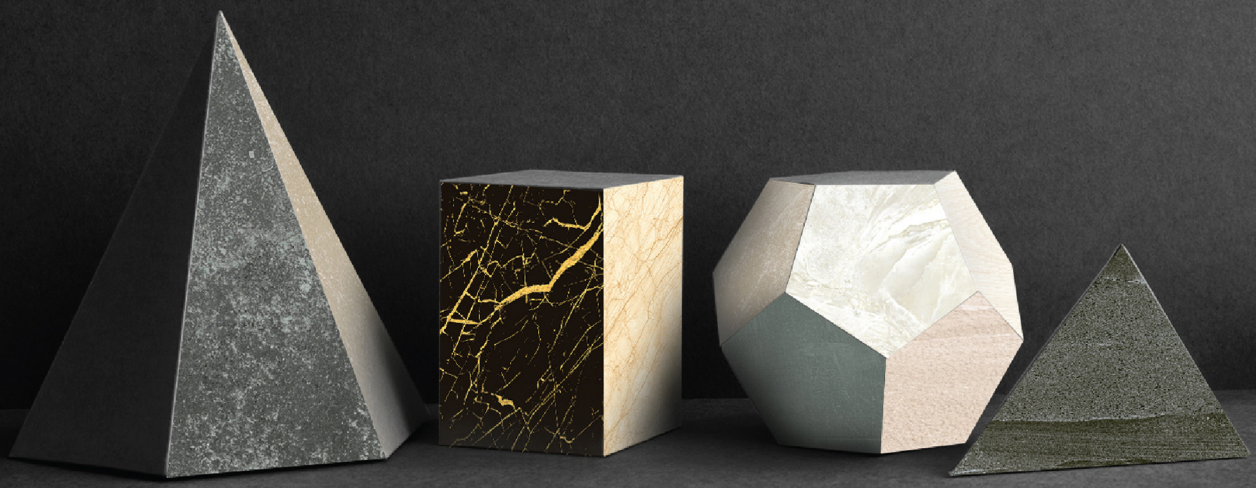
ANNUAL REPORT 2020



REIMAGINING TOMORROW

RAK CERAMICS



At RAK Ceramics (Bangladesh), guided by our overarching statement of intent enshrined in "Reimagining Tomorrow", we meet the aspirations, desires, expectations and interests of our customers through our world-class, multipurpose and versatile range of ceramic tiles and sanitary-ware products.

Today, our successful multi-decade track record in the interior infrastructure industry positions us as one of Bangladesh's few companies with a longstanding heritage of meeting the diverse choice and affordability of our customers. Yet, despite so many years in business, we are continuously reinventing ourselves by reimagining tomorrow in order to commit ourselves for meeting the best interests of our customers and other stakeholders.

Truly, in our pursuit of a better future, the organic and inorganic expansion strategy that we have embraced in recent years has bestowed us with an indisputable benchmark in a highly consumer-centric ceramics sector. Further, it has also reinforced our positioning as a Company that is best placed to capitalise on the imminent economic rebound and also considering the several fundamental advantages offered by a developing country like Bangladesh.

Thus, continuous emphasis on design and marketability of category-leading products, sustained focus on innovation and doing things better every day, a relentless drive to engage in marketing and promotional activities across various media channels, our state-of-the-art production assets and processes, and outstanding customer service have proven to be a successful combination for the Company. This reinforces our position to reimagine tomorrow and ensure a better future for all!

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CORPORATE INFORMATION

Board of Directors

Chairman
Abdallah Massaad

Managing Director
SAK Ekramuzzaman

Directors
Wassim Moukahhal
Pramod Kumar Chand

Independent Director
Barrister Faheemul Huq

Chief Operating Officer and Chief Financial Officer
Sadhan Kumar Dey

Company Secretary
Muhammad Shahidul Islam FCS

Audit Committee

Chairperson
Barrister Faheemul Huq

Members
Wassim Moukahhal
Pramod Kumar Chand

Member Secretary
Muhammad Shahidul Islam FCS

Head of Internal Audit and Compliance
Mohammad Samsul Arefin

Nomination & Remuneration Committee

Chairperson
Barrister Faheemul Huq

Members
Wassim Moukahhal
Pramod Kumar Chand

Member Secretary
Muhammad Shahidul Islam FCS

Statutory Auditor

ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL)
BDBL Bhaban, Level-13,
12 Kazi Nazrul Islam Ave,
Dhaka 1215

Principal Bankers

Standard Chartered Bank
Commercial Bank of Ceylon
Dutch-Bangla Bank

Legal Advisor

Margub Kabir, Barrister-at-Law

Website

www.rakceramics.com/bangladesh

Registered Office

RAK Tower (7th, 8th & 9th floors)
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

COMPANY PROFILE

A longstanding heritage of building trust with customers and other stakeholders

Overview

RAK Ceramics (Bangladesh) is the country's largest tiles and sanitary ware manufacturing company. Our operations are vertically integrated from design through manufacturing and distribution, benefitting both our customers and other stakeholders over operational efficiencies, product innovation and industry-leading services.

Since commencing our journey in 2000, the overwhelming response from customers put our brand on pioneer's position which further enhanced our responsibility to sustainably grow amidst constant change through operating business under the principles of good corporate governance, adopting advanced technologies and innovating new solutions to keep customers attached with the world class standard.

Going forward, we will continue to relentlessly build on our progress on the foundations of such core competencies as market leading capacities, world-class manufacturing assets, high production utilisation, optimised cost structures, expansive sales and distribution network and robust customer engagement and service initiatives.

Our business

RAK Ceramics is one of the largest ceramics brand in the world.

RAK Ceramics (Bangladesh) is the country's leading interior building products Company. Its wide range of brands are available across all corners of the country through a unified customer sales team and an integrated supply chain network. We pursue a commercial profit underpinned by our conscious focus on aligning with ESG (environmental, social and governance) principles to drive shared value creation. As an institution with investments in industry-leading manufacturing capacities to cater the needs of a fast-developing country, our brands are category leaders, as reflected by our leading share of the market.

Specialising in ceramic and gres porcelain wall and floor tiles and sanitaryware, our annual production capacity stands at 10.32 million sqm of tiles and 1.45 million pieces of sanitaryware at our plants in Bangladesh. Across our operations, we employ approximately 2,000 staff.

The Company achieved revenue of BDT 5,288.92 million, gross profit of BDT 1,189.80 million and net profit of BDT 310.65 million in a challenging and crisis 2020, characterised by the COVID-19 pandemic and a subdued macroeconomic environment.

Our portfolio

Our large and dynamic product portfolio enables us to cater to the widest consumer choice.

Our products comprise ceramics and gres porcellanato (porcelain/fully vitrified) tiles, bathroom sets and all types of sanitaryware. The Company has 2,800+ designs (active) in ceramic and porcelain tiles and introduces new and fresh designs aligned with evolving consumer trends. Further, tiles range in sizes from 7.5 x 20 cm up to 80 x 80 cm, straddling the full chain of tiles products in Bangladesh.

Under sanitaryware, the Company possesses 50+ models and designs that provide customers with unparalleled choice. Under sanitaryware, the Company also produces wash basins (wall mounted as well as pedestal) and water closets. Besides, premium products manufactured within predefined cost frameworks has ensured sustainable revenues and GP margins.

Sustainability

We envisage a better environment and society today and tomorrow.

One of the main pillars of our mission statement comprises sustainability. The Company is committed to embracing environmental and sustainable stewardship across its manufacturing chain, from product design and operations to playing an active role in building a better society by enhancing the surrounding environment.

Our activities continually seek to improve energy efficiency, reduce pollution and improve living standards for both our people and those living in proximate communities. Our sanitaryware unit is committed to developing eco-friendly products with a particular focus on water saving. Our products save as much as 33% water through technologically-advanced flush systems and design. We also focus on resource recycling to reduce our waste to the landfill, while also adopting clean development mechanism (CDM) projects to reduce carbon emissions in the manufacturing process.

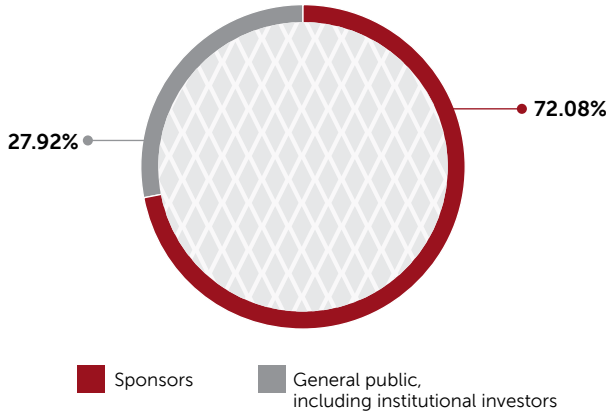
Innovation

RAK Ceramics is a pioneer in breakthrough tech innovations. We develop cutting-edge operational technologies that assure superlative product finish, while ensuring minimal wastages and lower costs. Further, a diverse range of technologies are used at the Company's state-of-the-art plants, including digital printing, slim, double charge, scratch-free and other advanced technologies, such as granitech, technoslate, twin press, dry glaze and waterjet, etc.

Our credentials

The Company was the first in Bangladesh's ceramics industry to receive the prestigious ISO 9001:2008 certification by BVQI in May 2006. The Company takes its environmental responsibility seriously, reflected in its pledge in environmental preservation. This intent is testified in its ISO 14001:2004 certification. Furthermore, the Company also complies with ISO 13006:2012 (E), the latest international standard for ceramic tiles, locally known as BDS ISO 13006:2012. The Company's sanitaryware complies with the quality criteria under BDS 1162:2012. Further, both tiles and sanitaryware products are BSTI-approved.

OWNERSHIP STRUCTURE



RAK SIGNATURE
BRAND

DOUBLE CHARGE

StoneArt
Tiles Collection

Hard Rock
COLLECTIONS

Random Designs
GRES PORCELLANATO FLOOR TILES

Wall Hung wc

WOOD ART
COLLECTION
Gres Porcellanato

Single Piece wc

Rinse
SERIES

COMBI wc

OUR PRESENCE

PAN BANGLADESH



ROOM FOR IMAGINATION

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 organization. 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.

RAK

CERAMICS

RAKCERAMICS.COM

OUR CORE VALUES AND CODE OF CONDUCT

We have deeply embedded our values across our business to ensure that our people act consistently and take the right decisions aligned with our operational broader and best practicing philosophy. As a responsible corporate citizen, RAK Ceramics (Bangladesh) has an established transparent policy adhere to communication and dissemination of information, as required under the applicable laws, in a fair, diligent and transparent manner. This corporate policy is to develop and foster fair, sustainable and mutually-beneficial relationships with customers and all other stakeholders.

Our Code of Conduct and Ethics and Code of Conduct for Prevention of Insider Trading are an extension of our values and reflect our deep commitment to ethical business practices. The Board of Directors of the Company are responsible and committed to embracing sound principles of corporate governance. The Board fulfills a crucial role in overseeing how the management serves the short-term contingency and long-term interests of shareholders and other stakeholders.



Customer relations

It is an established policy of the Company to develop and foster fair, sustainable and mutually-beneficial relationships with customers. Employees are expected to respect customers and their needs and contribute to satisfying these needs in an efficient and effective manner such that the interest of the Company and its shareholders remain secured and are not compromised in any way.

Guiding principles

Employees shall seek to use due care in the discharge of their duties, be loyal to the Company and act in good faith and in a manner they believe to be in the best interests of the Company. We also expect our employees to comply with all applicable laws, regulations, confidentiality agreements, obligations and corporate policies.



Our employees are expected to be guided by the following basic principles:



Corporate commitment

Staff members on the rolls of the Company are expected to be in the full-time employment of the Company. This implies that employees on the rolls of the Company cannot work for any other employer unless specifically permitted or directed by the Company and approved. 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

Employees are expected to be aware of the Company's commitment to contribute a sustainable business development with respect to environmental issues and requirements and its environmental policy statements issued from time-to-time.

Employees are also expected to have knowledge of, monitor and adhere strictly to the country's applicable laws, rules, regulations and guidelines related to the environment that impact the Company's operations and business, including adhering environmental standards prescribed for industrial companies.

Statutory compliance with rules and regulations

Employees are expected to be aware of and conduct themselves in accordance with all the applicable laws, rules and regulations of the country, and make best efforts not to willingly breach any provision of such laws. They shall ensure compliance with various legal/regulatory requirements, as applicable, in business conduct, and also endeavor that before any directions are given or decisions taken, relevant legal/regulatory requirements are taken into cognisance.

Any transaction falling under the definition of related party transactions (RPTs), as per the provisions of the law and as detailed in the Related Party Transaction Policy of the Company entered into by employees, shall be disclosed on a timely basis to the Board or any committee thereof.

OUR RESPONSE TO THE COVID-19 PANDEMIC

Partnering with and supporting our stakeholders to flatten the curve

The global COVID-19 pandemic is an unprecedented event that the world is reacting to and learning to deal with. As cases of the highly infectious COVID-19 grew globally, extraordinary measures were put in place to contain the infection and avoid a human catastrophe. Country-wide lockdown has imposed in Bangladesh since 26th of March 2020 which caused closure of display centers, stores of company's dealers, suspension of production in the factory, disruption of supply chain, particularly impacted people. We acted rapidly and conclusively, prioritizing the health and safety of our employees, and of local communities. We implemented business continuity plans to ensure that we operated at planned levels as well as provided our customers with the products they required. We supported our suppliers to ensure continuous of service by continuing with essential services and providing aid where appropriate.

Major Challenges we had faced during Covid-19 period

1. **Selecting the right focus –** Out of many concerns it was difficult to know what to prioritize Business Interest, Employee Health and Safety, or Complying Government Directives. Focusing on a single objective was tough even though we focused on Employee Health and Safety at first and foremost.
2. **Operational Challenges –** Continuation of Import, releasing of imported material docked at port, completion of production; in a process industry while Government issued shut down notice and forcing to comply directives. Operational challenges was numerous to respond.
3. **Complying Government Direction –** Government was directing rules and regulation frequently to minimize the mass infection which impacting business landscape in uncertain state. Complying those rules was factually difficult while operating business.
4. **Managing employee's stress –** Fear, anxiety of job loss or getting salary on time was the biggest stress. Ensuring of adequate health safety of employees/ workers for their confidence and support.

How we responded to those Challenges

We have operated business applying the 7C model to respond crisis

1. **Calm –** Stayed calm during the crisis period. We have sincerely focus on what would be the best for the community, employee and greater interest of the business. We wait for all Government direction while taking all care of employees and protecting business interest.
2. **Confidence –** Confidence that able to see this through successfully, with a minimum amount of hurt to the company and projected strong leadership that other can confidently rely on us. Our confidence to stay calm and take decision decisively help business a significant achievement of all aspect of the business.
3. **Communication –** Communicate effectively throughout the stakeholders and respond many question relentlessly.
4. **Collaboration –** To respond crisis we collaborate and bring all team member in the task force.
5. **Community -** We are leading by example, not just within our organizations, but within our broader communities. We lead to set up a "*Corona Combat Mission" a small impermanent hospital to support all basic needs not available at home but available at cost at any hospital*, which effectively give confidence to the employees and their family.
6. **Compassion –** We showed extremely compassion among employees, supplier, customer, community and even to their family by extending various support. We didn't terminate people, didn't hold payment to supplier, didn't stop release of imported material from the port, didn't stop salary for the employees and so on. Management approve extended credit facility to our customer and approve even "Pay Revision" for all the eligible employees.
7. **Cash –** Cash is king at a time of crisis, and everything needs to be done to look both short term and long term measures of the financial health of the organization. We opened cash war room, preserve liquid cash in hand and bank, opted short term finance eventually and so many measures. We have reached an all-time high "Cash Flow" in RAK history as on 31st December 2020 to 1949.19mn.

ZERO TERMINATION DURING THE PANDEMIC OR POST PANDEMIC PERIOD

OFFERED PAY INCREMENT OF 8% TO ALL ELIGIBLE EMPLOYEES.

EXTENDED CREDIT LIMIT TO ALL CUSTOMER TO SUPPORT DURING CRISIS.

NO HOLDING OF VENDOR PAYMENT THROUGHOUT THE PERIOD

NO DELAY IN SALARY PAYMENT THROUGHOUT THE PERIOD.

NO DELAY ON REPAYING BANK FACILITY COMMITMENT.

DIDN'T OPT FOR BANKING MORATORIUM SUPPORTED BY THE GOVERNMENT.

COMPANY SPONSORED COVID-19 TEST TO ALL EMPLOYEES RECOMMENDED BY THE DOCTOR.

HOW WE RESPONDED TO OUR STAKEHOLDERS DURING COVID-19



Employees and Associates

Established a COVID-19 Response team and set up weekly meetings with the COVID-19 crisis working group. This integrated response prioritizes activities to ensure the stability and safety of our operational facilities and communities. To ensure the stability and safety of our operational facilities, we reset shifts and work schedules to support social distancing. Reinforced our commitment to safety and conducted COVID-19 specific workplace risk assessments and implemented appropriate occupational health procedures and controls. Elevated our focus on hygiene, sanitization measures and social distancing in all our buildings and sites. Provided medical and wellbeing support though SAK Corona Combat Mission. Through this mission we tested **211** cases, found positive **31**, provided isolation and medication facility to **30** associates all at our company's cost. Our company did not terminate a single employee during this period unless there was other disciplinary issues.



Customers

Ensured seamless work transition of sales and marketing teams across the country to working from home without disrupting our value chains and ensuring strong customer support in a volatile and disrupted market. Relaxed payment terms, enhanced credit facilities to our dealers and ensure uninterrupted supply to all continued project relaxing company's stringent commercial terms.



Government & Regulator

Even though crisis we have complied and respected all government directions. Collaborated with labor authorities and industry associations to support transparent approach towards an aligned understanding and implementation of COVID-19 restrictions in the interest of the health and safety of our workforce. We have complied all the regulation with the regulator though out the crisis period.



Community

We recognized our duty to step up and show support for those in need across our reachable communities especially where there are significantly vulnerable. We donated various items to specifically support those who are in need and stressed to fight COVID-19, and resources for quarantine and medical facilities in and around our communities.

CHAIRMAN'S LETTER TO STAKEHOLDERS

RAK Ceramics (Bangladesh) is a market leader in all categories, including floor surfaces and bathroom accessories in residential and commercial applications. Our reach encompasses all corners of the country and it is our ambition to remain as close to our customers as possible. Our operations are vertically integrated– from design to distribution, and this remained as a central advantage in our resilience and sustainability in the face of the COVID-19 pandemic.



CHAIRMAN'S LETTER
TO STAKEHOLDERS



Dear fellow stakeholders,

It gives me immense pleasure to welcome you to our Annual Report for the year 2020!

The year was unprecedented in modern history on account of the unforeseen outbreak of the COVID-19 contagion. Even at this time, though the world is in early stages of vaccination, the virus is mutating and spreading and this is expected to have an impact going into the future. Currently, government policies are still evolving to reduce the outbreak and support economic recovery. At RAK Ceramics (Bangladesh), we have

established strategic focus at the business level to react to this changing environment. This focus is anchored on the safety of our people and the essential short-term actions required to minimise disruption and how to best position the business for the long-term. I believe that our actions of 2020 will benefit our 2021 results.

The Board places utmost importance on its stewardship role as the guardian on the interests of all stakeholders of RAK Ceramics (Bangladesh). The Company has continued to deliver long-term shareholder's value through its committed brand strength, integrated business model, solid balance sheet, strong risk culture and ethical business practices. In 2020, the Board and the management continued to maintain a sharp focus on the fast-evolving risk profile arising from the deterioration in the global macroenvironment on account of the full-blown onset of the COVID-19 pandemic that disrupted cities, societies and people all around the world.

A rapidly-changing macroeconomic landscape, increasing competition, depressed demand on account of price-pressured consumers and advances in the application of digital technology require us to strengthen our fundamentals and resiliency. Yet, these developments also mean that we must be highly adaptable and responsive to the new demands and competition. We have secured our position and market share as the leader in ceramics tiles in Bangladesh and we will continue to maintain our lead through our core focus on innovation to meet evolving consumer preferences and on operating efficiencies with a view to drive deeper affordability and accessibility. We believe that our combination of price and range is a winning proposition and we will focus on this to thrust a deeper competitive advantage.

Operating in a versatile industry also underpins the need for us to continuously lay stronger strategic foundations, anchored on financial strength, ethical business practices, robust risk control, a broad spectrum of product offerings and a talented workforce. The Board's agenda during the year was thus focused on fortifying, deepening and growing our diversified operations, while ensuring we have the flexibility and capacity to capture new business opportunities as they arise.

Our industry has faced many periods of market volatility and shifting consumer preferences, and we have always navigated through them to emerge stronger with a more competitive position. Even with these challenges, our cash generation remained robust, with 2020 operating and free cash flow at about Tk. 1,228.66 mn and Tk. 997.42 mn, respectively. Our leverage is moderate, which, combined with our cash generation, provides us with the flexibility to pursue evolving opportunities.

