admin/44 dated 07 August 2012. The detail status of compliance on corporate governance along with the certificate on compliance of conditions of corporate governance has been included on page-81 in this annual report.

Membership with BAPLC

Being a publicly traded company RAK Ceramics (Bangladesh) has a membership with the Bangladesh Association of Publicly Listed Companies (BAPLC). A certificate of BAPLC membership has been included on page-89 in this annual report.

Post balance sheet events

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

Appreciation

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

For and on behalf of the Board of Directors,



(Abdallah Massaad)
Chairman

January 28, 2018
Ras Al Khaimah, UAE

ANNEXURE-1

KEY OPERATING AND FINANCIAL DATA OF PRECEDING FIVE YEARS

(**Amount in BDT**)

Particulars	2017	2016	2015	2014	2013
Sales	7,067,872,487	5,661,411,578	5,059,300,403	5,508,642,947	5,169,225,208
Cost of sales	4,251,220,093	3,252,054,966	2,896,889,441	3,255,268,010	3,073,003,258
Gross profit	2,816,652,394	2,409,356,612	2,162,410,962	2,253,374,937	2,096,221,950
Administration expenses	445,551,419	416,460,612	886,856,902	344,100,573	344,071,654
Marketing and selling expenses	890,034,944	706,362,135	688,070,995	1,035,123,422	854,918,221
Net profit before financial expenses	1,481,066,031	1,286,533,865	587,483,065	874,150,942	897,232,075
Financial expenses	101,024,936	40,014,661	18,935,684	44,080,102	44,737,610
Other income*	34,558,774	24,139,245	910,848,168	80,195,921	95,327,515
Net profit before taxation	1,414,599,869	1,270,658,449	1,479,395,549	910,266,761	947,821,980
Income tax expenses	396,587,747	355,403,678	385,055,782	422,191,844	358,296,602
Non-controlling interest	423	472	487	(74,724,435)	(92,892,932)
Net profit after taxation	1,018,011,699	915,254,299	1,094,339,280	562,799,352	682,418,310

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

ANNEXURE-2

STATEMENT OF BOARD OF DIRECTORS' MEETING AND ATTENDANCE

The number of Board meetings held and the attendance by each director during the year 2017

Name of directors	Position	Number of meetings held while a member	Number of meetings attended
Abdallah Massaad (Nominee of RAK Ceramics PJSC, UAE)	Chairman	07	06
S.A.K. Ekramuzzaman	Managing Director	07	05
Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director	07	07
Wassim Moukahhal	Independent Director	07	06
Faheemul Huq Barrister-at-Law	Independent Director	07	05

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ANNEXURE-3

SHAREHOLDING PATTERN

The pattern of shareholding as on 31 December 2017

a) Parent/Subsidiary companies and other related parties

Name	Status/Position	No. of Shares held
RAK Ceramics PJSC, UAE	Parent Company	240,980,522

b) Directors /CEO/CFO/CS and their spouses and minor children.

Name	Status/Position	No. of Shares held
Abdallah Massaad (Nominee of RAK Ceramics PJSC, UAE)	Chairman	14
S.A.K. Ekramuzzaman	Managing Director	13,872,583
Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director	Nil
Faheemul Huq, Barrister-at-Law	Independent Director	86,001
Wassim Moukahhal	Independent Director	Nil
Imtiaz Hussain	Chief Executive Officer	Nil
Kaushik Das	Chief Financial Officer	Nil
Muhammad Shahidul Islam	Company Secretary	Nil

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

Name	Status/Position	No. of Shares held
Mahbubur Rahman	GM-HR & Admin	42,732
J. Reza	Head of SCM	Nil
Rajib Kumar Saha	Head of PMO	Nil
Md. Azimul Hossain	IT Business Lead Manager	Nil
Mohammed Shamsuddin	Manager- Taxation	Nil

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

Name	Status/Position	No. of Shares held
RAK Ceramics PJSC, UAE	Parent Company	240,980,522

DIRECTORS' INVOLVEMENT IN OTHER ORGANIZATIONS WITHIN THE GROUP

Directors' involvement in other organizations within the Group

Directors		Involvement in other organizations within the Group					
Name	Position	Name of the Company	Position	Shareholding as on 01.01.2017		Shareholding as on 31.12.2017	
				No. of shares	Amount (BDT mn)	No. of shares	Amount (BDT mn)
Abdallah Massaad	Chairman	RAK Power Pvt. Ltd.	Chairman	Nil	Nil	Nil	Nil
		RAK Security and Services Pvt. Ltd.	Chairman	Nil	Nil	Nil	Nil
S.A.K. Ekramuzzaman	Managing Director	RAK Power Pvt. Ltd.	Director	Nil	Nil	Nil	Nil
		RAK Security and Services Pvt. Ltd.	Director	Nil	Nil	Nil	Nil
Pramod Kumar Chand	Director	RAK Power Pvt. Ltd.	Director	Nil	Nil	Nil	Nil
		RAK Security and Services Pvt. Ltd.	Director	Nil	Nil	Nil	Nil
Wassim Moukahhal	Independent Director	RAK Power Pvt. Ltd.	Independent Director	Nil	Nil	Nil	Nil
		RAK Security and Services Pvt. Ltd.	Independent Director	Nil	Nil	Nil	Nil
Faheemul Huq Barrister-at-Law	Independent Director	RAK Power Pvt. Ltd.	Independent Director	Nil	Nil	Nil	Nil
		RAK Security and Services Pvt. Ltd.	Independent Director	Nil	Nil	Nil	Nil

TAMARSTOCK

AWARD AND RECOGNITION

Best Brand Award 2017

RAK Ceramics has been awarded No.1 Ceramics Tiles Brand Award. This Award has been given to RAK Ceramics (Bangladesh) Ltd. based on the nationwide survey conducted by MILLWARD Brown in association with Bangladesh Brand Forum.





17th ICAB Award – 1st position in manufacturing sector

RAK Ceramics (Bangladesh) Ltd. has been awarded the "First Position" in the "17th ICAB National Award for Best Presented Annual Report 2016" in the manufacturing category as a mark of excellence in corporate reporting.



SAFA Award 2016- Certificate of Merit in the manufacturing sector

The Company also received the "Certificate of Merit" in the "Best Presented Annual Report 2016" by the south Asian Federation of Accountants (SAFA).



4th ICSB Award-Gold Award in the manufacturing and chemical companies category.

The Company has been awarded the "Gold Award" in the "ICSB National Award 2016" for Corporate Governance Excellence.

CORPORATE GOVERNANCE REPORT

Corporate governance refers to the structures and processes for the judicious direction and control of companies. Sound corporate governance is a fundamental part of the culture of a company and ensures long-term success and sustainability. In this context, RAK Ceramics (Bangladesh) believes in adopting the best practices in the area of corporate governance and embraces the principles of transparency and accountability, thereby protecting the interests of the management, Board of Directors, controlling shareholders, minority shareholders and other stakeholders.

A strong corporate governance framework works as the backbone of a transparent organization. Our corporate governance framework ensures that we make timely disclosures and share accurate information regarding our financials and performance, as well as disclosures related to the leadership and governance of RAK Ceramics (Bangladesh). We believe that an active, well-informed and independent Board is necessary to ensure the highest standards of corporate governance. The Board of Directors of RAK Ceramics (Bangladesh) is firmly committed to upholding the principles of sound corporate governance. Transparency in business transactions and the timely disclosure of information to regulatory bodies is a part of our legal obligations and this constitutes sound corporate governance. Good corporate governance also means conformance with sound ethical principles and a proper code of conduct in business dealings.

To ensure the effective implementation and maintenance of good corporate governance, the Board of Directors of RAK Ceramics (Bangladesh) has put together the Company's strategic policies to meet the objectives of the Company, rigorously within the framework of corporate governance.

Board of Directors

The Board of Directors is an effective intermediary between shareholders and the management of an organization. Directors are elected or appointed by the shareholders at the Annual General Meeting and are accountable to the shareholders. The Board of Directors is the highest governing authority within the management structure and they are also responsible for the operations of the Company, thereby serving the best interests of the shareholders.

Composition of the Board

The Board of Directors of RAK Ceramics (Bangladesh) comprises 05 (five) members, including two Independent Directors, in compliance with the corporate governance guidelines of the BSEC. Some of the core responsibilities of the Board include setting the Company's strategic objectives, providing leadership, supervision and safeguarding shareholders' interests. The Company has a non-Executive Chairman and Managing Director (separately). The day-to-day management of the Company is conducted by the Managing Director who is assisted by the executive management.

Board Procedure

To ensure transparency, the Board follows the practice

of advance planning in matters requiring discussion and decision by the Board. The Board is appraised by means of a presentation on finance, sales, marketing, major business segments and operations of the Company and other matters, as per their demand. The Managing Director, along with the Company Secretary, finalizes the agenda papers for the Board meeting in consultation with the concerned. The minutes of the proceedings of each Board meeting are maintained in terms of statutory provisions.

The Board of Directors of RAK Ceramics (Bangladesh) has laid down a comprehensive Code of Conduct for all Board members and annual compliance to the code is recorded.

Committee of the Board

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

Audit Committee

The Board has constituted an Audit Committee for the Company according to the conditions of the BSEC guidelines. The Audit Committee comprises with three members including two Independent Directors and the Company Secretary is the Member Secretary of the Committee. The Board has appointed one Independent Director as the Chairman of the Committee as per the BSEC guidelines. The Audit Committee assists the Board of Directors in ensuring a strong monitoring system within the business. The Audit Committee is responsible to the Board and the duties and responsibilities of the Audit Committee are clearly set forth in writing by the Board in the Audit Committee Charter.

According to the corporate governance notification of the BSEC, the audit committee reports to:

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

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

Chairman of the Board and Chief Executive Officer

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

Chief Financial Officer

Kaushik Das is the Chief Financial Officer of RAK Ceramics (Bangladesh). He is a qualified finance professional from the Institute of Cost Accountants of India and the Indian Institute of Management, Kolkata. He carries with him over 25 years of rich industry experience in India and has been a part of large business conglomerates in India. As CFO, he is responsible for the finance and accounting activities and is also entrusted with the task of driving the companies' endeavor to move to the next level of growth. The Board of Directors has clearly defined the roles, responsibilities and duties of the CFO.

Company Secretary

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

responsibilities and duties of the Company Secretary.

Statutory Auditors

External/ Statutory Auditors are appointed by the shareholders in the Annual General Meeting and also fix their remuneration thereof. A. Qasem & Co., Chartered Accountants (a member firm of Ernst & Young Global Limited, UK), was the external/ Statutory Auditor of the Company for the year 2017. They carry out systematic examination of the books and records of the Company and ascertain, verify and report upon the facts regarding the financial results of the Company. To ensure the highest levels of compliance with corporate governance, the Company did not engage its Statutory Auditors to perform the following services:

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

Internal Audit and Control

RAK Ceramics (Bangladesh) often considers that internal audit is one of the "four pillars" of corporate governance, the other pillars being the Board of Directors, Management and the External Auditors. Hence, the Company has an independent internal audit department under the control of the Audit Committee of the Board. Internal auditing of RAK Ceramics (Bangladesh) assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control and governance processes. It helps the Audit Committee of the Board of Directors to perform their responsibilities effectively. This includes reporting critical internal control problems, informing the committee on material issues or findings, suggesting questions or topics for the Audit Committee's meeting agendas and coordinating carefully with the committee to receive effective information.

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

- Reviewing the reliability and integrity of financial and operating information and the means to identify measure, classify and report such information.
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports and whether the organisation is in compliance with these.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Reviewing operations or programs to ascertain whether results are consistent with the established results.
- Reviewing the objectives and goals and whether the operations or programs are being carried out as planned.
- Reviewing specific operations at the request of the Audit Committee or management, as appropriate.
- Monitoring and evaluating the effectiveness of the organization's risk management system.

- Reviewing the quality of performance of external auditors and the degree of coordination with internal audit.
- Reviewing the internal control statement by the senior management used by the external auditor for audit planning.

Subsidiary Company

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

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

Code of Ethics

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

Compliances

To ensure that excellence in corporate governance is achieved with accountability for inspiring the confidence of investors, regulators, financers and other stakeholders, RAK Ceramics (Bangladesh) is committed to comply with all the requirements of corporate governance, as required by the Bangladesh Securities and Exchange Commission.

The certificate on compliance of conditions of corporate governance of the Company is attached herewith on page -81 in this annual report.

Human Resources

RAK Ceramics (Bangladesh) believes that human resources are its most important asset. Each and every employee is considered, developed and motivated to contribute optimally towards the achievement of corporate goals and aspirations. A vibrant business environment requires a well-trained workforce and hence, the Company has given more emphasis on developing management skills to suit today's dynamic business environment. Various training programs and workshops were carried out during the year. Moreover, we believe that building and maintaining healthy employee relations is an essential prerequisite in attaining ultimate success in business. The management and employee relationship in the Company was excellent throughout the year.

Conclusion

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

CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE GUIDELINES TO THE SHAREHOLDERS OF RAK CERAMICS (BANGLADESH) LIMITED

We have examined the compliance of conditions of corporate governance guidelines of the Bangladesh Securities and Exchange Commission ("BSEC") by RAK Ceramics (Bangladesh) Limited (the "Company") for the year ended 31 December 2017 as stipulated in clause 7(i) of the BSEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012.

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

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



A F Nesaruddin, FCA
Partner
ICAB Enrolment Number- 469
For Hoda Vasi Chowdhury & Co
Chartered Accountants

Dated: January 28, 2018

RAK CERAMICS (BANGLADESH) LIMITED

For the year ended 31 December 2017

Status of Compliance with the Corporate Governance Guidelines (CGG)

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

(Report under Condition No. 7.00)

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

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

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

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
1.5(xxi)(a)	Parent / Subsidiary / Associated Companies and other related parties (name wise details);	√		
1.5(xxi)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		
1.5(xxi)(c)	Executives;	√		
1.5(xxi)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	√		
1.5(xxii)	In case of the appointment / reappointment of a director the Company shall disclose the following information to the shareholders:-			
1.5(xxii)(a)	A brief resume of the director;	√		
1.5(xxii)(b)	Nature of his / her expertise in specific functional areas;	√		
1.5(xxii)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		
2.0	**CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS):**			
2.1	**Appointment**			
	The Company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	√		
2.2	**Requirement to attend the Board Meetings**			
	The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors, provided that the CFO and / or the Company Secretary shall not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to their personal matters.	√		
3.0	**AUDIT COMMITTEE:**			
3.0 (i)	The Company shall have an Audit Committee as a sub-committee of the Board of Directors.	√		
3.0(ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business.	√		
3.0(iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√		
3.1	**Constitution of the Audit Committee:**			
3.1(i)	The Audit Committee shall be composed of at least 3 (three) members.	√		

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
3.1(ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the Company and shall include at least 1 (one) Independent Director.	√		
3.1(iii)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	√		
3.1(iv)	Filling of casual vacancy in the Audit Committee.			No such matter
3.1(v)	The company secretary shall act as the secretary of the Committee.	√		
3.1(vi)	The quorum of the Audit Committee meeting shall not constitute without independent director.	√		
3.2	**Chairman of the Audit Committee**			
3.2(i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.	√		
3.2(ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	√		
3.3	**Role of Audit Committee:**			
3.3(i)	Oversee the financial reporting process.	√		
3.3(ii)	Monitor choice of accounting policies and principles.	√		
3.3(iii)	Monitor Internal Control Risk management process.	√		
3.3(iv)	Oversee hiring and performance of external auditors.	√		
3.3(v)	Review along with the management, the annual financial statements before submission to the board for approval.	√		
3.3(vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval.	√		
3.3(vii)	Review the adequacy of internal audit function.	√		
3.3(viii)	Review statement of significant related party transactions submitted by the management.	√		
3.3(ix)	Review Management Letters / Letter of Internal Control weakness issued by statutory auditors.	√		
3.3(x)	Declaration to Audit Committee by the Company regarding utilization of IPO / RPO, Right issue money.			No such matter
3.4	**Reporting of the Audit Committee:**			
3.4.1(i)	The Audit Committee shall report on its activities to the Board of Directors.	√		
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-			
3.4.1(ii)(a)	Report on conflicts of interests;			No such matter
3.4.1(ii)(b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;			No such matter
3.4.1(ii)(c)	Suspected infringement of laws, including securities related laws, rules and regulations;			No such matter

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

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

BAPLC CERTIFICATE 2017



BANGLADESH ASSOCIATION OF PUBLICLY LISTED COMPANIES

Ref. No: CM-2017/090

BAPLC

Date of issue :27th February 2017

Renewed Certificate

This is to certify that

R.A.K. CERAMICS (BANGLADESH) LIMITED

is an Ordinary Member of Bangladesh Association of Publicly Listed Companies *and is entitled to all the rights and privileges appertaining thereto.*

This certificate remains current until 31st December 2017.

Secretary-General
(Acting)

MARKET STOCK

REPORT OF THE AUDIT COMMITTEE

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

Formation and Operation of the Committee

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

Composition

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

The current members of the Audit Committee are as follows:

1. Faheemul Huq, Chairman
2. Wassim Moukahhal, Member
3. Pramod Kumar Chand, Member
4. Muhammad Shahidul Islam, Member Secretary

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

Roles and Responsibilities

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

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

Internal Control and Risk Management Process

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

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

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

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

Committee Meetings and Attendance

During 2017, the Committee held 4 (four) meetings complying with the requirement of at least one meeting in every quarter in which the Committee reviewed issues relating to business operation, compliance, human resource, finance and accounts, among other things. Managing Director, Chief Executive Officer, Chief Financial Officer and Head of Internal Audit were the permanent invitees of the meeting. Relevant departmental heads and other members of the management also attended the meetings as required. The proceedings of the meetings are properly minuted and regularly reported to the Board of Directors. The number of Audit Committee meetings held and the attendance by each member during the year 2017:

Committee's Report Summary

The Committee has the following opinions regarding corporate and the financial affairs of the Company:

Laws and regulations relating to business and internal policies, procedures & guidelines have been complied with.

Financial statements for the year ended December 31, 2017 contained full disclosures and these are prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB).

Adequate internal control systems are put in place to detect, correct and prevent fraud and errors on timely manner.

Appropriate Management Information Systems (MIS) are in place to facilitate decision making process.

Existing risk management procedures are effective to capture and mitigate risk.

Name of directors	Position	Number of meetings held while a member	Number of meetings attended
Faheemul Huq Barrister-at-Law	Independent Director and Chairman of the Committee	04	04
Wassim Moukahhal	Independent Director and Member of the Committee	04	04
Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director and Member of the Committee	04	04
Muhammad Shahidul Islam	Company Secretary and Member Secretary of the Committee	04	04

The Committee considered the recommendations made by the statutory and internal auditors of the Company in their respective reports.

Based on the review and above discussions, the Audit Committee is of the view that the internal control and compliance procedures are adequate to present a true and fair view of the activities and financial status of the company. The findings and recommendations of the Committee were reported to the Board of Directors and the Board of Directors had taken appropriate measures thereof. The minutes of all Audit Committee meetings were circulated among the members of the Committee.

Statutory Auditor

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

M/s A. Qasem & Co., Chartered Accountants (a member firm of Ernst & Young Global Limited, UK) were the statutory auditors of the Company for previous three consecutive years, shall retire in 19th AGM and are not eligible for re-appointment as per the Bangladesh Securities and Exchange Commission order. The Company invited and received proposals from the shareholders for appointment of the auditors of the Company for the year 2018. The Audit Committee of the Board scrutinized the proposals and recommended to appoint M/s ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL) as the statutory auditors of the Company for the year 2018 which will be placed before the 19th AGM for shareholders' approval. Remuneration of the auditor will also be fixed by the shareholders in the 19th AGM.

Internal Audit

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

Financial Management

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

Evaluation of Quarterly Report

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

Annual Financial Statements

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

Appreciation

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



(Barrister Faheemul Huq)
Chairman
Audit Committee

January 28, 2018

CERTIFICATE OF CEO AND CFO REGARDING FINANCIAL STATEMENTS

Date: January 28, 2018

This is to certify that:

(i) We have reviewed the audited standalone and consolidated financial statements of RAK Ceramics (Bangladesh) Limited for the year ended December 31, 2017 and that to the best of our knowledge and belief:

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

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

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

(Kaushik Das)
Chief Financial Officer

(Imtiaz Hussain)
Chief Executive Officer

AMARSTOCK



INSPIRED BY THE ELEMENTS

As an enterprise that is anchored on sustainability, we ensure that all our operational entities are harmoniously aligned to optimally harness the output from our resources. We leverage our core competencies and make all-out efforts to synthesize our people, processes, plants and products to nurture an organization that transforms imagination to reality.



RAK Ceramics (Bangladesh) Ltd.

AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended
31 December 2017

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 2017, 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 2017 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 28 January 2018.

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 consolidated 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, 28 January 2018

RAK Ceramics (Bangladesh) Ltd.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Notes	2017 Taka	2016 Taka
Assets			
Property, plant and equipment	4	3,394,940,284	3,500,775,258
Investment property	5	701,681,877	504,343,755
Intangible assets	6	5,429,027	6,740,159
Capital work-in-progress	7	41,415,719	28,726,285
Trade and other receivables	10	-	74,025,000
Total non-current assets		**4,143,466,907**	**4,114,610,457**
Inventories	9	2,533,703,266	2,527,507,042
Trade and other receivables	10	590,423,877	618,841,556
Loan to disposed subsidiary	8	-	201,898,000
Advances, deposits and prepayments	11	309,772,083	406,247,968
Advance income tax	12	2,831,624,003	2,485,841,759
Cash and cash equivalents	13	1,382,359,206	802,643,479
Total current assets		**7,647,882,435**	**7,042,979,804**
Total assets		**11,791,349,342**	**11,157,590,261**
Equity			
Share capital	14	3,536,931,410	3,368,506,110
Share premium		1,473,647,979	1,473,647,979
Retained earnings		1,445,455,970	1,269,570,793
Equity attributable to equity holders of the company		6,456,035,359	6,111,724,882
Non-controlling interests		1,524	1,501
Total equity		**6,456,036,883**	**6,111,726,383**
Liabilities			
Borrowings	17	359,163,292	601,200,132
Deferred tax liability	15	178,813,760	128,416,223
Total non-current liabilities		**537,977,052**	**729,616,355**
Employees benefits payable	16	-	3,458,783
Borrowings	17	548,162,038	566,254,999
Trade and other payables	18	573,706,416	590,472,114
Accrued expenses	19	447,661,843	269,520,037
Provision for income tax	20	3,227,805,110	2,886,541,590
Total current liabilities		**4,797,335,407**	**4,316,247,523**
Total liabilities		**5,335,312,459**	**5,045,863,878**
Total equity and liabilities		**11,791,349,342**	**11,157,590,261**

The accompanying notes 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, 28 January 2018

RAK Ceramics (Bangladesh) Ltd.

CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Notes	2017 Taka	2016 Taka
Sales	21	7,067,872,487	5,661,411,578
Cost of sales	22	(4,251,220,093)	(3,252,054,966)
Gross profit		**2,816,652,394**	**2,409,356,612**
Other income	23	12,392,921	3,109,360
Administrative expenses	24	(378,110,155)	(355,404,446)
Marketing and selling expenses	25	(890,034,944)	(706,362,135)
		(1,255,752,178)	(1,058,657,221)
Profit from operating activities		**1,560,900,216**	**1,350,699,391**
Finance income	26	22,165,853	21,029,885
Finance expenses	27	(101,024,936)	(40,014,661)
Net finance income		(78,859,083)	(18,984,776)
Profit before contribution to workers' profit participation and welfare fund		**1,482,041,133**	**1,331,714,615**
Contribution to workers' profit participation and welfare fund	28	(67,441,264)	(61,056,166)
Profit before income tax		**1,414,599,869**	**1,270,658,449**
Income tax expense			
Current tax	29	(346,190,210)	(302,798,649)
Deferred tax	15	(50,397,537)	(52,605,029)
		(396,587,747)	(355,403,678)
Profit for the year		**1,018,012,122**	**915,254,771**
Other comprehensive income		-	-
Total comprehensive income for the year		**1,018,012,122**	**915,254,771**
Profit attributable to:			
Equity holders of the company		1,018,011,699	915,254,299
Non-controlling interests		423	472
Profit after tax for the year		**1,018,012,122**	**915,254,771**
Basic earnings per share (Par value TK 10)	33	**2.88**	**2.59**

The accompanying notes 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, 28 January 2018

RAK Ceramics (Bangladesh) Ltd.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

Particulars	Attributable to owners of the Company				Non-controlling interests Taka	Total equity Taka
	Share capital Taka	Share Premium Taka	Retained earnings Taka	Total Taka		
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**
Balance as at 01 January 2017	3,368,506,110	1,473,647,979	1,269,570,793	6,111,724,882	1,501	6,111,726,383
Total comprehensive income for 2017						
Profit/(loss) for the year	-	-	1,018,011,699	1,018,011,699	423	1,018,012,122
Cash dividend (2016)	-	-	(673,701,222)	(673,701,222)	(400)	(673,701,622)
Stock dividend (2016)	168,425,300	-	(168,425,300)	-	-	-
Balance as at 31 December 2017	**3,536,931,410**	**1,473,647,979**	**1,445,455,970**	**6,456,035,359**	**1,524**	**6,456,036,883**

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RAK Ceramics (Bangladesh) Ltd.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	2017 Taka	2016 Taka
Cash flows from operating activities		
Cash receipts from customers	7,198,545,493	5,601,413,958
Cash payments to suppliers and employees	(5,025,320,354)	(4,235,590,594)
Cash generated from operating activities	**2,173,225,139**	**1,365,823,364**
Interest received from bank deposit	8,791,396	3,356,834
Income tax paid	(345,782,243)	(266,034,973)
Net cash flow from operating activities	**1,836,234,292**	**1,103,145,225**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(329,063,241)	(585,844,016)
Sale of property, plant and equipment	-	707,150
Disposal proceeds of associate	74,025,000	86,710,000
Interest received from FDR	9,429,742	15,105,005
Income from rental	10,557,999	2,020,000
Intangible assets	(6,925,458)	(12,401,543)
Dividend received	200	250
Net cash used in investing activities	**(241,975,758)**	**(493,703,154)**
Cash flows from financing activities		
Finance charges	(41,426,174)	(42,554,701)
Avail/(repayment) of term loan	(267,565,020)	174,301,262
Avail/(repayment) of short-term loan	(35,815,064)	(203,400,043)
Dividend paid	(669,736,148)	(838,775,610)
Unclaimed share application refund	-	2,064,480
Adjustment related with non-controlling interest	(400)	(500)
Net cash used in financing activities	**(1,014,542,806)**	**(908,365,112)**
Net increase/(decrease) in cash and cash equivalents	**579,715,727**	**(298,923,041)**
Cash and cash equivalents as at 01 January	**802,643,479**	**1,101,566,520**
Cash and cash equivalents as at 31 December	**1,382,359,206**	**802,643,479**

AMARSTOCK

RAK Ceramics (Bangladesh) Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

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 2016 respectively.

1.2 Description of subsidiaries

RAK Power Pvt. Ltd.

RAK Power Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 30 June 2005 as a private company limited by shares with an authorized capital of Taka 1,000,000,000 divided into 10,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 205,000,000 as at 31 December 2017. 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 99.99% through purchase of 881,495 number of ordinary shares of BDT 100 each in consideration of BDT 255 per share totalling to BDT 224,781,225 only from all the other shareholders of RAK Power Pvt. Ltd. subject to approval by the shareholders and concerned authorities for the interest of the business of the Company. The shareholders of RAK Ceramics (Bangladesh) Limited have approved the same in the EGM dated September 20, 2015.The effect of acquisition has been taken place as approved in Board of Directors meeting of RAK Power (Pvt.) Ltd on 20 October 2015.

RAK Security and Services Pvt. Limited

RAK Security and Services Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 21 December 2006 as a private company limited by shares with an authorized capital of Taka 100,000,000 divided into 1,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 1,000,000 as at 31 December 2017. The Company has gone into operation from 1 May 2007. The registered office of the Company is at House # 5, Road # 1/A, Sector # 4, Uttara, Dhaka- 1230. 35% shares of RAK Security and Services (Pvt.) Ltd is held by RAK Ceramics (Bangladesh) Limited.

The Board of Directors of RAK Ceramics (Bangladesh) Limited in its meeting held on July 26, 2015 have decided to further increase the shareholding in RAK Security and Services (Pvt.) Ltd. from 35% to 99.00% through purchase of 6,500 number of ordinary shares of BDT 100 each in consideration of BDT 2,875 per share totalling to BDT 18,687,500 only from all the other shareholders of RAK Security and Services (Pvt.) Ltd. subject to approval by the shareholders and concerned authorities for the interest of the business of the Company. The shareholders of RAK Ceramics (Bangladesh) Limited have approved the same in the EGM dated September 20, 2015. The effect of acquisition has been taken place as approved in Board of Directors meeting of RAK Security and Services (Pvt.) Ltd on 20 October 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

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 28 January 2018.

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 and equipment
Note 5	Investment property
Note 15	Deferred tax liability
Note 16	Employees benefit payable
Note 20	Provision for income tax

2.5 Reporting period

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

2.6 Going concern

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

3 Significant accounting policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

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.

Transactions eliminated on consolidation

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

3.2 Financial instruments

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

3.2.1 Non-derivative financial assets

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

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

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

Financial assets at fair value through profit or loss

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

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

Held-to-maturity financial assets

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

Available-for-sale financial assets

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

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

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

Loans and receivables

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

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

Trade and other receivables

Trade and 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 and other receivables are measured at amortised cost using the effective interest method, less any bad debts provision.

Cash and cash equivalents

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

3.2.2 Non-derivative financial liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

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

Trade and other payables

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

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.

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 Investment property

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

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

3.5.1 Depreciation on investment property

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

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

Category of Investment Property	Rate (%)
Building	5

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

3.6 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.

3.7 Intangible assets

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

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

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

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

3.8 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.

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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.

3.9 Inventories

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

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

3.10 Impairment

Non-derivative financial assets

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

Non-financial assets

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

Calculation of recoverable amount

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

Recognition of impairment

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

3.11 Employees' benefit schemes

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

Defined contribution plan (Provident fund)

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

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

Defined benefit plan (Gratuity fund)

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

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

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

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

3.13 Provisions

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

3.14 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".

Revenue represents excluding of sample sales to dealers and customer during the year.

3.15 Finance income and expenses

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

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

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

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

3.16 Foreign currency

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

3.17 Taxation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 2017.

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.

3.18 Earning per share

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

3.19 Determination and presentation of operating segment

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

3.20 Contingencies

Contingent liability

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

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

Contingent asset

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

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

3.21 Statement of cash flows

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

3.22 Events after the reporting period

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

3.23 Comparatives and reclassification

Comparative information have been disclosed in respect of 2016 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

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

4 Property, plant and equipment

2017

Amounts in Taka

Particulars	COST				DEPRECIATION					Net book value as at 31 Dec 2017
	Balance as at 01 Jan 2017	Addition during the year	Sale/ disposal during the year	Balance as at 31 Dec 2017	Rate (%)	Balance as at 01 Jan 2017	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2017	
Land	289,585,607	46,989,900	-	336,575,507		-	-	-	-	336,575,507
Factory building	885,686,619	47,278,264	-	932,964,883	2.5-5	289,021,867	44,429,775	-	333,451,642	599,513,241
Office building	197,676,689	5,436,840	-	203,113,529	2.5-5	91,183,718	10,052,699	-	101,236,417	101,877,112
Plant and machinery	5,096,325,210	172,281,997	-	5,268,607,207	5-10	2,840,758,215	309,145,661	-	3,149,903,876	2,118,703,331
Mobile plant	116,307,779	6,126,838	-	122,434,617	10	82,873,815	8,030,547	-	90,904,362	31,530,255
Electrical installation	241,464,647	-	-	241,464,647	10-20	169,959,558	13,249,246	-	183,208,804	58,255,843
Gas pipeline	69,647,294	7,400,000	-	77,047,294	10-20	45,539,497	3,178,156	-	48,717,653	28,329,641
Furniture and fixtures	33,527,954	3,498,796	-	37,026,750	10	24,181,501	1,673,907	-	25,855,408	11,171,342
Office equipment	99,182,629	11,652,828	-	110,835,457	10-20	37,114,917	18,184,053	-	55,298,970	55,536,487
Communication equipment	11,261,333	970,071	-	12,231,404	10-20	5,370,410	1,483,004	-	6,853,414	5,377,990
Tools and appliances	17,069,869	599,428	-	17,669,297	10-20	6,619,913	1,735,873	-	8,355,786	9,313,511
Vehicles	73,519,704	9,833,198	-	83,352,902	10-20	37,856,665	6,740,213	-	44,596,878	38,756,024
Fire fighting equipment	3,631,012	-	-	3,631,012	20	3,631,012	-	-	3,631,012	-
Total	**7,134,886,346**	**312,068,160**	**-**	**7,446,954,506**		**3,634,111,088**	**417,903,134**	**-**	**4,052,014,222**	**3,394,940,284**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

2016

Amounts in Taka

Particulars	COST				DEPRECIATION					Net book value as at 31 Dec 2016
	Balance as at 01 Jan 2016	Addition during the year	Sale/ disposal during the year	Balance as at 31 Dec 2016	"Rate (%)"	Balance as at 01 Jan 2016	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2016	
Land	289,585,607	-	-	289,585,607		-	-	-	-	289,585,607
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	195,540,797	2,135,892	-	197,676,689	2.5-20	81,236,181	9,947,538	-	91,183,718	106,492,971
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 equipment	3,631,012	-	-	3,631,012	20	3,631,012	-	-	3,631,012	-
Total	**5,050,495,342**	**2,086,186,228**	**(1,795,224)**	**7,134,886,346**		**3,243,470,417**	**392,263,590**	**(1,622,918)**	**3,634,111,088**	**3,500,775,258**

ARKSTOCK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
4.1	**Depreciation charged on the basis of the purpose of use**		
	Cost of sales (Note 22)	379,753,825	354,613,598
	Administrative expenses (Note 4.2)	44,987,283	35,844,361
	Marketing & selling expenses (Note 25)	2,027,549	2,027,549
		426,768,657	**392,485,508**
4.2	**Administrative expenses**		
	Depreciation on property, plant & equipment (Note 24)	36,121,760	35,622,443
	Depreciation on investment property (Note 24)	8,865,523	221,918
		44,987,283	**35,844,361**

4.3 Disposal of property, plant and equipment

2017

Particulars	Original cost	Accumulated depreciation	Book value	Receipt against sales/insurance	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
No Disposal	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

5 Investment property

2017

Amount in Taka

Particulars	COST					DEPRECIATION				Net book value as at 31 Dec 2017
	Balance as at 01 Jan 2017	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2017	Rate	Balance as at 01 Jan 2017	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2017	
Land[1]	500,571,750	-	-	500,571,750		-	-	-	-	500,571,750
Office building[2]	4,432,737	206,203,645	-	210,636,382	5%	660,732	8,865,523	-	9,526,255	201,110,127
Total	**505,004,487**	**206,203,645**	**-**	**711,208,132**		**660,732**	**8,865,523**	**-**	**9,526,255**	**701,681,877**

2016

Amount in Taka

Particulars	COST					DEPRECIATION				Net book value as at 31 Dec 2016
	Balance as at 01 Jan 2016	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2016	Rate	Balance as at 01 Jan 2016	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2016	
Land[1]	500,571,750	-	-	500,571,750		-	-	-	-	500,571,750
Office building	4,432,737	-	-	4,432,737	5%	438,813	221,918	-	660,732	3,772,005
Total	**505,004,487**	**-**	**-**	**505,004,487**		**438,813**	**221,918**	**-**	**660,732**	**504,343,755**

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

The said property are stated at cost as per BAS 40 due to alternate reliable sources of measurement being unavailable.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
6	**Intangible assets**		
	Balance as at 1 January	6,740,159	6,683,955
	Add: Addition during the year	6,925,458	12,401,543
		13,665,617	19,085,498
	Less: Amortisation during the year (Note-6.1)	5,587,852	12,345,339
	Less: Adjustment during the year	2,648,738	-
	Balance as at 31 December	**5,429,027**	**6,740,159**
6.1	**Amortisation charged on the basis of the purpose of use**		
	Administrative expenses (Note - 24)	5,587,852	12,345,339
		5,587,852	**12,345,339**
7	**Capital Work-in-Progress**		
	Balance as at 1 January	28,726,284	1,545,379,710
	Add: Addition during the year	444,202,680	28,099,014
		472,928,964	1,573,478,724
	Less: Transfer to property, plant and equipment and investment property during the year (note 7.1)	431,513,245	1,528,441,226
	Impairment loss on capital equipment during the year	-	16,311,214
	Balance as at 31 December	**41,415,719**	**28,726,285**
7.1	**Items transferred from capital work in progress to property, plant and equipment**		
	Office building	207,433,930	237,219,154
	Factory building	53,235,483	-
	Plant and machinery	170,125,817	1,256,599,871
	Others	718,015	34,622,201
		431,513,245	**1,528,441,226**
8	**Loan to disposed subsidiary**		
	Julphar Bangladesh Ltd. (Erstwhile RAK Pharmaceuticals Pvt. Ltd.)	-	201,898,000
		-	**201,898,000**
9	**Inventories**		
	Raw materials	655,088,511	844,891,203
	Less : Provision for obsolescence made during the year	-	(13,878,807)
		655,088,511	831,012,396
	Stores and consumables spares	1,098,231,281	1,082,968,219
	Finished goods	502,342,028	387,942,404
	Work-in-process	108,183,210	96,173,371
	Goods-in-transit	169,858,236	129,410,652
		2,533,703,266	**2,527,507,042**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
10	**Trade and other receivables**		
	Non current :		
	Receivable against disposal of investment	**-**	**74,025,000**
	Current :		
	Trade receivables (Note 10.1)	513,977,334	548,029,728
		513,977,334	548,029,728
	Accrued interest (Note 10.2)	4,778,054	2,336,714
	Accrued rental income	2,070,000	380,000
	Receivable against disposal of investment	69,598,489	68,095,114
		590,423,877	**618,841,556**
10.1	**Trade receivables**		
	Receivables from local sales	512,343,198	548,029,728
	Receivables from export sales	1,634,136	-
		513,977,334	**548,029,728**
10.2	**Accrued interest**		
	Interest accrued on FDR	4,778,054	2,336,714
		4,778,054	**2,336,714**
11	**Advance, deposit and prepayments**		
	Advances:		
	Employees	12,506	17,500
	Land advance and others	1,942,829	36,776,888
	Suppliers against material and services	91,510,409	225,082,941
		93,465,744	261,877,329
	Security and other deposits:		
	Titas gas	39,694,150	22,262,600
	Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
	VAT and supplementary duty (note 11.1)	43,078,066	36,231,093
	Deposit with income tax authority	36,685,655	17,185,655
	Deposit with VAT authority	6,726,946	7,530,001
	Other deposits	1,499,853	1,491,853
		129,639,670	86,656,202
	Prepayments:		
	House rent	15,638,195	9,176,471
	Insurance and others	71,028,474	48,537,966
		86,666,669	57,714,437
		309,772,083	**406,247,968**
11.1	**Supplementary duty and VAT**		
	Balance as at 1 January	36,231,093	58,015,290
	Add: Treasury deposit for SD and VAT purpose	1,513,000,000	1,121,800,000
	Rebate of input VAT	346,947,267	273,305,798
		1,896,178,360	1,453,121,088
	Less: SD and VAT on sales	1,843,007,696	1,416,418,729
	Payable- SD and VAT	10,092,597	471,266
		1,853,100,292	1,416,889,995
	Balance as at 31 December	**43,078,066**	**36,231,093**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
12	**Advance Income Tax**		
	Balance as at 1 January	2,485,841,759	2,219,806,786
	Add: Paid during the year	350,708,934	266,034,973
	Less: Adjusted during the year	4,926,690	-
	Balance as at 31 December (12.1)	**2,831,624,003**	**2,485,841,759**
12.1	**Payment for the year**		
	Income year		
	Year 2017	285,614,513	-
	Year 2016	291,375,845	229,618,424
	Year 2015	187,267,285	187,267,285
	Year 2014	295,379,428	295,379,428
	Year 2013	392,118,319	392,118,319
	Year 2012	334,263,453	336,319,884
	Year 2011	328,701,317	328,082,711
	Year 2010	265,532,626	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
		2,831,624,003	**2,485,841,759**
13	**Cash and cash equivalents**		
	Cash in hand	5,631,704	9,880,543
	Cash at banks		
	HSBC (current account -001-013432-011,001-107580-011, 001-096015-011, 001-096007-011 - BDT)	25,409,026	40,412,746
	Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - BDT)	117,911,774	66,626,593
	Brac Bank Ltd. (current account - 1530301731248001 - BDT)	57,502,367	-
	Citibank N.A. (current account - G0100001200262018 - BDT)	172,812	15,162,084
	Dutch Bangla Bank Ltd. (current account - 117-110-12733, 117-110-4311, 117.110.23474 -BDT)	1,628,157	142,302
	HSBC (ERQ account - 001-013432-047 - USD)	9,438,932	6,549,288
	Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	975,788	973,813
	Standard Chartered Bank (Margin money account)	306,739	-
	United Commercial Bank (SND account - 0831301000000164 BDT)	33,572,214	-
	Eastern Bank Ltd. (SND account - 1131350237146 - BDT)	35,308,039	-
	EXIM Bank (SND account - 01513100031877 - BDT)	114,761	114,271
	Standard Chartered Bank (SND account - 02-3767272-01 - BDT)	454,397	1,038,142
	Dutch Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330,117-120.2550 - BDT)	261,903,047	81,821,359
	BRAC Bank (SND - 1513101731248001 - BDT)	358,355	356,703
	Prime Bank Ltd. (SND - 12531010022563 - BDT)	53,513,417	20,282,604
	Dhaka Bank Ltd (SND - 102.150.274- BDT))	52,825,646	-
	Commercial Bank of Ceylon (CD-2817000776 - BDT.)	23,529	-
	Dhaka Bank Ltd (CD - 204100000019318- BDT))	8,470	-
	Commercial Bank of Ceylon (SND-2817000777 - BDT.)	39,297,802	6,559,754
	Meghna Bank Ltd. (SND 1112-13500000004 - BDT)	43,154,459	-
		733,879,731	240,039,659

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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		2017 Taka	2016 Taka
	IPO bank account		
	Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	2,454,389	2,453,275
	Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262042 - USD)	3,919,501	3,941,453
	Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262026 - EURO)	153,608	153,603
	Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262034 - GBP)	126,594	126,588
		6,654,092	6,674,919
	Dividend bank account		
	BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,618,431	2,627,831
	BRAC Bank (Current - 1513201731248001 - BDT) - 2011	2,204,459	2,222,418
	SCB (Current - 02-6162940-02- BDT) - 2012	3,837,331	3,899,024
	SCB (Current - 02-6162940-03- BDT) - 2013	16,734,192	16,697,585
	SCB (Current - 02-6162940-04- BDT) - 2014	4,977,932	5,082,074
	SCB (Current - 02-6162940-05- BDT) - 2015	3,847,536	4,082,795
	SCB (Current - 02-6162940-06- BDT) - 2016	4,383,884	-
		38,603,765	34,611,727
	Investment in Fixed Deposit Receipt (FDR)		
	HSBC	16,827,834	30,674,551
	SCB	762,080	762,080
	Brac Bank Ltd.	150,000,000	-
	Dutch Bangla Bank Ltd.	25,000,000	480,000,000
	Eastern Bank Ltd.	300,000,000	-
	Dhaka Bank Ltd.	100,000,000	-
	Meghna Bank Ltd.	5,000,000	-
		597,589,914	511,436,631
	Total	**1,382,359,206**	**802,643,479**
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 :		
	353,693,141 ordinary shares of Taka 10/- each	**3,536,931,410**	**3,368,506,110**

Percentage of shareholdings :	2017		2016	
	%	Taka	%	Taka
RAK Ceramics PJSC, UAE	68.13	2,409,805,220	71.67	2,414,100,210
S.A.K. Ekramuzzaman	3.92	138,725,830	3.92	132,119,850
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	290	0.00	280
Sheikh Omer Bin Saqr Al Qassimi	0.00	290	0.00	280
Sheikh Ahmad Bin Humaid al Qassimi	0.00	290	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	27.95	988,398,930	24.41	822,284,650
	100.00	**3,536,931,410**	**100.00**	**3,368,506,110**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

Classification of shareholders by holding

Shareholder's range	Number of shareholders		Number of shares	
	2017	2016	2017	2016
Less than 500 shares	24,431	26,718	5,260,532	5,617,564
501 to 5,000 shares	8,673	8,021	13,964,830	11,426,420
5001 to 10,000 shares	916	618	6,687,868	4,593,958
10,001 to 20,000 shares	475	308	6,676,203	4,505,626
20,001 to 30,000 shares	134	99	3,318,356	2,463,012
30,001 to 40,000 shares	72	50	2,550,406	1,774,201
40,001 to 50,000 shares	42	38	1,903,394	1,760,460
50,001 to 100,000 shares	84	80	5,708,527	5,479,795
100,001 to 1,000,000 shares	89	63	23,843,323	18,732,649
Over 1,000,000 shares	10	11	283,779,702	280,496,926
	34,926	**36,005**	**353,693,141**	**336,850,611**

15 Deferred tax liabilities

Balance as at 1 January	128,416,223	75,811,194
Less : Deferred tax (income)/expenses	50,397,537	52,605,029
Balance as at 31 December	**178,813,760**	**128,416,223**

16 Employees benefits payable

Provident fund	-	362,708
Gratuity fund	-	3,096,075
	-	**3,458,783**

	2017		
	Provident fund	Gratuity fund	Total
	Taka	Taka	Taka
Balance as at 1 January	362,708	3,096,075	3,458,783
Add: Provision made during the year	54,249,201	35,231,317	89,480,518
	54,611,909	38,327,392	92,939,301
Less: Payments made to fund during the year	54,611,909	38,327,392	92,939,301
Balance as at 31 December	-	-	-

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

17 Borrowings

Non-current:		
Term loan	632,827,493	861,151,969
Current portion of term loan	(273,664,201)	(259,951,837)
	359,163,292	**601,200,132**
Current:		
Bank overdrafts	18,244,255	29,663,693
Short-term borrowings	256,253,582	276,639,469
Current portion of term loan	273,664,201	259,951,837
	548,162,038	566,254,999
Balance as at 31 December	**907,325,330**	**1,167,455,131**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