Further, we are introducing new design and performance innovations across our product categories to enhance our market position and broaden our customer base. To promote both new and existing products, we are increasing our sales and marketing investments. We are also focusing on intensifying our branding and promotional activities across various media channels, which will support demand and especially footfall at our new flagship showroom to be launched in Dhaka shortly. Robust national demand on the back of accelerated infrastructure and housing development post the lifting of the lockdown in June 2020 gave an impetus to sales. Due to strong national demand, coupled with the Government's move to curb product dumping into the country signify a brighter and more optimistic future. We will continue to act aggressively to respond to evolving conditions.

Thus, we see 2021 through mid-term for our business as a period of transition on the way to recovery and restoration of sales and profitability. Our main task is to consistently implement our efficiency programs with regard to our cost structures in order to prepare for the future. In order to achieve this goal, we will focus on our well-proven corporate strategy. This means we will continue to concentrate on innovation and sustainability, on portfolio mix, as well as on growth in existing categories.

Another important facet is compliance. The Company's adherence to laws and voluntary obligations comprises a major material matter, fastened on strict compliance management and represented by a structured framework of internal rules and guidelines. This forms the basis for risk minimisation as well as the preservation of our reputation. We will therefore continue to deal with the important issues of sustainability and compliance intensively in 2021 and beyond.

In closing, I would like to thank our shareholders, customers and employees. We are grateful for your ongoing support, dedication, commitment and loyalty. We are continuing to take all essential actions to improve the Company's short-term performance, while fulfilling our long-term potential.

Sincerely,



Abdallah Massaad
Chairman

DIRECTORS' PROFILE



Abdallah Massaad

Chairman

Mr Abdallah Massaad is the Chairman of RAK Ceramics Bangladesh, Group CEO of RAK Ceramics PJSC and a member of the Board of Directors of several subsidiaries and other international organisations.

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. With 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.

Mr Abdallah Massaad's tenure with RAK Ceramics began in 2004, when he 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. Mr. Massaad has led RAK Ceramics PJSC as Group Chief Executive Officer since June 2012.

An award-winning CEO, in 2015, Mr Massaad won an International Business Stevie® Award for 'Executive of the Year (Manufacturing)'. The efforts of Mr. Massaad as a visionary CEO were also further recognised 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. In 2018, Mr Massaad was awarded the most 'Visionary CEO in Manufacturing Leadership' by Frost & Sullivan, 'Game-Changing CEO' by Finance Monthly, 'Outstanding CEO' at the Global Business Excellence Awards, 'Executive of the Year' at the BIG Awards for Business and the '2018 CEO of the Year' by CEO Monthly Magazine.

Prior to joining RAK Ceramics, Mr Massaad was a Sales Manager at Asian Industrial Company in Lebanon from 1995 to 1997, and the General Manager of International Ceramics Company SARL in Lebanon from 1997 to 2004.

Mr Massaad holds postgraduate 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.



SAK Ekramuzzaman

Managing Director

Mr. SAK Ekramuzzaman is one of the major local equity investors in RAK Ceramics (Bangladesh) Limited. Besides managing diversified business interests of the RAK Group, he is also involved in a number of other business interests in Bangladesh. Mr. Ekramuzzaman is also the member of the Board of RAK Power Pvt. Ltd. and RAK Security and Services (Pvt.) Ltd., subsidiaries of RAK Ceramics (Bangladesh) Limited.

Mr. Ekramuzzaman has been conferred as "CIP Industry 2017" by the Government of Bangladesh in recognition of his outstanding contribution to the industrial development of Bangladesh.



Pramod Kumar Chand

Director

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



Wassim Moukahhal

Director

Mr. Wassim Moukahhal is a Director of RAK Ceramics (Bangladesh) Limited and RAK Security and Services (Pvt.) Ltd., which is subsidiary of this Company. He is also a member of the Audit Committee and the Nomination and Remuneration 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 16 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 and Nomination and Remuneration 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 20 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



SAK EKRAMUZZAMAN
Managing Director



SADHAN KUMAR DEY
Chief Operating Officer &
Chief Financial Officer



MOHAMMAD JAHIRULL REZA
Vice President-SCM, HR & Admin



MD. MIZANUR RAHMAN
Vice President-Sales



MUHAMMAD SHAHIDUL ISLAM
Company Secretary



MOHAMMAD SAMSUL AREFIN
Head of Internal Audit &
Compliance



KRISHNA PHANENDRA SRINIVAS SOMA VENKATA
Deputy General Manager-Tiles



ADIREDDY PASUNOORI
Production Manager-SWD

OUR
INVESTMENT CASE

The COVID-19 pandemic has had a sweeping impact on Bangladesh's economy in terms of causing operational disruptions, unsettling supply chains and subduing consumer demand. However, even amidst this scenario, we have bolstered our investment case by focusing on what's most important to us, comprising our focus on operational excellence.

We believe that operational excellence leads to products with greater innovation, better performance, more sustainable features and easier care, which makes are products a preferred consumer choice and our brands a go-to destination. Further, end-to-end integration also delivers business advantages such as quality control, cost management and raw material resource integrity, among others.

Today, we remain focused on leveraging our strengths and capabilities to deliver long-term shareholder value. To bolster this focus, some of the key facets of our investment case include the following:



Our unwavering focus on the long-term

- We manage the business with a long-term perspective, and not a quarter-to-quarter emphasis
- Ensuring the long-term success of the business aligns with our commitment to sustainable products and processes
- We firmly believe that doing what's right for our planet and the people with whom we share it is most essential for running the business



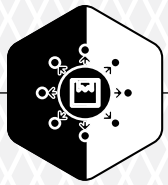
Diverse brands with a versatile product portfolio

- Our portfolio of products has strong brand equity, supporting the promotion of both our global quality aspirations as well as costs that make our products affordable and accessible
- We ensure a constant stream of new product launches, supported by vibrant marketing campaigns, with a view to ensure incessant marketplace and consumer excitement



World-class manufacturing facilities

- Vertically integrated manufacturing benefits our business in multiple ways: It allows us to extend continuous process improvements through advanced technologies, such as automation, across our facilities quickly
- With today's technology, we can effectively deliver a higher capacity with a reduced manufacturing footprint vs. yesteryears, thus creating operational efficiencies and further reducing our consumption of energy and water



Differentiated distribution strategies

- Our distribution strategies are tailored to the needs of the markets and consumers we serve comprising both physical retail as well as digital assets
- Our showrooms are large, modern and expansive and house the largest range of products to help us present wide choice to our customers
- Further, a direct distribution strategy positions us closer to our customers, helps us better understand their needs, interests and expectations and provides them with greater service and value



Strategically relevant manufactured capital

- We are a widely accredited and committed supplier of high-quality ceramic tiles and sanitary-ware that suit a wide range of choices, budgets and projects
- We have the capabilities to improve and sustain a cost competitive manufacturing base, concentrating on both high-volume and high-value products
- Our supply chain is overseen by a dedicated team striving towards greater operational sustenance and cost efficiencies



Responsible corporate citizen and trusted partner

- We are committed to adopt effective and robust corporate governance practices, thus making us a trusted partner for all our stakeholders
- We remain committed to continuously improving our reporting, transparency and disclosure standards
- We align our business practices to the UN SDGs (Sustainable Development Goals)

CREDIT RATING REPORT

AA+

CRISL

First ISO 9001 : 2015 Certified Credit Rating Company in Bangladesh Operating Since 1995

Setting global standard at national level

CREDIT RATING REPORT - RATIONALE

CRISL/CER/4324/21

RAK CERAMICS (BANGLADESH) LIMITED

RATING SPECIFICS

Date of Rating: December 02, 2020		Valid up to: December 01, 2021
	Long Term	Short Term
Entity Rating	AA+	ST-1
Outlook	Stable	
Bank Facilities Rating		
Bank/FI	Mode of Exposures (Figures in million)	Bank Loan Ratings
HSBC	Term Loan Outstanding of Tk. 8.08 Working Capital Loan Limit of Tk.750.00	*blr* AA+
Standard Chartered Bank	Working Capital Loan Limit of Tk. 570.00	
Dutch Bangla Bank Limited	Working Capital Loan Limit of Tk. 128.00	
Commercial Bank of Ceylon	Working Capital Loan Limit of Tk. 685.00	

CRISL has assigned the Long Term rating to "AA+" (pronounced as double A plus) and the Short Term rating to "ST-1" of RAK Ceramics (Bangladesh) Limited (RAKCBL). The above has been done on the basis of its financials and other relevant quantitative and qualitative information up to the date of rating with due consideration to its fundamentals such as equity based capital structure, good operational and financial performance, good infrastructural facilities, diversified product mix, good distribution network, strong brand image etc. However, the above are constrained to some extent by factors such as significant competition in the market, loss in subsidiary operation, quality control risk, product handling risk etc.

The Long Term rating indicates that entities rated in this category entity rated in this category is adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions. The Short Term rating indicates highest certainty of timely payment. Short-term liquidity including internal fund generation is very strong and access to alternative sources of funds is outstanding. Safety is almost like risk free Government short-term obligations.

CRISL also views the company with "Stable" outlook in consideration of its stable business growth and consistent fundamentals.

Md. Asiful Huq
Chief Rating Officer

Nakshi Homes (1st, 4th & 5th Floor)
6/1/A, Segunbagicha, Dhaka-1000, Bangladesh
Tel: 88-02-953 0991-3, Fax: 88-02-953 0995
E-mail: info@crisibd.com

AWARDS & RECOGNITION

RAK Ceramics (Bangladesh) has participated in the interior infrastructure sector for decades, an important achievement showcasing sustainability and longevity. This provides us with a broad perspective and underscores that, to assure business development without compromising future generations, it is indispensable to operate with a vigilant balance between the creation of economic, social and environmental value. This pursuit has been recognised time and again, with the Company being bestowed with many prestigious national and international awards.



AWARD AND
RECOGNITIONS



GOLD AWARD

7TH ICSB NATIONAL AWARD 2019

FOR CORPORATE GOVERNANCE EXCELLENCE



Hon'ble Commerce Minister Tipu Munshi, MP graced the occasion as the chief guest and presented 7th ICSB National Award for Corporate Governance Excellence 2019 to RAK Ceramics on 23rd January 2021.

AWARD AND RECOGNITIONS



SILVER AWARD

ICMAB BEST CORPORATE AWARD 2019



Hon'ble Commerce Minister Tipu Munshi, MP graced the occasion as the chief guest and presented ICMAB Best Corporate Award 2019 to RAK Ceramics on 25th February 2021.

EMPLOYEE ENGAGEMENT PROGRAM









DEALERS' ENGAGEMENT PROGRAM









MANAGEMENT'S DISCUSSION AND ANALYSIS

Business and financial overview

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

An overview of the Company's consolidated financial operations is given below.

Accounting policies and estimation for preparation of financial statements and changes thereon

Accounting policies and estimation for the preparation of the Company's financial statements and changes there on are disclosed in "Note no. 3 of the "consolidated financial statements" on page 125 of this annual report.

Comparative analysis of financial performance and position of the Company

Comparative financial data of preceding five years are given below:

(Amount in BDT mn)

Particulars	2020	2019	2018	2017	2016
Sales	5,288.92	6,463.86	6,830.78	6,956.19	5,661.41
Gross Profit	1,189.80	1,907.74	2,514.98	2,704.97	2,409.36
Net Profit After Tax	310.65	754.03	890.63	1,018.01	915.25
Earnings Per Share (Absolute BDT)	0.73	1.76	2.08 (Restated)	2.62 (Restated)	2.35 (Restated)
Net Operating Cash Flow	1,228.66	1,585.22	567.62	1,835.93	1,103.14
Net Asset Value (NAV)	7,023.31	7,354.61	6,992.97	6,456.04	6,111.73
Net Asset Value Per Share	16.41	17.18	17.97	18.25	18.14

The detail of comparative analysis of the financial performance and position of the Company's operational results is discussed in the "General review of our 2020 performance" on page 37 of this annual report.

Financial performance vis-à-vis industry peers

Listed ceramics companies in Bangladesh comprise the following:

Sl. No.	Name	Product Category	Market Category	Year of listing on DSE	Year of listing on CSE	Year end
01	RAK Ceramics (Bangladesh) Limited	Tiles and sanitary ware	A	2010	2010	December 31st
02	Fu-Wang Ceramic Industry Limited	Tiles	B	1998	1998	June 30th
03	Monno Ceramic Industries Limited	Tableware	A	1883	1995	June 30th
04	Shinepukur Ceramics Limited	Tableware	B	2008	2008	June 30th
05	Standard Ceramic Industries Ltd.	Tableware	B	1996	1996	June 30th

Financial scenario of ceramics companies in Bangladesh:

(Amount in BDT mn)

Particulars	For the year ended 31 December 2020	For the year ended 30 June 2020			
	RAK Ceramics (Bangladesh) Limited	Fu-Wang Ceramic Industry Limited	Monno Ceramic Industries Limited	Shinepukur Ceramics Limited	Standard Ceramic Industries Ltd.
Sales	5,288.92	585.56	602.38	1205.08	233.74
Gross Profit	1,189.80	221.07	110.21	185.86	16.21
Net profit/Loss after tax	310.65	63.65	18.10	31.59	(40.82)
NOCF Per Share (Absolute BDT)	2.87	0.15	0.22	0.92	0.56
Net Asset Value per share (Absolute BDT)	16.41	11.50	59.50	29.09	9.56
Earnings per Share (Absolute BDT)	0.73	0.47	0.50	0.21	(6.32)

Economic scenario of Bangladesh and the globe

The unprecedented Covid-19 pandemic has largely unsettled global trade, business, and education and Bangladesh has been equally affected by this contagion. The economic consequences of the Covid-19 outbreak are tough to handle as the entire of the global supply chain has been interrupted due to worldwide transportation shutdown.

According to the Bangladesh Bureau of Statistics, the economy Bangladesh has reported 5.24 percent GDP growth in FY 2019-20 after almost everything was closed for four months from March to June despite the devastating impact of the global pandemic. As the economy has almost fully reopened, the government has kept the annual GDP growth target for 2020-21 fiscal year unchanged at 8.2 per cent. However, it is the positive sign that in the midst of this Corona pandemic, investment in the fiscal year (FY) 2019-20 rose by 10.63 percent year-on-year, the country's Gross Domestic Product (GDP) increased a relatively healthy to 5.24 percent and the country's per capita income reaching $2064. Owing to the resilience of the private sector in the domestic economy, a 20% growth in remittances in the current year, and a strong late recovery in the RMG sector. Moreover the government has declared some stimulus package worth to boost up economy during & after COVID-19.

COVID-19 caused a global recession whose depth was surpassed only by the two World Wars and the Great Depression over the past century and a half. Although global economic activity is growing again, it is not likely to return to business as usual for the foreseeable future, global economic output is expected to expand 4 percent in 2021 but still remain more than 5 percent below pre-pandemic projections. Global growth is projected to moderate to 3.8 percent in 2022, weighed down by the pandemic's lasting damage to potential growth.

The economic fallout of COVID-19 has severely dampened growth in East Asia and Pacific (EAP), significantly hindering poverty reduction efforts. Global containment measures have significantly reduced economic activity, amplifying the impacts on EAP economies through a collapse in tourism, plunging trade and disruptions to global supply chains. Developing EAP growth, excluding China, is projected to slow to 1.3% in 2020 from 4.7% in 2019. Many economies in EAP (Cambodia, Thailand, Philippines, and some Pacific countries) are highly dependent on tourism as a major source of income, export earnings and job creation, leaving them highly susceptible to the slump in tourism. Economies dependent on manufacturing (Cambodia, Malaysia, Thailand and Vietnam), are vulnerable to supply chain disruptions as they often rely on imported goods for their exports.

Risks and concerns

Details of risks and concerns facing the Company are discussed in detail in the "Risk management and control" on page 72 of this annual report.

Future outlook

We have navigated an unprecedented scale of volatility has had severe economic consequences across the globe. This not only has consequences for the economy; all of society is affected, which has led to dramatic changes in how businesses act and consumers behave. We understand response that is required to navigate successfully through this storm as well as the substantial changes that are required to ensure the long-term sustainability. While the short-term macroeconomic contingencies may continue to pitch some challenges, the future holds many opportunities for our Company and we are well positioned to capitalize on the opportunities and deliver strong growth.

Bangladesh has stepped into a new journey as it qualified to graduate into a developing nation from a Least Developed Country (LDC) after 45 years which promise further structural economic developments. We remain committed to the strategic goals and will continue to focus on improving the operational performance to ensure a sustaining enterprise. Our future is PROMISING.



(SAK Ekramuzzaman)
Managing Director
February 03, 2021

INDUSTRY OUTLOOK AND POSSIBLE FUTURE DEVELOPMENTS

Global ceramics industry review

The global ceramic tiles market, which is the largest segment of the global ceramics industry, is projected to reach a massive size of USD 91.1 bn by the year 2027.

Amid the COVID-19 crisis, the global market for ceramic tiles was estimated at USD 58.7 bn in the year 2020 and is projected to reach a revised size of USD 91.1 bn by 2027, growing at a CAGR (compounded annual growth rate) of 6.5% over the analysis period of 2020-27. After an early analysis of the business implications of the pandemic and its induced economic crisis, growth in the glazed segment has been re-adjusted to a revised 6.8% CAGR for the next 7-year period.

On the basis of a global country-wise segmentation, the ceramic tiles market in the US is estimated at USD 15.9 bn in the year 2020. China, the world's second-largest economy, is forecast to reach a projected market size of USD 19.7 bn by the year 2027, at a CAGR of 9.8% over the analysis period (2020-27). Among the other noteworthy geographic markets are Japan and Canada, each forecast to grow at 3.5% and 5.8%, respectively, over the 2020-27 period. Within Europe, Germany is forecast to grow at approximately 4.1% CAGR.

In the global scratch-free tiles segment, USA, Canada, Japan, China and Europe are anticipated drive the 5.1% CAGR estimated for this segment. These regional markets, accounting for a mammoth combined market size of USD 4.4 bn in the year 2020, will touch a projected size of USD 6.2 bn by the close of the analysis period. China will remain among the fastest growing in this cluster of regional markets. Led by countries such as Australia, India and South Korea, the Asia-Pacific market is forecast to reach USD 12.4 bn by the year 2027, while Latin America is expected to expand at a 6.8% CAGR through the analysis period.

Overview of Bangladesh's ceramics industry

Although the Bangladesh's ceramics industry commenced its journey in the 1960s, the market started gaining momentum in the last two decades. Further, imports have now been replaced by ceramics exports, as in the last decade or so, the industry has witnessed substantive investments into the sector. Local entrepreneurs are now aiming to turn the ceramics sector into a major source of export earnings in a five-year horizon. The national ceramics products market size is pegged at about Tk. 6,000 crore annually.

Bangladesh's ceramics industry is estimated to double in size by 2023, aided by the growing domestic real estate industry, emergence of the affordable housing industry, attractive mortgage finance rates, rising demand for products in the EU markets and trade tensions between the US and China that is expected to benefit cost-effective manufacturing destinations like Bangladesh.

A recent USAID report also made a similar forecast, indicating the ceramics industry of Bangladesh would attain a value worth US$ 1.56 bn by the year 2023. Currently, there are 60+ ceramics manufacturers in the country with 20 more facilities in the pipeline, including those making tableware, tiles and sanitary-ware. The country can cater to 96% of tableware, 77% of tiles and 89% of sanitary-ware demand through local production, thus indicating scope for domestic growth, in addition to exports.

The ceramics industry of Bangladesh is also positioned to expand rapidly in the global markets, on the back of its high-quality products, efficient labour costs and a vibrant spirit of entrepreneurship. The trade disruptions between the US and China, which is an import destination for tiles, has encouraged investments in Bangladesh's ceramics industry for ensuring de-risking and also improved sustainability.

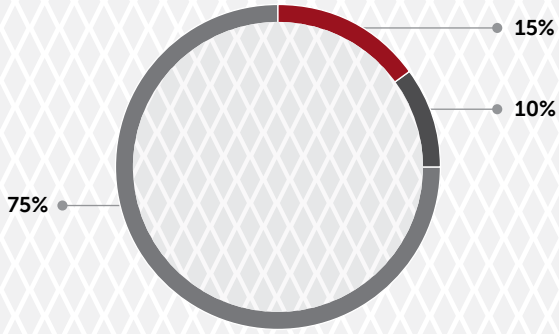
Not only is the ceramics industry catering to 85% of the local demand, but it also serves a major portion of the export market and is rapidly progressing towards being the third-largest sector in the next five years. Total investments amounting to BDT 86,160 mn have been made in the sector, which provides employment to more than half a million people in the country.