17.1 Borrowings by maturity

At 31 December 2017	< 1 year	1-2 years	2-5 years	Total
Bank overdrafts	18,244,255			18,244,255
Short-term borrowings	256,253,582	-	-	256,253,582
Term loan	273,664,201	271,747,942	87,415,349	632,827,493
	548,162,038	**271,747,942**	**87,415,349**	**907,325,330**

At 31 December 2016	< 1 year	1-2 years	2-5 years	Total
Bank overdrafts	29,663,693	-	-	29,663,693
Short-term borrowings	276,639,469	-	-	276,639,469
Term loan	259,951,837	259,951,837	341,248,296	861,151,969
	566,254,999	**259,951,837**	**341,248,296**	**1,167,455,131**

17.2 Facilities details

Bank	Name of facilities	Limit	Utilisation	Maturity	Repayment	Security - STL	Security - LTL
SCB	Overdraft	50,000,000	-	Revolving	From company's own source	1) Letter of comfort, 2) Hypothecation over plant & machinery on parri - passu basis with other lenders. 3) Hypothecation over stock & book debts on a parri - passu basis with other lenders. 4) Demand promissory note.	1) Land, 2) Plant and machinery of the expansion plant.
	Short term loan	378,000,000	173,969,702	180/360 days from B/L date			
HSBC	Overdraft	30,000,000		Revolving	From company's own source		
	Short term loan	550,000,000	82,283,880	180/360 days from B/L date			
	Long term loan	1,366,872,000	632,827,493	5 years			
Dutch Bangla Bank Ltd.	Overdraft	25,000,000	18,244,255	Revolving	From company's own source		
	Short term loan	125,000,000	-	180/360 days from B/L date			
Commercial Bank of Ceylon	Overdraft	25,000,000	-	Revolving	From company's own source		
	Short term loan	300,000,000	-	180/360 days from B/L date			

	2017 Taka	2016 Taka
18 Trade and other payables		
Trade payables		
Payable to local suppliers	111,055,661	205,215,170
Payable to foreign suppliers	300,313,790	183,906,485
Payable to service provider	19,727,182	50,194,485
Payable to C & F agent	9,810,933	10,283,280
	440,907,566	449,599,420
Other payables		
Tax deducted at source	23,849,402	15,971,206
VAT deducted at source	10,889,659	9,998,255
Dividend Payable	37,854,265	33,889,190
Unclaimed share application	20,838,116	20,838,116
Advance from customer against sales	22,186,510	8,237,699
Security deposit payable	1,624,862	1,638,234
Payable to employee for trade	326,468	-
Provisional liabilities - material & services	15,229,568	50,299,995
	132,798,850	140,872,695
	573,706,416	**590,472,114**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
19	**Accrued expenses**		
	Power and gas	40,240,928	23,498,627
	Staff cost	86,556,724	41,406,844
	Audit fees	1,532,250	1,232,250
	Professional charges	455,840	463,250
	Interest on loans	9,561,366	1,495,042
	Telephone	228,743	270,927
	Provision for freight	-	11,774,670
	Managing Director's remuneration (Note 19.1)	45,725,177	40,911,795
	Worker's profit participation and welfare fund (Note 19.2)	67,441,264	61,056,166
	Royalty and technical know-how fees (Note 19.3)	191,852,419	83,946,396
	Others	4,067,132	3,464,070
		447,661,843	**269,520,037**
19.1	**Managing Director's remuneration**		
	Balance as at 1 January	40,911,795	34,075,485
	Add: Provision made during the year	45,725,177	40,911,795
		86,636,972	74,987,280
	Less: Paid to Managing Director during the year	40,911,795	34,075,485
	Balance as at 31 December	**45,725,177**	**40,911,795**
19.2	**Worker's profit participation and welfare fund**		
	Balance as at 1 January	61,056,166	54,064,400
	Add: Contribution made to the fund during the year	67,441,264	61,056,166
		128,497,430	115,120,566
	Less: Payment made from the fund during the year	61,056,166	54,064,400
	Balance as at 31 December	**67,441,264**	**61,056,166**
19.3	**Provision for royalty and technical know-how fees**		
	Balance as at 1 January	83,946,396	2,399,388
	Add: Provision made during the year	107,906,023	96,547,008
		191,852,419	98,946,396
	Less: Tax provision on disallowance of royalty paid for the year 2009	-	15,000,000
	Balance as at 31 December	**191,852,419**	**83,946,396**
20	**Provision for income Tax**		
	Balance as at 1 January	2,886,541,590	2,583,742,941
	Add: Provision made for the year	346,190,210	302,798,649
		3,232,731,800	2,886,541,590
	Less: Provision release during the year	4,926,690	-
	Balance as at 31 December (Note 20.1)	**3,227,805,110**	**2,886,541,590**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
20.1	**Provision for income Tax**		
	Income year		
	Year 2017	346,089,883	-
	Year 2016	302,798,649	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	339,211,366	341,267,796
	Year 2011	326,685,215	328,376,284
	Year 2010	348,965,691	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
		3,227,805,110	**2,886,541,590**
21	**Sales**		
	Gross sales (Local)	8,926,913,551	7,086,463,915
	Gross sales (Export)	12,952,284	14,869,100
	Total Sales	8,939,865,835	7,101,333,015
	Less: Supplementary Duty	693,440,170	505,431,618
	VAT	1,178,553,178	934,489,819
	Net sales	**7,067,872,487**	**5,661,411,578**
22	**Cost of sales**		
	Materials consumed:		
	Opening stock as at 1 January	831,012,396	847,867,994
	Add: Purchase during the year	2,060,243,513	1,498,488,142
		2,891,255,909	2,346,356,136
	Less: Closing stock as at 31 December	655,088,511	831,012,396
		2,236,167,398	1,515,343,740
	Manufacturing overhead:		
	Direct labour (Note 22.1.1)	540,077,417	444,973,745
	Direct expenses:		
	Power and gas	251,403,727	130,098,593
	Repairs and indirect materials (Note 22.1.2)	814,115,217	689,372,362
	Rental charges	910,643	1,033,670
	Moulds and punches	23,161,801	16,012,411
	Depreciation	379,753,825	354,613,598
	Royalty and technical know-how/assistance fees (22.1.3)	107,906,023	81,547,008
	Other production overhead (Note 22.1.4)	65,719,709	66,079,818
	Movement in stock	(167,995,667)	(47,019,979)
		4,251,220,093	**3,252,054,966**

EMARSTOCK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
22.1.1	**Direct labour**		
	Salary and wages	315,971,561	244,761,008
	Overtime	39,409,677	39,468,500
	Bonus	40,264,443	34,404,958
	Incentive	82,667	3,817,616
	Temporary labour wages	94,908,877	82,877,430
	Gratuity	24,707,415	22,873,314
	Employer's contribution to provident fund	18,016,490	14,709,574
	Leave encashment	4,222,595	75,173
	Group life insurance	2,493,692	1,986,172
		540,077,417	**444,973,745**
22.1.2	**Repairs and indirect materials**		
	Stores, spares, repair and maintenance	424,775,429	379,775,144
	Packing expenses	389,339,788	309,597,218
		814,115,217	**689,372,362**
22.1.3	**Royalty and technical know-how/assistance fees**		
	Royalty and technical know-how/assistance fees	107,906,023	96,547,008
	Less : Tax provision on disallowance of royalty paid for the year 2009	-	15,000,000
		107,906,023	**81,547,008**
22.1.4	**Other production overhead**		
	Hotel fare and expenses for technician	6,906,106	4,763,388
	Demurrage	7,287,420	1,644,495
	Insurance	15,534,319	16,262,644
	Hiring charges and transportation	22,710,241	7,686,577
	Impairment loss on capital equipment	-	16,311,214
	Provision for obsolescence of raw material	-	13,878,807
	Other expenses	13,281,623	5,532,692
		65,719,709	**66,079,818**
23	**Other income**		
	Dividend income	200	250
	Miscellaneous income	144,722	174,266
	Rental income	12,247,999	2,400,000
	Profit on sale of fixed assets	-	534,844
		12,392,921	**3,109,360**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
24	**Administrative expenses**		
	Staff cost (note-24.1)	165,890,015	156,832,063
	Annual General Meeting expenses	13,225,385	15,445,361
	Telephone and postage	5,261,105	5,873,788
	Office repair and maintenance (note 24.2)	15,501,487	6,357,274
	Registration and renewal	1,565,286	1,064,355
	Security and guard expenses	12,973,032	11,826,935
	Electricity, gas and water	6,278,993	7,882,910
	Depreciation on property, plant and equipment (note - 4.2)	36,121,760	35,622,443
	Depreciation on investment property (4.2)	8,865,523	221,918
	Amortisation	5,587,852	12,345,339
	Legal and professional fees	8,359,152	8,678,487
	Vehicle repair and maintenance	12,333,797	11,354,916
	Rent, rate and tax	6,129,273	5,512,554
	Bad debts	-	357,846
	CSR expenses	5,500,000	5,742,270
	Managing Director's remuneration (note-24.3)	45,725,177	40,911,795
	Technical consultancy and others	28,792,318	29,374,192
		378,110,155	**355,404,446**
24.1	**Staff cost**		
	Salary and wages	117,630,928	105,028,514
	Bonus	15,797,510	14,438,616
	Incentive	792,382	3,161,893
	Gratuity	8,266,289	7,983,353
	Employer's contribution to provident fund	6,585,677	3,873,145
	Leave encashment	4,202,563	210,439
	Group life insurance	878,275	587,102
	Canteen and conveyance expenses	5,374,211	7,230,364
	Staff uniform expenses	1,553,998	2,392,774
	Travelling expenses	2,580,064	9,969,236
	Medical expenses	1,787,005	1,429,061
	Accommodation expenses	-	88,280
	Other employee benefit	441,113	439,286
		165,890,015	**156,832,063**
24.2	**Office repair and maintenance**		
	Repairs office equipment	1,892,313	334,392
	Office maintenance	13,609,174	6,022,882
		15,501,487	**6,357,274**

AMARSTOCK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
24.3	**Managing Director's remuneration**		
	Provision made during the year	45,725,177	40,911,795
		45,725,177	**40,911,795**

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

25	**Marketing and selling expenses**		
	Staff cost (note-25.1)	39,792,097	30,053,780
	Advertisement	5,058,868	3,300,823
	Freight and transportation	270,993,192	228,405,545
	Performance rebates (note-25.2)	374,200,366	260,753,693
	Business promotion	46,776,857	15,108,279
	Depreciation	2,027,549	2,027,549
	Discount	121,751,796	136,150,662
	Travel, entertainment and others	29,434,219	30,561,804
		890,034,944	**706,362,135**
25.1	**Staff cost**		
	Salary and wages	29,882,507	22,118,115
	Bonus	3,230,020	2,999,899
	Incentive	33,205	1,134,929
	Gratuity	2,257,614	1,636,563
	Employer's contribution to provident fund	1,793,970	835,966
	Leave Encashment	300,848	-
	Group life insurance	154,317	125,620
	Conveyance and food expenses	2,139,616	1,202,688
		39,792,097	**30,053,780**
25.2	**Performance rebates**		
	Compensation to customer	11,668,958	6,616,203
	Dealers' commission	136,981,015	102,695,348
	Breakage commission	140,966,334	118,820,554
	Dealers' incentive and bonus	84,584,059	32,621,588
		374,200,366	**260,753,693**
26	**Finance income**		
	Interest on bank account (SND)	8,791,396	3,356,834
	Interest on FDR	11,871,082	13,781,872
	Exchange gain	-	3,891,179
	Un-winding gain	1,503,375	-
		22,165,853	**21,029,885**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
27	**Financial expenses**		
	Interest expenses	46,233,598	38,237,651
	Foreign exchange loss	51,532,438	-
	Bank charges	3,258,900	1,777,010
		101,024,936	**40,014,661**
28	**Contribution to worker's profit participation and welfare fund**		
	Provision made during the year	67,441,264	61,056,166
		67,441,264	**61,056,166**
29	**Current tax**		
	Current year	346,190,210	302,798,649
		346,190,210	**302,798,649**

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 2017	As at 31 Dec 2016	As at 31 Dec 2017	As at 31 Dec 2016
Trade receivables				
Customer-Local	-	-	512,343,198	548,029,728
Customer-Export	19,880	-	1,634,136	-
	19,880	**-**	**513,977,334**	**548,029,728**
Other receivables				
Accrued Interest			4,778,054	2,336,714
Accrued rental income			2,070,000	380,000
Receivable against disposal of investment			69,598,489	142,120,114
			76,446,543	**144,836,828**
Loan to disposed subsidiary				
Julphar Bangladesh Ltd. (Erstwhile RAK Pharmaceuticals Pvt. Ltd.)			-	201,898,000
			-	**201,898,000**
Cash equivalents			**1,376,727,502**	**792,762,936**

b) Ageing of receivables

The ageing of trade receivables as at 31 December was:

	Amounts in Taka	
	As at 31 Dec 2017	As at 31 Dec 2016
Not past due		
0-90 days past due	476,203,022	514,179,767
91-180 days past due	30,428,907	26,281,407
181-365 days past due	7,345,405	7,568,554
	513,977,334	**548,029,728**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

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 2017			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Bank overdraft	18,244,255	18,244,255	18,244,255	-
Trade and other payables	573,706,416	573,706,416	573,706,416	-
Short term borrowing (foreign)	256,253,582	256,253,582	256,253,582	-
Term loan (foreign)	632,827,493	632,827,493	273,664,201	359,163,292
	1,481,031,746	**1,481,031,746**	**1,121,868,454**	**359,163,292**

	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	590,472,114	590,472,114	590,472,114	-
Short term borrowing	276,639,469	276,639,469	276,639,469	-
Term loan	861,151,969	861,151,969	259,951,837	601,200,132
	1,757,927,245	**1,757,927,245**	**1,156,727,112**	**601,200,132**

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 2017				As at 31 December 2016		
	AED	GBP	USD	EURO	GBP	USD	EURO
Foreign currency denominated assets							
Receivable from customers-Export	-	-	19,880	-	-	-	-
Cash at bank	-	-	126,700	-		96,388	-
	-	**-**	**146,580**	**-**	**-**	**96,388**	**-**

	As at 31 December 2017				As at 31 December 2016		
	AED	GBP	USD	EURO	GBP	USD	EURO
Foreign currency denominated liabilities							
Trade payables	6,349	93,585	2,615,356	740,046	164,899	1,274,984	797,167
Short term borrowings	-	-	2,907,638	142,880	-	3,100,548	375,259
Term loan	-	-	7,606,100	-	-	10,893,763	-
Royalty & Technical Fees	-	-	2,305,918	-	-	1,061,940	-
	6,349	93,585	15,435,011	882,926	164,899	16,331,235	1,172,426
Net exposure	**(6,349)**	**(93,585)**	**(15,288,432)**	**(882,926)**	**(164,900)**	**(16,234,847)**	**(1,172,426)**

The Company has foreign exchange loss of Tk 51,532,438 during the year ended 31 Dec 2017 (31 Dec 2016: Exchange gain Tk 3,891,179).

The following significant exchange rates have been applied:

	Exchange rate as at (Average)	
	As at 31 Dec 2017	As at 31 Dec 2016
AED	22.4659	21.3397
GBP	111.0252	96.2662
USD	82.7000	78.5500
EURO	104.7878	82.3516

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

	As at 31 December 2017		As at 31 December 2016	
	Profit or (loss)		Profit or (loss)	
	Strengthening Taka	Weakening Taka	Strengthening Taka	Weakening Taka
At 31 December				
AED (3 percent movement)	(196)	185	-	-
GBP (3 percent movement)	(2,894)	2,726	(5,100)	4,803
USD (3 percent movement)	(472,838)	445,294	(502,109)	472,860
EURO (3 percent movement)	(27,307)	25,716	(36,261)	34,148

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

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 Dec 2017	As at 31 Dec 2016
	Taka	Taka
Fixed rate instruments		
Financial assets		
Investment in FDR	597,589,914	511,436,631
Cash at banks	779,137,588	281,326,305
Financial liabilities		
Term loan (Foreign)	632,827,493	861,151,969
Bank overdraft	18,244,255	29,663,693
Short term borrowing (foreign)	256,253,582	276,639,469

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 2017		As at 31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	Taka	Taka	Taka	Taka
Financial assets				
Held to maturity assets				
Investment in FDR	597,589,914	597,589,914	511,436,631	511,436,631
Loans and receivables				
Trade receivables	513,977,334	513,977,334	548,029,728	548,029,728
Other receivables	76,446,543	76,446,543	144,836,828	144,836,828
Loan to disposed subsidiary	-	-	201,898,000	201,898,000
Cash equivalents	1,376,727,502	1,376,727,502	792,762,936	792,762,936
Financial liabilities				
Liabilities carried at amortised costs				
Term loan	632,827,493	632,827,493	861,151,969	861,151,969
Bank overdraft	18,244,255	18,244,255	29,663,693	29,663,693
Trade and other payables	573,706,416	573,706,416	590,472,114	590,472,114
Short term borrowing (foreign)	256,253,582	256,253,582	276,639,469	276,639,469

Interest rates used for determining amortised cost

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

	31 December 2017	31 December 2016
Investment in FDR	1.95%-7.50%	1.70%-5.50%
Term loan	Libor+3%	Libor+3%
Bank overdraft	8.00%-10.00%	8%-10.75%
Short term bank loan (local currency)	8.00%-10.00%	8%-13.50%
Short term bank loan (foreign currency/USD)	Libor+ (2.75%-2.85%)	Libor+ (2.75%-3.00%)
Long term bank loan (foreign currency/USD)	Libor+3%	Libor+3%

31 Related party disclosures under BAS-24

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

31.1

Name of related party	Relationship	Period	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables/ Advance	Outstanding payable	Remuneration	Loan	Interest receivables
RAK Power Pvt. Ltd	Subsidiary	Current year	378,382,187	6,070,957	-	94,712,821	-	-	-
		Previous year	347,049,244	6,891,130	-	30,270,872	-	-	-
RAK Security & Services Pvt. Ltd	Subsidiary	Current year	95,121,016	-	-	12,945,177	-	-	-
		Previous year	94,606,305	-	-	12,282,590	-	-	-
RAK Ceramics - UAE	Parent	Current year	29,927,515	-	-	26,079,948	-	-	-
		Previous year	47,125,490	-	-	21,118,318	-	-	-
Julphar Pharmaceuticals Ltd.	Other related party	Current year	-	8,748,000	1,215,000	-			
		Previous year	-	-	201,898,000	-			
RAK Paints Pvt. Ltd.	Other related party	Current year	1,152,085	3,500,000	879,108	-			
		Previous year	3,227,478	2,390,000	380,000	-			
Kea Printing & Packaging Industries	Other related party	Current year	110,329,261	-	-	8,107,975	-	-	-
		Previous year	112,892,298	-	-	17,671,058	-	-	-
Palli Properties Pte. Ltd	Other related party	Current year	18,820,509	-	-	28,400	-	-	-
		Previous year	18,901,088	-	-	1,277,772	-	-	-
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Current year	4,929,707	-	-	-	-	-	-
		Previous year	5,553,673	-	-	-	-	-	-
Green Planet Communications	Other related party	Current year	12,360,099	-	-	114,915	-	-	-
		Previous year	5,298,996	-	-	-	-	-	-
Global Business Associates Ltd.	Other related party	Current year	551,102	-	-	-	-	-	-
		Previous year	-	-	-	-	-	-	-
Pelikan Plastic & Packing Pvt. Ltd.	Other related party	Current year	124,439,691	-	-	9,121,821	-	-	-
		Previous year	16,670,923	-	-	-	-	-	-
Mohammed Trading	Other related party	Current year	-	2,428,701,293	371,834,648	-	-	-	-
		Previous year	-	1,967,266,442	380,083,753	-	-	-	-
S.A.K. Ekramuzzaman	Key Management Personnel	Current year	-	-	-	45,725,177	45,725,177	-	-
		Previous year	-	-	-	40,911,795	40,911,795	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

Name of related party	Relationship	Period	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables/ Advance	Outstanding payable	Remuneration	Loan	Interest receivables
Imtiaz Hussain	Key Management Personnel	Current year	-	-	-	1,690,172	11,208,464	-	-
		Previous year	-	-	-	1,322,520	10,230,240	-	-

31.2 Paid to Directors

During the year, provision was made as MD's remuneration for Taka. 45,725,177.

During the year, Board meeting fees of Taka 275,000 was paid to the board members for attending the Board meetings.

32 Segment reporting

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

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

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

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

2017	Business Segments				
	Ceramic & sanitary ware	Power	Security and Services	Inter segment	Entity total
	Taka	Taka	Taka	Taka	Taka
Revenue - external customers	6,968,838,073	2,740,415	96,293,999	-	7,067,872,487
Revenue - inter segment	-	378,382,187	96,943,333	(475,325,520)	-
Total segment revenue	6,968,838,073	381,122,602	193,237,332	(475,325,520)	7,067,872,487
Cost of sales- external customer	(3,858,045,015)	(244,342,165)	(148,832,913)	-	(4,251,220,093)
Cost of sales- inter segment	(479,574,160)	(1,822,317)	-	481,396,477	-
Total segment cost of sales	(4,337,619,175)	(246,164,482)	(148,832,913)	481,396,477	(4,251,220,093)
Gross profit	2,631,218,898	134,958,120	44,404,419	-	2,816,652,394
Other income	-	144,722			144,722
Dividend income	83,979,600	20,000	200	(83,999,600)	200
Rental income	18,318,956	-	-	(6,070,957)	12,247,999
Unwinding gain on receivable (note - 26)	-	-	-	-	1,503,375
Financial income	18,507,175	2,013,801	141,501	-	20,662,478
Financial expenses	(99,773,955)	(1,226,099)	(24,883)	-	(101,024,937)
Depreciation	(407,503,491)	(18,170,999)	(1,094,167)	-	(426,768,657)
Other operating expenses	(895,921,895)	8,339,105	(21,234,916)	-	(908,817,706)
Segment profit before tax	1,348,825,288	126,078,650	22,192,155	-	1,414,599,869
Income tax expense	(297,112,555)	(41,210,074)	(7,867,581)	-	(346,190,210)
Deferred tax	(52,058,981)	1,661,444	-	-	(50,397,537)
Non -Controlling interest	-	422	0.70	-	423
Profit for the year					1,018,011,699

2016

	Business Segments				
	Ceramic & sanitary ware	Power	Security and services	Inter segment	Entity total
	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	(374,020,895)	(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

	2017	2016
	Taka	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	1,018,011,699	915,254,299
No. of ordinary equity shares	353,693,141	353,693,141
Weighted average no. of equity shares outstanding (Note 33.1)	353,693,141	353,693,141
Earnings per share (EPS) for the year	2.88	2.59

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.

	2017	2016
Outstanding shares	336,850,611	336,850,611
Effect of issue of bonus shares for the year 2016	16,842,531	16,842,531
	353,693,141	**353,693,141**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

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 periods.