Domestic market size
6,000 crore

Total export in FY 2018-19
585 crore

Growth in last 5 years
200%

MARKET RATIO



Sanitary ware
Tableware hold
Tiles hold

Local brands hold
80% market share

Major players in Bangladesh
RAK, Monno, Great Wall, X Ceramics, DBL, Akij

Local brands now in operation
66

Growth per year
20%

Employee Engagements Directly
55,000

Investment in last 10 years
8,500 crore

Ceramics ware production in Bangladesh (Taka in crore)

Ceramics item	Tiles	Tableware	Sanitary ware
Total consumption	4,500	500	920
Local production	3,450 (76.67%)	465 (96%)	800 (90%)
Import	1,000 (23.24%)	32 (4%)	120 (10%)
Export	-	585 (FY 2018-19)	-

Source: www.reportlinker.com

(Currency in BDT)

GENERAL REVIEW OF OUR 2020 PERFORMANCE

At RAK Ceramics (Bangladesh), our success is founded on our ability to operate with efficiency and integrity, while providing innovative and long-lasting products and solutions to our customers. Our business model illustrates how our Company's corporate activities transform financial and non-financial inputs into valuable outputs and outcomes. As the world recovers from the after-effects of COVID-19, we will continue to remain on our path of sustainable value creation for all.

Further, our ambition to create sustainable value is guided not only by our vision, mission, and corporate values, but also by our robust corporate governance principles, strong leadership culture and high empowerment standards.

Going forward, we will remain attuned to the needs and expectations of our customers, employees, shareholders and society by assessing market trends, engaging in constant dialogue with stakeholders and embracing their feedback to improve our business.

General business review

In the year 2020, despite of the extraordinary occurrence and unprecedented impact of COVID-19, RAK Ceramics (Bangladesh) achieved satisfactory progress with its operational transformation that aims to deliver improved operational and financial performance envisaging sustainable value creation for all our stakeholders.

The pandemic enforced large-scale lockdowns and widespread shutdowns, as the Government focused on controlling the spread of the virus. Thus, a near standstill in economic activity for around four months starting late March 2020 and a slow phase-wise unlocking impacted the Company's performance for the year. Yet, our robust strategies and focused business continuity planning initiatives enabled us to contain performance deterioration, with revenue decreasing by 18.18% and gross profit reduced by 37.63% in 2020, as compared to 2019. Notably, this performance reflected a combination of managed revenues coupled with tighter control over operating efficiencies.

With the economic recovery and rebound anticipated to gather pace in 2021 and beyond, as demonstrated by the improvement in demand conditions in the closing quarter of 2020, we expect to capitalise on the major unfolding structural trends, including own home ownership driven because of the pandemic. Further, certain other trends like favourable mortgage interest rates and shift in consumer preference towards organised frontline players like us, we expect to achieve a better performance going into the future. Yet, though certain operating challenges will continue to persist, we expect to offset their impact with our continuous improvement focus and cautious resource allocation and more prudent balance sheet and cash flows management.

At our Company, we are also in the process of reshaping and reimagining the flooring industry by continuing to focus on our three broad pillars of innovation, affordability and accessibility. Thus, we are confident that we will be able to drive our leadership position further in specific high-growth segments, such as the institutional B2B sector, reputed developers in urban zones, medium and small affordable housing developers in rural areas and individual home-builders.

Consolidated financial results over the quarters

Amount in BDT mn

Particulars	Q1			Q2			Q3			Q4			Year 2020	Year 2019	Change
	2020	2019	Change	2020	2019	Change	2020	2019	Change	2020	2019	Change			
Revenue	1,469.06	1,480.78	(0.79)%	503.19	1,442.20	(65.11)%	1,440.13	1,646.20	(12.52)%	1,876.53	1,894.67	(0.96)%	5,288.92	6,463.86	(18.18)%
Cost of goods sold	(1,065.54)	(1,013.75)	5.11%	(617.46)	(997.25)	(38.08)%	(1,066.85)	(1,188.08)	(10.20)%	(1,349.26)	(1,357.03)	(0.57)%	(4,099.12)	(4,556.11)	(10.03)%
Gross Profit	403.53	467.03	(13.60)%	(114.27)	444.95	(125.68)%	373.28	458.12	(18.52)%	527.26	537.64	(1.93)%	1,189.80	1,907.74	(37.63)%
Net profit before tax	207.23	252.08	(17.79)%	(239.62)	233.87	(202.46)%	172.44	259.38	(33.52)%	307.49	299.08	2.81%	447.54	1,044.40	(57.15)%
Net profit after tax	151.69	185.94	(18.42)%	(188.46)	156.24	(220.62)%	126.03	191.74	(34.27)%	221.40	220.11	0.59%	310.65	754.03	(58.80)%
Total assets	12,923.11	12,625.26	2.36%	12,008.83	12,020.82	(0.10)%	12,239.35	12,206.20	0.27%	12,515.43	12,759.86	(1.92)%	12,515.43	12,759.86	(1.92)%
Net asset value	7,506.31	7,165.08	4.76%	6,675.89	6,932.26	(3.70)%	6,801.92	7,124.00	(4.52)%	7,023.31	7,354.61	(4.50)%	7,023.31	7,354.61	(4.50)%
Net operating cash flow	252.14	199.14	26.62%	(243.26)	227.44	(206.96)%	449.75	870.16	(48.31)%	1,228.66	1,585.22	(22.49)%	1,228.66	1,585.22	(22.49)%
Earning per share ((Absolute BDT))													0.73	1.76	(58.80)%
NAV per share													16.41	17.18	(4.50)%
Net operating cash flow per share													2.87	3.70	(22.49)%
Return on equity (Annualize)													4.42	10.25	(56.86)%

The Company delivered a positive financial performance quarter over quarter even faced crisis from mid of Q1 until throughout the year. This performance reflects a combination of acceptable revenue coupled with tighter control over operating costs even there is significant increase in import cost of raw material. Financial operational efficiency has been optimized in the following two ways.

Achieving operational efficiencies through reducing operating costs: During the year 2020, we embraced strategic all-around cost containment measures through curbing discretionary expenses, eliminating duplicate spending, sourcing directly from manufacturers and enhance overall finance control.

Achieving operational efficiencies through reducing working capital: Our operating costs for working capital in use declined by BDT 546 mn. The management has revised the inventory management control process during the year, implementing more stringent controls on sourcing to minimise working capital blockages.

Further, we ensured customer value optimisation through targetted pricing, while also enhancing unit profitability through our focus on innovative value-added products (like double charge tiles, scratch-free tiles, industrial tiles, water-efficient closets, etc.) in our mix during the year. Moreover, dealer incentivisation and expansion in our dealer network helped protect market leadership, which in turn contributed to securing our revenues and profitability during the year.

Our approach to achieving higher operational efficiencies: Operational efficiency sustainment is a key competitive advantage of RAK Ceramics (Bangladesh). Over the years we have designed and implemented several process improvement techniques that have helped us improve many operational key performance indicators (KPIs) to benchmark levels. Further, our unremitting focus on yielding gains out of operational efficiencies enables us to achieve leadership in cost competitiveness, while enhancing resilience against competition and protecting business profitability.

Value creation and allocation summary

In support of our purpose and through effective, sustained and disciplined efforts in managing the six capitals and through our continued commitment to our stakeholders, value delivered during the year showcases our approach of being a credible partner for all our stakeholders.

10.06%
Reinvestments in group

0.40%
Disbursement to creditors

51.15%
Direct tax, VAT and others paid to the Government

17.49%
Wages and benefits to employees

14.08%
Dividend

Value Creation

[Gross turnover: BDT 7,932.09 mn] – [Material purchases and services cost: BDT 3,428.77 mn] + [Other income: BDT 55.52 mn] = [Value created: BDT 4,558.84 mn]

OPERATIONAL OVERVIEW

We find ourselves in a rapidly changing world, primarily driven by the COVID-19 (coronavirus) pandemic. We are witnessing global economic turmoil on a scale unlike anything experienced in modern history. COVID-19 has impacted every company and economy in some form. This thrust a sudden and unprecedented set of challenges on us. In the face of these, the Board supported the management team in rapidly activating a comprehensive response plan. This plan was aimed at stabilizing the business in the short term, while preparing for a strategic reset – Future RAK – to ensure a sustainable Group.

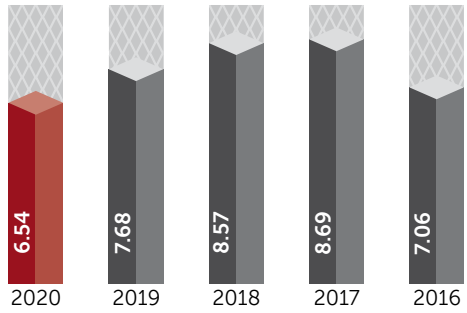
Health & Safety:

Health and Safety is the core value embedded in our Company's culture. Safe and reliable operations are precarious to value creation, supporting our strategy. Health & Safety gets the highest priority in any business decision. Our goal is ZERO Harm to people, communities and environment. We work to build a strong, safe culture and strive to reduce risks and minimize the potential impact of any incidents. We continuously work to improve our safety culture. We continue on our Health & Safety transformational path which is designed to reduce incidents and move us toward the ambition of ZERO Harm. We aim for reliability in operations to deliver superior returns to shareholders and maintain a positive customer experience.

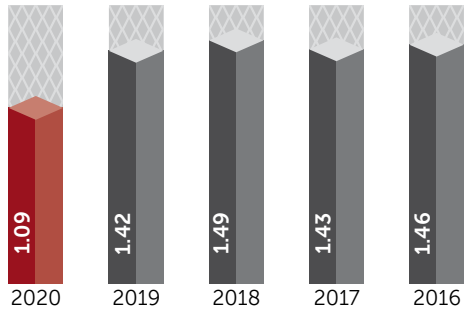
Production Performance:

Company has 8.04 million square meters of Tiles and 1.42mn Sanitary Ware pcs production capacity per annum. Production trend over the period are as:

TILES PRODUCTION (IN SQM MN)



SANITARYWARE PRODUCTION (IN PCS MN)



Sales & Marketing:

Our focus was capturing market share and re-build extended relationship beyond capital city Dhaka. Ceramics industry in Bangladesh getting competitive both in terms of threat of entry barrier and intense rivalry where market created pressure on price, high sourcing cost of raw material even though, RAK successfully maintained its premium category in the market, which is a testimony to customer confidence in our brands as well as unmatched product quality. In a highly price sensitive and competitive market like Bangladesh, the major challenge maintaining price premium and brand value on a sustainable basis. Company is successfully facing that challenge with right sales and marketing strategy, efficient sales force, continuous engagements of major influencers like architects, plumbers, fitters, masons, sub-contractors, builders and industry experts.

FINANCIAL OVERVIEW

Revenue and gross margin

The business experienced lower gross margins reduced by 7% and revenues to BDT 5,288.92 mn for the year ended 31 December 2020 (vs BDT 6,463.86 mn in 2019). This was an outcome of decline in demand primarily because of the pandemic, competitive market conditions that exerted pressure on prices and realisations and our continuous focus on volume over pricing and profitability through scale.

The Company's revenues from ceramic tiles division decelerated by 14.49% due to decline in demand deriving of COVID-19. Further, our sanitary-ware division's revenues declined by 26.43% due to intense price competition, lower demand, competitive market conditions and our decision to focus on volumes over pricing and profitability.

Return on capital employed

Our return on capital employed is one of the Company's primary performance metrics and is calculated as EBIT divided by capital employed. The Company continues to maintain ROCE at acceptable levels, with ROCE of 6.38% as at 31 December 2020 (2019: 14.02%). Operational working capital was optimised to 39.82% of sales (2019: 41.03%), particularly aided by actions aimed at reduce inventory, which declined by BDT 758.64 mn during the year to BDT 2,026.99 mn by the end of the year (2019: 2,785.63 mn).

Cash flow and leverage

The Company generated BDT 1,373.13 mn of net cash from operating activities during the year (2019: BDT 1,887.13 mn) through negotiating better payment terms with suppliers and ensuring a more stringent credit control with debtors (customers). Thus, a combination of increased operational cash flows and lower spending on capital assets and reduced net debt enabled the Company to significantly improve its net cash to BDT 1,949.19 mn (2019: BDT 1,499.310 mn). The Company continues to target further improvements in 2021 and beyond.



Our Key Financial Objectives

Our drive towards expanding shareholders value sustainably is guided by our continuous focus on our core financial objectives, which include the followings:

- **Sustainable delivery of operational and capital efficiencies to enhance return on capital employed (ROCE)**
- **Continuous improvement in our cost competitiveness**
- **Prudent management of balance sheet risks through our financial risk management strategy**
- **Prudent and disciplined resource and capital allocation, which is anchored on two broad areas:**
  - **One, strengthen the balance sheet**
  - **Two, focus on value-based resource allocation**

FINANCIAL PERFORMANCE 2020

Revenue	Amount in BDT mn
2020	5,288.92
2019	6,463.86
% Change	-18.18

Sales declined by 18.18% to BDT 5,288.92 mn, from BDT 6,463.86 mn in 2019.

Gross profit	Amount in BDT mn
2020	1,189.80
2019	1,907.74
% Change	-37.63

Gross profit lower by 37.63% to BDT 1,189.80 mn, from BDT 1,907.74 mn in 2019.

Net profit after tax	Amount in BDT mn
2020	310.65
2019	754.03
% Change	-58.80

Profit after tax lower by 58.80% to BDT 310.65 mn, from BDT 754.03 mn in 2019. Net profit margin stood at 5.87% for the year.

EBITDA	Amount in BDT mn
2020	923.46
2019	1,512.46
% Change	-38.94

EBITDA decrease by 38.94% to BDT 923.46 mn, from BDT 1,512.46 mn in 2019.

EPS	Absolute BDT
2020	0.73
2019	1.76
% Change	-58.80

EPS lower by 58.80% to BDT 0.73, from BDT 1.76 in 2019.

The Company's respectable performance for the year 2020 is evident in its profit and loss and other comprehensive income statements.

Revenue mix: The ceramics business accounted for a significant share of the Company's revenues. Other businesses, including power and security housed in subsidiary companies made decent contributions to our consolidated topline.

Revenue: Our topline was lower by 18.18% for the year under review, as compared to the previous year.

RAK Ceramics Result:

Revenue	Amount in BDT mn
2020	5,233.14
2019	6,408.00
% Change	-18.33

Revenues lower by 18.33% to BDT 5,233.14 mn in 2020 vs. BDT 6,408.00 mn in 2019.

Net profit after tax	Amount in BDT mn
2020	329.49
2019	793.65
% Change	-58.48

Profit after tax lower by 58.48% to BDT 329.49 mn in 2020 vs. BDT 793.65 mn in 2019.

RAK Power Result:

Revenue	Amount in BDT mn
2020	300.64
2019	352.40
% Change	-14.69

Net Profit After Tax	
2020	27.93
2019	50.67
% Change	-44.88

Profit after tax lower by 44.88% to BDT 27.93 mn in 2020 vs. BDT 50.67 mn in 2019.

RAK Security Result:

Revenue	Amount in BDT mn
2020	100.10
2019	107.56
% Change	-6.94

Net Profit/loss after tax	
2020	(0.07)
2019	(1.22)
% Change	94.26

Loss after tax improved by 94.26% to BDT (0.07) mn in 2020 vs. BDT (1.22) mn in 2019.

Operating profit:

	Amount in BDT mn
2020	438.48
2019	1,091.82
% Change	-59.84

Net operating profit lower by 59.84% to BDT 438.48 mn in 2020 vs. BDT 1,091.82 mn in 2019.

Operating expenses:

	Amount in BDT mn
2020	4,853.74
2019	5,412.62
% Change	-10.33

The Company's operating expenses (operating, marketing and administrative) decelerated by 10.33% to BDT 4,853.74 mn in 2020, against BDT 5,412.62 mn in the previous year. Operating cost as a percentage of sales increased to 91.77% in 2020, against 83.74% in 2019.

Operating cost matrix:

Revenue

Particulars	2020		2019		Increase/ (decrease) (%)
	Amount (BDT mn)	Proportion of sales (%)	Amount (BDT mn)	Proportion of sales (%)	
Cost of goods sold	4,099.12	77.50	4,556.11	70.49	(10.03)
Marketing expenses	414.38	7.83	456	7.05	(9.13)
Administrative expenses	340.24	6.43	400.51	6.20	(15.05)

Administrative expenses:

	Amount in BDT mn
2020	340.24
2019	400.51
% Change	-15.05

Administrative expenses lower by 15.05% to BDT 340.24 mn, from BDT 400.51 mn in 2019, primarily on account of reduced staff costs as well as lower maintenance and IT expenses.

Marketing expenses:

	Amount in BDT mn
2020	414.38
2019	456.00
% Change	-9.13

Marketing expenses lower by 9.13% to BDT 414.38 mn, against BDT 456.00 mn in 2019, mainly due to control in advertisement, branding, rental (showroom) and travelling expenses.

Financial expenses:

	Amount in BDT mn
2020	19.67
2019	27.32
% Change	-28.00

Interest expenses against borrowings reduced by BDT 2.78 mn and interest expenses against lease liability lower by BDT 1.78 mn in 2020. Foreign exchange loss decreased by BDT 5.40 mn largely due to lower operating activity and bank charge increase by BDT 2.31 mn. In addition to volatile forex market during crisis period.

BALANCE SHEET PERFORMANCE

Shareholders' fund:

Amount in BDT mn

Particulars	2020	2019	% change
Share capital	4,279.69	4,279.69	-
Share premium	1,473.65	1,473.65	-
Retained earnings	1,269.98	1,601.28	-20.69
Shareholders' fund	7,023.31	7,354.61	-4.50

Shareholders' fund lower by 4.50% to BDT 7,023.31 mn in 2020, against BDT 7,354.61 mn in 2019.

Non-current assets:

Fixed assets additions: During the year 2020, total additions to fixed assets, including subsidiary companies, stood at BDT 364.22 mn. Major additions to fixed assets comprised purchase of plant and machinery and building and office equipment, etc.

Intangible assets: Expenditure to acquire designs, development and brand rights, trademarks and other licenses for manufacturing of ceramic tiles and sanitary-ware are treated as revenue expenditure. This practice continued in 2020 as well.

Capital work-in-progress: The Company invested BDT 56.64 mn in heavy equipment, mainly in its power plant, which is expected to be in operation for January 2021.

Current assets:

Inventory

Amount in BDT mn

Particulars	2020	2019	% change
Finished goods	424.18	701.96	-39.57
Raw materials	562.10	798.91	-29.64
Stores and consumables spares	869.01	951.86	-8.70
Work-in-process	47.29	104.69	-54.83
Goods-in-transit	124.41	228.21	-45.48
Total Inventory	2,026.99	2,785.63	-27.23

Inventory constitutes finished goods worth BDT 424.18 mn, raw materials worth BDT 562.10 mn, stores and consumables spares of BDT 869.01 mn, work-in-process of BDT 47.29 mn and goods-in-transit worth BDT 124.41 mn. The Company sustained its policy of maintaining adequate inventory of key inputs to ensure uninterrupted operations while reducing substantially.

Trade and other receivables:

Amount in BDT mn

Particulars	2020	2019	% change
Trade receivable	997.28	813.48	22.59
Other receivables	11.52	46.48	-75.22
Trade and other receivables	1,008.80	859.96	17.31

These largely comprise of trade receivables, whereby our average receivables cycle is maintained as per the Company's well-structured credit policy. Relaxed/ Extended credit limit causing increase of receivables in 2020 compare to 2019.

Asset composition:

Particulars	2020		2019		Increase/ (decrease) (%)
	Amount (BDT mn)	Proportion of assets (%)	Amount (BDT mn)	Proportion of assets (%)	
Non-current assets	3,671.47	29.34	3,913.70	30.67	-6.19
Current assets	8,843.96	70.66	8,846.16	69.33	-.02
Total	12,515.43	100.00	12,759.86	100.00	-1.92

Cash and bank balances:

Amount in BDT mn

Particulars	2020	2019	% change
Cash-in-hand	5.90	3.63	62.53
Cash-at-bank	1,943.30	1,495.68	29.93
Total	1,949.19	1,499.31	30.01

Cash and bank balances include cash-in-hand of BDT 5.90 mn, balances in bank accounts to the extent of BDT 790.72 mn and fixed deposits of BDT 1,152.58 mn. Cash balance has improved significantly due to highest level control in cash operation during the crisis period.

Equity and liabilities:

Capital and reserves: Our equity capital comprised 427,968,701 equity shares of face value of BDT 10 each. The market value of the share is BDT 26.10 (as on 30 December 2020 on the DSE), resulting in a market capitalisation of BDT 11,170 mn as at the end of the year.

Non-current borrowings: There were no non-current borrowings during the year.

Current borrowings: Offshore financing is the only facet of our current borrowings.

Current liabilities:

Current liabilities

2020	5,291.06
2019	5,183.98
% Change	2.07

Current liabilities increased by 2.07% to BDT 5,291.06 mn, against BDT 5,183.98 mn in 2019.

Analysis of cash flows:

Cash flow from operating activities: Operating cash flow decreased by 22.49% to BDT 1,228.66 mn, from BDT 1,585.22mn in 2019, principally due to extended credit facilities for the customers. This resulted in net operating cash flow per share to decrease to BDT 2.87 in 2020, from BDT 3.70 in 2019.

Cash flow from investing activities: Net cash used in investing activities reduced by 22.68% to BDT 147.09 mn in 2020, as against BDT 190.24 mn in 2019, due to lower outflow of cash for acquisition of property, plant and equipment on the one hand and more cash generated from interest income and cash generated from sale of fixed assets on the other.

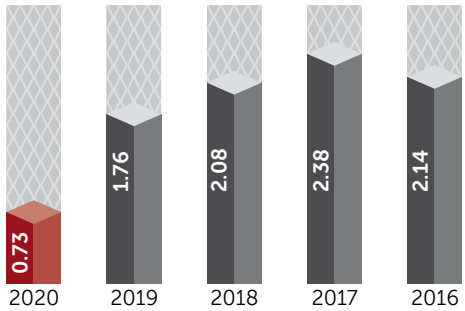
Cash flow from financing activities: Net cash used in financing activities reduced by 12.88% to BDT 631.89 mn from BDT 725.28 mn in 2019, largely due to lower repayment of term loans and cash received from short-term loans. Cash dividend paid in excess of last year comprised BDT 247.08 mn.

OUR PERFORMANCE
HOW WE MEASURE OUR PROGRESS

Definition: Earnings per share (EPS) is calculated as the Company's profit divided by the outstanding number of ordinary shares. This is the primary determinant of valuing our share price.

Performance

EPS - RESTATED (BDT)

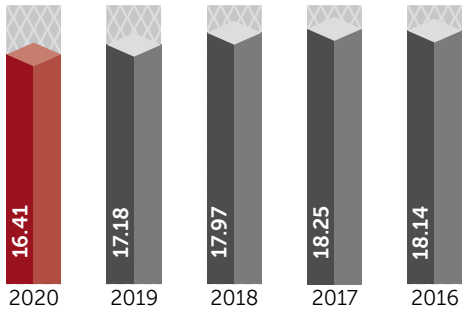


Observation: The main reason of the significant decrease of EPS due to production plant was temporarily shut down due to COVID-19, which impacted business earnings.

Definition: Net asset value (NAV) per share represents the net value of an entity per share and is calculated as the total equity less non-controlling interest divided by the number of total outstanding shares.

Performance

NAV PER SHARE (BDT)

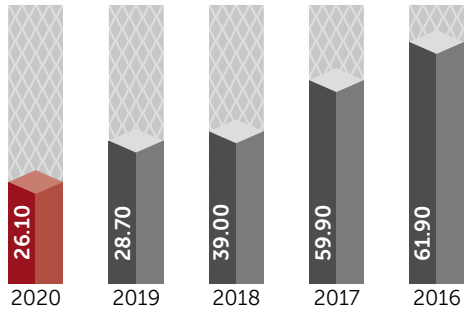


Observation: Equity has negatively impacted due to reduce of retained earnings.

Definition: Market price of stock over the period. Market price of stock multiplied by outstanding number of ordinary shares determine the market capitalisation or the intrinsic value of the Company.

Performance

STOCK PERFORMANCE (BDT)

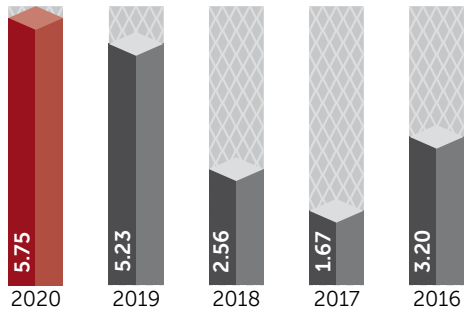


Observation: The Dhaka Stock Exchange (DSE), turned in a negative index return of -17.3% in 2020 due to various macroeconomic factors, including global, thus impacting our stock price.

Definition: Dividend yield represents a financial ratio that measures the quantum of cash dividends paid out to shareholders relative to market value per share.

Performance

DIVIDEND YEILD (%)

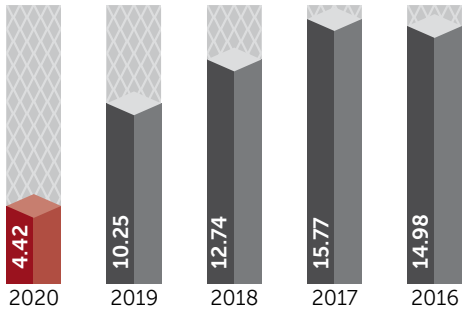


Observation: Board of Directors of the Company recommended dividend more than the profit earned during the year subject to approval of AGM. Current share price also reduced due to various macroeconomic factors.

Definition: Return on shareholders' fund shows how much money is returned to the owners (shareholders) as a percentage of the money they have invested or retained in the company.

Performance

RETURN ON SHAREHOLDER'S FUND (%)

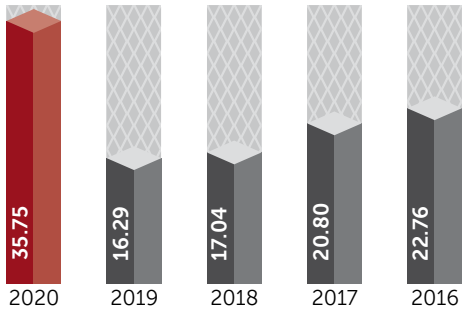


Observation: The decrease in revenue and unabsorbed shutdown cost for COVID-19 reduced the bottom line caused decline of return on shareholders' fund.

Definition: The price earnings ratio (P/E ratio) is the ratio for valuing a Company by measuring its current share price relative to its earnings per share.

Performance

PE RATIO (TIMES)

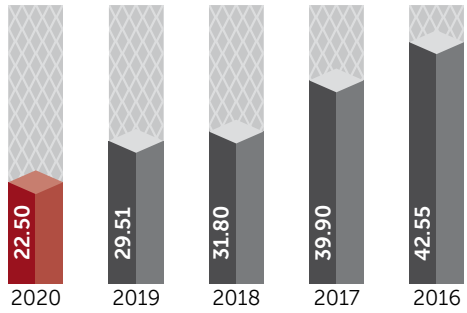


Observation: Due to decrease of EPS, PE ratio has impacted in proportion.

Definition: The gross profit margin is calculated by taking revenue minus the COGS and dividing the difference by revenue. The gross margin result is typically multiplied by 100 to show the figure as a percentage.

Performance

GROSS PROFIT MARGIN (%)

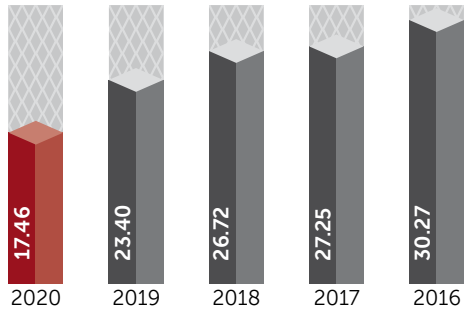


Observation: The decrease in revenue and unabsorbed shutdown costs due to COVID-19 impacted gross profit margin.

Definition: Earnings before depreciation, interest, tax and amortisation is a measure of the Company's overall financial performance. EBITDA margins provide investors a snapshot of short-term operational efficiency.

Performance

EBITDA (%)

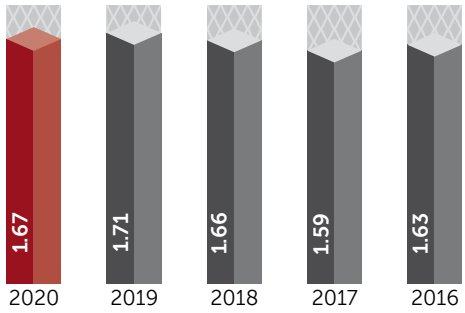


Observation: A lower gross margin caused a decline in all other margin parameters, which was not offset by the reducing of cost or increase of product sales price.

Definition: Current ratio measures the Company's ability to honour short-term obligations like debt payable or those due within one year. This is computed as current asset over current liability.

Performance

CURRENT RATIO (TIMES)

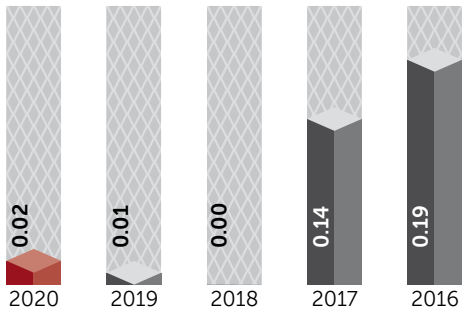


Observation: Current asset of the company remain almost unchanged. However, current liability increased marginally due to increase of short term loan and income tax provision.

Definition: Debt equity (D/E) is calculated by dividing the company's total debt by shareholders' equity. It is measure of the extent of the company financing its operations through debt verses equity.

Performance

DEBT EQUITY RATIO (TIMES)

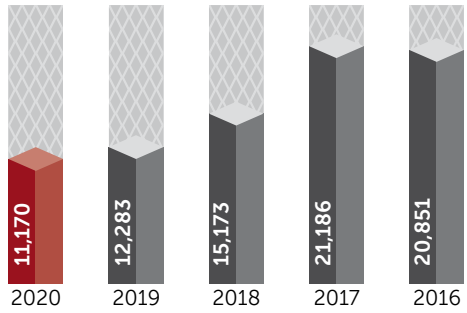


Observation: The Company's prudent debt management policies helps in the sustenance of optimum leverage.

Definition: Market capitalisation is the aggregate market value of a Company. It is computed based on the current market price (CMP) of its shares and the total number of outstanding shares.

Performance

MARKET CAPITALIZATION (BDT)

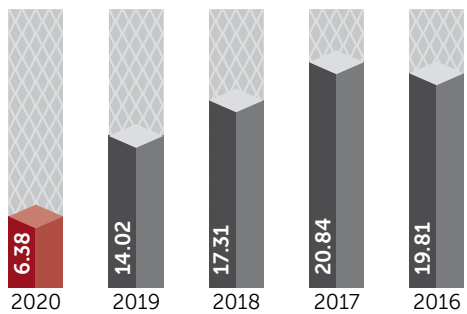


Observation: The Dhaka Stock Exchange recoded a negative 17.3% index due to various macroeconomic factors which caused lower market price of the shares.

Definition: Return on capital employed (ROCE) measures how efficiently a Company can generate profits from its capital employed by comparing net operating profit against capital employed.

Performance

RETURN ON CAPITAL EMPLOYED (%)



Observation: A lower gross profit margin has impacted all other margin parameter including return on capital employed.

PERFORMANCE AT A GLANCE

Despite a challenging environment such as those prevailing currently, both in Bangladesh and in many regions of the world, RAK Ceramics (Bangladesh) constantly implements strategies and actions to ensure sustainable long-term development and growth. From leveraging natural qualities of ceramic products to create alluring lifestyle solutions, to bringing out the best in employee talent, we achieve performance that promote our sustainable vision for the future. The year 2020 was no different as we made rapid strides despite a challenging external environment.



SEGMENT-WISE PERFORMANCE

A. RAK Ceramics (Bangladesh) Limited

(i) Tiles

Installed capacity

- 10.32 mn sqm. annually

Highlights, 2020

- Capacity utilisation stood at 63% at our tiles plant
- Cumulative production stood 6.54 mn sqm, 15% lower than the previous year

Roadmap, 2021

- Enhance capacity utilisation as per demand recovery and optimise fixed costs
- Focus on enhancing process efficiency and cost controls
- Explore rural markets for diversifying sales beyond major metropolitan areas

(ii) Sanitaryware

Installed capacity:

- 1.45 mn pcs. annually

Highlights, 2020

- Capacity utilisation stood at 75% at our sanitary-ware plant
- Production stood at 1.09 mn pcs., 23% lower than vs. previous year on account of Covid-19 impact.

Roadmap, 2021

- Place emphasis on scaling up capacity utilisation
- Focus on value-added products, including closets that help in water-savings, etc.

B. RAK Power Pvt. Ltd.

Installed capacity:

- 13 MW

Highlights, 2020

- Power plant capacity was available in excess of 90% of installed capacity during the year 2020
- Significant proportion of generated power was primarily to meet captive requirements of the parent company, RAK Ceramics (Bangladesh)

C. RAK Security and Services (Pvt.) Ltd

Overview

The Company is in the business of providing security and other services to Group companies as well as third-party customers.

Highlights, 2020

- The Company reported revenue of BDT 100.09 mn in 2020, vs. BDT 107.56 mn in 2019
- The decline was primarily due to income from labour services (manned guarding) moderating by 6.94%, vs. 2019

Roadmap, 2021

- Expand customer base in the country by leveraging experience
- Focus on profitability recovery/restoration

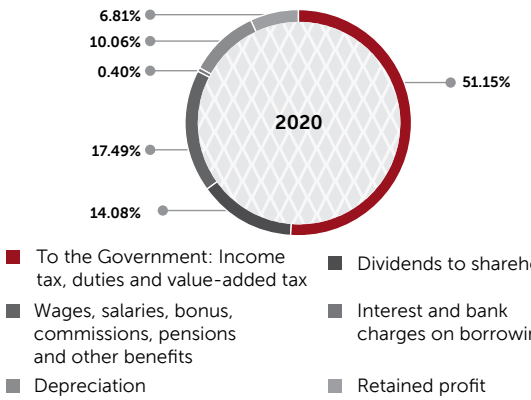
Segment reporting, 2020

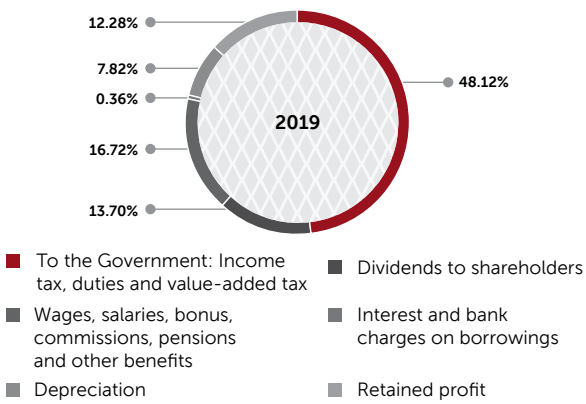
(Amount in BDT mn)

PARTICULARS	RAK CERAMICS	RAK POWER	RAK SECURITY	INTER COMPANY ELIMINATION	ENTITY TOTAL
Sales	5,233.14	300.64	100.09	(344.95)	5,288.92
Gross profit	1,113.90	46.76	17.05	12.09	1,189.80
Profit before tax	456.33	38.17	(0.28)	(46.68)	447.54
Profit after tax	329.48	27.93	(0.06)	(46.82)	310.65

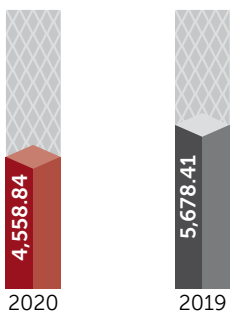
VALUE ADDED STATEMENT

Particulars	2020		2019	
	Amount	%	Amount	%
Revenue	7,932,090,446		9,370,529,566	
Other income	55,522,446		79,082,208	
Less: Payments to suppliers for materials and services	3,428,768,190		3,771,203,013	
Value-added	**4,558,844,702**	**100%**	**5,678,408,761**	**100%**
Distribution of value-added				
To the Government: Income tax, duties and value-added tax	2,332,054,206	51.15%	2,732,444,417	48.12%
To the suppliers of capital				
Dividends to shareholders	641,953,052	14.08%	778,124,906	13.70%
To employees				
Wages, salaries, bonus, commissions, pensions and other benefits	797,244,333	17.49%	949,390,122	16.72%
To providers of finance				
Interest and bank charges on borrowings	18,194,519	0.40%	20,449,121	0.36%
Retained for reinvestment and future growth				
Depreciation	458,745,141	10.06%	443,974,986	7.82%
Retained profit	310,653,452	6.81%	754,025,209	13.28%
Total	**4,558,844,702**	**100%**	**5,678,408,761**	**100%**

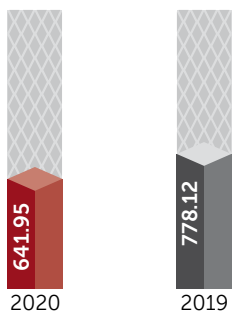


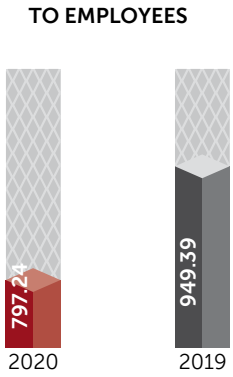


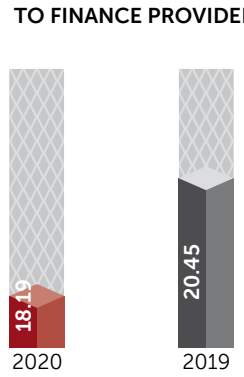
VALUE - ADDED

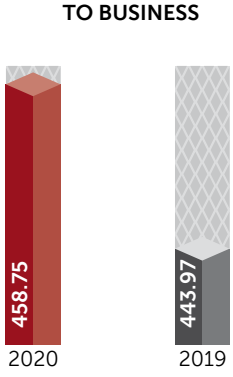


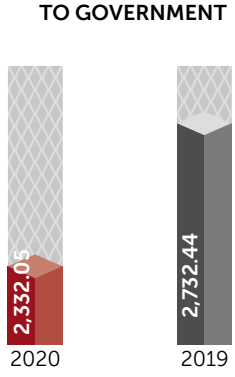
TO SHAREHOLDERS





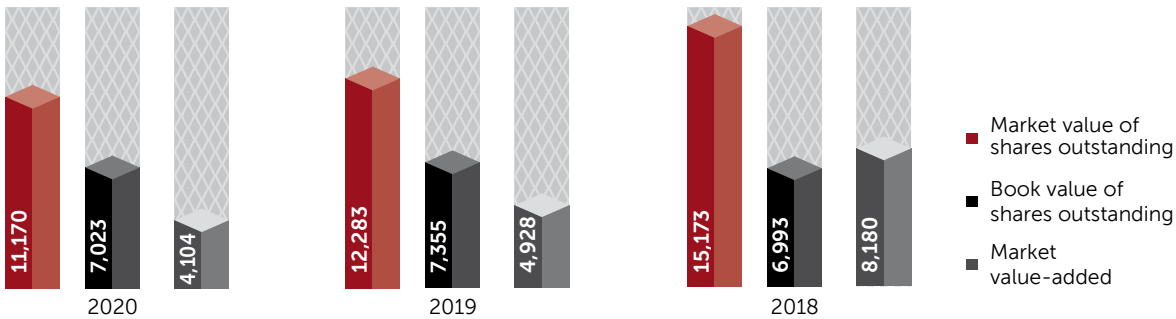






Market value-added statement:

Particulars	2020	2019	2018
Market value of shares outstanding	11,170	12,283	15,173
Book value of shares outstanding	7,023	7,355	6,993
Market value-added	**4,147**	**4,928**	**8,180**

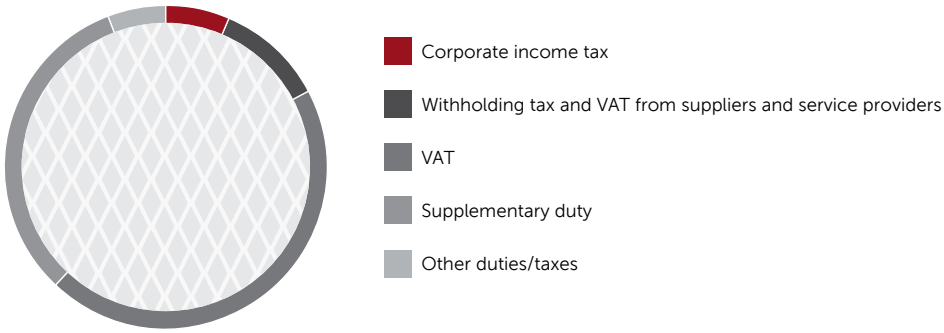


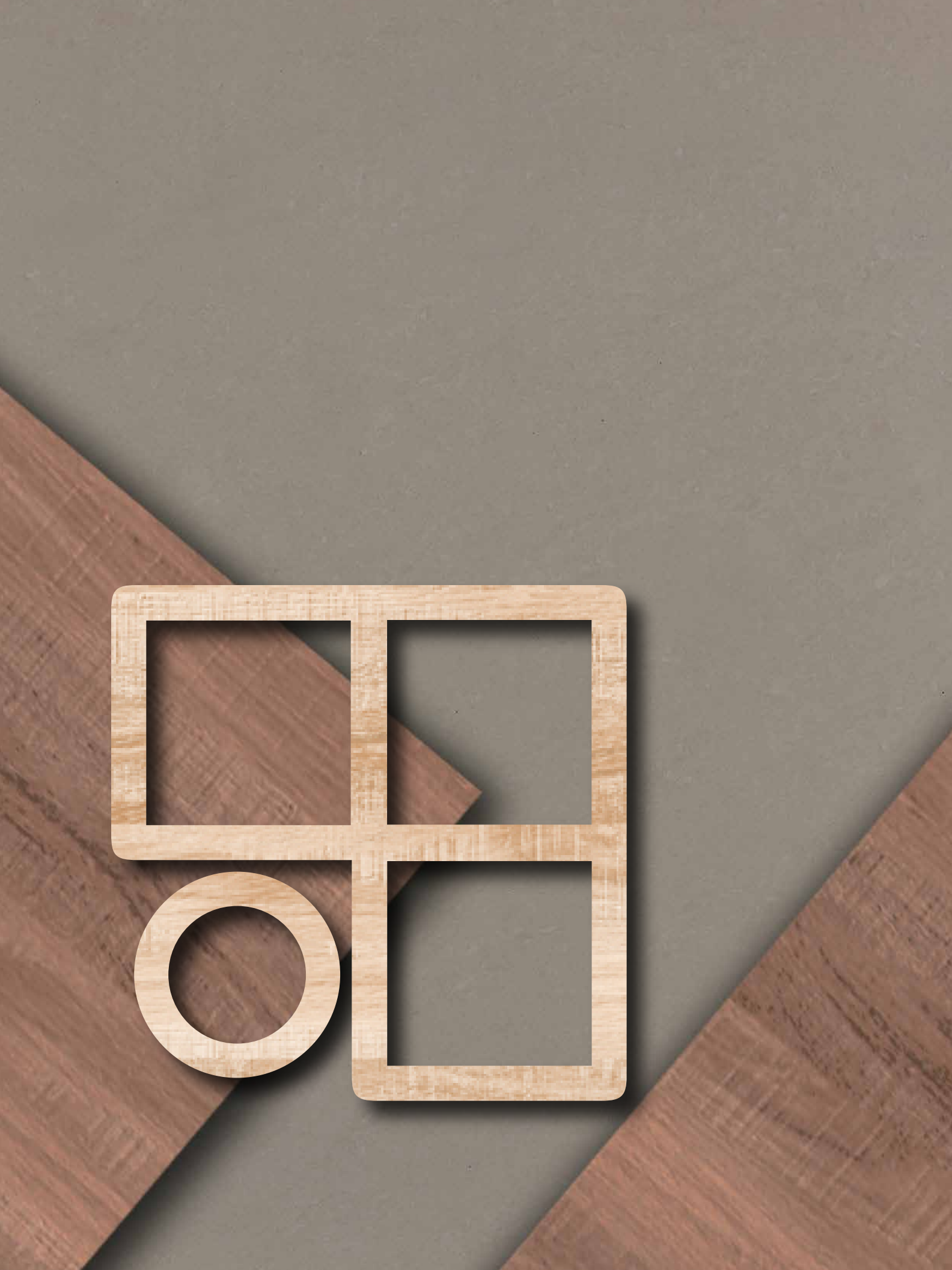
Economic value-added statement:

Particulars	2020	2019
Net operating profit after tax (NOPAT)	301,594,623	801,436,113
Total capital employed	7,224,364,792	7,575,879,917
Cost of capital (in %)	9%	10.4%
Cost of capital (COC)	651,944,050	790,899,501
EVA = NOPAT - COC	(350,349,428)	10,536,612

CONTRIBUTION TO
NATIONAL EXCHEQUER 2020

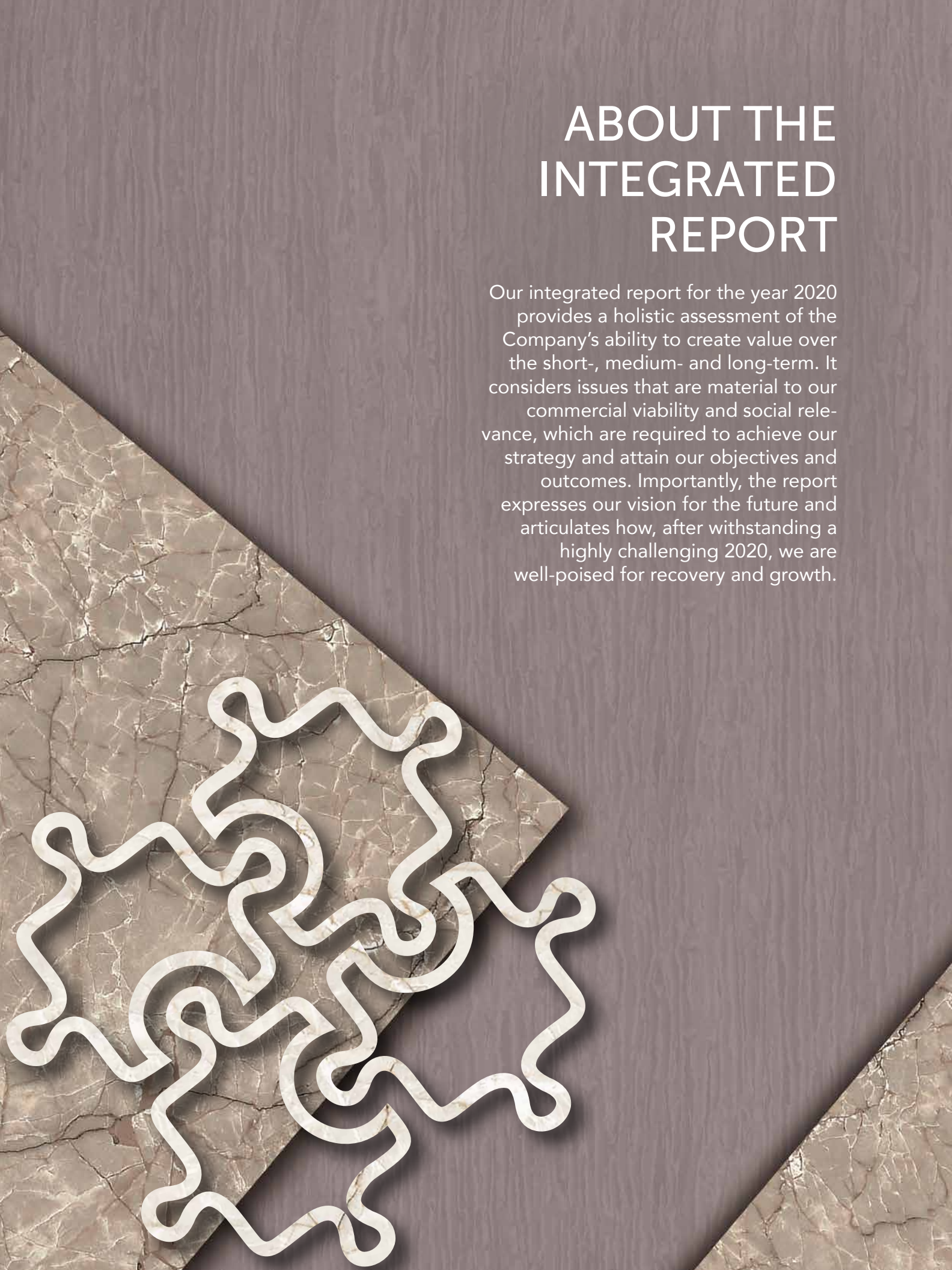
SERIAL NO.	PARTICULARS	AMOUNT IN BDT
01.	Corporate income tax	154,596,401
02.	Withholding tax and VAT from suppliers and service providers	248,901,576
03.	VAT	1,046,220,307
04.	Supplementary duty	749,487,466
05.	Other duties/taxes	132,848,456
	Total contribution to the national exchequer	2,332,054,206





ABOUT THE INTEGRATED REPORT

Our integrated report for the year 2020 provides a holistic assessment of the Company's ability to create value over the short-, medium- and long-term. It considers issues that are material to our commercial viability and social relevance, which are required to achieve our strategy and attain our objectives and outcomes. Importantly, the report expresses our vision for the future and articulates how, after withstanding a highly challenging 2020, we are well-poised for recovery and growth.



ABOUT THE INTEGRATED REPORT

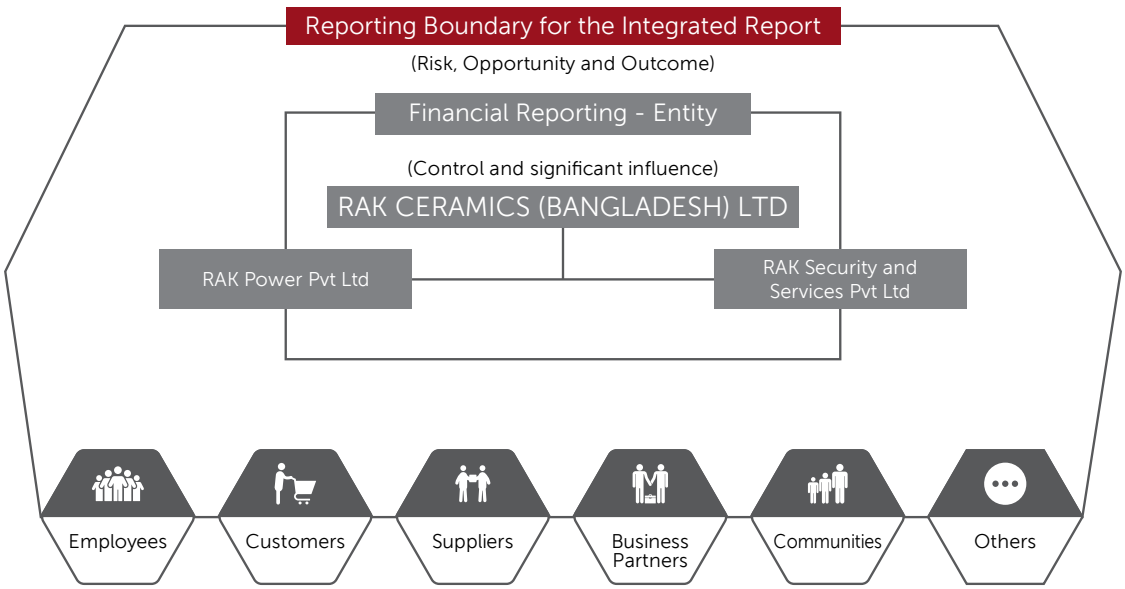
Overview

RAK Ceramics (Bangladesh) presents its 2020 integrated annual report to appraise shareholders of operational, financial and governance developments, and to outline the challenges encountered in a tough year for the group.

Our Directors believe that good governance is the foundation for sustainable value creation, with the Company's reporting being anchored on the broader governance principles of accountability and transparency, ethical standards and compliance. We are committed to effective governance across the business and, over the past year have strengthened our governance practices to be able to improve our stewardship.

Our integrated annual report is focused primarily on our shareholders, the primary providers of our financial capital, and the wider investor community. We also recognise that several other stakeholder groups are important to us and influence our ability to create value, including our employees, customers, suppliers and regulators.

INTEGRATED REPORT TO OUR PRIMARY STAKEHOLDERS



Reporting principles

The Financial and statutory data presented in compliance with the requirements of the Companies Act 1994, Bangladesh Securities and Exchange Commission and International Financial Reporting Standards. This report has been prepared complying with the framework of the International Integrated Reporting Council, published in 2013, and discloses performance comparing key performance indicators applicable to RAK Ceramics. Our sustainability report is prepared as per GRI Sustainability Reporting.

Our report complying the following reporting standard and framework–

- International Integrated Reporting Framework <IR>
- Companies Act 1994
- Securities Exchange Ordinance 1969
- International Financial Reporting Standard (IFRS)
- Other Applicable laws, rules and regulations

Reporting scope and boundary

The integrated annual report covers the financial and non-financial performance of RAK Ceramics (Bangladesh) and two of its subsidiaries, for the financial year 1 January 2020 to 31 December 2020.

Reporting period

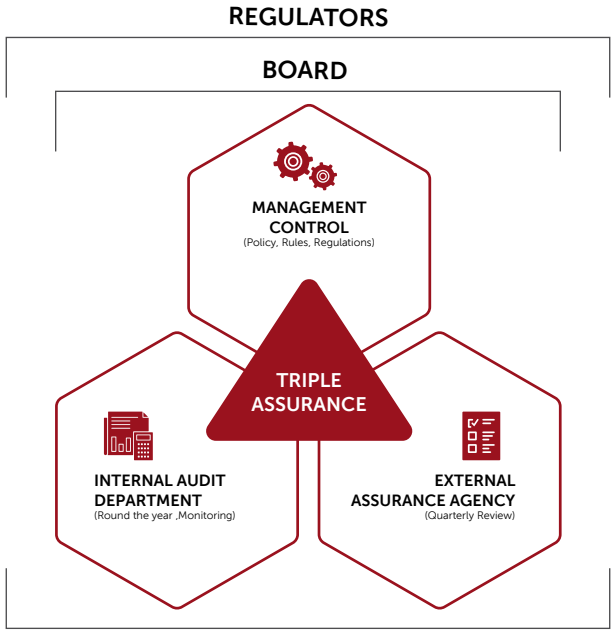
The information and analysis is reported for the period 1st January 2020 to 31st December 2020. For key performance indicators, comparisons and analysis for the last three to five years have been incorporated in the report to provide complete information for association and reference for the readers.

Materiality of disclosure

The principle of materiality continues to be applied in determining the content and disclosure in the integrated annual report. This covers internal or external issues that we believe could have a material impact on the Company's ability to create value. This report excludes the disclosure of price sensitive information or any other details that could compromise the Company's competitive position.

Internal control and governance

The Board, in association with the Audit Committee, monitors and evaluates RAK's internal control and risk assessment framework. We apply a triple assurance model to enhance the assurance obtained from the management, internal audit cell and external assurance providers, while promoting a strong ethical work environment to ensure the highest level of compliance. Internal control process is monitored and evaluated under the direction of internal audit, while external audit cover key controls accounting matters in the course of their audit. The Board and Audit Committee assessed the effectiveness of internal controls mechanism for the year ended 31st December 2020 as satisfactory. Management agreed that the facts and figures on the consolidated financial statements present fairly our financial position, results of operations and cash flows as on 31st December 2020.



Assurance

The content of the integrated annual report 2020 has been reviewed by the management. The Company's independent auditor, ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL) has provided assurance on the annual financial statements and corporate governance certification by the M/s Jasmin & Associates, Chartered Secretaries.

How we use Six Capitals

While we take any business decisions on how to create and capture value, we have a combination of resources, capabilities, structure and relationships to deliver value. We term these as the six capitals. Our aim is to provide a holistic picture of the combination, inter-relatedness and dependencies between the factors that affect our ability to create value over the time.

Financial | **Manufactured** | **Intellectual** | **Human** | **Social and Relationship** | **Natural**

Our Material Matters

Material matters are those issues that could substantively affect our organization's ability to create value in the short, medium and long term and result in us not being able to execute our strategy and impact our ability to remain competitive.

- Growth under continued increasing competitive industry
- Operating under volatile macro-economic environment
- Sustaining Profit
- Efficient and Effective Human Resources

Our Major Risks

In pursuing our goals towards creating and sustaining value for our stakeholders, we are committed to manage effective risk, with the ultimate aim to minimize impact on business return. In 2020 we faced challenges and risks associated with various events that significantly impacted our business, including COVID-19 and macroeconomic volatility. We understand the risks associated with our business and we manage them proactively and effectively guided by our Enterprise Risk Management Framework. Major risk identified are:

- Macroeconomic and political risks
- Operational Safety Risks
- Cost and availability of raw materials
- Currency risks
- Technological risks
- Covid-19 risks

Our Key Stakeholders

Our ongoing engagement with stakeholders for understanding stakeholder's needs and interests to position us for a sustainable future. Our approach to stakeholder engagement is to be perceived and experienced as a credible partner. Our ultimate aim is to be transparent, deliver on our promises and co-develop sustainable solutions with our stakeholders include:

- Investors
- Customers
- Community
- Government and Regulator
- Employees
- Other Business Partners

Management Responsibility

All material and significant disclosure reported are aligned with the applicable disclosure requirements as per Companies Act 1994, and Bangladesh Securities and Exchange guidelines and notification issued time to time. To enhance governance inaccuracy, risk management and controls, the contents of this Report have been reviewed by the senior executives of the Company.

Disclaimer

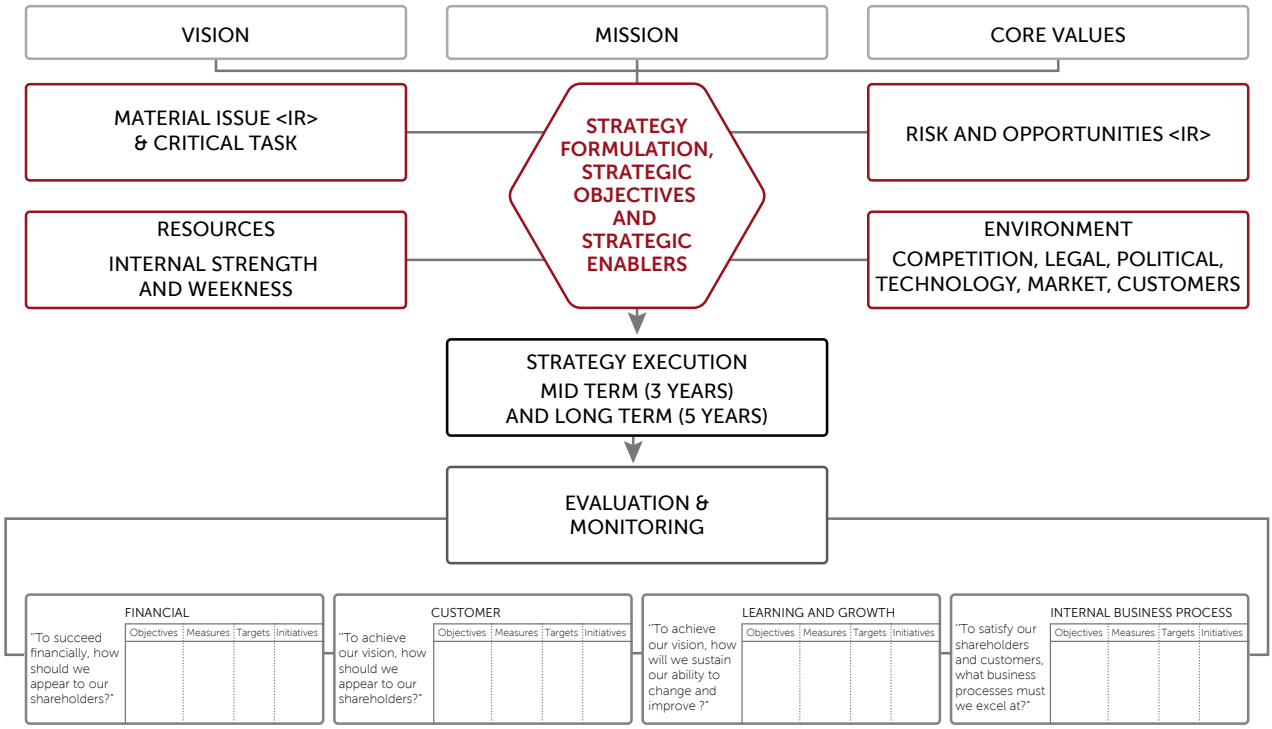
Shareholders will note that the integrated annual report includes forward-looking statements which relate to the possible future financial position and results of the company's operations. These are not statements of fact but rather statements by the management based on current estimates and expectations of future performance. No assurance can be provided on these forward-looking statements, and shareholders are advised to exercise caution in this regard.

Availability of the Annual Report

The Annual Report of the Company is sent to all shareholders through email in due course of time whose email address is available with us as per CDBL record on record date and copy of the same is also made available on the website of the Company: http://www.rakceramics.com/bangladesh. In case of non-receipt of the Annual R eport sent through email, shareholders are welcome to collect the same from the Registered Office of the Company.

OUR STRATEGIC PLANNING PROCESS

As part of our time-tested strategic planning process, we carefully analyse the external environment for assessing market dynamics, structural shifts and potential disruptions, and judge how these factors will impact our business. Embracing this approach in formulating our strategy, we consider both the opportunities and risks prevalent in the external environment. We also identify risks and opportunities that could potentially disrupt the industry. Thus, our strategy enables us set a direction and remain focused on our objectives to foster sustainable growth, enhanced shareholder returns and enduring value for all our stakeholders over the short-, medium- and long-term.



OUR STRATEGIC OBJECTIVES



RS001 Optimize return through growth and dividend

Focus Area:

Expansion of production capacity for value-added products

Market penetration out of the capital city of Dhaka

Key measures

Production capacity on tiles (in SQM)

Production capacity of sanitaryware (in pieces)

Market share (%)

New models added during the year.

Goal

Maximise utilization of available capacity

RS002 Focused strategic segment

Focus area:

Introduce value-added products every quarter

Create new demand across new sectors

Key measures

Revenue and profitability from value added products

Revenue and profitability from strategic segment

Goal

Focused strategic segment for differentiation.

RS003 Leadership in ceramics technology

Focus area:

Pioneer in ceramics tiles technology.

Pioneer in sanitaryware technology

Protect business from disruption

Key measures

Agility on technology deployment

Reduce cost of production

Introduce value added product per quarter

Goal

Maintain leadership position in ceramics technology in Bangladesh

RS004 Industry leadership in cost efficiency

Focus area:

Continue improve value chain performance to reduce cost

Source material directly from mine owners or manufacturers

Bringing down cost using technology and manufacturing capital

Bring down energy costs

Key measures

Reduction of gas utilization per square meter.