34 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 668,168,492 (31 Dec 2016: Tk 541,950,341). 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 478,871,146 (31 Dec 2016: Tk 398,511,738) and letter of guarantee of Tk 80,730,767 (31 Dec 2016: Tk 42,310,078).

35 Events after the reporting period

35.1 Declaration of dividend

The Board of Directors of RAK Ceramics (Bangladesh) Limited, in its meeting held on 28 Janruary 2018 recommended 10% stock dividend and 10% cash dividend for the year ended on 31 December 2017. These dividends are subject to final approval by the shareholders at the forthcoming 19th Annual General Meeting (AGM) of the Company.

AMARSTOCK

RAK Ceramics (Bangladesh) Ltd.

AUDITORS' REPORT AND FINANCIAL STATEMENTS

as at and for the year ended
31 December 2017

AMERSTOCK

INDEPENDENT AUDITORS' REPORT

to the Shareholders of
RAK Ceramics (Bangladesh) Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of RAK Ceramics (Bangladesh) Ltd. which comprise the statement of financial position as at 31 December 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of RAK Ceramics (Bangladesh) Ltd. as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards. (BFRS).

Report on other legal and regulatory requirements

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

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

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

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

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

(A. Qasem & Co.)
Chartered Accountants

Dated, 28 January 2018

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Notes	2017 Taka	2016 Taka
Assets			
Property, plant and equipment	4	3,219,767,760	3,307,700,354
Investment property	5	701,681,877	504,343,755
Intangible assets	6	5,429,027	6,740,159
Capital work in progress	7	41,415,719	28,726,284
Investment in subsidiaries	8	360,379,950	360,379,950
Trade and other receivables	11	-	74,025,000
Total non-current assets		**4,328,674,333**	**4,281,915,502**
Inventories	10	2,467,927,703	2,461,037,120
Trade and other receivables	11	570,126,412	600,037,283
Loan to disposed subsidiary	9	-	201,898,000
Advances, deposits and prepayments	12	297,504,647	398,705,901
Advance income tax	13	2,575,003,527	2,280,196,137
Cash and cash equivalents	14	1,315,315,265	693,707,402
Total current assets		**7,225,877,554**	**6,635,581,843**
Total assets		**11,554,551,887**	**10,917,497,345**
Equity			
Share capital	15	3,536,931,410	3,368,506,110
Share premium		1,473,647,979	1,473,647,979
Retained earnings		1,448,741,753	1,291,214,523
Total equity		**6,459,321,142**	**6,133,368,612**
Liabilities			
Deferred tax liability	16	143,966,583	91,907,602
Borrowings	18	359,163,292	601,200,132
Total non-current liabilities		**503,129,875**	**693,107,734**
Borrowings	18	548,162,038	566,254,999
Trade and other payables	19	669,301,159	622,270,029
Accrued expenses	20	420,578,875	245,549,728
Provision for income tax	21	2,954,058,798	2,656,946,243
Total current liabilities		**4,592,100,870**	**4,091,020,999**
Total liabilities		**5,095,230,745**	**4,784,128,733**
Total equity and liabilities		**11,554,551,887**	**10,917,497,345**

The accompanying notes 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, 28 January 2018

AMARSTOCK

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Notes	2017 Taka	2016 Taka
Sales	22	6,968,838,073	5,577,443,970
Cost of sales	23	(4,337,619,175)	(3,355,020,608)
Gross profit		**2,631,218,898**	**2,222,423,362**
Other income	24	102,298,556	113,249,824
Administrative expenses	25	(352,098,131)	(330,553,046)
Marketing and selling expenses	26	(883,885,991)	(701,593,558)
		(1,133,685,566)	(918,896,780)
Profit from operating activities		**1,497,533,332**	**1,303,526,582**
Finance income	27	18,507,175	18,400,859
Finance expenses	28	(99,773,955)	(39,747,963)
Net finance income		**(81,266,780)**	**(21,347,104)**
Profit before contribution to workers' profit participation and welfare fund and income tax		**1,416,266,552**	**1,282,179,478**
Contribution to workers' profit participation and welfare fund		(67,441,264)	(61,056,166)
Profit before income tax		**1,348,825,288**	**1,221,123,312**
Income tax expense:			
Current tax	29	(297,112,555)	(253,189,745)
Deferred tax	16	(52,058,981)	(53,671,503)
		(349,171,536)	(306,861,248)
Profit for the year		**999,653,752**	**914,262,064**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**999,653,752**	**914,262,064**
Basic earnings per share (par value Tk 10)	34	**2.83**	**2.58**

The accompanying notes 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, 28 January 2018

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

Particulars	Share capital	Share premium	Retained earnings	Total
	Taka	Taka	Taka	Taka
Balance as at 1 January 2016	**3,368,506,110**	**1,473,647,979**	**1,219,078,987**	**6,061,233,076**
Total comprehensive income for 2016				
Profit for the year	-	-	914,262,064	914,262,064
Other comprehensive income	-	-	-	-
Transactions with the shareholders				
Cash dividend (2015)	-	-	(842,126,528)	(842,126,528)
Balance as at 31 December 2016	**3,368,506,110**	**1,473,647,979**	**1,291,214,523**	**6,133,368,612**
Balance as at 1 January 2017	**3,368,506,110**	**1,473,647,979**	**1,291,214,523**	**6,133,368,612**
Total comprehensive income for 2017				
Profit for the year	-	-	999,653,752	999,653,752
Other comprehensive income	-	-	-	-
Transactions with the shareholders				
Cash dividend (2016)	-	-	(673,701,222)	(673,701,222)
Stock dividend (2016)	168,425,300	-	(168,425,300)	-
Balance as at 31 December 2017	**3,536,931,410**	**1,473,647,979**	**1,448,741,753**	**6,459,321,142**

AMARSTOCK

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	2017 Taka	2016 Taka
Cash flows from operating activities		
Cash receipts from customers	7,104,341,591	5,509,595,241
Cash payments to suppliers and employees	(5,030,284,419)	(4,303,618,433)
Cash generated from operating activities	**2,074,057,172**	**1,205,976,808**
Interest received from bank deposit	8,087,551	2,501,297
Income tax paid	(294,807,390)	(220,766,533)
Net cash flows from operating activities	**1,787,337,333**	**987,711,572**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(327,700,455)	(584,223,234)
Sale of property, plant and equipment	-	641,500
Disposal proceeds of subsidiary and associate	74,025,000	86,710,000
Interest received from FDR	7,718,236	13,159,539
Income from rental	16,628,956	8,911,130
Intangible assets	(6,925,458)	(12,401,543)
Dividend received	83,979,600	103,489,500
Net cash (used in)/from investing activities	**(152,274,121)**	**(383,713,108)**
Cash flows from financing activities		
Finance charges	(40,339,117)	(42,288,002)
Avail/ (repayment) of short term borrowings	(35,815,064)	(203,400,043)
Avail/ (repayment) of long term borrowings	(267,565,020)	174,301,261
Dividend paid	(669,736,148)	(838,775,610)
Unclaimed share application fund	-	2,064,480
Net cash (used in)/from financing activities	**(1,013,455,349)**	**(908,097,914)**
Net increase/(decrease) in cash and cash equivalents	**621,607,863**	**(304,099,450)**
Cash and cash equivalents as at 1 January	**693,707,402**	**997,806,852**
Cash and cash equivalents as at 31 December (Note 14)	**1,315,315,265**	**693,707,402**

AMAR STOCK

RAK Ceramics (Bangladesh) Ltd.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

1. Reporting entity

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

1.1 Nature of business

The Company is engaged in manufacturing and marketing of ceramics tiles, bathroom sets and all types of sanitary ware. It has started its commercial production on 12 November 2000. The commercial production of its new sanitary ware plant, expansion unit of ceramics facilities, tiles and sanitary plant was started on 10 January 2004, 1 July 2004, 1 September 2007, 1 April 2015 and 17th May 2016 respectively.

2. Basis of preparation

2.1 Statement of compliance

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

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

Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on 28 January 2018.

2.2 Basis of measurement

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

2.3 Functional and presentational currency

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

2.4 Use of estimates and judgements

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

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

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

Note 4	Property, plant & equipment
Note 5	Investment Property
Note 16	Deferred tax liability
Note 17	Employees benefit payable
Note 21	Provision for income tax

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

2.5 Reporting period

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

2.6 Going concern

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

3. Significant accounting policies

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

3.1 Property, plant and equipment

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

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

3.2 Depreciation on property, plant, equipment and investment property

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

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

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

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

3.3 Investment property

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

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

3.4 Depreciation on investment property

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

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

Category of Investment Property	Rate (%)
Building	5

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

3.5 Intangible assets

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

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

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

3.6 Capital work-in-progress

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

3.7 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.

3.7.1 Non-derivative financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

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

Financial assets at fair value through profit or loss

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

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

Held-to-maturity financial assets

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

Available-for-sale financial assets

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

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

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

Loans and receivables

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

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

Investment in subsidiaries

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

Loans to subsidiaries and associate companies

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

Trade and other receivables

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

Cash and cash equivalents

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

3.7.2 Financial liabilities

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

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

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

a) Trade and other payables

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

b) Borrowings

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

3.8 Leased assets

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

Lease payments

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

3.9 Inventories

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

3.10 Impairment

Non-derivative financial assets

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

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

Non-financial assets

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

Calculation of recoverable amount

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

Recognition of impairment

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

Reversal of impairment

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

3.11 Share capital

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

3.12 Employees' benefit schemes

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

Defined contribution plan (provident fund)

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

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

Defined benefit plan (gratuity fund)

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

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

Details of employees' benefit schemes have been provided in note no. 17.

3.13 Workers' Profit Participation and Welfare Fund

The Company provides 5% of its net profit before tax after charging such expense as Workers' Profit Participation and Welfare Fund in accordance with "The Bangladesh Labour (Amendment) Act 2013".

3.14 Provisions

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

3.15 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".

3.16 Finance income and expenses

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

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

3.17 Taxation

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

Current tax:

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Provisions for corporate income tax is made following the rate applicable for a publicly-traded company of the same industry. The tax rate 25% is used for the reporting period 2017 as per Finance Act 2017.

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.

3.18 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".

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

3.19 Earning per share

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

3.20 Contingencies

3.20.1 Contingent liability

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

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

3.20.2 Contingent asset

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

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

3.21 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.

3.22 Duty drawback

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

3.23 Events after the reporting period

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

3.24 Comparatives and reclassification

Comparative information have been disclosed in respect of 2016 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current period's financial statements.

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

4. Property, Plant and Equipment

2017

Amount in Taka

Particulars	COST					DEPRECIATION				Net book value as at 31 Dec 2017
	Balance as at 01 Jan 2017	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2017	Rate	Balance as at 01 Jan 2017	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2017	
Land	270,695,140	46,989,900	-	317,685,040		-	-	-	-	317,685,040
Factory building	866,491,488	47,278,264	-	913,769,752	5%	269,826,737	44,429,775	-	314,256,512	599,513,240
Office building	197,676,689	5,436,840	-	203,113,529	5%	91,183,719	10,052,699	-	101,236,418	101,877,111
Plant and machinery	4,827,709,611	172,281,997	-	4,999,991,608	10%	2,733,311,975	295,714,881	-	3,029,026,856	1,970,964,752
Mobile plant	82,710,622	6,126,838	-	88,837,460	10%	56,115,255	4,670,831	-	60,786,086	28,051,374
Electrical installation	215,642,011	-	-	215,642,011	10%	146,358,601	12,681,548	-	159,040,149	56,601,862
Gas pipeline	51,947,562	7,400,000	-	59,347,562	10%	28,618,953	2,732,113	-	31,351,066	27,996,496
Furniture and fixtures	31,128,139	2,798,260	-	33,926,399	10%	22,793,238	1,326,373	-	24,119,611	9,806,788
Office equipment	96,872,173	10,997,078	-	107,869,251	10-20%	35,824,560	17,769,958	-	53,594,518	54,274,733
Communication equipment	11,136,547	970,071	-	12,106,618	10-20%	5,270,578	1,470,525	-	6,741,103	5,365,515
Tools and appliances	16,945,670	592,928	-	17,538,598	10%	6,510,530	1,720,440	-	8,230,970	9,307,628
Vehicles	68,829,448	9,833,198	-	78,662,646	10%	34,270,600	6,068,825	-	40,339,425	38,323,221
Total	**6,737,785,100**	**310,705,374**	**-**	**7,048,490,474**		**3,430,084,746**	**398,637,968**	**-**	**3,828,722,714**	**3,219,767,760**

2016

Amount in Taka

Particulars	COST					DEPRECIATION				Net book value as at 31 Dec 2016
	Balance as at 01 Jan 2016	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2016	Rate	Balance as at 01 Jan 2016	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2016	
Land	270,695,140	-	-	270,695,140		-	-	-	-	270,695,140
Factory building	467,355,639	399,135,849	-	866,491,488	5%	235,572,471	34,254,266	-	269,826,737	596,664,751
Office building	195,540,797	2,135,892	-	197,676,689	5%	81,236,182	9,947,538	-	91,183,719	106,492,970
Plant and machinery	3,256,885,150	1,570,824,461	-	4,827,709,611	10%	2,450,056,588	283,255,387	-	2,733,311,975	2,094,397,636
Mobile plant	69,412,782	13,297,840	-	82,710,622	10%	51,460,854	4,654,401	-	56,115,255	26,595,367
Electrical installation	158,388,020	57,253,991	-	215,642,011	10%	134,472,565	11,886,036	-	146,358,601	69,283,410
Gas pipeline	30,437,159	21,510,403	-	51,947,562	10%	26,688,041	1,930,912	-	28,618,953	23,328,609
Furniture and fixtures	28,909,885	2,218,254	-	31,128,139	10%	20,114,887	2,678,351	-	22,793,238	8,334,901
Office equipment	93,332,556	3,589,347	(49,730)	96,872,173	10-20%	18,810,564	17,026,271	(12,275)	35,824,560	61,047,613
Communication equipment	10,008,250	1,128,297	-	11,136,547	10-20%	4,061,694	1,208,884	-	5,270,578	5,865,969
Tools and appliances	8,615,227	8,330,443	-	16,945,670	10%	5,642,474	868,056	-	6,510,530	10,435,140
Vehicles	65,223,973	5,140,669	(1,535,194)	68,829,448	10%	29,582,067	6,088,876	(1,400,343)	34,270,600	34,558,848
Total	**4,654,804,578**	**2,084,565,446**	**(1,584,924)**	**6,737,785,100**		**3,057,698,387**	**373,798,978**	**(1,412,618)**	**3,430,084,746**	**3,307,700,354**

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
4.1	**Depreciation charged on the basis of the purpose of use**		
	Cost of sales (Note 23)	361,949,588	336,849,058
	Administrative expenses (Note 4.2)	43,526,354	35,144,290
	Marketing & selling expenses (Note 26)	2,027,549	2,027,549
		407,503,491	**374,020,897**
4.2	**Administrative expenses**		
	Depreciation on property, plant and equipment (Note 25)	34,660,831	34,922,372
	Depreciation on investment property (Note 25)	8,865,523	221,918
		43,526,354	**35,144,290**

4.3 Disposal of property, plant and equipment

2017

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against insurance claim & Sale	Profit /(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
No disposal	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

2016

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

5. Investment Property

2017

Amount in Taka

Particulars	COST					DEPRECIATION				Net book value as at 31 Dec 2017
	Balance as at 01 Jan 2017	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2017	Rate	Balance as at 01 Jan 2017	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2017	
Land [1]	500,571,750	-	-	500,571,750		-	-	-	-	500,571,750
Office building [2]	4,432,737	206,203,645	-	210,636,382	5%	660,732	8,865,523	-	9,526,255	201,110,127
Total	**505,004,487**	**206,203,645**	**-**	**711,208,132**		**660,732**	**8,865,523**	**-**	**9,526,255**	**701,681,877**

2016

Amount in Taka

Particulars	COST					DEPRECIATION				Net book value as at 31 Dec 2016
	Balance as at 01 Jan 2016	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2016	Rate	Balance as at 01 Jan 2016	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2016	
Land [1]	500,571,750	-	-	500,571,750		-	-	-	-	500,571,750
Office building [2]	4,432,737	-	-	4,432,737	5%	438,813	221,918	-	660,732	3,772,005
Total	**505,004,487**	**-**	**-**	**505,004,487**		**438,813**	**221,918**	**-**	**660,732**	**504,343,755**

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

The said property are stated at cost as per BAS 40 due to alternate reliable sources of measurement being unavailable.

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

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
6	**Intangible assets**		
	Balance as at 1 January	6,740,159	6,683,955
	Add: Addition during the year	6,925,458	12,401,543
		13,665,617	19,085,498
	Less: Amortized during the year	5,587,852	12,345,339
	Less: Adjustment during the year	2,648,738	-
	Balance as at 31 December	**5,429,027**	**6,740,159**
7	**Capital Work-in-Progress**		
	Balance as at 1 January	28,726,284	1,545,379,710
	Add: Addition during the year	444,202,680	28,099,014
		472,928,964	1,573,478,724
	Less: Transfer to property, plant and equipment and investment property during the year (Note-7.1)	431,513,245	1,528,441,226
	Impairment loss on capital equipment during the year	-	16,311,214
	Balance as at 31 December	**41,415,719**	**28,726,284**
7.1	**Items transferred from capital work in progress to property, plant and equipment and investment property**		
	Office building	207,433,930	-
	Factory building	53,235,483	237,219,154
	Plant and machinery	170,125,817	1,256,599,871
	Others	718,015	34,622,201
		431,513,245	**1,528,441,226**
8	**Investment in subsidiaries (Note-8.1)**		
	RAK Power Pvt. Ltd	341,629,950	341,629,950
	RAK Security and Services Pvt. Ltd	18,750,000	18,750,000
		360,379,950	**360,379,950**

8.1 Details of investments in subsidiaries

Name of subsidiaries	Nature of business	% of holding	Investment/ Taka	Investment/ Taka
RAK Power Pvt. Ltd	Electricity generation	99.99	341,629,950	341,629,950
RAK Security and Services Pvt. Ltd	Security services provider	99.00	18,750,000	18,750,000

9	**Loan to disposed subsidiary**		
	Julphar Bangladesh Ltd (Erstwhile RAK Pharmaceuticals Pvt. Ltd.)	-	201,898,000
		-	**201,898,000**

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
10	**Inventories**		
	Raw materials	655,088,511	844,891,203
	Less : Provision for obsolescence of raw materials made during the year	-	13,878,807
		655,088,511	831,012,396
	Stores and consumables spares	1,032,455,718	1,016,498,297
	Finished goods	502,342,028	387,942,404
	Work-in-process	108,183,210	96,173,371
	Goods-in-transit	169,858,236	129,410,652
		2,467,927,703	**2,461,037,120**
11	**Trade and other receivables**		
	Non-current:		
	Receivable against disposal of investment (Note-11.3)	-	74,025,000
		-	74,025,000
	Current:		
	Trade receivables (Note-11.1)	489,393,218	523,695,477
	Accrued interest (Note-11.2)	4,638,194	1,936,806
	Accrued rental income	2,070,000	380,000
	Receivable against disposal of investment (Note-11.3)	74,025,000	74,025,000
		570,126,412	**600,037,283**
11.1	**Trade receivables**		
	Receivable from dealers	487,759,082	523,695,477
	Receivable from export sales	1,634,136	-
		489,393,218	**523,695,477**
11.2	**Accrued Interest**		
	Interest accrued on FDR	4,638,194	1,936,806
		4,638,194	**1,936,806**
11.3	**Receivable against disposal of investment**		
	RAK Paints Pvt. Ltd.	74,025,000	148,050,000
		74,025,000	**148,050,000**
12	**Advance, deposits and prepayments**		
	Advances:		
	Employees	12,506	17,500
	Purchase of land and others	1,942,829	36,776,888
	Suppliers against materials and services	91,039,739	224,624,271
		92,995,074	261,418,659
	Security and other deposit:		
	Titas gas	28,682,550	16,389,450
	Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
	VAT and Supplementary duty (Note-12.1)	43,059,080	36,075,086
	Deposited with income tax authority	36,685,655	17,185,655
	Deposited with VAT authority	6,726,946	7,530,001
	Other deposits	1,499,853	1,491,853
		118,609,084	80,627,045
	Prepayments:		
	House rent	15,525,195	9,063,471
	Insurance and others	70,375,294	47,596,726
		85,900,489	56,660,197
		297,504,647	**398,705,901**

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
12.1	**VAT and supplementary duty (SD)**		
	Balance as at 1 January	36,075,086	57,875,829
	Add: Treasury deposit for SD & VAT purpose	1,513,000,000	1,121,000,000
	Rebate of input VAT	346,947,267	273,305,798
		1,896,022,353	1,452,181,627
	Less: SD & VAT on sales	1,842,870,675	1,415,635,275
	Payable - SD & VAT	10,092,597	471,266
		1,852,963,272	1,416,106,541
	Balance as at 31 December	**43,059,080**	**36,075,086**
13	**Advance Income Tax**		
	Balance as at 1 January	2,280,196,137	2,059,429,603
	Add: Paid during the year	294,807,390	220,766,534
	Balance as at 31 December (Note 13.1)	**2,575,003,527**	**2,280,196,137**
13.1	**Year wise closing balance**		
	Income year		
	Year 2017	249,514,753	-
	Year 2016	242,216,508	196,923,871
	Year 2015	138,288,579	138,288,579
	Year 2014	253,701,667	253,701,667
	Year 2013	352,440,807	352,440,807
	Year 2012	301,027,378	301,027,378
	Year 2011	322,755,413	322,755,413
	Year 2010	263,692,205	263,692,205
	Year 2009	218,086,876	218,086,876
	Year 2008	85,378,847	85,378,847
	Year 2007	124,813,161	124,813,161
	Year 2006 (Unadjusted balance)	23,087,333	23,087,333
		2,575,003,527	**2,280,196,137**
14	**Cash and cash equivalents**		
	Cash in hand	4,747,113	8,663,146
	Cash at banks		
	HSBC (current account - 001-013432-011 - BDT)	25,283,357	38,312,406
	Standard Chartered Bank (current account - 01-6162940-01 - BDT)	117,882,400	66,586,636
	Brac Bank (current account - 1530301731248001 - BDT)	57,502,367	-
	Citibank N.A. (current account - G010000200262018 - BDT)	172,812	15,162,084
	HSBC (ERQ account - 001-013432-047 - USD)	9,438,932	6,549,288
	Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	975,788	973,813
	Standard Chartered Bank (Margin Money account)	306,739	-
	UCB (SND account - 0831301000000164 BDT)	33,572,214	-
	Eastern Bank Limited (SND account - 1131350237146 - BDT)	35,308,039	-
	Dutch Bangla Bank Limited (SND - 102.150.274- BDT))	52,825,646	-
	EXIM Bank (SND account - 01513100031877 - BDT)	114,761	114,271
	Dutch Bangla Bank Ltd. (SND account - 117-120-589 - BDT)	225,579,678	58,860,051
	BRAC Bank (STD - 1513101731248001 - BDT)	358,355	356,703
	Prime Bank Ltd. (SND - 12531010022563 - BDT)	53,513,417	20,282,604
	Commercial Bank of Ceylon (CD - 1817000776 - BDT)	23,529	-
	Commercial Bank of Ceylon (SND - 2817000777 - BDT)	39,297,802	6,559,754
	Meghna Bank Ltd. (SND 1112-13500000004 - BDT)	43,154,459	-
		695,310,295	213,757,610