Increase/improve top grade production compare to previous year

Goal

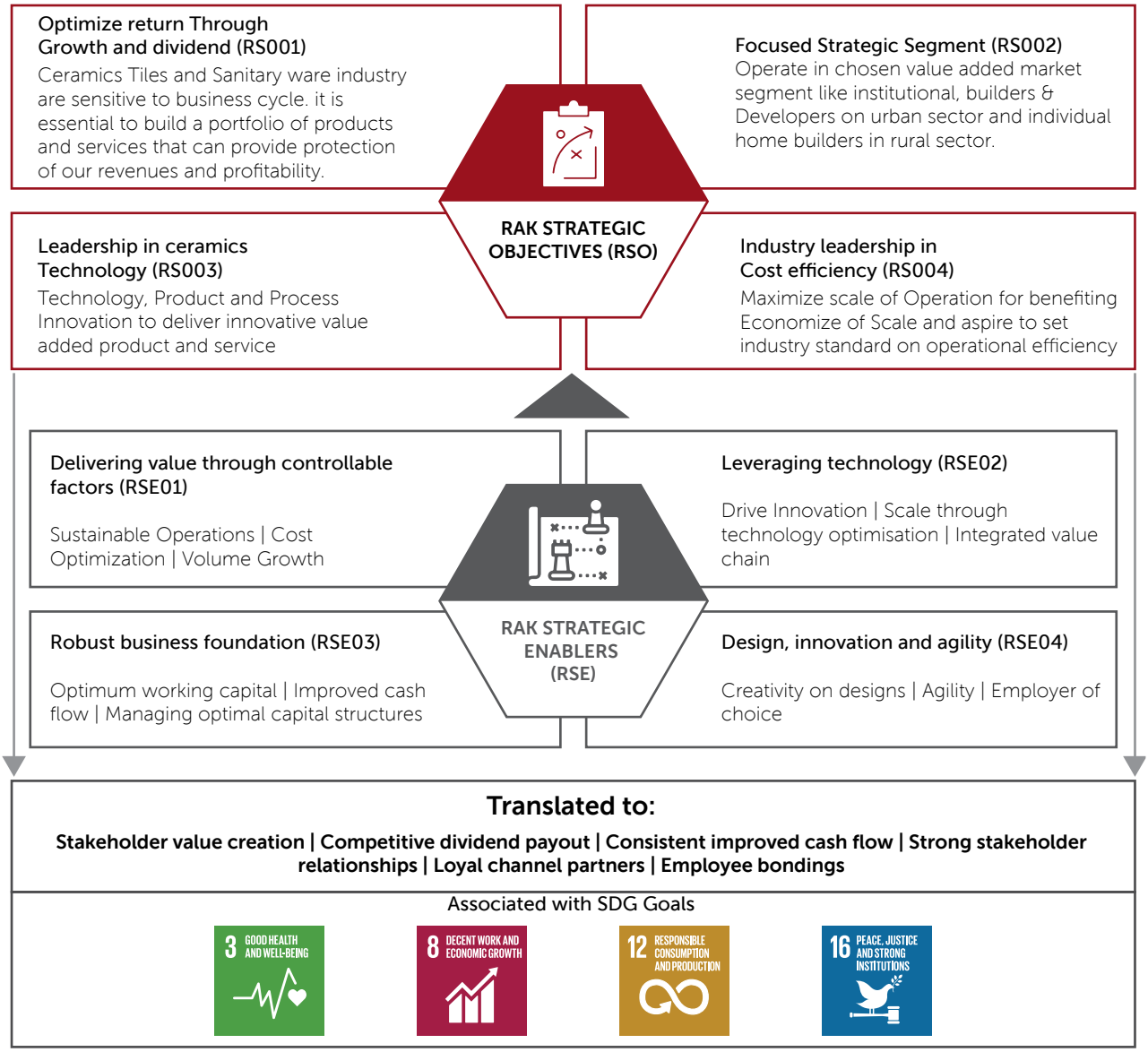
Enhancement cost efficiency

ACCELERATING
VALUE-BASED GROWTH

At RAK Ceramics, Our primary objective is to be the lowest and comparative cost-efficient producers of ceramics tiles and sanitaryware in the industry. To respond to challenges, such as improving productivity, maintaining cost competitiveness and being innovative in a fast-changing and challenging business environment, RAK Ceramics needs to strengthen its market leadership through defined a set of strategic objectives.

To achieve these objectives, RAK Ceramics has also identified a set of core capabilities, or strategic enablers, which support the attainment of our strategic objectives. We refined our strategy to drive sustainable value creation, sharpened our focus to leverage our core strengths, while embedding increased discipline in how we allocate resources. Our value-based strategy is anchored on leveraging our competitive strengths in the ceramics industry.

VALUE-BASED STRATEGY TO DELIVER SUSTAINABLE GROWTH



HOW WE DO BUSINESS
AND CREATE SUPERIOR VALUE

We manage an integrated value chain process from creating superior value to capture value through lifestyle products. Each product we produce is crafted to cater to those who appreciate the finer things in life. Throughout this process we identify opportunity, risk, material issue that can impact delivering value to sustainable enterprise.

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

Our Values
Responsibility
Accountability
Integrity
Impartiality
Efficiency
Discretion

RAK Strategy

RS 001

RS002

RS003

RS004

CERAMICS TILES - RAK Ceramics is a pioneer in introducing hi-tech innovations that are a breakthrough in the industry. A wide range of technologies are used at the company's plant including digital printing technology, double charge, roll feed and other advanced technologies such as granitech, technoslate, twin press, dry glaze and waterjet to name but a few.

- Deliver value by optimizing and leveraging designed tiles that suits lifestyle.
- Focusing growth in value added larger tiles in differentiated market.
- Explore, develop and procure raw materials worldwide.
- Continuously improve value chain performance

SDG Goals





Create Superior Value
Zero Harm
Healthy Cash flow
Highest Customer Satisfaction
Sustainable Profit Growth
Consistent Return to Investors

Monitor Score Cards and KPIs
Safety
Quality
Profitability
Return to Investors
Market Capitalization

Operational Environment Scanning
Internal Environment
External Environment
Market Environment
Health & Safety Environment

Our Strategic Objective (RSO)
Optimize return through growth and dividend (RS001)
Focused strategic segment (RS002)
Leadership in ceramics technology (RS003)
Industry leadership in cost efficiency (RS004)

Our Risk Assessment
Identify
Measure
Manage
Monitor
Re-aligned business model

SANITARYWARES - RAK Ceramics product development has created a very wide range of products with carefully niched details and quality design to suit international tastes, incorporating the latest rimless technology. RAK Ceramics sanitary ware range has the perfect solution for bathroom, whatever customer have imagined. Our exquisite range of sanitartywares completes the lifestyle offering to millions of our customers across the country.

- Deliver value by optimizing and leveraging designed sanitaryware that suits changing lifestyle.
- Focusing growth in value added water efficient closet at differentiated market.
- Explore, develop and procure raw materials worldwide.
- Continuously improve value chain performance

RAK Strategic Enablers (RSE)
Delivering value through controllable factors (RSE01)
Leveraging technology (RSE02)
Robust business foundation (RSE03)
Design, innovation and agility (RSE04)





SDG Goals

Material Matter
Sustainable Growth
Macro-economic Environment
Sustaining Profit
Human Capital

Using Six Capitals
Financial
Manufactured
Intellectual
Human
Social & relationship
Natural

Stakeholder Engagement
Investor
Customer
Community
Regulator
Employees

* SDG – Sustainable Development Goals

WHAT
DIFFERENTIATES US

Our highly skilled people with technical and operational capabilities

Strong brand recall in Bangladesh

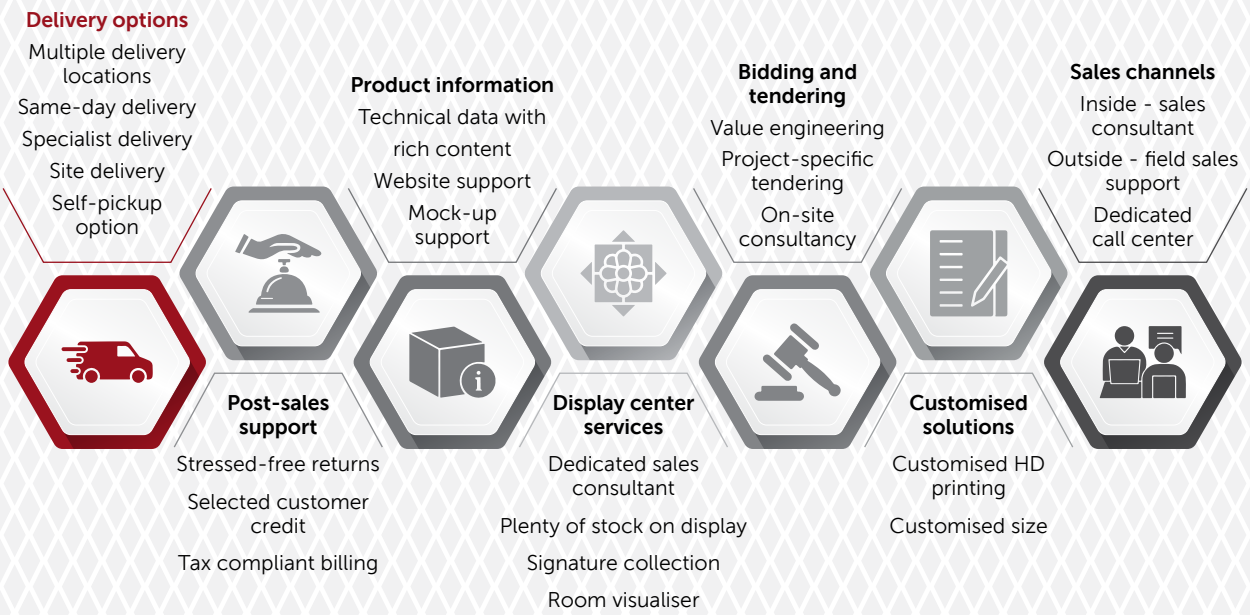
Strong customer relationships

Customer's first choice

Our ability to manage complex integrated value chains and production facilities

Effective and efficient dealer's network throughout Bangladesh

HOW WE SERVE OUR CUSTOMER





HOW WE CREATE VALUE
USING SIX CAPITALS

KEY INPUTS

SIX CAPITALS

Financial capital

We are disciplined in the way we allocate our financial resources. We use cash generated from our operations and investments, as well as debt and equity financing, to run our business and fund growth.

Manufacturing capital

We have invested in our manufacturing capital, manifest in our plant and equipment and land and buildings, to convert natural clay into lifestyle building product streams and for ensuring operational reliability. These investments also help manage our environmental footprint and assist us to comply with regulatory requirements.

Intellectual capital

Our proprietary and latest technologies, licenses, procedures and protocols that support our competitive advantage. Our focus on innovation and design reinforces our drive for operational efficiency and resource optimisation, while also adhering to best operating practices and various other initiatives that comprise operational excellence, continuous improvement and digitalisation.

Human capital

To grow and operate our business safely and efficiently, we require efficient, innovative and diverse people with the right skills, capabilities and experience. We focus on being an inclusive organisation, building and retaining critical skills and promoting a work culture that prioritises safety, diversity, meritocracy and an overall wellbeing of our employees.

Social and relationship capital

To create a supporting and enabling environment for our operations and investments, we integrate the needs of societies into our business and deliver on our commitments to engage with and assist the grassroots. We actively engage with our stakeholders in building long-term, transparent and trust-based relationships to achieve our values-based growth strategy.

Natural capital

We require natural clay, sand, gas, air, water, land and energy to convert clay into lifestyle products. We strive for excellence in resource efficiency to mitigate our carbon footprint and contribute to environmental sustenance.

VALUE CREATION

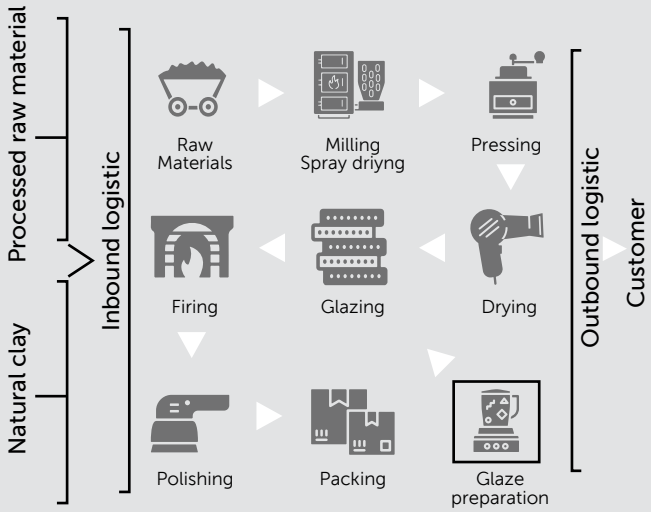
Our Vision

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

Our Values

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

TILES PRODUCTION PROCESS



CREATE Products to capture opportunities

ASSESS Impact on our material matters

SDG Goals

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

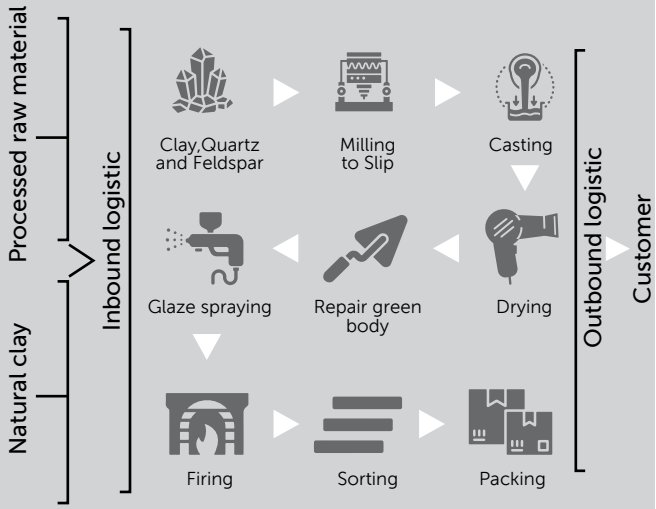
RISK MANAGEMENT — **GOVERNANCE CODE** — **REGULATORS**

PROCESS

Our Strategic Objectives

- Optimize Return through Growth and Dividend (RSO01)
- Focused Strategic Segment (RSO02)
- Leadership in Ceramics Technology (RSO03)
- Industry leadership in Cost Efficiency (RSO04)

SANITARY WARE PRODUCTION PROCESS



EVALUATE
Impact on our strategic objectives

ALLOCATE
Resources to optimize value based growth

SDG Goals

OUTPUT

TILES

6.54 MILLION SQUARE METER

- RED BODY AND WHITE BODY CERAMICS TILES
- GRES WHITE BODY TILES
- PORCELAIN TILES

1.09+ MILLION PIECES

- RIMLESS WCS
- WATER CLOSET
- WASHBASINS
- ACCESSORIES

SANITARY WARE

OUTCOME

TURNOVER
BDT 5,288.92 mn

Profit before tax
BDT 447.54 mn

Market capitalization
BDT 11,170 mn

Value added
BDT 4,558.84 mn

To employees
BDT 797.24 mn

To government
BDT 2,332.05 mn

To investor
BDT 641.95 mn

ENGAGED EMPLOYEES

SAFE WORKPLACE

RAK CERAMICS
PRODUCTION FACILITIES









OUR PERFORMANCE AGAINST OUR SIX CAPITALS

Financial Capital

KEY INPUTS		2020 (BDT mn)	VALUE CREATION (OUTCOME)	2020 (BDT mn)	2019 (BDT mn)	OUTLOOK
1	Net Worth	7,023	1. Turnover	5,288.92	6,463.86	Company focusing both on increaseing net worth and market capitalization for the investors.
2	Market Capitalization	11,170	2. EBITDA Margin %age	17.46%	23.40%	
3	Finance Income	52	3. Net Debt to Equity	0.02	0.01	
4	Short Term Debt	120	4. Cash Generated	1,228.66	1,585.22	

Manufacturing Capital

KEY INPUTS		2020 (BDT mn)	VALUE CREATION (OUTCOME)	2020 (BDT mn)	2019 (BDT mn)	OUTLOOK
1	Property plant and equipment	3,590.52	Capital Expenditure	231.24	279.52	Company planning to increase more value creastion using existing asset, alternatively increase capacity utilization. Optimum balance of Financial Leverage
2	Asset under work in progress	56.64	Capex Work in progress	56.64	177.64	
3	Tiles Capacity (mn SQM)	10.32	Dep.and Amortization	462.6	450.17	
4	Sanitaryware Capacity (mn pcs)	1.45	Impairment of Asset	-	10.20	

Intellectual Capital

KEY INPUTS		VALUE CREATION (OUTCOME)	OUTLOOK
1	Singnificant number of trade Mark Filed	Company introduced new design and new category of tiles and sanitary ware continiously. Company has over 2,800+ active model in tiles category and 50+ models in sanitary ware category.	Company integrate design and innovation in its DNA to offer best life style products. Company is offering new design every quarters to make our product competitive
2	Diversified leadership team		
3	Innovative design team		

Human Capital

KEY INPUTS		VALUE CREATION (OUTCOME)	2020	2019	OUTLOOK
1	Efficient and productive young work force	Wages & Benefits	797.24	949.39	We are emphasizing and encouraging employee Training and development hours year over year. We integrate succession plan for critical position on our HR management system.
2	Diversified leadership team driving culture of growth	Number of Employees on roll	1,921	1,957	
3	Low turnover on senior/middle management team				

Natural Capital

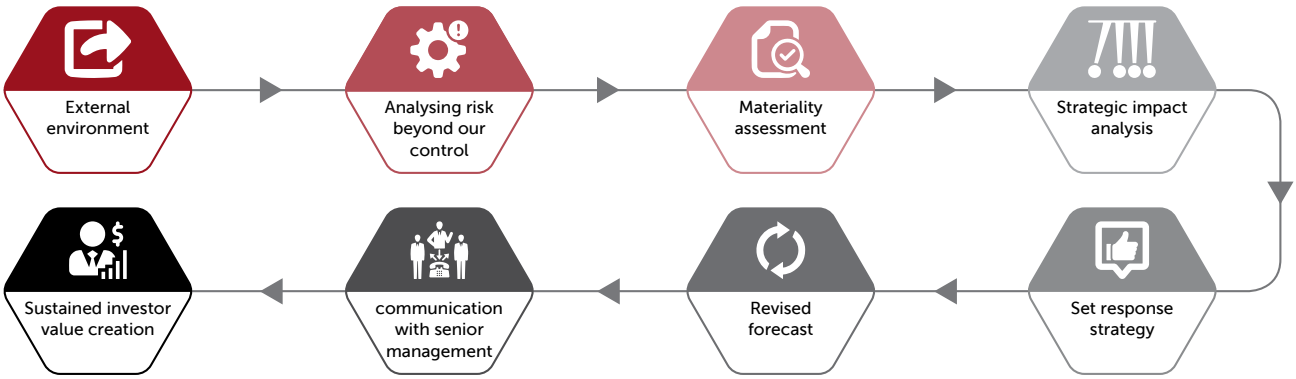
KEY INPUTS		VALUE CREATION (OUTCOME)	OUTLOOK
1	Globally sourced natural resources	Company has installed crusing plant for re-use or better use of rejected products through re-cycle process. Water Effluent Treatment plant significantly adding value over the environment impact and recycle of water resources.	We impact negatively on natural capital by using non-renewable resources wherever possible and through our emission and wastes, which we are trying our best to minimize.
2	Government supplyed natural Gas		
3	Optimum usage of water		
4	Captive source of energy		

Social and Relationship Capital

KEY INPUTS		VALUE CREATION (OUTCOME)	OUTLOOK
1	Pan Bangladesh basis 150+ dealers	Tax Paid to the Government BDT: 2332.05 mn in 2020 (BDT: 2732.44 mn in 2019). Company has organized customer engagement program and employee engagement program in 2020.	We support stakeholder engagement throughout the year to influence our relationship and social awarness. We boost manufactured, financial and intellectual capital.
2	Dedicated customer relationship of 15 member team		
3	Supplier base more than 2500+		
4	Spend on Social cause 1.92 mn		

EXTERNAL ENVIRONMENT

The external market environment, characterised by volatility and uncertainty especially unleashed by the COVID-19 pandemic, continues to have an impact on our ability to create sustainable stakeholder and shareholder value. Thus, with a view to remain on the path of consistent value generation, we identify and strategically leverage prevalent opportunities, while also identifying and mitigating risks that could potentially have a disruptive impact in our operations. Further, we engage in continuous materiality assessments that guide us in meeting the changing needs and expectations of our stakeholders. The present external environment, though having demonstrated signs of recovery since the lockdowns were first imposed in late March 2020, are still fraught with uncertainty and it will take time for full-scale restoration, though Bangladesh is strongly progressing towards the same, with the government keeping GDP growth targets at over 8% for the current year.