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
	IPO bank account		
	Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	2,454,389	2,453,275
	Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262042 - USD)	3,919,501	3,941,453
	Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262026 - EURO)	153,608	153,603
	Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262034 - GBP)	126,594	126,588
		6,654,092	6,674,919
	Dividend bank account		
	BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,618,431	2,627,831
	BRAC Bank (Current - 1513201731248001 - BDT) - 2011	2,204,459	2,222,418
	SCB (Current - 02-6162940-02 - BDT) - 2012	3,837,331	3,899,024
	SCB (Current - 02-6162940-03 - BDT) - 2013	16,734,192	16,697,585
	SCB (Current - 02-6162940-04 - BDT) - 2014	4,977,932	5,082,074
	SCB (Current - 02-6162940-05 - BDT) - 2015	3,847,536	4,082,795
	SCB (Current - 02-6162940-06 - BDT) - 2016	4,383,884	-
		38,603,765	34,611,727
	Investment in Fixed Deposit Receipt (FDR)		
	HSBC	15,000,000	30,000,000
	Brac Bank Ltd.	150,000,000	-
	Dutch Bangla Bank Ltd.	-	400,000,000
	Eastern Bank Ltd.	300,000,000	-
	Dhaka Bank Ltd.	100,000,000	-
	Meghna Bank Ltd.	5,000,000	-
		570,000,000	430,000,000
	Total	**1,315,315,265**	**693,707,402**
15	**Share Capital**		
	Authorised		
	600,000,000 ordinary shares of Tk 10 each	**6,000,000,000**	**6,000,000,000**
	Issued, subscribed, called and paid up	**3,536,931,410**	**3,368,506,110**
	353,693,141 ordinary shares of Tk 10 each		

Percentage of shareholding:

	2017		2016	
	%	Taka	%	Taka
RAK Ceramics PJSC, UAE	68.13	2,409,805,220	71.67	2,414,100,210
SAK Ekramuzzaman	3.92	138,725,830	3.92	132,119,850
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	290	0.00	280
Sheikh Omer Bin Saqr Al Qassimi	0.00	290	0.00	280
Sheikh Ahmad Bin Humaid al Qassimi	0.00	290	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	27.95	988,398,930	24.41	822,284,650
	100.00	**3,536,931,410**	**100.00**	**3,368,506,110**

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

Classification of shareholders by range:

Shareholder's range	Number of shareholders		Number of shares	
	2017	2016	2017	2016
Less than 500 shares	24,431	26,718	5,260,532	5,617,564
501 to 5,000 shares	8,673	8,021	13,964,830	11,426,420
5001 to 10,000 shares	916	618	6,687,868	4,593,958
10,001 to 20,000 shares	475	308	6,676,203	4,505,626
20,001 to 30,000 shares	134	99	3,318,356	2,463,012
30,001 to 40,000 shares	72	50	2,550,406	1,774,201
40,001 to 50,000 shares	42	38	1,903,394	1,760,460
50,001 to 100,000 shares	84	80	5,708,527	5,479,795
100,001 to 1,000,000 shares	89	63	23,843,323	18,732,649
Over 1,000,000 shares	10	11	283,779,702	280,496,926
	34,926	**36,005**	**353,693,141**	**336,850,611**

		2017	2016
		Taka	Taka
16	**Deferred tax liabilities**		
	Balance as at 1 January	91,907,602	38,236,099
	Deferred tax (income) / expenses	52,058,981	53,671,503
	Balance as at 31 December	**143,966,583**	**91,907,602**

	Carrying amount on the date of statement of financial position	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
As at 31 December 2017			
Property, plant and equipment (Excluding land and others)	3,003,460,854	2,427,594,524	575,866,330
Provision for obsolescence of raw materials	-	-	-
Impairment loss on capital equipment	-	-	-
Net taxable temporary difference			**575,866,330**
Deferred tax liability (applying tax rate 25.00%)			**143,966,583**
As at 31 December 2016			
Property, plant and equipment (Excluding land and others)	2,926,442,603	2,514,345,896	412,096,707
Provision for obsolescence of raw materials	(21,164,564)	-	(21,164,564)
Impairment loss on capital equipment	(23,301,734)	-	(23,301,734)
Net taxable temporary difference			**367,630,409**
Deferred tax liability (applying tax rate 25.00%)			**91,907,602**

17 Employees benefits payable

	2017		
	Provident Fund	Gratuity Fund	Total
	Taka	Taka	Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	48,700,079	31,481,486	80,181,565
	48,700,079	31,481,486	80,181,565
Less: Payments made to fund during the year	48,700,079	31,481,486	80,181,565
Balance as at 31 December	-	-	-

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

18 Borrowings

	2017	2016
	Taka	Taka
Non-current:	632,827,493	861,151,969
Term loan -HSBC	(273,664,201)	(259,951,837)
Less : Current portion of long term loan - HSBC	**359,163,292**	**601,200,132**
Current:		
Overdraft - DBBL	18,244,255	27,579,039
Overdraft - CBC	-	2,084,654
Short term borrowings - HSBC	82,283,880	90,279,252
Short term borrowings - SCB	173,969,702	186,360,217
Current portion of long term loan - HSBC	273,664,201	259,951,837
	548,162,038	566,254,999
Balance as at 31 December	**907,325,330**	**1,167,455,131**

18.1 Borrowings by maturity

At 31 December 2017	< 1 year	1-2 years	2-5 years	> 5 years	Total
Overdrafts	18,244,255	-	-	-	18,244,255
Short-term borrowings	256,253,582	-	-	-	256,253,582
Term loan and others	273,664,201	271,747,942	87,415,349	-	632,827,493
	548,162,038	**271,747,942**	**87,415,349**	**-**	**907,325,330**

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

At 31 December 2016	< 1 year	1-2 years	2-5 years	> 5 years	Total
Overdrafts	29,663,693	-	-	-	29,663,693
Short-term borrowings	276,639,469	-	-	-	276,639,469
Term loan and others	259,951,837	259,951,837	341,248,296	-	861,151,969
	566,254,999	**259,951,837**	**341,248,296**	**-**	**1,167,455,131**

The company enjoys off-shore financing from HSBC and SCB on its outstanding import bills as deferred payment bills under letter of credits.

18.2 Facilities details

Bank	Name of facilities	Limit	Utilisation	Maturity	Repayment	Security - STL	Security - LTL
SCB	Overdraft	50,000,000	-	Revolving	From company's own source	1) Letter of comfort, 2) Hypothecation over plant and machinery on parri - passu basis with other lenders. 3) Hypothecation over stock and book debts on a parri - passu basis with other lenders. 4) Demand promissory note.	1) Land, 2) Plant and machinery of the expansion plant.
	Short term loan	350,000,000	173,969,702	180/360 days from B/L date			
HSBC	Overdraft	30,000,000	-	Revolving	From company's own source		
	Short term loan	550,000,000	82,283,880	180/360 days from B/L date			
	Long term loan	1,366,872,000	632,827,493	5 years			
Dutch-Bangla Bank Ltd.	Overdraft	25,000,000	18,244,255	Revolving	From company's own source		
	Short term loan	125,000,000	-	180/360 days from B/L date			
Commercial Bank of Ceylon	Overdraft	25,000,000	-	Revolving	From company's own source		
	Short term loan	300,000,000	-	180/360 days from B/L date			

	2017 Taka	2016 Taka
19 Trade and other payables		
Trade payables		
Payable to local suppliers	109,728,996	204,134,111
Payable to foreign suppliers	300,313,790	183,906,484
Payable to service provider	120,422,861	86,458,040
Payable to C and F agent and freight forwarder	9,810,933	10,283,280
	540,276,580	484,781,915
Other payables		
Tax deducted at source	22,974,558	15,189,449
VAT deducted at source	8,765,126	8,209,959
Dividend Payable	37,854,265	33,889,190
Unclaimed share application	20,838,116	20,838,116
Advance from customer against sales	21,418,886	7,443,813
Provisional liabilities - material and services	15,229,568	50,299,995
Payable to employee for trade	326,468	-
Security deposit payable	1,617,592	1,617,592
	129,024,579	137,488,114
Total	**669,301,159**	**622,270,029**

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
20	**Accrued expenses**		
	Power and gas	28,021,457	11,309,101
	Staff cost	75,965,626	33,292,631
	Audit fees	1,400,000	1,100,000
	Taxation Matter	400,000	400,000
	Interest on loan	9,561,366	1,495,042
	Telephone	211,566	263,927
	Provision for freight	-	11,774,670
	Managing Director's remuneration (Note-20.1)	45,725,177	40,911,795
	Workers' profit participation and welfare fund (Note-20.2)	67,441,264	61,056,166
	Royalty and technical know-how fee (Note-20.3)	191,852,419	83,946,396
		420,578,875	**245,549,728**
20.1	**Managing Director's remuneration**		
	Balance as at 1 January	40,911,795	34,075,485
	Add: Payable to Managing Director during the year	45,725,177	40,911,795
		86,636,972	74,987,280
	Less: Paid to Managing Director during the year	40,911,795	34,075,485
	Balance as at 31 December	**45,725,177**	**40,911,795**
20.2	**Workers' Profit Participation and welfare Fund**		
	Balance as at 1 January	61,056,166	54,064,400
	Add: Contribution made to the fund during the year	67,441,264	61,056,166
		128,497,430	115,120,566
	Less: Payment made from the fund during the year	61,056,166	54,064,400
	Balance as at 31 December	**67,441,264**	**61,056,166**
20.3	**Royalty and technical know-how fee**		
	Balance as at 1 January	83,946,396	2,399,388
	Add: Provision made during the year	107,906,023	96,547,008
		191,852,419	98,946,396
	Less: Tax provision on disallowance of royalty paid for 2009	-	15,000,000
	Balance as at 31 December	**191,852,419**	**83,946,396**
21	**Provision for income tax**		
	Balance as at 1 January	2,656,946,243	2,403,756,498
	Add: Provision made for current year	297,112,555	253,189,745
	Balance as at 31 December (note 21.1)	**2,954,058,798**	**2,656,946,243**
21.1	**Year wise closing balance**		
	Income year		
	Year 2017	297,112,555	-
	Year 2016	253,189,745	253,189,745
	Year 2015	274,419,022	274,419,022
	Year 2014	339,893,487	339,893,487
	Year 2013	318,166,647	318,166,647
	Year 2012	305,056,869	305,056,869
	Year 2011	323,149,311	323,149,311
	Year 2010	348,965,691	348,965,691
	Year 2009	266,823,984	266,823,984
	Year 2008	147,117,914	147,117,914
	Year 2007	80,163,573	80,163,573
		2,954,058,798	**2,656,946,243**

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

22 Sales

	Unit	2017 Quantity in million	2017 Amount Taka	2016 Quantity in million	2016 Amount Taka
Local					
Tiles	Sft	90.06	6,024,794,253	69.49	4,380,191,498
Decor/Border	Pcs	0.75	79,832,547	0.71	76,300,804
Sanitary ware	Pcs	1.49	2,694,129,663	1.43	2,522,189,109
			8,798,756,463		6,978,681,411
Less: Supplementary Duty			693,440,170		505,431,618
			8,105,316,293		6,473,249,793
Less: VAT			1,149,430,504		910,674,923
			6,955,885,789		5,562,574,870
Export					
Tiles	Sft	0.24	12,952,284	0.24	14,213,646
Sanitary ware	Pcs	-	-	0.0003	655,454
			6,968,838,073		**5,577,443,970**

		2017 Taka	2016 Taka
23	**Cost of sales**		
	Material consumed:		
	Opening stock	831,012,396	847,867,994
	Add: Purchase during the year	1,932,041,655	1,381,654,095
	Less: Closing stock	655,088,511	831,012,396
		2,107,965,540	1,398,509,693
	Factory overhead:		
	Direct labour (note-23.1.1)	482,179,873	412,574,431
	Direct expenses:		
	Power and gas	623,536,708	470,350,016
	Repairs and indirect materials (note-23.1.2)	738,814,879	625,673,677
	Moulds and punches	23,161,801	16,012,411
	Depreciation	361,949,588	336,849,058
	Royalty and technical know-how fees (23.1.3)	107,906,023	81,547,008
	Other production overhead (note-23.1.4)	60,100,430	60,524,293
	Movement in stock	(167,995,667)	(47,019,979)
		4,337,619,175	**3,355,020,608**
23.1.1	**Direct labour**		
	Salary & wages	280,381,887	235,766,374
	Overtime	27,121,951	27,064,242
	Bonus	35,600,795	30,221,427
	Incentive	-	3,678,653
	Temporary labour wages	94,908,877	82,877,431
	Gratuity	21,585,746	17,897,123
	Employers contribution to provident fund	16,462,272	13,464,159
	Leave Encashment	4,020,554	-
	Group life insurance	2,097,791	1,605,022
		482,179,873	**412,574,431**

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
23.1.2	**Repair and indirect materials**		
	Stores, spares, repair & maintenance	349,475,091	316,076,459
	Packing expenses	389,339,788	309,597,218
		738,814,879	**625,673,677**
23.1.3	**Royalty & technical know how fees**		
	Royalty and technical know-how fee	107,906,023	96,547,008
	Less: Tax provision on disallowance of royalty paid for the year 2009	-	15,000,000
		107,906,023	**81,547,008**
23.1.4	**Other production overhead**		
	Hotel fare and expenses for technician	6,906,106	4,763,388
	Demurrage	7,287,420	1,644,495
	Insurance	14,467,432	14,409,297
	Impairment loss on capital equipment	-	16,311,214
	Provision for obsolescence	-	13,878,807
	Hiring charges and transportation	22,710,241	7,686,577
	Other expenses	8,729,231	1,830,515
		60,100,430	**60,524,293**
24	**Other income**		
	Dividend income	83,979,600	103,489,500
	Rental income	18,318,956	9,291,130
	Profit on sale of fixed assets	-	469,194
		102,298,556	**113,249,824**
25	**Administrative expenses**		
	Staff cost (note-25.1)	150,527,270	140,664,991
	Annual General Meeting expenses	13,219,060	15,432,136
	Telephone and postage	3,960,854	4,839,821
	Office repair and maintenance (note-25.2)	13,932,007	5,110,969
	Registration and renewal	1,434,938	965,738
	Security and guard expenses	12,973,032	11,826,935
	Electricity, gas and water	5,967,901	7,629,244
	Depreciation on property, plant & equipment (note - 4.2)	34,660,831	34,922,372
	Depreciation on investment property (4.2)	8,865,523	221,918
	Amortization	5,587,852	12,345,339
	Legal and professional fees	7,172,827	8,320,262
	Vehicle repair and maintenance	10,698,577	9,636,242
	Rent rate and tax	3,343,068	2,851,132
	CSR expenses	5,500,000	5,742,270
	Others	28,529,214	29,131,882
	Managing Director's remuneration (note-25.3)	45,725,177	40,911,795
		352,098,131	**330,553,046**

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
25.1	**Staff cost**		
	Salary & wages	106,905,398	95,164,239
	Bonus	14,136,176	12,916,793
	Incentive	752,306	3,137,223
	Gratuity	7,727,436	6,977,329
	Employers contribution to provident fund	6,162,423	3,483,023
	Leave encashment	4,156,879	178,500
	Group life insurance	858,213	556,001
	Canteen and conveyance expenses	5,064,164	6,779,106
	Staff uniform expenses	420,846	18,140
	Travelling expenses	2,556,424	9,937,296
	Medical expenses	1,787,005	1,429,061
	Accommodation expenses	-	88,280
		150,527,270	**140,664,991**
25.2	**Office repair & maintenance**		
	Repairs office equipment	1,892,313	334,392
	Office maintenance	12,039,694	4,776,576
		13,932,007	**5,110,969**
25.3	**This represents provision made @ 3% of net profit before tax.**		
26	**Marketing & selling expenses**		
	Staff cost (note-26.1)	38,299,592	28,711,836
	Advertisement	5,043,868	3,205,198
	Freight and transportation	270,993,192	228,405,545
	Performance rebates (note-26.2)	374,200,366	260,753,693
	Business promotion	46,258,372	14,672,343
	Depreciation	2,027,549	2,027,549
	Discount	121,751,796	136,150,662
	Travel, entertainment and others	25,311,256	27,666,732
		883,885,991	**701,593,558**
26.1	**Staff cost**		
	Salary & wages	28,716,913	21,055,742
	Bonus	3,064,020	2,870,399
	Incentive	33,205	1,134,929
	Gratuity	2,168,304	1,550,517
	Employers contribution to provident fund	1,725,345	774,005
	Leave Encashment	300,848	-
	Group life insurance	151,341	123,556
	Conveyance and food expenses	2,139,616	1,202,688
		38,299,592	**28,711,836**
26.2	**Performance rebates**		
	Compensation to customer	11,668,958	6,616,203
	Dealers' commission	136,981,015	102,695,348
	Breakage commission	140,966,334	118,820,554
	Dealers' incentive and bonus	84,584,059	32,621,588
		374,200,366	**260,753,693**

AMAR STOCK

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
27	**Finance income**		
	Interest on bank account (SND)	8,087,551	2,501,297
	Interest on FDR	10,419,624	12,026,567
	Exchange gain	-	3,872,995
		18,507,175	**18,400,859**
28	**Finance expenses**		
	Interest expenses	46,233,598	38,231,070
	Bank charges	2,171,843	1,516,893
	Exchange loss	51,368,514	-
		99,773,955	**39,747,963**
29	**Income tax expenses**		
	Current year	297,112,555	253,189,745
		297,112,555	**253,189,745**
30	**Transaction in foreign currency**		
	CIF value of import:		
	Raw materials	1,444,822,806	1,049,031,315
	Spare parts	446,102,243	299,222,609
	Capital machinery	90,652,149	45,568,474
	Expenditure:		
	Dividend	458,679,040	573,348,800
	Earning in foreign currency:		
	FOB value of exports	12,952,284	14,869,100
		2,453,208,522	**1,982,040,298**

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

Quantity in million

Description	Unit	Opening stock Quantity	Purchase / Production Quantity	Sale / Consumption Quantity	Closing stock Quantity
Raw materials	KG				
Current year		146.53	221.77	246.20	122.10
Previous year		121.36	223.11	197.94	146.53
Finished goods					
Tiles:	Sft				
Ceramics/granite					
Current year		8.97	93.59	90.30	12.26
Previous year		2.72	75.99	69.74	8.97
Decor/border	Pcs				
Current year		0.12	0.79	0.75	0.16
Previous year		0.09	0.74	0.71	0.12
Sanitary ware:					
Sanitary items	Pcs				
Current year		0.17	1.43	1.48	0.12
Previous year		0.14	1.46	1.43	0.17

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

23.2.2 **Production capacity and actual production are given below:**

2017

Production	Unit	Installed Capacity (million) Annual	Utilisation during the year (million)	% of Utilisation	Over/(Under) Utilisation (million)
Tiles	Sft	111.04	93.59	84%	(17.45)
Sanitary ware	Pcs	1.45	1.43	99%	(0.02)

2016

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

31 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

31.1 Credit risk

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

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

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

a) Exposure to credit risk

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

	USD	USD	Amounts in Taka	
	As at 31 Dec 2017	As at 31 Dec 2016	As at 31 Dec 2017	As at 31 Dec 2016
Trade receivables				
Customer-Local	-	-	487,759,082	523,695,477
Customer-Export	19,880	-	1,634,136	-
	19,880	**-**	**489,393,218**	**523,695,477**

Other receivables		
Accrued rental income	2,070,000	380,000
Accrued Interest	4,638,194	1,936,806
Receivable against disposal of investment	74,025,000	148,050,000
	80,733,194	**150,366,806**
Loan to disposed subsidiary		
Julphar Bangladesh Ltd. (Erstwhile RAK Pharmaceuticals Pvt. Ltd)	-	201,898,000
	-	**201,898,000**
Cash equivalents	**1,310,568,152**	**685,044,256**

b) Ageing of receivables

	Amounts in Taka	
	As at 31 Dec 2017	As at 31 Dec 2016
The aging of trade receivables as at 31 December was:		
Not past due	489,320,249	523,695,477
0-90 days past due	72,969	-
91-120 days past due	**489,393,218**	**523,695,477**

31.2 Liquidity risk

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

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

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

	As at 31 December 2017			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Overdrafts	18,244,255	18,244,255	18,244,255	-
Short term borrowing (foreign)	256,253,582	256,253,582	256,253,582	-
Long term borrowing (foreign)	632,827,493	632,827,493	273,664,201	359,163,292
Trade and other payables	669,301,159	669,301,159	669,301,159	-
	1,576,626,489	**1,576,626,489**	**1,217,463,197**	**359,163,292**

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

	As at 31 December 2016			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Overdrafts	29,663,693	29,663,693	29,663,693	
Short term borrowing	276,639,469	276,639,469	276,639,469	-
Long term borrowing	861,151,969	861,151,969	259,951,837	601,200,132
Trade and other payables	622,270,029	622,270,029	622,270,029	-
	1,789,725,160	**1,789,725,160**	**1,188,525,028**	**601,200,132**

31.3 Market risk

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

a) Currency risk

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

i) Exposure to currency risk

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

	As at 31 December 2017				As at 31 December 2016		
	AED	GBP	USD	EURO	GBP	USD	EURO
Foreign currency denominated assets							
Receivable from customers-Export	-	-	19,880	-	-	-	-
Cash at bank	-	-	126,700	-	-	96,388	-
	-	**-**	**146,580**	**-**	**-**	**96,388**	**-**

	As at 31 December 2017				As at 31 December 2016		
	AED	GBP	USD	EURO	GBP	USD	EURO
Foreign currency denominated liabilities							
Trade payables	6,349	93,585	2,615,356	716,695	164,899	1,274,984	772,181
Short term borrowings	-	-	2,907,638	142,880	-	3,100,548	375,259
Term loan	-	-	7,606,100	-	-	10,893,763	-
Royalty & Technical Fees	-	-	2,305,918	-	-	1,061,940	-
	6,349	93,585	15,435,012	859,575	164,899	16,331,235	1,147,440
Net exposure	**(6,349)**	**(93,585)**	**(15,288,433)**	**(859,575)**	**(164,899)**	**(16,234,847)**	**(1,147,440)**

The Company has foreign exchange loss of Tk 51,368,514 during the year ended 31 Dec 2017 (31 Dec 2016: Exchange gain Tk 3,872,995).