Significant external environment challenges, 2020

Extreme volatility in **forex currency** in Bangladesh

Particulars	USD vs BDT
Beginning 2019	83.95
Ending 2020	84.95
% Change	1.18

Intensifying competition in the ceramics tiles industry. Currently, 54 ceramics factories are in operation and 15 more are in the pipeline

Particulars	Number of ceramics factories
Beginning 2019	60
Ending 2020	66
% Change	9.09

Controlled supply and significant price increase of **natural gas**

Particulars	Gas price
Beginning 2019	7.76/m3
Ending 2020	10.70/m3
% Change	27.48

Significant **increase in oil prices** due to a stressed situation in the Middle East and strained US-China relations causing increase in logistics cost

Particulars	Crude oil price
Beginning 2019	$63.35
Ending 2020	$49.99
% Change	26.73

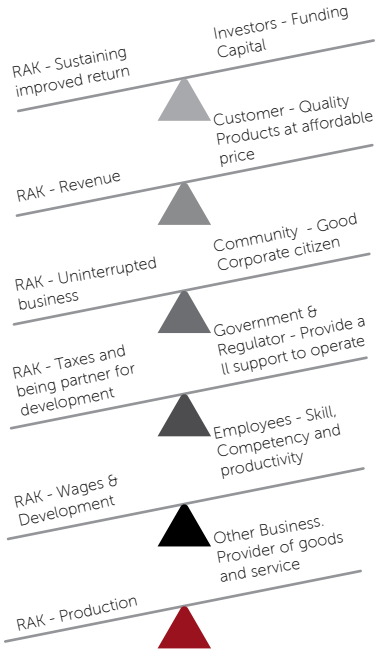
- Introduction of Revised VAT LAW
- We are sourcing more than 80% of our basic input raw material from global market. Pricing and availability of those material has substantial positive correlation with external economic factors like geopolitics, oil price, volatile foreign exchange market, trade war, economic sanction and others.

STAKEHOLDERS' RELATIONSHIP

Key issues with our stakeholder.

Investors	• Consistent returns
Customers	• Quality products with affordable pricing
Community	• To be good corporate citizen
Government & Regulator	• Comply with rules and regulations
Employees	• Comparative wages and growth opportunities
Other Business Partners	• Trust-based relationships

Balancing jigsaw



How we engage with our stakeholders and respond to their expectations

Investors	• Transparent communication | Annual General Meetings | Stock Exchange update
Customers	• Customer care team | Quarterly dealers meet | Participate in trade shows
Community	• Community procurement | Safe environment | Local employment preferance
Government & Regulator	• Comply with regulations | Participate in government-promoted programs | Governance
Employees	• Employee engagement programs | Industry-leading wages | Growth opportunity
Other Business Partners	• Transparent communiction | Impartial opportunity | Respect policies and practices

RISK MANAGEMENT AND CONTROL

At RAK Ceramics (Bangladesh), mitigating risk is key to the delivery of long-term sustainable improvement in shareholders' value. All risks and mitigation measures are aligned with the Company's strategic objectives.

Risk management approach

The Company establishes the culture of effective risk management, and is responsible for maintaining appropriate systems and controls. It also sets the risk appetite and determines the policies and procedures that are put in place to mitigate exposure to risks.

Risk mitigation and controlling process

There is a formal ongoing process to identify, assess, and analyze the risks incorporating them into the risk register for further specifying and control the intensity of risks and those of a potentially significant nature are included in our risk documentation practices

The Company always put effort forward to mitigate the exposure to all forms of strategic, financial, market and operational risks, both external and internal. The effectiveness of key mitigating controls is continually monitored and also subject to audit assessments. The effectiveness and impact of key controls are evaluated and this is used to determine the intensity of each risk.

Risk appetite

The Company is prepared to accept a certain level of risk to remain competitive. However, it continues to embrace a conservative and prudent approach to risk management and mitigation. Some of the key risks facing the business and their accompanying mitigation/ control measures is described hereunder:

Risk log

SL	Risk theme	Potential impact	Mitigating factor	Link to strategic objectives
1	**Macroeconomic and political risks** The Company is dependent on the economic activity levels in its end markets. Accordingly, it is susceptible to economic downturn, the impact of Government policy and any political and economic uncertainty.	Bangladesh is a country that is prone to the socio-economic risks that are typically faced by fast-developing countries. This could lead to lower activity levels which could reduce sales and production volumes. This could have an adverse effect on the Company's financial results.	The Company closely monitors trends and lead indicators with a view to gain an understanding of where the markets are headed. The Company is quick to identify and capitalize on sales opportunities. With housing and infrastructure at the heart of Bangladesh's transformation into a middle-income nation, we believe that a close association with these sectors will enable us to reap the benefits of sustainable demand over the years to come.	RSO01 RSO03

SL	Risk theme	Potential impact	Mitigating factor	Link to strategic objectives
2	**Customer attrition risks** Our sales are oriented to meet the demands of both retail as well as institutional customers. Our inability to meet their demands can lead to customer attrition.	Any possible loss of key customer mandates can impact our credibility, while also having an adverse effect on our financials.	• The Company is continuously engaged with brand and new product development and quality and customer service improvements across its value chain. • The Company maintains a national network that makes customer access quick and seamless.	RSO01
3	**Cost and availability of raw materials** The Company is susceptible to significant increases in the price of raw materials (which are also imported), utilities, fuel and transportation and haulage charges.	Increased raw material resource costs could reduce margins. Also, it might be difficult to pass-on the increased costs to customers, which can have an impact on the cost base and subsequently on profitability.	• The Company focuses on strengthening its supplier relationships and generally enters into long-term contracts that enable effective cost inflation mitigation. • The Company's sales pricing policy is linked to its purchasing policies that ensure margin protection on the one hand, while also enabling consumer price protection on the other. • The Company also possesses strong relationships with its logistics partners that help mitigate transportation and haulage risks and costs.=	RSO04
4	**Competitor activity risks** The Company has a number of existing competitors who compete on range, price, quality and service. Furthermore, potential new low-cost competitors may be attracted into the market through increased demand for products.	Increased competition could reduce volumes and margins on manufactured products. Also, it could intensify challenges in our efforts in sustainable brand building.	• The Company has unique propositions anchored on design, affordability and after sales service that differentiate RAK brands. • The Company places high emphasis on quality, service, reliability and ethical standards that differentiate us from competitor products. • The Company has a continuing focus on refreshing the shelf through ongoing engagement with new product development.	RSO01 RSO02
5	**Interest rate risks** 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 and regulations	In case the demand of capital grows further to accommodate business need, it could impact the Company's ability to raise cost-effective funds.	• RAK Ceramics (Bangladesh) operates with low dependence on external borrowings. Moreover, similarly with other functions the Company also applies best practices in its treasury management to ensure excellency. On top of that the Company possesses strong retained earnings of BDT 1,269.98 mn, cash and bank balances of BDT 1,949.19 mn and a low debt-equity ratio of 0.02, as on 31 December 2020, 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.	RSO01 RSO04
6	**Currency risks** 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.	• 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 19 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.	RSO03 RSO04

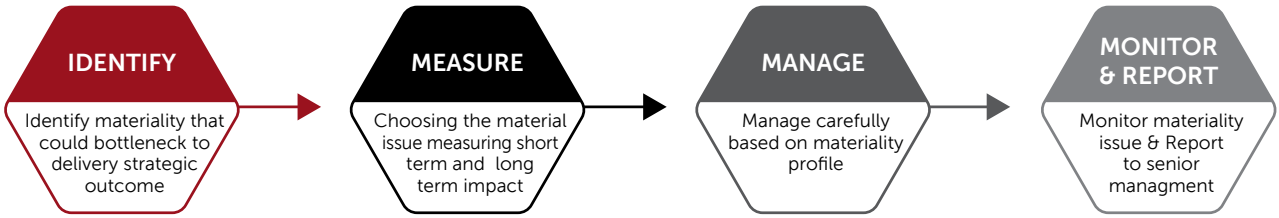
SL	Risk theme	Potential impact	Mitigating factor	Link to strategic objectives
7	**Regulatory risks** The Company operates under the Companies Act, 1994 and other related regulations that include Income Tax Ordinance 1984, Income Tax Rules 1984, Value Added Tax (VAT) Act 2012 and Value Added Tax (VAT) Rules 2016.	Abrupt regulatory changes could affect the Company's business and operations.	• 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 favorable environment with structurally robust policies. This has ensured regulatory predictability leading to a secure business environment.	RSO02 RSO04
8	**Technological risks** 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.	• 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. 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.	RSO03
9	**Management risks:**	Turnover of key managerial personnel, executives and officers may have an adverse impact on the business, operating results and future growth.	• The Company places top priority on developing its human resources. 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, Workers Profit Participation Fund and Welfare Fund that enables our workforce to remain committed, loyal, engaged and motivated.	RSO01 RSO02 RSO03 RSO04
10	**COVID-19 Risk**	COVID Pandemic may impact further on people, communities, market and inability to operate business in usual course.	• Highest care of employees and other stakeholders. • Asses market environment consistently and respond accordingly. • Comply all Government direction and instruction.	RSO01 RSO02 RSO03 RSO04

MATERIAL MATTERS

Our material matters are those issues which could have relevant on our business or have an impact on delivering strategic value. We identified and consider potential material issues while formulating strategy those have impact on short term or long term growth.

We use the similar process while we use control and management of risk.

- **Identify –** We identify material issue which could have short term or long term impact though our monthly management meeting, quarterly executive committee meeting and statutory each quarter end board meeting while we assessing internally. We also explore potential material issue while we meet with our other stake holders like customer engagement program.
- **Measure –** We measure based on severity and likelihood matrix and how it could impact on shareholder's key issue and expectation. When measure specific materiality exposure we consider the effect of that issue on the overall strategy of the company.
- **Manage –** After measuring we decide on which material issue to eliminate or minimize, and how much of its core risks to retain to mitigate based on materiality profile.
- **Monitor –** Implement responses review, monitor in order to ensure that materiality levels remain at an optimal level.
- **Report –** Articulate the senior management team on regular interval to monthly management meeting, executive meeting and board meeting.



Material matter which could have impact for deriving value

1. Growth under continued increasing competitive industry

Availability of capital, increasing GDP and increasing captive consumption due to vertical integration attracting firms in the ceramics industry strengthening competition quiet often causing powerful negative impact on business growth

- **Strategic objective impact -** RSO01 and RSO04
- **Impact on six capital –** Financial Capital, Manufacturing Capital, Intellectual Capital.
- **Response plan -** Driving continuous improvement initiatives to strengthen our cost position and improve our innovative offerings for differentiation. Cost efficiency and Innovation is the key driver for sustaining growth.

2. Operating under volatile macro-economic environment

We operate under significant force of macroeconomic volatility which is growing day by day. Oil prices, foreign exchange rates and stringent regulatory policy continue differentiator on translating strategy in outcome. In addition, we are sourcing more than 80% of basis input globally with positive correlation of adverse macro-economic factors.

- **Strategic objective impact -** RSO01 and RSO04
- **Impact on six capital –** Financial Capital, Manufacturing Capital, Intellectual Capital, Social and Relationship Capital
- **Response plan –** While cost efficiency and innovation is the key driver for sustaining growth however improved relationship with supplier and regulator minimize the impact or increase shareholder's return. Improved resource allocation initiative shall improve return.

3. Sustaining profit

Our strategic choice is value based growth. Even though we are sharpening our cost efficiency, strategic sourcing and focused on defined segment initiatives sustaining profit over the long run is important differentiator on delivering strategic value.

- **Strategic objective impact -** RSO03, RSO02 and RSO4
- **Impact on six capital –** Financial Capital, Manufacturing Capital, Social & Relationship Capital.

Response plan – Focused defined segment, cost efficiency, process innovation, product offerings and skilled manpower helps sustaining long-term profit.

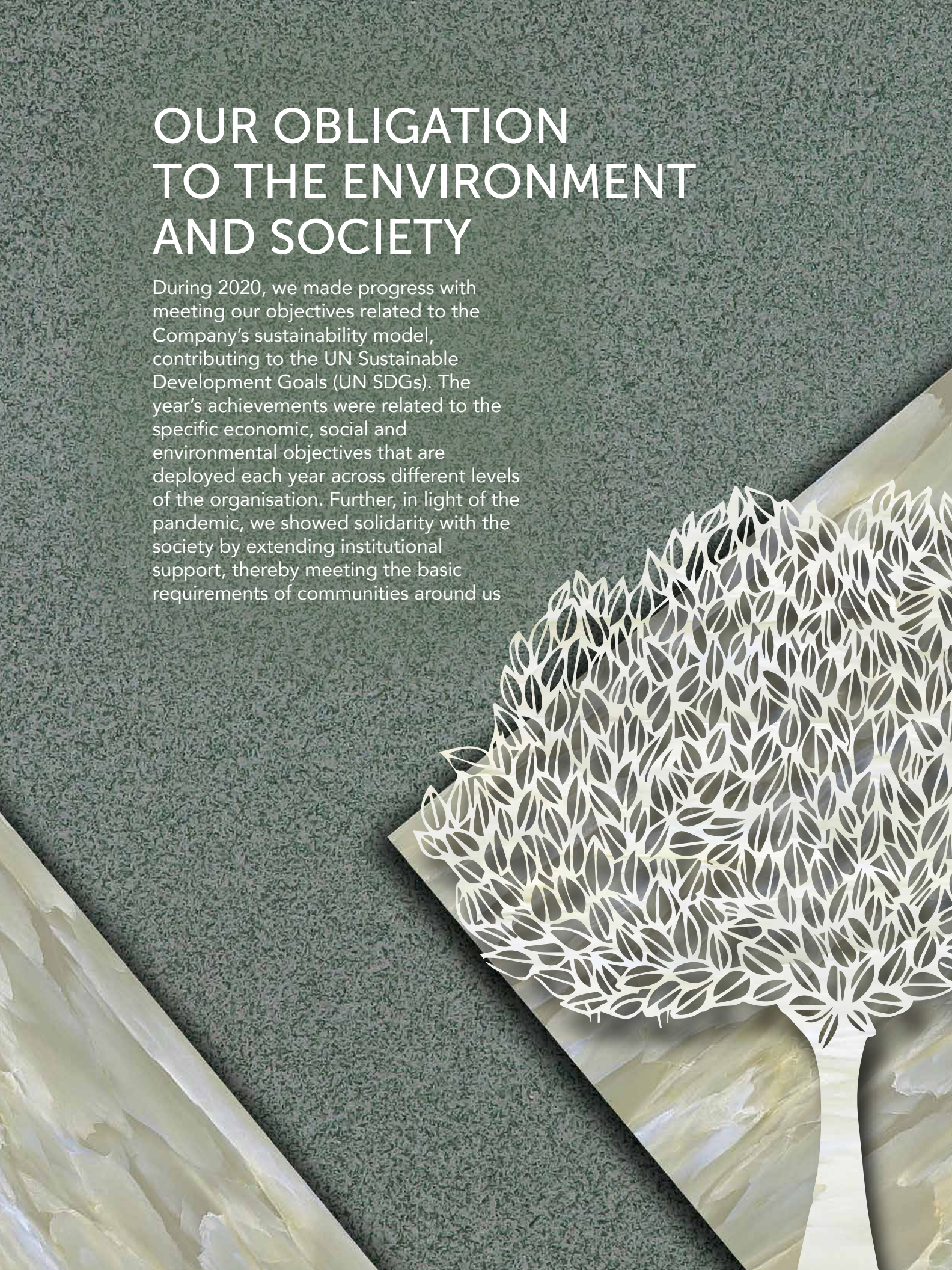
4. Efficient and Effective Human Capital Management

Human Capital is one of the key drivers of corporate success and sustained competitive advantage. This important because it is perceived to increase productivity and thus profitability. Without the effective management and deployment of our people, our strategic objectives, goals and targets will never be realized.

- **Strategic objective impact -** RSO01, RSO02 and RSO04
- **Impact on six capital –** Human, Intellectual Capital, Social and Relationship Capital
- **Response plan –** Promote and environment that inspires and motivates all employees to perform better, reinforced by our corporate values and code of conduct, promote high ethical standards, promote in equality and respect human rights.

OUR OBLIGATION TO THE ENVIRONMENT AND SOCIETY

During 2020, we made progress with meeting our objectives related to the Company's sustainability model, contributing to the UN Sustainable Development Goals (UN SDGs). The year's achievements were related to the specific economic, social and environmental objectives that are deployed each year across different levels of the organisation. Further, in light of the pandemic, we showed solidarity with the society by extending institutional support, thereby meeting the basic requirements of communities around us



OUR OBLIGATION TO THE ENVIRONMENT AND SOCIETY UNDER THE UN SDGS

Overview

As part of our deep focus in undertaking responsible actions for society and increasing our positive impact on the environment, RAK Ceramics (Bangladesh) capitalises on both its position as a leading ceramics brand of the country and its international parentage. Through the Company's products, activities and solutions, it is pursuing a CSR strategy in line with the 17 UN Sustainable Development Goals (UN SDGs). The aim is always to contribute to a more inclusive and equitable society.

We are gratified that we continued to achieve sustainable progress in our aim through our holistic range of CSR activities in the year 2020, thus also reflecting our commitment to improve the quality of life amongst beneficiary communities and pursuing organisational performance and growth through our focus on ethical leadership, market-leading positions and sustainable innovation.

Green environmental practices

At RAK Ceramics (Bangladesh), we consider environmental stewardship as an integral part of our business operations. We are committed to embracing best practices in environmental sustainability across our value chain, including product design, sourcing, operations, supply chain and customer service. Considering the development aspirations of the nation, yet finding the balance between socio-economic progress and environmental stewardship, we are committed to achieve both through striking the right balance between planet and the pursuit for sustainable profit.

As a strong and sure step in this direction, our manufacturing assets and facilities embrace the following green practices and are equipped with:

- High-efficiency burners
- Mezzanine shelving systems installed in the central store warehouse
- Modern water consumption systems that help regulate water consumption
- Facilities enabling extensive recycling and reuse of in-process waste water
- Awareness around water conservation
- Robust solid waste management practices that helps minimise our waste to landfill
- Advanced natural resource conservation practices
- Modern pollution control equipment that help curb emissions

Green and environmentally-compatible production facilities

At RAK Ceramics (Bangladesh), our advanced equipment and assets and focus on continuous people training and awareness-building goes a long way in ensuring that we comply with all regulatory environment-related guidelines and regulations.

Across our shop-floor, our production facilities are equipped with high-efficiency burners that are utilised in all heaters to reduce energy consumption. Further, the efficiency of our other fuel-burning equipment, such as generators, kilns, spray dryers and horizontal and vertical dryers, among others, are fine-tuned by specialists, thus assuring optimal energy consumption and high energy savings. Further, waste heat from the tunnel kiln is used in the pre-dryer section in the sanitary-ware plant with a view to reuse energy. The Company also possesses advanced effluent treatment plants (ETPs) to recycle and reuse waste water generated from the factories.

Moreover, RAK Ceramics' employees are provided with extensive training on water and energy conservation that helps reduce unnecessary wastage of precious resources.

Water conservation

Our holistic water management strategy is consistent with the Company's vision for ensuring sustainable water consumption and use. We consider water preservation techniques from across all points of our value chain, while also encouraging our people to make water conservation a habit daily practices across the shopfloor. Our advanced water management program comprises the following pillars:

Monitoring: Water consumption is regularly measured and checked to prevent unnecessary use. We also analyse trends to expeditiously detect leaks and repair damages as soon as they occur, while also ensuring maintenance to proactively prevent any possible leakages.

Optimisation: We ensure that through engaging in regular preventive maintenance of equipment and other devices, water is used efficiently without any possible wastage.

Natural resource conservation and pollution control

In our focus to minimise natural minerals depletion, we have developed robust expertise in combining and blending as many as 5-9 types of different natural minerals coming from several countries around the world to ensure maximised use and minimal wastages with strong curbs on pollutants.

Indoor air quality and its effect on office interiors

At RAK Ceramics (Bangladesh), we promote building fit-outs that ensure a healthier indoor environment and air quality and healthy and high-energy workplaces, which are anchored on the principles of sustainability. Further, in view of the ongoing pandemic, we have embraced all safety and health precautions that keep our people safe as well as ensure operational sustainability.

Solid waste management

We implement comprehensive programs to minimise waste disposal to landfill, by adopting proper waste segregation and recycling programs, which include:

- Segregating hazardous and non-hazardous waste
- Controlling litter and unpleasant odors
- Conducting routine inspections of waste storage areas
- Identifying and segregating waste through the use of garbage bins classified as:
    - Green garbage bins ensuring proper collection and disposal of residual waste, leftover food, paper, cartons, floor sweepings and other waste that has no commercial value
    - Blue garbage bins that enable the collection of metals, machine parts and other such accessories that have a small commercial value
    - Black garbage bins that provide for contaminated items, expired chemicals and waste that may be hazardous

Energy-efficient systems

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

Ventilated facade system

Normal ventilation systems are used in our plants suitable to local environmental conditions, thus helping in our energy conservation efforts.