The following significant exchange rates have been applied:

	Exchange rate (Average)	
	As at 31 Dec 2017	As at 31 Dec 2016
AED	22.4659	21.3397
GBP	111.0252	96.2662
USD	82.7000	78.5500
EURO	98.5503	82.3516

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

	As at 31 December 2017		As at 31 December 2016	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
At 31 December				
AED (3 percent movement)	(196)	185	-	-
GBP (3 percent movement)	(2,894)	2,726	(5,100)	4,803
USD (3 percent movement)	(472,838)	445,294	(502,109)	472,860
EURO (3 percent movement)	(26,585)	25,036	(35,488)	33,421

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 Dec 2017	As at 31 Dec 2016
Fixed rate instruments		
Financial assets		
Investment in FDR	570,000,000	430,000,000
Cash at banks	740,568,153	255,044,256
Financial liabilities		
Overdrafts	18,244,255	29,663,693
Long term borrowing	632,827,493	861,151,969
Short term borrowing	256,253,582	276,639,469

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

	As at 31 December 2017		As at 31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	Taka	Taka	Taka	Taka
Financial assets				
Held to maturity assets				
Investment in FDR	570,000,000	570,000,000	430,000,000	430,000,000
Loans and receivables				
Trade receivables	489,393,218	489,393,218	523,695,477	523,695,477
Other receivables	80,733,194	80,733,194	150,366,806	150,366,806
Loan to disposed subsidiary	-	-	201,898,000	201,898,000
Cash equivalents	1,310,568,152	1,310,568,152	685,044,256	685,044,256
Available for sale financial assets				
Financial liabilities				
Liabilities carried at amortised costs				
Overdrafts	18,244,255	18,244,255	29,663,693	29,663,693
Short term borrowing (foreign)	256,253,582	256,253,582	276,639,469	276,639,469
Long term borrowing (foreign)	632,827,493	632,827,493	861,151,969	861,151,969
Trade and other payables	669,301,159	669,301,159	622,270,029	622,270,029

Accounting classification and fair values as at 31 December 2017 in respect of the separate financial statements does not vary significantly from the consolidated one.

Interest rates used for determining amortised cost

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

	As at 31 December 2017	As at 31 December 2016
Investment in FDR	2.50%-7.50%	2.50%-4%
Bank overdraft	8%-10%	8%-10.75%
Short term bank loan (local currency)	8%-10%	8%-13.50%
Short term bank loan (foreign currency/USD)	Libor+ (2.75%-2.85%)	Libor+ (2.75%-3.00%)
Long term bank loan (foreign currency/USD)	Libor+3%	Libor+3%

32 Related party disclosures under BAS-24

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

Amounts in Taka

32.1

Name of related party	Relationship	Period	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables	Outstanding payable	Remuneration	Loan	Interest receivables
RAK Power Pvt. Ltd	Subsidiary	Current year	378,382,187	6,070,957	-	94,712,821	-	-	-
		Previous year	347,049,244	6,891,130	-	30,270,872	-	-	-
RAK Security & Services Pvt. Ltd	Subsidiary	Current year	95,121,016	-	-	12,945,177	-	-	-
		Previous year	94,606,305	-	-	12,282,590	-	-	-
RAK Ceramics - UAE	Parent	Current year	29,927,515	-	-	26,079,948	-	-	-
		Previous year	47,125,490	-		21,118,318	-	-	-

32 Related party disclosures under BAS-24

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

32.1

Amounts in Taka

Name of related party	Relationship	Period	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables	Outstanding payable	Remuneration	Loan	Interest receivables
Julphar Pharmaceuticals Ltd.	Other related party	Current year	-	8,748,000	1,215,000	-	-	-	-
		Previous year	-	-	201,898,000	-	-	-	-
RAK Paints Pvt. Ltd.	Other related party	Current year	1,152,085	3,500,000	879,108	-	-	-	-
		Previous year	3,227,478	2,390,000	380,000	-	-	-	-
Kea Printing & Packaging Industries	Other related party	Current year	110,329,261	-	-	8,107,975	-	-	-
		Previous year	112,892,298	-	-	17,671,058	-	-	-
Palli Properties Pte. Ltd	Other related party	Current year	18,820,509	-	-	28,400	-	-	-
		Previous year	18,901,088	-	-	1,277,772	-	-	-
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Current year	4,929,707	-	-	-	-	-	-
		Previous year	5,553,673	-	-	-	-	-	-
Green Planet Communications	Other related party	Current year	12,360,099	-	-	114,915	-	-	-
		Previous year	5,298,996	-	-	-	-	-	-
Global Business Associates Ltd.	Other related party	Current year	551,102	-	-	-	-	-	-
		Previous year	-	-	-	-	-	-	-
Pelikan Plastic & Packing Pvt. Ltd.	Other related party	Current year	124,439,691	-	-	9,121,821	-	-	-
		Previous year	16,670,923	-	-	-	-	-	-

Amounts in Taka

Name of related party	Relationship	Period	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables	Outstanding payable	Remuneration	Loan	Interest receivables
Mohammed Trading	Other related party	Current year	-	2,428,701,293	371,834,648	-	-	-	-
		Previous year	-	1,967,266,442	380,083,753	-	-	-	-
S.A.K. Ekramuzzaman	Key Management Personnel	Current year	-	-	-	45,725,177	45,725,177	-	-
		Previous year	-	-	-	40,911,795	40,911,795	-	-
Imtiaz Hussain	Key Management Personnel	Current year	-	-	-	1,690,172	11,208,464	-	-
		Previous year	-	-	-	1,322,520	10,230,240	-	-

32.2 Paid to Directors

During the year, provision was made as MD's remuneration for Taka. 45,725,177

During the year, Board meeting fees of Taka 275,000 was paid to the board members for attending the Board meetings.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

33 Number of employees

The number of employees engaged for the period who received total remuneration of Taka 36,000 and above per annum at reporting date was as follows.

	2017	2016
Number of employees	1,807	1,689

None receiving below Taka 3,000 per month.

34 Earnings per share (EPS)

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

Earnings attributable to the ordinary shareholders		
Profit for the year	**999,653,752**	**914,262,064**
No. of ordinary equity shares	**353,693,141**	**353,693,141**
Weighted average no. of equity shares outstanding (Note 34.1)	**353,693,141**	**353,693,141**
Basic Earnings per share (EPS) for the year	**2.83**	**2.58**

34.1 Weighted average number of ordinary shares

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

	2017	2016
Outstanding shares	336,850,611	336,850,611
Effect of issue of bonus shares for the year 2016	16,842,531	16,842,531
	353,693,141	**353,693,141**

34.2 Diluted earning per share

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

35 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 668,168,492 (31 Dec 2016: Tk 541,950,341). 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 478,871,145 (31 Dec 2016: Tk 398,511,738) and letter of guarantee of Tk 57,759,887 (31 Dec 2016: Tk 29,580,253).

36 Events after the reporting period

36.1 Declaration of dividend

The Board of Directors of RAK Ceramics (Bangladesh) Limited, in its meeting held on 28 Janruary 2018 recommended 10% stock dividend and 10% cash dividend for the year ended on 31 December 2017. These dividends are subject to final approval by the shareholders at the forthcoming 19th Annual General Meeting (AGM) of the Company.

DIRECTORS' REPORT OF RAK POWER PVT. LTD

Dear shareholders,

The Board of Directors of RAK Power Pvt. Ltd. is pleased to present this Directors' Report, together with the Auditors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2017 thereon, for your valued consideration, approval and adoption.

Principal activities

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

Review of business

The plant capacity was available in excess of 90% of installed capacity during 2017. However, supply was primarily dedicated to meet the requirements of the parent company, RAK Ceramics (Bangladesh) Limited. The Company supplied power to adjacent factories to the extent of 0.5–1.0 MW in excess of the parent Company's requirements, during the first 3 months of the year 2017. After to the commercialization of operations of the fourth plant of RAK Ceramics (Bangladesh) Limited, their power requirement has increased and hence, the power supply to all other organizations is suspended.

Operating results:

The operational results of the Company for the year ended 2017 are as follows:

(Amount in BDT mn)

Particulars	2017	2016
Sales	381.12	373.99
Gross Profit	134.96	147.70
Net Profit after Tax	86.53	96.66
Earnings per Share (Absolute BDT)	42.21	47.15
Net Operating Cash Flow Per Share (NOCFPS)	13.97	50.27
Net Asset Value (NAV)	311.76	307.23
Net Asset Value per share (Absolute BDT)	152.08	149.87

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Dividend

The Board of Directors of the Company is pleased to recommend a cash dividend of 40% of the paid-up capital of the Company, for the year 2017. While recommending the dividend, the Board of Directors has considered the operational performance, business results, the assets as at that date and the working capital requirements for future expansion. The Company paid cash dividend @ 40% of paid-up capital for the year 2016.

Auditors

M/S K. M. Hasan & Co., Chartered Accountants will retire in the 13th Annual General Meeting and required to appoint new statutory auditor for the 2018. Being a subsidiary of RAK Ceramics (Bangladesh) Limited, it would be more effective to appoint the same statutory auditor for the parent as well as its subsidiaries. M/S K. M. Hasan & Co., Chartered Accountants has given 'No Objection Certificate (NOC)' for appointing another Chartered Accountants firm as the statutory auditor of RAK Power Pvt. Ltd. for the year 2018. Hence the Board of Directors recommends to appoint M/s ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL) as the statutory auditor of the Company for the year 2018. Remuneration of the auditor will be fixed by the shareholders in the 13th AGM.

Post statement of financial position date events

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

Appreciation

The Board would like to take this opportunity to place on record their sincere appreciation to Government bodies, shareholders, investors, bankers and employees for their continuous commitment, cooperation, confidence and support in enabling the Company to attain its objectives.

For and on behalf of the Board of Directors,



(Abdallah Massaad)
Chairman

January 28, 2018
Ras Al Khaimah, UAE

RAK POWER PVT. LTD.

AUDITORS' REPORT AND FINANCIAL STATEMENTS

For the year ended
31 December 2017

RAKSTOCK

AUDITORS' REPORT

to the Shareholders of
RAK POWER PVT. LTD.

We have audited the accompanying financial statements of RAK POWER PVT. LTD., which comprise the statement of financial position as at 31 December 2017 the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements, prepared in accordance with Bangladesh Financial Reporting Standard (BFRSs), give a true and fair view of the financial position as at 31 December 2017 and its financial performance and its cash flows for the year then ended and comply with the Companies Act, 1994 and other applicable laws and regulations.

We also report that:

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

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

c. the company's statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

Dated, 28 January 2018

K. M. HASAN & CO.
Chartered Accountants

RAK POWER PVT. LTD.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 Taka	2016 Taka
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	165,503,622	183,270,263
Investment	5	287,500	287,500
Total non-current assets		**165,791,122**	**183,557,763**
Current Assets			
Inventories	6	65,775,555	66,469,916
Trade and other receivables	7	94,852,681	33,593,221
Advance, deposits & prepayments	8	11,505,579	6,836,797
Advance income tax	9	237,174,166	187,568,115
Cash and cash equivalents	10	50,901,746	102,371,034
Total current assets		**460,209,727**	**396,839,083**
Total assets		**626,000,849**	**580,396,846**
EQUITY & LIABILITIES			
Capital and Reserves			
Share capital	11	205,000,000	205,000,000
Retained earnings		106,761,188	102,231,168
Total equity		**311,761,188**	**307,231,168**
Non-Current liabilities			
Deferred tax liability	12	34,847,177	36,508,621
Total non-current liabilities		**34,847,177**	**36,508,621**
Current Liabilities			
Trade and other payables	14	10,558,259	9,641,273
Liability for expenses	15	17,135,671	16,527,304
Provision for corporate tax	16	251,698,554	210,488,480
Total current liabilities		279,392,484	236,657,057
Total equities and liabilities		**626,000,849**	**580,396,846**

The annexed notes form an integral part of these financial statements.

Director

Managing Director

Signed in terms of separate report of even date annexed.

K.M. HASAN & CO.
Chartered Accountants

Dated, 28 January 2018

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RAK POWER PVT. LTD.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 Taka	2016 Taka
Sales	17	381,122,602	373,986,378
Cost of generation	18	(246,164,482)	(226,286,015)
Gross profit		**134,958,120**	**147,700,363**
Administrative expenses	19	(9,831,894)	(9,269,743)
Profit from operating activities		**125,126,226**	**138,430,620**
Other income	20	2,178,523	2,817,130
Financial expenses	21	(1,226,099)	(256,318)
Net finance income		952,424	2,560,812
Profit before income tax		**126,078,650**	**140,991,432**
Income tax expenses			
Current tax	22	(41,210,074)	(45,393,782)
Deferred tax		1,661,444	1,066,474
		(39,548,630)	(44,327,308)
Profit for the year		**86,530,020**	**96,664,124**
Other comprehensive income		-	-
Total comprehensive income		**86,530,020**	**96,664,124**
Basic Earnings Per Share (EPS)	25.2	**42.21**	**47.15**

The annexed notes form an integral part of these financial statements

Director

Managing Director

Signed in terms of separate report of even date annexed.

K.M. HASAN & CO.
Chartered Accountants

Dated, 28 January 2018

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RAK POWER PVT. LTD.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

Amount in Taka

Particulars	Share capital	Retained earnings	Total
Balance as at 01 January 2017	205,000,000	102,231,168	307,231,168
Profit for the year	-	86,530,020	86,530,020
Cash dividend for 2016	-	(82,000,000)	(82,000,000)
Balance as at 31 December 2017	**205,000,000**	**106,761,188**	**311,761,188**

Amount in Taka

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

Director

Managing Director

Signed in terms of separate report of even date annexed.

K.M. HASAN & CO.
Chartered Accountants

Dated, 28 January 2018

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RAK POWER PVT. LTD.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 Taka	2016 Taka
A. Cash flows from operating activities		
Cash receipts from customers and others	319,747,816	377,530,587
Cash paid to supplier and others	(241,500,544)	(232,857,496)
Income tax paid	(49,606,051)	(41,623,094)
Net cash from operating activities	**28,641,221**	**103,049,997**
B. Cash flows from investing activities		
Acquisition of property, plant and equipments	(404,358)	(1,227,191)
Interest received from Bank	2,273,849	2,739,191
Dividend received	20,000	10,000
Net cash from investing activities	**1,889,491**	**1,522,000**
C. Cash flows from financing activities		
Finance charge	-	(6,581)
Dividend paid	(82,000,000)	(102,500,000)
Net cash used in financing activities	**(82,000,000)**	**(102,506,581)**
D. Increase/(decrease) in cash and cash equivalents (A+B+C)	**(51,469,288)**	**2,065,416**
Cash and cash equivalents as at 01 January 2017	**102,371,034**	**100,305,618**
Cash and cash equivalents as at 31 December 2017	**50,901,746**	**102,371,034**

Director

Managing Director

Signed in terms of separate report of even date annexed.

K.M. HASAN & CO.
Chartered Accountants

Dated, 28 January 2018

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RAK POWER PVT. LTD.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

1. The company and it's activities

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

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

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

2. Significant accounting policies

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

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

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

2.2 Property, plant and equipment

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

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

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

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

2.3. Depreciation on Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

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

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

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

2.4. Trade receivable

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

2.5. Valuation of inventories

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

2.6. Employees' 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.

i) 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 recognized Employees' Provident Fund is considered as defined contribution plan as it meets the recognition criteria specified for its 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. Theses are administered by the Board of Trustees. The contributions are invested separately from the company's assets

Contribution to defined contribution plan is recognized as 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.

ii) Defined benefit plan (gratuity fund)

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

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

Details of employees benefit scheme have been provided in note 13.

iii) WPPF

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

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

2.7. Revenues recognition

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

2.8. Borrowing cost

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

2.9. Creditors and accruals

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

2.10. Foreign currency transaction

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

2.11. Cash and cash equivalents

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

2.12. Statement of cash flows

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

2.13. Taxation

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

2.13.1. Current Tax

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

2.13.2. Deferred Tax

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

3. Disclosures

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

3.1. Segment reporting

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

3.2. General

3.2.1. The figures in the financial statements represent Bangladesh currency (Taka) which is the functional currency of the company.

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

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

4. Property, plant and equipment

2017

Amount in Taka

PARTICULARS	COST					DEPRECIATION				Written Down Value As At 31 December 2017
	Balance as at 01 January 2017	Addition during the year	Adjustment during the year	Total as at 31 December 2017	Rate	Balance as at 01 January 2017	Charged during the year	Adjustment during the year	Total as at 31 December 2017	
Land	11,294,000	-	-	11,294,000	0%	-	-	-	-	11,294,000
Building	19,195,131	-	-	19,195,131	20%	19,195,130	-	-	19,195,130	1
Plant and machinery				-						
Main Genset	268,615,599	-	-	268,615,599	5%	107,446,240	13,430,780	-	120,877,020	147,738,579
Auxiliary equipments	33,597,157	-	-	33,597,157	10%	26,758,560	3,359,716	-	30,118,276	3,478,881
Electrical installation	25,822,636	-	-	25,822,636	20%	23,600,957	567,698	-	24,168,655	1,653,981
Gas pipeline	17,699,732	-	-	17,699,732	20%	16,920,543	446,043	-	17,366,586	333,146
Furniture and fixtures	1,817,364	367,608	-	2,184,972	10%	1,173,384	207,317	-	1,380,701	804,271
Office equipment	1,092,455	36,750	-	1,129,205	20%	833,567	107,352	-	940,919	188,286
Communication equipment	124,786	-	-	124,786	10%	99,833	12,479		112,312	12,474
Tools and appliances	4,445	-	-	4,445	20%	4,444	-	-	4,444	1
Fire fighting equipments	3,631,012	-	-	3,631,012	20%	3,631,011	-	-	3,631,011	1
Vehicles	2,300,531	-	-	2,300,531	20%	2,260,916	39,614	-	2,300,530	1
Total as at 31 December 2017	**385,194,848**	**404,358**	**-**	**385,599,206**		**201,924,585**	**18,170,999**	**-**	**220,095,585**	**165,503,622**

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2016

Amount in Taka

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

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NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
4.1	**Depreciation Charged on the basis of the purpose**		
	Cost of generation	17,804,237	17,764,541
	Administrative expenses	366,762	329,368
		18,170,999	**18,093,909**

4.2 Disposal of property, plant and equipment

Year 2017

Particulars	Original cost	Accumulated Depreciation	Book Value	Received against insurance clam and sales	Profit /(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
No disposal	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

Year 2016

Particulars	Original cost	Accumulated Depreciation	Book Value	Received against insurance clam and sales	Profit /(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Vehicle	147,300	147,300	-	55,550	55,550
Office equipment	63,000	63,000	-	10,100	10,100
Total	**210,300**	**210,300**	**-**	**65,650**	**65,650**

		2017 Taka	2016 Taka
5.	**Investment**		
	Investment in RAK Security and Services (Pvt.) Ltd.	287,500	287,500
		287,500	**287,500**
6.	**Inventories**		
	Stores and consumables spares	65,775,555	66,469,916
		65,775,555	**66,469,916**
7.	**Trade and other receivables**		
	Trade receivables (Note-7.1)	94,712,821	33,193,313
	Accrued interest	139,860	399,908
		94,852,681	**33,593,221**
7.1.	**Trade receivables**		
	Receivables from captive customers	94,712,821	33,193,313
		94,712,821	**33,193,313**

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
8.	**Advance, deposits and prepayments**		
	Security and other deposits:		
	Titas Gas Transmission & Distribution Ltd.	11,011,600	5,873,150
	VAT and supplementary duty (Note-8.1)	18,986	156,007
		11,030,586	6,029,157
	Prepayments:		
	Landlord for office building and others	113,000	113,000
	Insurance	292,235	641,099
	Registration & Renewal	69,758	53,541
		474,993	807,640
		11,505,579	**6,836,797**
8.1.	**VAT and supplementary duty**		
	Balance as at 1 January	156,007	139,461
	Add: Treasury deposit for VAT & SD purpose	-	800,000
		156,007	939,461
	Less: VAT & SD on sales	137,021	783,454
	Closing Balance	18,986	156,007
9.	**Advance income tax**		
	Balance as at 01 January 2016	187,568,115	145,945,021
	Add: Paid during the year	49,606,051	41,623,094
	Balance as at 31 December 2017	**237,174,166**	**187,568,115**
9.1.	**Head wise payment**		
	Advance income tax-paid in cash	230,773,603	181,925,273
	Against import	4,746,530	4,250,194
	Vehicle registration	174,000	144,000
	TDS on bank interest	1,474,033	1,246,648
	TDS on dividend income	6,000	2,000
		237,174,166	**187,568,115**
9.2.	**Year wise payment**		
	Year 2017	30,757,720	-
	Year 2016	44,944,216	29,432,885
	Year 2015	45,242,248	45,242,248
	Year 2014	37,992,335	37,992,335
	Year 2013	37,210,247	37,210,247
	Year 2012	33,236,075	33,236,075
	Year 2011	5,945,904	3,535,904
	Year 2010	1,840,421	913,421
	Year 2009	5,000	5,000
		237,174,166	**187,568,115**

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
10.	**Cash and cash equivalents**		
	Cash in hand	224,040	475,964
	Cash at banks (Note 10.1)	23,087,792	20,458,439
	Investment in Fixed Deposit Receipt (FDR) (Note-10.2)	27,589,914	81,436,631
		50,901,746	**102,371,034**
10.1.	**Cash at banks**		
	HSBC (Current Account-001-107580-011)	125,669	2,100,340
	SCB (Current Account 01-3767272-01)	29,374	39,957
	DBBL (Current Account 117.110.23474)	2,000	1,425
	SCB (SND Account 02-3767272-01)	454,397	1,038,142
	DBBL (SND Account 117.120.2550)	22,476,352	17,278,575
		23,087,792	20,458,439
10.2.	**Investment in fixed deposit receipt (FDR)**		
	SCB 93767272001	762,080	762,080
	HSBC 001-107580-101	689,939	674,551
	HSBC 001-107580-103	845,765	-
	HSBC 001-107580-104	292,130	-
	DBBL 117-502-41358	-	10,000,000
	DBBL 117-502-41365	-	10,000,000
	DBBL 117-502-41547	-	10,000,000
	DBBL 117-502-41552	10,000,000	10,000,000
	DBBL 117-502-41568	-	10,000,000
	DBBL 117-502-41916	-	10,000,000
	DBBL 117-502-41996	-	10,000,000
	DBBL 117-502-42000	-	10,000,000
	DBBL 117-502-43125	15,000,000	-
		27,589,914	**81,436,631**
11.	**Share capital**		
	Authorized		
	10,000,000 ordinary shares of Tk 100 each ordinary shares	**1,000,000,000**	**1,000,000,000**
	Issued, subscribed, called and paid up		
	2,050,000 ordinary shares of Tk 100 each ordinary shares	**205,000,000**	**205,000,000**

Percentage of shareholdings

	2017		2016	
	%	Taka	%	Taka
RAK Ceramics (Bangladesh) Limited.	100.00	204,999,000	100.00	204,999,000
Engr. Md. Maqsudul Karim	0.00	500	0.00	500
RAK Security and Services Pvt. Ltd.	0.00	500	0.00	500
	100.00	205,000,000	100.00	205,000,000

AMAR STOCK

Classification of shareholders by range

Shareholder's range	No. of shareholders		No. of shares	
	2017	2016	2017	2016
Less than 500 shares	2	2	10	10
501 to 1,000,000 shares	-	-	-	-
Over 1,000,000 shares	1	1	2,049,990	2,049,990
	3	**3**	**2,050,000**	**2,050,000**

12. Deferred tax liabilities

Deferred tax liability is arrived at as follows:

Opening balance	36,508,621	37,575,095
Deferred tax income / (expenses)	1,661,444	1,066,474
Closing balance	**34,847,177**	**36,508,621**

	Carrying amount as per		Taxable/ (deductible) Temporary difference
	Statement of financial position	Tax base	
As at 31 December 2017			
Property, plant and equipment(Excluding Land)	154,209,622	54,646,258	99,563,364
Deferred tax liabilities (applying tax rate 35%)			**34,847,177**
As at 31 December 2016			
Property, plant and equipment(Excluding Land)	171,976,263	67,665,916	104,310,347
Deferred tax liability (applying tax rate 35%)			**36,508,621**

13. Provision for employees' benefit

	2017	2016
	Taka	Taka
Provident fund	-	-
Gratuity fund	-	-
	-	-

	2017		
	Provident Fund	Gratuity Fund	Total
	Taka	Taka	Taka
Balance at 1 January	-	-	-
Add: Provision made during the year	940,450	587,772	1,528,222
Less: Payment made to fund during the year	940,450	587,772	1,528,222
Balance at 31 December	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

	2016		
	Provident Fund	Gratuity Fund	Total
	Taka	Taka	Taka
Balance at 1 January	64,814	26,995	91,809
Add: Provision made during the year	851,707	2,972,185	3,823,892
Less: Payment made to fund during the year	916,521	2,999,180	3,915,701
Balance at 31 December	-	-	-

		2017	2016
		Taka	Taka
14.	**Trade and other payables**		
	Trade payables		
	Payable to supplier	1,326,665	1,081,059
	Payable to service provider	7,134,369	6,289,907
		8,461,034	7,370,966
	Other payables		
	Tax deducted at source	772,844	880,588
	VAT deducted at source	1,324,381	1,389,719
		2,097,225	2,270,307
		10,558,259	**9,641,273**
15.	**Liability for expenses**		
	Power and gas	12,199,347	12,142,346
	Staff cost	4,661,941	3,849,495
	Professional charges	101,840	109,250
	Telephone bill & other expenses	17,177	7,000
	Provision for operation & maintenance	155,366	419,213
		17,135,671	**16,527,304**
16.	**Provision for corporate tax**		
	Balance as at 01 January	210,488,480	165,094,698
	Add: Provision made during the year	41,210,074	45,393,782
	Less: Adjustment for completes assessment	-	-
	Balance as at 31 December	**251,698,554**	**210,488,480**
16.1.	**Year wise provision**		
	Financial year 2017	41,210,074	-
	Financial year 2016	45,393,782	45,393,782
	Financial year 2015	45,242,248	45,242,248
	Financial year 2014	37,992,335	37,992,335
	Financial year 2013	44,169,714	44,169,714
	Financial year 2012	33,236,076	33,236,076
	Financial year 2011	3,535,904	3,535,904
	Financial year 2010	913,421	913,421
	Financial year 2009	5,000	5,000
		251,698,554	**210,488,480**

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NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
17.	**Sales**		
	Sales to group company	381,259,623	361,750,189
	Sales to Bangladesh Rural Electrification Board (BREB)	-	13,019,643
	Gross sales	381,259,623	374,769,832
	Less : VAT	137,021	783,454
	Net sales	**381,122,602**	**373,986,378**
	Selling electricity to Captive organizations is VAT exempted as per SRO 351 -ain/2010/578, Dated:18 October 2010 .		
18.	**Cost of generation**		
	Stock of finished goods as at 01 January	-	-
	Cost of generation of electricity (Note 18.1)	246,164,482	226,286,015
	Cost of finished goods available for sale	246,164,482	226,286,015
	Less: Stock of finished goods as at 31 December	-	-
		246,164,482	**226,286,015**
18.1.	**Cost of generation of electricity**		
	Cost of materials consumed:		
	Opening stock	-	-
	Purchase during the year	128,201,858	116,834,047
	Less: Closing stock	-	-
		128,201,858	116,834,047
	Production overheads:		
	Direct labour (Note-18.1.1)	8,427,265	9,602,267
	Direct expenses:		
	Lubricating Oil	6,249,206	6,797,821
	Repair & indirect materials (Note-18.1.2)	75,300,338	63,698,685
	Rental for caterpillar Gensets	6,981,600	7,924,800
	Depreciation	17,804,237	17,764,541
	Other production overheads (Note 18.1.3)	3,199,978	3,663,854
		117,962,624	109,451,968
		246,164,482	**226,286,015**
18.1.1.	**Direct labour**		
	Salary & wages	6,185,360	5,682,745
	Bonus	1,064,510	968,237
	Incentive	82,667	138,963
	Gratuity	464,426	2,352,230
	Employers contribution to provident fund	371,549	337,050
	Leave Encashment	202,041	75,173
	Group life insurance	56,712	47,869
		8,427,265	**9,602,267**

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
18.1.2.	**Repair and indirect materials**		
	Operation & maintenance	65,628,659	54,892,565
	Spare parts Cat genset	8,838,327	7,820,229
	Water & chemical	726,088	805,507
	Diesel	107,264	180,384
		75,300,338	**63,698,685**
18.1.3.	**Other production overheads**		
	Security & services	1,898,062	1,659,091
	Insurance	1,066,888	1,853,347
	Other expenses	235,028	151,416
		3,199,978	**3,663,854**
19.	**Administrative expenses**		
	Staff cost (Note 19.1)	7,062,753	7,115,920
	Telephone, postage and supplies	78,357	89,767
	Office repairing and maintenance	371,583	321,372
	Registration and renewal	130,348	98,617
	Legal and professional fees	525,400	80,500
	Audit Fees	74,750	74,750
	Vehicle repairing and maintenance	567,982	585,112
	Meeting fees	6,325	13,225
	Rent, rates and taxes	536,196	420,540
	Stationery expenses	80,662	90,264
	Other expenses	30,776	50,308
	Depreciation	366,762	329,368
		9,831,894	**9,269,743**
19.1.	**Staff cost (Admin)**		
	Salary & wages	5,173,952	4,704,976
	Bonus	772,834	697,823
	Gratuity	123,347	619,956
	Employers contribution to provident fund	98,676	88,802
	Leave Encashment	45,684	31,939
	Incentive	40,076	24,670
	Group life insurance	14,944	16,530
	Other employee benefit	441,113	439,286
	Staff welfare expenses	18,440	8,740
	Food expenses	310,047	451,258
	Travelling & conveyance	23,640	31,940
		7,062,753	**7,115,920**

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NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
20.	**Other income**		
	Interest income on FDR	1,451,458	1,755,305
	Interest income on SND	562,343	793,725
	Exchange gain	-	18,184
	Dividend Income	20,000	10,000
	Misc. Income	144,722	174,266
	Profit on Sales of Fixed Asset	-	65,650
		2,178,523	**2,817,130**
21.	**Financial expenses**		
	Interest expenses	-	6,581
	Bank charges	1,062,175	249,737
	Exchange loss	163,924	-
		1,226,099	**256,318**
22.	**Current tax**		
	For the year	41,210,074	45,393,782
		41,210,074	**45,393,782**

23. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

23.1. Credit risk

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

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

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

a) Exposure to credit risk

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

	USD		Amount in Taka	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Trade receivables				
Customer-local	-	-	94,712,821	33,193,313
Customer-Export	-	-	-	-
	-	**-**	**94,712,821**	**33,193,313**
Other receivables				
Accrued interest			139,860	399,908
Other receivables			-	-
			139,860	**399,908**
Cash equivalents			**50,677,706**	**101,895,070**

b) Aging of receivables

The aging of trade receivables as at 31 December was :

Not past due	-	-
0-90 days past due	94,712,821	33,193,313
91-180 days past due	-	-
Over 180 days	-	-
	94,712,821	**33,193,313**

23.2. Liquidity risk

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

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

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

	As at 31 December 2017			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	10,558,259	10,558,259	10,558,259	-
	10,558,259	**10,558,259**	**10,558,259**	**-**

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

23.3. Market risk

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

a) Currency risk

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

i) Exposure to currency risk

	As at 31 December 2017		As at 31 December 2016	
	USD	EURO	USD	EURO
Foreign currency denominated liabilities				
Trade payables	-	23,351	-	24,986
	-	23,351	-	24,986
Net exposure	**-**	**(23,351)**	**-**	**(24,986)**

The Company has foreign exchange loss or gain. Exchange loss for the year was Tk. (163,924)

The following significant exchange rates have been applied:

	Exchange rates	
	As at 31 December 2017	As at 31 December 2016
USD	82.7000	78.5500
EURO	98.5503	82.3516

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

A strengthening or weakening of the Taka, as indicated below, against the USD and EURO at 31 December 2017 would have increased/(decreased) profit or loss by the amounts shown below.

	As at 31 December 2017		As at 31 December 2016	
	Profit or (loss) Amount in Taka		Profit or (loss) Amount in Taka	
	Strengthening	Weakening	Strengthening	Weakening
Closing				
USD (3 percent movement)	-	-	-	-
EURO (3 percent movement)	71,172	(67,026)	63,636	(59,929)

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:

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

	Carrying amount in Taka	
	As at 31 December 2017	As at 31 December 2016
Fixed rate instruments		
Financial assets	-	-
Investment in FDR	27,589,914	81,436,631
Cash at banks	23,087,792	20,458,439

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

	Amount in Taka As at 31 December 2017		Amount in Taka As at 31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Held to maturity assets				
Investment in FDR	27,589,914	27,589,914	81,436,631	81,436,631
Loans and receivables				
Trade receivables	94,712,821	94,712,821	33,193,313	33,193,313
Other receivables	139,860	139,860	399,908	399,908
Cash equivalents	50,677,706	50,677,706	101,895,070	101,895,070
Liabilities carried at amortised cost				
Trade and other payables	10,558,259	10,558,259	9,641,273	9,641,273

Accounting classification and fair values as at 31 December 2017 in respect of the separate financial statements does not vary significantly from the consolidated one.

Interest rates used for determining amortised cost

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

	As at 31 December 2017	As at 31 December 2016
Investment in FDR	1.95%-4.00%	1.70%-5.50%
Bank overdraft	-	10.75%

24. Related party disclosure under BAS-24

Name of related party	Relationship	Period	Purchase / services	Sales of goods / services	Outstanding receivables	Outstanding payables	Remuneration
			Taka	Taka	Taka	Taka	Taka
RAK Ceramics (Bangladesh) Limited	Parent Company	Current year	6,070,957	378,382,187	94,712,821	-	-
		Previous year	6,891,130	347,049,244	30,270,872	-	-
RAK Security and Services (Pvt.) Ltd.	Fellow Subsidiary	Current year	1,822,317	-	-	172,050	-
		Previous year	1,905,853	-	-	136,831	-
KEA Printing & Packaging Industries	Other related party	Current year	-	948,631	-	-	-
		Previous year	-	4,349,479	726,251	-	-

Name of related party	Relationship	Period	Purchase / services	Sales of goods / services	Outstanding receivables	Outstanding payables	Remuneration
			Taka	Taka	Taka	Taka	Taka
Julphar Bangladesh Ltd.	Other related party	Current year	-	1,791,784	-	-	-
		Previous year	-	9,568,012	2,196,190	-	-
Md. Maqsudul Karim	Key Management Personnel	Current year	-	-	-	234,405	3,911,216
		Previous year	-	-	-	213,095	3,771,993
S.A.K. Ekramuzzzaman	Key Management Personnel	Current year	-	-	-	-	-
		Previous year	-	-	-	-	-

24.3. Payment to directors

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

Nature of Meeting	Amount in Taka at 31 December	
	2017	2016
Board Meeting	6,325	13,225

25. Other disclosures

25.1. Number of employees

The number of employees engaged for the period who received a total remuneration of Taka 63,600 and above was 18. None is receiving below Taka 5,300 per month.

25.2. Earning per share (EPS)

Particulars	As at 31 December	
	2017	2016
Net profit after tax attributable to ordinary shareholder	86,530,020	96,664,124
Number of ordinary shares	2,050,000	2,050,000
Weighted number of ordinary shares outstanding	2,050,000	2,050,000
Nominal value per share	100	100
Earnings Per Share (EPS) for the year	42.21	47.15

25.3. Transaction in foreign currency

Nature of transaction	Amount in Taka at 31 December	
	2017	2016
CIF value of imported spare parts	11,256,220	34,742,113

25.4. Trade & other receivable

Particulars	Amount in Taka at 31 December	
	2017	2016
Advance, deposit & prepayments	11,505,579	6,836,797

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

25.5. Contingent liabilities and commitments

Nature of transaction	Amount in Taka at 31 December	
	2017	2016
Letter of Guarantee 90%	22,970,880	12,729,825

25.6. Amount paid to auditors and other professional service providers

Nature of transaction	Amount in Taka at 31 December	
	2017	2016
Audit fee	74,750	74,750
Taxation	25,400	23,000
Professional fees (GF Valuation & Energy Audit)	500,000	57,500

Figures are including VAT

25.7. Capacity utilization

(MW)			(kwh)				
Licensed Capacity	Installed capacity	Available capacity	Standard capacity @ 85% (kwh)	Actual utilization for 2017 (kwh)	Period utilization (on Standard Capacity)	Over/(under) utilization	Actual utilization for 2016 (kwh)
10 MW	10 MW	8.053 MW	59,962,638	54,114,310	90%	(10%)	51,726,433

25.8. Event after reporting period

i) The Board of Directors in it's meeting held on 28 January 2018 approved the financial statements of the company for the year ended 31 December 2017 and authorized the same for issue. The Board of Directors also recommended cash dividend @ 40% for the shareholders for the year 2017.

ii) No material events occurred after the date of statement of financial position, non-disclosure of which could affect the ability of the users of these financial statements to make appropriate evaluation.

Director

Managing Director

Dated: 28 January,2018

DIRECTORS' REPORT OF RAK SECURITY AND SERVICES (PVT.) LTD.

Dear shareholders,

The Board of Directors of RAK Security and Services (Pvt.) Ltd. is pleased to present the Directors' Report, together with the Auditors' Report and the Audited Financial Statements of the Company, for the year ended December 31, 2017 thereon, for your valued consideration, approval and adoption.

Principal activities

The principal activities of the Company is to carry on the business of security guarding, providing cleaning services, providing termite, pest control and fumigation services and setting up manpower technical training establishments for the development of skilled workers in various fields of construction and other public works with pre-employment background verification and immigration and visa documentation verification services and fire safety services, among others.

Review of business

The Company reported revenue of BDT 193.24 mn in 2017, against BDT 153.54 mn in 2016, with a growth of 25.85% compared to 2016. The Company's net profit after tax stood at BDT 14.32 mn against BDT 7.83 mn in 2016, representing a growth of 82.99% when compared with 2016. The revenue and net profit in 2017 was higher due to the addition of the new business of verification services during the year.

Operating results

The operational results of the Company for the year ended December 31, 2017 are:

(Amount in BDT mn)

Particulars	2017	2016
Sales	193.24	153.54
Gross profit	44.40	32.34
Net profit after tax	14.32	7.83
Earnings per share (Absolute BDT)	1,432.46	782.81
Net Operating Cash Flow Per Share (NOCFPS)	1,241.87	450.45
Net Asset Value (NAV)	44.76	32.43
Net Asset Value per share (Absolute BDT)	4,476.25	3,243.79

Dividend

The Board of Directors of the Company is pleased to recommend a cash dividend of 400% of the paid-up capital of the Company, for the year 2017. While recommending the dividend, the Board of Directors has considered the operational performance, business results, the assets as at that date and working capital requirements for the future. The Company paid cash dividend of 200% of paid-up capital for the year 2016.

Auditors

M/S K. M. Hasan & Co., Chartered Accountants will retire in the 11th Annual General Meeting and required to appoint new statutory auditor for the 2018. Being a subsidiary of RAK Ceramics (Bangladesh) Limited, it would be more effective to appoint the same statutory auditor for the parent as well as its subsidiaries. M/S K. M. Hasan & Co., Chartered Accountants has given 'No Objection Certificate (NOC)' for appointing another Chartered Accountants firm as the statutory auditor of RAK Security and Services (Pvt.) Ltd. for the year 2018. Hence the Board of Directors recommends to appoint M/s ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL) as the statutory auditor of the Company for the year 2018. Remuneration of the auditor will be fixed by the shareholders in the 11th AGM.

Post balance sheet events

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

Appreciation

The Board would like to take this opportunity to place on record their sincere appreciation to Government bodies, shareholders, investors, bankers and employees for their continuous commitment, cooperation, confidence and support in enabling the Company to attain its objectives.

For and on behalf of the Board of Directors,



(Abdallah Massaad)
Chairman

January 28, 2018
Ras Al Khaimah, UAE

RAK SECURITY AND
SERVICES PVT. LTD.

AUDITORS' REPORT AND FINANCIAL STATEMENTS

For the year ended
31 December 2017

AMBSTOCK

AUDITORS' REPORT

to the Shareholders of RAK SECURITY AND SERVICES PVT. LTD.

We have audited the accompanying financial statements of RAK SECURITY AND SERVICES PVT. LTD. which comprise the statement of financial position as at 31 December 2017, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements, prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs), give a true and fair view of the financial position as at 31 December 2017 and its financial performance and its cash flows for the year then ended and comply with the Companies Act, 1994 and other applicable laws and regulations.

We also report that:

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

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

(c) the company's statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

K. M. HASAN & CO.
Chartered Accountants

Dated, 28 January 2018

RAK Security And Services (Pvt.) Ltd.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

Assets	Notes	2017 Taka	2016 Taka
Non - Current Assets			
Property, Plant and Equipment	4	4,381,656	4,517,395
Investments	5	1,275	1,275
		4,382,931	**4,518,670**
Current Assets			
Trade and Other Receivables	6	37,701,343	33,849,961
Advance, Deposit and Prepayments	7	761,857	705,270
Advance Income Tax	8	19,446,310	18,077,507
Cash and Cash Equivalents	9	16,142,195	6,565,043
		74,051,705	**59,197,781**
Total Assets		**78,434,636**	**63,716,451**
Equity and Liabilities			
Capital and Reserves			
Share Capital	10	1,000,000	1,000,000
Retained Earnings		43,762,536	31,437,962
		44,762,536	**32,437,962**
Current Liabilities			
Trade and Other Payables	11	1,677,047	1,269,835
Liability for Expenses	12	9,947,296	7,443,005
Provision for Income Tax	13	22,047,757	19,106,866
Provision for Employees' Benefit	14	-	3,458,783
		33,672,100	**31,278,489**
Total Equity and Liabilities		**78,434,636**	**63,716,451**

The annexed notes form an integral part of these financial statements.

For RAK Security and Services Pvt. Ltd.

Director **Managing Director**

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

K.M. HASAN & CO.
Chartered Accountants

Dated: 28 January 2018

AMARSTOCK

RAK SECURITY AND SERVICES (PVT.) LTD.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 Taka	2016 Taka
Turnover - Services	15	193,237,332	153,542,632
Less: Direct Expenses	16	148,832,913	121,200,876
Gross Profit		**44,404,419**	**32,341,756**
Less: Operating Expenses			
Administrative Expenses	17	16,180,130	15,581,657
Marketing Expenses	18	6,148,953	4,768,574
Financial Expenses	19	24,882	10,380
		22,353,965	20,360,611
Operating Profit		**22,050,454**	**11,981,145**
Add: Other Income	20	141,701	62,062
Net Profit before Tax		**22,192,155**	**12,043,207**
Less: Provision for Income Tax	21	7,867,581	4,215,122
Net Profit After Tax		**14,324,574**	**7,828,085**
Add: Other Comprehensive Income		-	-
Total Comprehensive Income		**14,324,574**	**7,828,085**
Earnings Per Share (EPS)	**22**	**1,432.46**	**782.81**

The annexed notes form an integral part of these financial statements.

For RAK Security and Services Pvt. Ltd.

Director **Managing Director**

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

K.M. HASAN & CO.
Chartered Accountants

Dated: 28 January 2018

AMARSTOCK

RAK SECURITY AND SERVICES (PVT.) LTD.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

(Amount in Taka)

Particulars	Share Capital	Retained Earnings	Total
Balance as at 01 January 2017	1,000,000	31,437,962	32,437,962
Net Profit for the year	-	14,324,574	14,324,574
Dividend paid	-	(2,000,000)	(2,000,000)
Balance as at 31 December 2017	**1,000,000**	**43,762,536**	**44,762,537**

For the year ended 31 December 2016

(Amount in Taka)

Particulars	Share Capital	Retained Earnings	Total
Balance as at 01 January 2016	1,000,000	24,609,877	25,609,877
Net Profit for the year	-	7,828,085	7,828,085
Dividend paid	-	(1,000,000)	(1,000,000)
Balance as at 31 December 2016	**1,000,000**	**31,437,962**	**32,437,962**

For RAK Security and Services (Pvt.) Ltd.

Director **Managing Director**

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

K.M. HASAN & CO.
Chartered Accountants

Dated: 28 January 2018

RAK SECURITY AND SERVICES (PVT.) LTD.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

		2017 Taka	2016 Taka
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Cash Received From Customers and other	189,527,450	150,062,610
	Cash Payment to Employees and other expenses	(170,671,694)	(141,902,552)
	Income Tax Paid	(6,295,494)	(3,645,345)
	Net Cash Provided From Operating Activities	**12,560,262**	**4,514,713**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Acquisition of Property, Plant and Equipment	(958,428)	(393,590)
	Dividend Received	200	250
	Net Cash Used in Investing Activities	**(958,228)**	**(393,340)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Financial Expenses	(24,882)	(10,380)
	Dividend Paid	(2,000,000)	(1,000,000)
	Net Cash Used in Financing Activities	**(2,024,882)**	**(1,010,380)**
	Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	**9,577,152**	**3,110,993**
	Cash and Cash Equivalents at the Beginning	6,565,043	3,454,050
	Cash and Cash Equivalents at the End	**16,142,195**	**6,565,043**

For RAK Security and Services (Pvt.) Ltd.

Director **Managing Director**

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

K.M. HASAN & CO.
Chartered Accountants

Dated: 28 January 2018

KAMAR STOCK

RAK SECURITY AND SERVICES (PVT.) LTD.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

1. Introduction

RAK SECURITY AND SERVICES PVT. LTD. is a Private Company Limited by shares incorporated in Bangladesh on 21 December 2006 under the Companies Act XVIII of 1994.The registered office of the company is situated at RAK Tower (8th Floor), Plot No. 1/A, Jasimuddin Avenue, Sector No. 03, Uttara, Dhaka 1230.

2. Nature of Business

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

3. Significant Accounting Policies

3.1 Accounting Convention and Basis

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

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

3.2 Other Regulatory Compliances

The Company has also complied with The Income Tax Ordinance 1984, The Income Tax Rules 1984, The Value Added Tax Act 1991, The Value Added Tax Rules 1991 and Bangladesh Labor Law 2006 as amended in 2013.

3.3 Integral Components of the Financial Statements

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

a. Statement of Financial Position as at 31 December 2017.

b. Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017.

c. Statement of Changes in Equity for the year ended 31 December 2017.

d. Statement of Cash Flows for the year ended 31 December 2017.

e. Notes, Comprising a Summary of Significant Accounting Policies and Other Explanatory Information.

3.4 Property, Plant & Equipments (PPE)

During the year the Company has changed its depreciation policy from reducing balance method to straight-line method. As a result of this change, Company's current year's profit has decreased by Taka 527,526 the effect of which was given in note 4 as per BAS -8 " Accounting policies , Changes in Accounting Estimates and Errors". Depreciation continues to be charged on each item of fixed asset until the written down value of such fixed asset is reduced to Taka one. Depreciation on addition to fixed assets is charged from the day of their acquisition and charging of depreciation on fixed assets ceases from the day on which the deletion thereof takes place

The rate of percentage of depreciation is as under:

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

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

3.5 Advances, Deposits & Prepayments

Advances are initially measured at cost. After initial recognition, advances are carried at cost less deductions, adjustments or charges to other account heads.

Deposits are measured at payment value.

Pre-payments are initially measured at cost. After initial recognition, pre-payments are carried at cost less charges to Statement of Profit or Loss and other Comprehensive Income.

3.6 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and cash at bank which are available for use by the Company without any restriction. There is an insignificant risk of changes in value of these current assets.

3.7 Employees' 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)

Define contribution plan is a post employment benefit plan under which the Company provides benefits to one or more employees. The recognised Employee 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 as employee has rendered services to the Company. The legal and constructive obligation is limited to the amount its agrees to contribute to the fund.

Defined Benefit Plan (Gratuity Fund)

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

Permanent employees are entitled to gratuity on the basis of his latest basic salary for a completed year of service or for service for a period of more than six months, salary of minimum 30 days, or salary of 45 days dor 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.

3.8 Revenue recognition

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

3.9 Provision for taxation

Corporate tax

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

Deferred tax

There is no such timing difference between Profit as per Income Tax ordinance and accounting profit as per financial statements, hence no Deferred Tax liabilities/Assets calculated as per BAS-12 for the year ended 31 December 2017 created.

3.10 Earnings per share (EPS)

The Company calculates Earning per Share (EPS) in accordance with BAS 33: Earning per Share, which has been shown on the face of Statement of Profit or Loss and Other Comprehensive Income, and the computation of EPS is stated in related note.

3.11 Related party disclosure under BAS - 24

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

Name of related party	Relationship
RAK Ceramics (Bangladesh) Limited	Parent Company
RAK Power Pvt. Ltd.	Fellow Subsidiary
M/s. Ekramuzzaman	Other related party
Julphar Bangladesh Ltd.	Other related party
RAK Paints Pvt. Limited	Other related Party
RAK Consumer Products Ltd.	Other related Party
Rakeen Development Pvt. Limited	Other related party
Star Ceramics Pvt. Limited	Other related party
Star Porcelain Pvt. Ltd.	Other related party
Kea Printing and Packaging Ind.	Other related party

3.12 Amount paid to auditors

Nature of transaction	Amount in Taka
Audit fees	57,500

3.13 Number of employees and their remuneration

The number of employees engaged for the period was 424 who received a total remuneration of Taka 63,600 and above. None of the employee received below Taka 5,300 per month during the previous year.

3.14 Payment to Directors

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

Nature of meeting	Amount in Taka
Board meeting fee	6,175

3.15 General

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

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

4. Property, plant and equipment

Amount in Taka

Particulars	Cost				Rate of Dep. (%)	Depreciation				Written Down Value as at 31 December 2017
	Balance as at 01 January 2017	Addition during the year	Sales/ Adjustment	Balance as at 31 December 2017		Balance as at 01 January 2017	Charged during the year	Sale/ Adjustment during the year	Balance as at 31 December 2017	
Land	2,309,220	-	-	2,309,220		-	-	-	-	2,309,220
Furniture & fixtures	582,451	332,928	-	915,379	10%	214,878	140,217	-	355,095	560,284
Office equipments	1,218,000	619,000	-	1,837,000	10%	456,789	306,743	-	763,532	1,073,468
Tools & appliances	119,755	6,500	-	126,255	20%	104,939	15,433	-	120,372	5,883
Vehicles	2,389,725	-	-	2,389,725	20%	1,325,150	631,774	-	1,956,924	432,801
Total as at 31 December 2017	**6,619,151**	**958,428**	**-**	**7,577,579**		**2,101,756**	**1,094,167**	**-**	**3,195,923**	**4,381,656**
Total as at 31 December 2016	**6,225,561**	**393,590**	**-**	**6,619,151**		**1,731,053**	**370,703**	**-**	**2,101,756**	**4,517,395**

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NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
5.	**Investments**		
	Investment in RAK Power Pvt. Ltd.	1,275	1,275
		1,275	**1,275**
6.	**Trade and Other Receivables**		
	Trade receivable exceeding 6 months	7,345,405	7,568,554
	Trade receivables below 6 months	30,355,938	26,281,407
		37,701,343	**33,849,961**
7.	**Advance, Deposit and Prepayments**		
	Advance to suppliers	470,670	458,670
	Prepaid expenses	291,187	246,600
		761,857	**705,270**
8.	**Advance Income Tax**		
	Balance as at 01 January	18,077,507	14,432,162
	Add: Paid during the year	6,295,493	3,645,345
		24,373,000	18,077,507
	Less: Assessment completed during the year	(4,926,690)	-
	Balance as at 31 December	**19,446,310**	**18,077,507**
8.1	**Head wise payment**		
	Interest on bank deposit	106,280	43,892
	Registrations	137,500	30,500
	Supplies	10,688,206	3,087,277
	Paid in cash	8,514,324	14,915,838
		19,446,310	**18,077,507**
8.2	**Year wise payment**		
	Year -2017	5,342,040	-
	Year -2016	4,215,121	3,261,668
	Year -2015	3,736,458	3,736,458
	Year -2014	3,685,426	3,685,426
	Year -2013	2,467,265	2,467,265
	Year -2012	-	2,056,431
	Year -2011	-	1,791,394
	Year -2010	-	1,078,865
		19,446,310	**18,077,507**
9.	**Cash and Cash Equivalents**		
	Cash in hand	660,551	741,433
	Cash at bank :		
	Dutch-Bangla Bank Limited CD A/C No. 1171100004311	1,626,157	140,877
	Dutch-Bangla Bank Limited STD A/C. No. 1171200000311	13,847,017	5,682,733
	Dhaka Bank Limited CD A/C No. 0204100000019318	8,470	-
		16,142,195	**6,565,043**

AMAR STOCK

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
10.	**Share Capital**		
	Authorized capital		
	1,000,000 ordinary shares of Tk. 100 each	**100,000,000**	**100,000,000**
	Issued, subscribed, called and paid up capital		
	10,000 ordinary shares of Tk. 100 each	**1,000,000**	**1,000,000**

Name of shareholders	No. of shares	Value per share		
RAK Ceramics (Bangladesh) Ltd.	9,900	100	990,000	990,000
RAK Power Pvt. Ltd.	100	100	10,000	10,000
Total	**10,000**		**1,000,000**	**1,000,000**

11.	**Trade and Other Payables**		
	Advance from customers	767,625	793,886
	Due to employee (Security deposit)	7,270	20,642
	TDS Employee	102,000	38,000
	VAT Payable	800,152	417,307
		1,677,047	**1,269,835**
12.	**Liability for Expenses**		
	Payable to personnel	4,048,099	3,094,620
	Audit fees	57,500	57,500
	Leave Encashment	405,208	392,198
	Special Bonus	1,475,850	777,900
	Legal & professional expenses	28,750	28,750
	Utilities bill	20,124	47,180
	Cleaning services	3,911,765	3,044,857
		9,947,296	**7,443,005**
13.	**Provision for Income Tax**		
	Balance as at 01 January	19,106,866	14,891,744
	Add: Provision made during the year (Note- 21)	7,867,581	4,215,122
		26,974,447	19,106,866
	Less: Assessment Completed during the year	(4,926,690)	-
		22,047,757	**19,106,866**
13.1	**Year wise provision**		
	Year 2010	-	1,078,865
	Year 2011	-	1,691,067
	Year 2012	-	2,056,431
	Year 2013	2,643,497	2,643,497
	Year 2014	3,685,426	3,685,426
	Year 2015	3,736,458	3,736,458
	Year 2016	4,215,122	4,215,122
	Year 2017	7,767,254	-
		22,047,757	**19,106,866**

AMARSTOCK

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
14.	**Provision for Employees' Benefit**		
	Provident Fund (Note-14.1)	-	362,708
	Gratuity Fund (Note-14.2)	-	3,096,075
		-	**3,458,783**
14.1	**Provident Fund**		
	Opening balance	362,708	375,674
	Add: Addition during the year	4,606,104	4,546,084
		4,968,812	4,921,758
	Less: Payment during the year	4,968,812	4,559,050
	Closing balance	-	**362,708**
14.2	**Gratuity Fund**		
	Opening balance	3,096,075	1,852,138
	Add: Addition during the year	3,162,059	3,096,075
		6,258,134	4,948,213
	Less: Payment during the year	6,258,134	1,852,138
	Closing balance	-	**3,096,075**
15.	**Turnover-Services**		
	Gross receipts from services	222,222,932	176,574,074
	Less: Value Added Tax (VAT)	28,985,600	23,031,442
		193,237,332	**153,542,632**
16.	**Direct Expenses**		
	Direct wages (Note-16.1)	134,306,105	119,309,205
	Security training expenses (Note-16.2)	320,545	318,281
	Verification expenses (Note-16.3)	12,107,507	-
	Other direct expenses (Note-16.4)	2,098,756	1,573,390
		148,832,913	**121,200,876**
16.1	**Direct Wages**		
	Salary and wages	114,240,140	99,824,047
	Overtime	12,287,726	12,404,258
	Bonus	3,599,138	3,215,294
	Provident fund	1,182,669	908,364
	Gratuity	2,657,243	2,623,961
	Group Life Insurance	339,189	333,281
		134,306,105	**119,309,205**
16.2	**Security Training Expenses**		
	Staff welfare	309,180	287,865
	Conveyance	11,365	9,165
		320,545	**297,030**

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
16.3	**Verification expenses**		
	Staff Cost	4,403,632	-
	Special Service Allowance	7,703,875	-
		12,107,507	-
16.4	**Other Direct Expenses**		
	Cleaning expenses	5,045	3,743
	Uniform expenses	2,085,111	1,569,647
	Bicycle expenses	8,600	-
		2,098,756	**1,573,390**
17.	**Administrative Expenses**		
	Staff cost (Note-17.1)	8,299,992	9,051,152
	Rent, rates and taxes	2,250,009	2,240,882
	Telephone and telex	237,967	246,279
	Repair and maintenance	1,197,897	924,933
	Printing and stationery	903,265	607,657
	Electricity, gas and wasa	311,092	253,666
	Vehicle repair and maintenance	1,067,238	1,133,562
	Bad debts	-	357,846
	Legal and professional charges	528,675	145,475
	Miscellaneous expenses	232,328	176,367
	Taxation Expenses	-	15,635
	Audit fee	57,500	57,500
	Depreciation	1,094,167	370,703
		16,180,130	**15,581,657**
17.1.	**Staff Cost**		
	Salary	5,551,578	5,159,299
	Bonus	888,500	824,000
	Staff welfare	1,114,712	2,365,894
	Provident fund	324,578	301,320
	Gratuity	415,506	386,068
	Group Life Insurance	5,118	14,571
		8,299,992	**9,051,152**
18.	**Marketing Expenses**		
	Staff cost (Note-18.1)	1,492,505	1,341,944
	Entertainment	11,790	832,685
	Promotional expenses	518,485	435,936
	Conveyance	4,091,402	2,032,194
	Telephone and telex expenses	14,386	26,870
	Advertisement	15,000	95,625
	Miscellaneous Expenses	5,385	3,320
		6,148,953	**4,768,574**

AMAR STOCK

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

		2017 Taka	2016 Taka
18.1.	**Staff Cost**		
	Salary	1,165,594	1,062,373
	Bonus	166,000	129,500
	Provident fund	68,625	61,961
	Gratuity	89,310	86,046
	Group Life Insurance	2,976	2,064
		1,492,505	**1,341,944**
19.	**Financial Expenses**		
	Bank Charges	24,882	10,380
		24,882	**10,380**
20.	**Other Income**		
	Bank interest (SND)	141,501	61,812
	Dividend received	200	250
		141,701	**62,062**
21.	**Provision for Income Tax**		
	Current year	7,767,254	4,215,122
	Prior year	100,327	-
		7,867,581	**4,215,122**
22.	**Earnings Per Share (EPS)**		
	Net profit after tax attributable to ordinary shareholders	14,324,574	7,828,085
	Weighted Avearage Number of Ordinary Shares	10,000	10,000
	Basic & Earnings Per Share (EPS) for the year	**1,432.46**	**782.81**

23. Financial risk management

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

- Credit risk
- Liquidity risk

23.1 Credit risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

a) Exposure to credit risk

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

Amount in Taka

	As at Dec 31 2017	As at Dec 31 2016
Trade receivables		
Customer-Local	37,701,343	33,849,961
Customer-Export	-	-
	37,701,343	**33,849,961**
	-	-
Cash equivalents	**15,481,644**	**5,823,610**

b) Aging of receivables

The aging of trade receivables was:

Current (not due)	17,243,030	15,067,029
Overdue by 0 - 90 days	10,602,859	7,766,010
Overdue by 91 - 180 days	2,510,048	3,448,368
Overdue by 180 - 365 days	7,145,404	6,936,287
More than 365 days	200,001	632,267

23.2 Liquidity risk

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

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

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

	As at December 31, 2017			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	1,677,047	1,677,047	1,677,047	-
	1,677,047	1,677,047	1,677,047	-

	As at December 31, 2016			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	1,269,835	1,269,835	1,269,835	-
	1,269,835	1,269,835	1,269,835	-

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2017

24. RELATED PARTY TRANSACTION

The related party's transaction is given below during this financial year:

Amount in Taka

Related Party Name	Relationship	Period	Purchase/ Services	Sales of goods / Services	Receivables	Loan
RAK Ceramics (Bangladesh) Limited	Parent Company	CurrentYear	-	95,121,016	14,336,850	-
		Previous Year	-	94,606,305	12,282,590	-
RAK Power Pvt. Ltd.	Fellow Subsidiary	CurrentYear	-	1,822,317	172,050	-
		Previous Year	-	1,905,853	136,831	-
M/s. Ekramuzzaman	Other related party	CurrentYear	-	985,607	94,454	-
		Previous Year	-	1,091,207	94,454	-
Julphar Bangladesh Ltd.	Other related party	CurrentYear	-	1,965,677	543,194	-
		Previous Year	-	2,174,994	256,208	-
RAK Paints Pvt. Limited	Other related party	CurrentYear	-	6,275,777	2,644,171	-
		Previous Year	-	6,525,127	1,616,992	-
RAK Consumer Products Ltd.	Other related party	CurrentYear	-	1,833,920	1,702,075	-
		Previous Year	-	1,701,363	970,275	-
Rakeen Development Pvt. Limited	Other related party	CurrentYear	-	3,762,191	841,521	-
		Previous Year	-	3,354,768	649,544	-
Star Ceramics Pvt. Limited	Other related party	CurrentYear	-	8,050,380	1,975,266	-
		Previous Year	-	10,288,061	2,698,060	-
Star Porcelain Pvt. Ltd.	Other related party	CurrentYear	-	6,313,972	5,327,354	-
		Previous Year	-	7,864,080	5,813,174	-
Kea Printing and Packaging Ind.	Other related party	CurrentYear	-	987,704	189,310	-
		Previous Year	-	987,704	204,908	-

25. Event after the Reporting Period

i) The Board of Directors in it's meeting held on 28 January 2018 approved the financial statements of the company for the year ended 31 December 2017 and authorised the same for issue. The Board of Directors also recommended cash dividend @ 400% for the shareholders for the year 2017.

ii) No material events occurred after the date of statement of financial position, non-disclosure of which could affect the ability of the users of these financial statements to make appropriate evaluation.

For RAK Security and Services (Pvt.) Ltd.

Director **Managing Director**

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

Name of the subsidiary	RAK Power Pvt. Ltd.	R.A.K. Security and Services (Pvt.) Ltd.
Name of the holding company	RAK Ceramics (Bangladesh) Limited	RAK Ceramics (Bangladesh) Limited
Holding Company's interest	2,049,990 ordinary shares of Tk.100 each fully paid up	9,900 ordinary shares of Tk.100 each fully paid up
Extent of holding	99.99%	99.00%
The 'financial year' of the subsidiary company ended on	December 31, 2017	December 31, 2017
Net aggregate amount of the subsidiary company's profits/(losses) dealt with in the holding company's accounts	Taka 342.25 mn	Taka 4.00 mn.
For the subsidiary's aforesaid financial year	Taka 82.00 mn	Taka 2.00 mn
For the previous financial years since it became subsidiary	Taka 260.25 mn	Taka 2.00 mn
Net aggregate amount of the subsidiary company's profits/(losses) not dealt with in the holding company's accounts	Taka 119 mn	NIL
For the subsidiary's aforesaid financial year	NIL	NIL
For the previous financial years since it became subsidiary	Taka 119 mn	NIL
Changes, if any, in the holding company's interest in the subsidiary between the end of the financial year of the subsidiary and that of the holding company	N/A	N/A
Material changes, if any, between the end of the financial year of the subsidiary and that of the holding company	N/A	N/A

NOTICE OF THE 19TH ANNUAL GENERAL MEETING

Notice is hereby given that the 19th Annual General Meeting of RAK Ceramics (Bangladesh) Limited will be held on Wednesday, April 18, 2018 at 10.00 a.m. at International Convention City, Bashundhara (Pushpoguscho), Joarshahara, Purbachal Link Road, Khilkhet, Dhaka-1229 to transact the following businesses:

AGENDA:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31 December 2017 together with the reports of the Auditor and the Directors.
2. To declare dividend for the year ended 31 December 2017.
3. To elect/re-elect Director(s) of the Company.
4. To appoint the Auditors of the Company for the year 2018 and fix their remuneration.

By order of the Board of Directors

Dhaka, Bangladesh
Date: April 02, 2018

Sd/-
(Muhammad Shahidul Islam FCS)
Company Secretary

Notes:

1. The Shareholders whose name appeared in the Share Register of the Company or in the Depository Register on the 'Record Date' (i.e. February 19, 2018) will be entitled to attend the meeting and receive the dividend.
2. The Board unanimously recommended dividend @ 10% in cash and 10% in stock of the paid up capital of the Company for the year 2017.
3. Shareholders may please note that pursuant to BSEC Order No. SEC/CMRRCD/2009-193/104/Admin/26- dated 27 July 2011; M/s ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL) has been recommended by the Board of Directors to be appointed as Statutory Auditors of RAK Ceramics (Bangladesh) Limited for the year 2018 subject to approval of the shareholders.
4. A shareholder entitled to attend and vote at the AGM may appoint a proxy to attend and vote in his/her behalf (such proxy shall be a shareholder of the Company). The Proxy Form, duly filled and stamped, must be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.
5. Admission to the meeting will be strictly on production of the attendance slip.
6. Shareholders are requested to submit to the Registered Office of the Company on or before April 15, 2018, their written option to receive dividend in the form enclosed with the Annual Report. If the shareholders fail to submit such option within the stipulated time, the dividend will be paid off as deemed appropriate by the Company.
7. In case of non-receipt of the Annual Report of the Company sent through courier, shareholders may collect the same from the Registered Office of the Company on or before April 15, 2018. No additional Annual Report will be distributed in the AGM venue.
8. Brokerage Houses/DPs are requested to provide the statement along with detail of their margin loan holders on or before April 12, 2018 who are entitled to receive the cash dividend of the Company for the year ended December 31, 2017. The statement should include shareholder's name, BO ID Number, client-wise shareholding position, gross dividend receivable, applicable tax rate, net dividend receivable, bank account number, routing number, contact person etc.

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

PRIMARY STOCK

AMAR STOCK

RAK CERAMICS

RAK CERAMICS (BANGLADESH) LIMITED

RAK Tower (7th, 8th & 9th floor), 1/A Jasimuddin Avenue, Sector-3, Uttara Model Town, Dhaka-1230.

Proxy Form

I/We .....

of .....

.....being a shareholder of RAK Ceramics (Bangladesh) Limited, do hereby appoint

Mr./Ms.....of..... ..

..... as my/our proxy to attend and vote on my/our behalf at the 19th Annual General Meeting of the Company to be held on April 18, 2018 at 10.00 a.m. at International Convention City, Bashundhara (Pushpoguscho), Joarshahara, Purbachal Link Road, Khilkhet, Dhaka-1229 and at any adjournment thereof.

AAs witness my / our hand this ..... Day of 2018

Revenue Stamp Taka 20/-

..... (Signature of Proxy)

..... (Signature of Shareholder)

BO ID No. | | | | | | | | | | | | | | | | BO ID No. | | | | | | | | | | | | | | | |

No. of Shares held: ..... No. of Shares held: .....

Notes:

1. A shareholder entitled to attend and vote in the AGM may appoint a Proxy to attend and vote on his/her behalf.
2. The Proxy Form, duly filed and stamped must be deposited at the Registered Office of the Company, not later than 48 hours before the time fixed for the meeting.
3. Signature of the shareholder must be in accordance with the Specimen Signature recorded with the Company.
4. As per Article of Association of the Company, no person shall act as a proxy unless he himself is a shareholder of the Company.

..... (Authorized Signature)
RAK Ceramics (Bangladesh) Limited

..... (Signature Verified)

RAK CERAMICS

RAK Ceramics (Bangladesh) Limited

RAK Tower (7th, 8th & 9th floor), 1/A Jasimuddin Avenue, Sector-3, Uttara Model Town, Dhaka-1230.

Attendance Slip

I/We do hereby record my/our attendance at the 19th Annual General Meeting of the Company to be held on April 18, 2018 at 10.00 a.m at International Convention City, Bashundhara (Pushpoguscho), Joarshahara, Purbachal Link Road, Khilkhet, Dhaka-1229, Bangladesh.

Name of the Shareholder(s)/Proxy: .....

BO ID No. of Shareholder: | | | | | | | | | | | | | | | | |

BO ID No. of Proxy holder: | | | | | | | | | | | | | | | | |

..... Signature of Shareholder(s)/Proxy

No. of Shares held by Shareholder: .....

No. of Shares held by Proxyholder: .....

Note: Please present this attendance slip at the registration counter on or before 9:30 am on the AGM date.

AMARSTOCK

AMAR STOCK

RAK CERAMICS

RAK Ceramics (Bangladesh) Limited

RAK Tower (7th, 8th & 9th floor), 1/A Jasimuddin Avenue, Sector-3, Uttara Model Town, Dhaka-1230.

Option for Receiving Dividend

I/We .....

.....of.....

.....

being a shareholder of RAK Ceramics (Bangladesh) Limited, do hereby exercise my/our option to receive dividend in the following manner [please tick (√) in the applicable box]:

☐ a) In the form of Dividend Warrant

☐ b) Through online transfer to my/our bank account recorded with the Company

Information of the Shareholder(s):

BO ID No. | | | | | | | | | | | | | | | |

Mobile number: .....

.....
(Signature Verified by)

.....
Signature of the Shareholder(s)

.....
Authorized Signatory of the Company

Notes:

1. The form duly completed must be deposited at the Registered Office of the Company on or before April 15, 2018.
2. Signature of the Shareholder (s) must be in accordance with the Specimen Signature recorded with the Company.
3. Number of shares, Bank Account detail and address shall be considered final as provided by CDBL on Record Date i.e. February 19, 2018.
4. Applicable service charge, if any, shall be borne by the Shareholder (s) in case of payment of dividend through online transfer to the Shareholder (s) Bank Account as per BSEC notification.

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ISO 9001
BUREAU VERITAS
Certification
QUALITY MANAGEMENT SYSTEM
CERTIFIED TO ISO 9001:2008

AWARDED
Superbrands

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