Environmental governance and compliance

Key environmental issues are reviewed by our top management on an ongoing basis. A specially-instituted forum also assesses key topics and shares industry best practices across the Group. We are concurrently developing an innovative approach in responsible procurement, and intend to diversify our sourcing base 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 are at the heart of our business

At RAK Ceramics (Bangladesh), we adopt an open and honest approach to employee communications, with regular updates disseminated from senior management across businesses and operations within the Group. The Board and executive committee visit operations throughout the year, meeting with employees and even conducting town hall and virtual meetings. Further, other regular communications include updates on the financial performance of the Company, the industrial environment in which the Company operates and other significant operational developments. Our HR department is the primary point-of-contact for employees on all employment and workplace-related matters, operating with an open-door policy and advising employees of any local employment changes. Further, our senior management, supported and facilitated by the HR department, encourages open dialogue and a consultative approach with all employees, thus focusing on meeting their needs and expectations.

Furthering our commitment to treating our employees with respect and dignity and managing their expectations better, we have offered the following benefits/facilities:

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

Provident Fund and gratuity scheme: The Company maintains a recognised Contributory Provident Fund and an approved gratuity scheme for all 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 employees and their immediate family members for exigent medical and educational purposes from the Employee Welfare Fund maintained by the Company.



Fostering a happy and safe workplace

At RAK Ceramics (Bangladesh), we recognise that our Company will succeed only if we attract and retain the best quality talent. Our human capital strategy aims to enhance the Company's sustainable competitive advantage by developing and retaining smart, independent thinkers who are focused, tenacious and energetic and, above all, motivated to deliver ethical performance and results. These attributes are needed to keep our business agile and innovative, given the fundamental shifts in the broader operating environment, and to differentiate us as a client-focused organisation in an intensely competitive environment.

A number of factors such as our multi-generational workforce, the need to empower our people with the skills to succeed in a rapidly evolving increasingly digital work environment and the increased demand for personalisation, require constant reshaping of the employee experience. Thus, we engage talented employees dedicated to serving our customers and responsibly embracing our Company's mission and values. In short, our purpose-driven employees are key to the sustainable success of our Company.

We are focused on creating a healthier company, encouraging and enabling more people to progress. We are working to develop talent, drive more diversity, ensure greater employee engagement, drive innovation, support accessibility and inclusion efforts, and improve best practice sharing across the extended Group.

Our products and their impact on the environment

As an organisation with a strong heritage, we remain committed to continuously improving our environmental, health and safety standards. Our parent, 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 fostering 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.

As a part of such a Group, we are proud of our many performance products that align with the best-in-class standards across a number of parameters, thus offering excellent quality and value to our customers, while also enabling them to responsibly reduce their environmental footprint.

Selected Sustainable Development Goals - we have integrated the following SDGs in our business model to ensure business is socially, economically and environmentally sustainable.



CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility (CSR), or our corporate citizenship efforts, represents an integral and inseparable part of our long-term business objectives and our focus on achieving sustainable growth. Our CSR activities are focused on providing active assistance to the underprivileged and the vulnerable so that they are able to access basic necessities and improve their life. We serve society with committed obligation, assured in the belief that such an engagement is not only our moral responsibility, but something that is an integral onus on our business.

RAK Ceramics (Bangladesh) actively promotes and engages in the concept of social contribution that helps strengthen communities and contributes to the sustainable development of the grassroots, both at the individual level and consolidated as a Group. The Company is aware of its responsibility towards social and societal welfare and contributed an amount of BDT 1.92 mn during the year 2020, comprising contributions for medical treatment and health care, education and social and cultural activities.

Whom we serve

Since our humble beginnings in the year 2000, our success has been premised on building strong, trust-based and mutually-beneficial relationships with our stakeholders across our value chain. Through our corporate social responsibility platform, we are able to build upon our strengths and deepen the spirit of partnership in order to engage better and make a visible difference.

How we engage with our stakeholders



Employees

We strive to maintain a strong pulse on the needs and expectations of our employees through surveys, active two-way communication channels, regular manager-member interactions and robust career development programs.



Customers

Customers are and will always be at the heart of everything we do. We are constantly innovating our propositions, anchored on product improvement and affordability, to meet the vibrant and dynamic needs and requirements of our customers.



Shareholders

We aim to deliver sustainable and responsible growth to our shareholders, while also demonstrating our commitment to best-in-class environmental, social and governance (ESG) practices.



Suppliers

Guided by the expectations set forth in our "Third Party Standards of Conduct", we actively partner with suppliers to manage risks and create shared value.



Communities

We partner with Government agencies and non-profit organisations/civil society to strengthen community resilience and improve societal prosperity.



Industry peers

We help to develop industry opportunities and best practices through active presence in trade associations, including the Bangladesh Ceramic Manufacturers & Exporters Association (BCMEA) and Bangladesh Association of Publicly Listed Companies (BAPLC).

POLICY ON COMMUNICATION WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

At RAK Ceramics (Bangladesh), we are committed to forge lasting relationships with our stakeholders, including customers, employees, investors, suppliers, local communities and the planet (via governments and civil society). We hear their expectations and build on their feedback to move forward together. These bonds guide our strategy and operations, culminating into innovative solutions that create value for all.

Through the Company Secretary, the Board ensures that the Company's shareholders are treated equitably and that their rights are firmly protected in all circumstances. The Company Secretary is the primary link of communication between shareholders and the Board of Directors of the Company. He, along with his extended secretariat, is entrusted with the responsibility of delivering quality services to our valued shareholders, aligned with their well-defined rights, as expressed in the applicable laws and the Articles of Association of the Company. Shareholders are informed of all material developments and changes in business through communication in a routine manner, catering to their requirements for all major disclosures to facilitate and support informed decision-making.

Ensuring shareholder participation at the AGM

One of the foremost objectives of the management of RAK Ceramics (Bangladesh) is to ensure active and full shareholder participation at the AGM (annual general meeting). Towards this goal, the Company delivers the Annual Report at least 21 days prior to the AGM date. Regarding the AGM date, time and venue, the information is communicated well in advance to shareholders. At the AGM, the Company's management receives shareholders' valuable opinions and feedback and makes every effort to implement these for the improvement of the Company and for shareholder value sustainment.

Communication to shareholders and stakeholders

The Company strives to liaison with all shareholders as well as ensures that all stakeholders are informed about the Company's activities and achievements on an ongoing basis. The Company discloses quarterly and annual financial performance and other reports in due course for meeting the best interests of shareholders.

Corporate website

The Company's website is the primary interface and an information hub for meeting shareholders' need for any and all matters, information and communication related to the Company. This helps build shareholder trust and goes a long way in reinforcing our bonds with them.

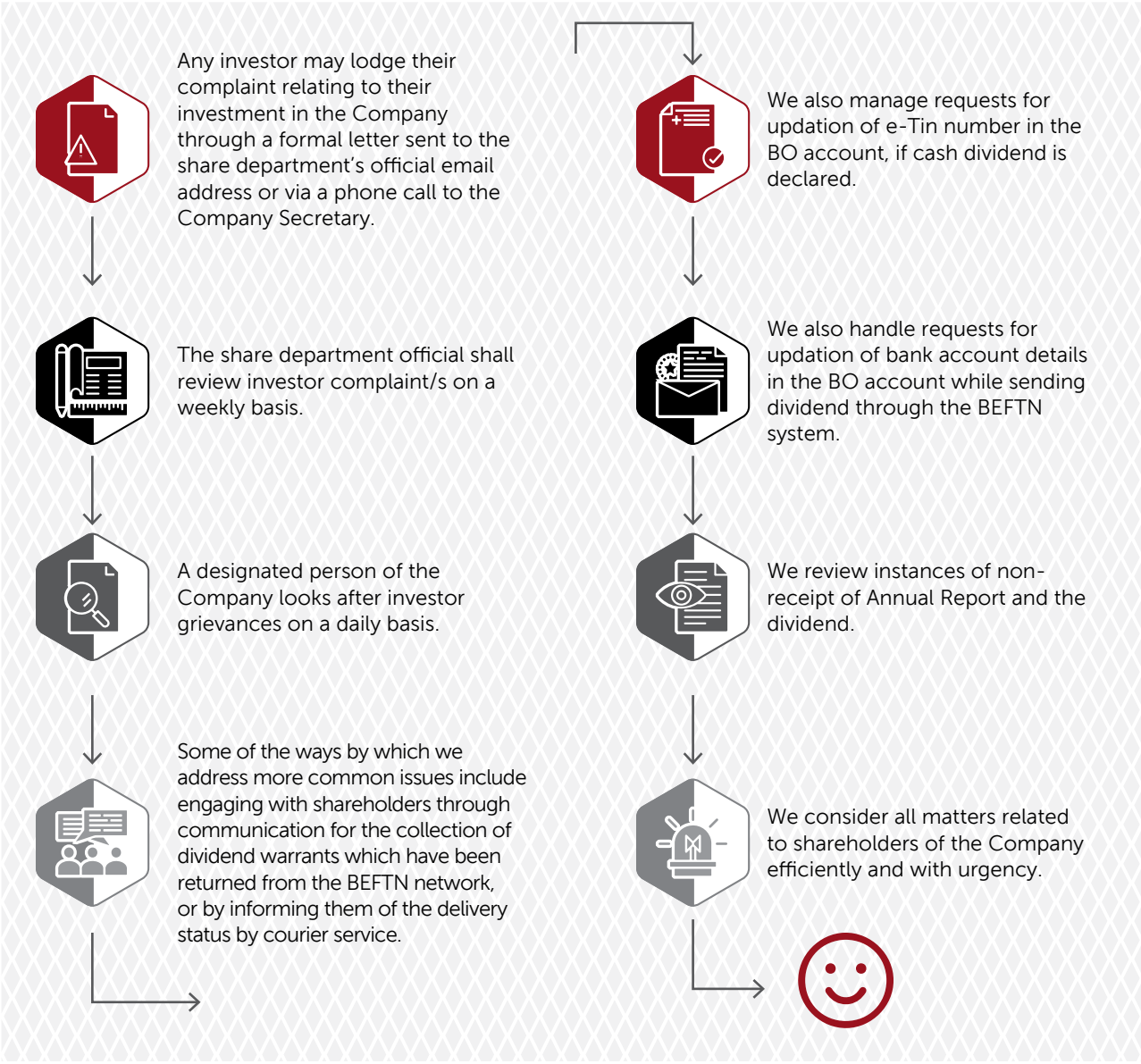
The Company's website is also the fundamental channel in case of retrieval of any archival publication. Further, it is a comprehensive reference source with regards to the Company's management, vision and mission, value statement, investor relations, sales network, products, promotions and events. All information regarding financial statements, patterns of shareholding, corporate benefits, notices, price sensitive information, code of conduct, dividend, refund warrant, etc., are disclosed in the Investors' sub-menu of the website.

Furthermore, the Company also publishes regulatory information from time to time on its website as a matter of transparency and openness in information disclosure for the benefit of all shareholders and stakeholders.

Grievance redress mechanism

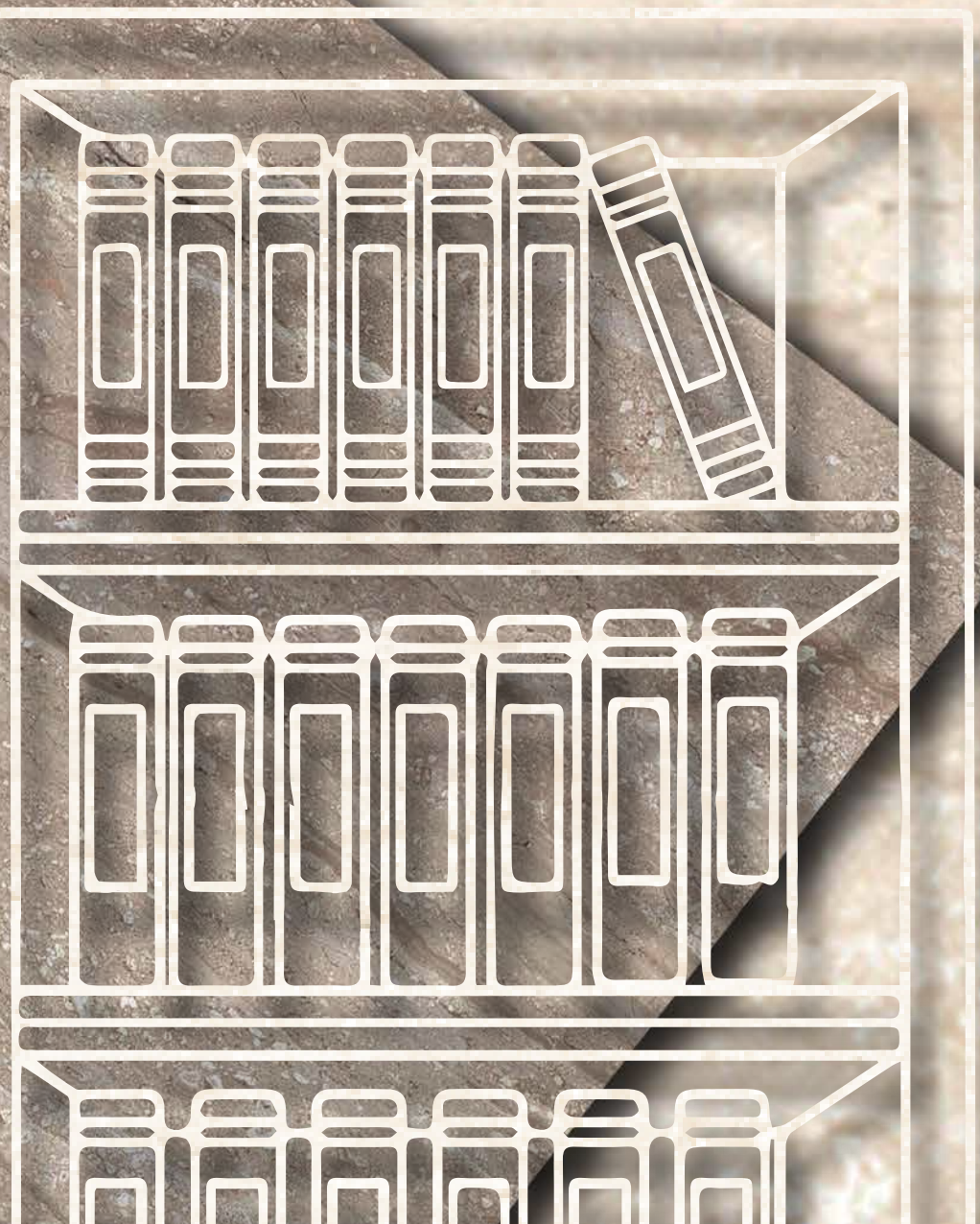
RAK Ceramics (Bangladesh) maintains cooperative and amicable relationships with all its stakeholders. Thus, we pursue a proactive and reliant shareholders' redress policy and mechanism to handle all grievances and complaints with care in an effective, fair and expeditious manner. Any query received from investors is treated efficiently, fairly and with courtesy, keeping with the overall objective of dealing with it in a timely, open and transparent manner.

Investor complaint redress



DIRECTORS' REPORT

At RAK Ceramics (Bangladesh), our business strategy provides a consistent vision for the organisation and mobilises our employees around our key priorities. The strategy is cascaded down through the organisation with an emphasis on the principal tenets of sustaining the Company's core position of delivering exceptional value to customers, ensuring a fair and meritocratic workplace environment, driving innovation in all aspects of the business and enhancing community support. Our strategy provides business continuity and is expressed in our Directors' Report.



DIRECTORS' REPORT
OF RAK CERAMICS (BANGLADESH) LIMITED

Dear Shareholders,

Assalamu Alaikum!

The Board of Directors of RAK Ceramics (Bangladesh) Limited are pleased to present the Directors' Report, along with the audited financial statements of the Company for the year ended 31 December 2020, and the Auditor's Report thereon, for your valued consideration, approval and adoption.

Principle activities

RAK Ceramics (Bangladesh) is the country's largest and foremost tiles and sanitary-ware brand. The Company is engaged in the manufacture and sale of a wide range of ceramic tiles, bathroom sets and sanitaryware products. Over its two-decade journey, the Company has created industry-leading designs and patterns for wall and floor tiles and borders and corners, etc., which have been well-accepted by customers and have emerged as benchmarks in their own categories. Further, many of RAK Ceramics' models come in modular designs which open up ample choice for our customers, suiting their space requirements and budgets.

Industry outlook and possible future developments

Details about this section are discussed in the 'Industry outlook and possible future developments' report on page 35 and 'Management discussion and analysis' report on page 32 of this Annual Report.

Segment-wise performance

RAK Ceramics (Bangladesh) operates with an annual production capacity of 10.32 mn sqm of tiles and 1.45 mn pieces of sanitary-ware with over 50+ active designs, thus ensuring the widest range of products available in the industry. Details about segment-wise or product wise performance is disclosed in the 'Segment wise performance' report on page 49 of this Annual Report.

Financial results

The Company reported consolidated sales of BDT 5,288. 92 mn in 2020, vs. BDT 6,463.86 mn reported in 2019 and consolidated gross profit of BDT 1,189.80 mn in 2020, against BDT 1,907.74 mn reported in 2019. The Company's consolidated net profit of BDT 310.65 mn in 2020 stood against BDT 754.03 mn achieved in 2019. Details of operational results are discussed in the 'General review of our 2020 performance' on page 37 of this Annual Report.

Appropriations of profit and key operating and financial data of preceding five years

The Directors are pleased to report the financial results for the year 2020 and recommend the following appropriations:

(Amount in BDT mn)

Particulars	2020	2019
Profit before tax*	447.54	1,044.40
Less: Provision for tax	136.88	290.38
Profit after tax*	310.65	754.03
Add: Un-appropriated profit brought forward	1,601.28	1,628.69
Less: Prior year adjustment (leases)	-	3.32
Profit available for distribution	1,911.93	2,379.40
Less: Appropriation of dividend	641.95	778.12
Un-appropriated profit C/F	1,269.98	1,601.28

Profit after tax is exclusive of non-controlling interest. Key operating and financial data of the preceding five years is given in 'Annexure-1 ' on page 89 of this annual report.

Reserves and surplus

In 2020, retained earnings of the Company stood at BDT 1,269.98 mn, against BDT 1,601.28 mn in 2019.

Dividend

The Board of Directors is pleased to recommend dividend @ 10% in cash of the paid-up capital of the Company, representing an amount of BDT 427,968,701 for the year ended December 31, 2020. This dividend will be paid from out of profit of the company for the year 2020 and from undistributed accumulated profits. The Company paid dividend @15% in cash of the paid-up capital of the Company for the year 2019. No bonus shares or stock dividend has been declared as interim dividend.

(Amount in BDT mn)

Recommended Dividend Annual	427.97
From profit of the year	310.65
From undistributed accumulated profits	117.32
Total proposed dividend payable	**427.97**

Contribution to the national exchequer

RAK Ceramics (Bangladesh) is committed to timely disbursement of its direct and indirect tax obligations. During the year 2020, the Company, including its subsidiaries, contributed a total sum of BDT 2,332.05 mn to the national exchequer. Details about the contribution to the national exchequer during the year is discussed in the 'Contribution to national exchequer' section on page 52 of this Annual Report.

Extraordinary gain or loss

There was no extraordinary activities during the year 2020 affecting any extraordinary gain or loss.

Variance between quarterly and annual financial statements

There are significant variances in the financial results between quarterly and annual financial statements. There are also significant deviations from the last year's operating results. The unprecedented COVID-19 pandemic enforced country-wide lockdowns in Bangladesh since the 26th of March 2020, which caused closure of outlets/stores of the Company's dealership, suspension of production in the factory and disruption of the supply chain, which thus effected reduction in sales and net profit as well as EPS and NOCFPS.

Material change or change in the nature of business

During the year under review, there are no material changes in the nature of business of the Company or its subsidiaries.

Risk and concerns

Risk assessment and mitigation is an integral part of the Company. The Company has an appropriate and effective risk management framework which carries out risk identification and assessment and ensures that risk mitigation plans are in place. The Board of Directors regularly monitor, assess and identify potential risks and threats to profitability and sustainable growth. Details of risks and concerns, including internal and external risk factors are discussed in the 'Risk management and control' section on page 72 of this Annual Report.

Auditors

M/s ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL), were the statutory auditors of the Company for previous three consecutive years including the year 2020, shall retire at the 22nd AGM and are not eligible for re-appointment, as per the Bangladesh Securities and Exchange Commission notification dated 20 June 2018.

The Company invited and received proposals from shareholders for appointment of auditors of the Company for the year 2021. The Audit Committee of the Board scrutinised the proposals and recommended to appoint M/s A. Qasem & Co., Chartered Accountants, as the statutory auditors of the Company for the year 2021. The Board of Directors also recommend to appoint M/s A. Qasem & Co., Chartered Accountants, which will be placed before the 22nd AGM for shareholders' approval. Remuneration of the auditor will also be fixed by the shareholders at the 22nd AGM.

The statutory auditors of the Company have given reports on the financial statements of the Company for the year ended 31 December 2020, which forms part of the Annual Report. There is no qualification, reservation, adverse remark, comments, observations or disclaimer given by the statutory auditors in their reports.

Parent and subsidiary companies

RAK Ceramics PJSC, UAE (the Company), is the parent company of RAK Ceramics (Bangladesh). It is one of the largest ceramics' brands in the world, specialising in ceramic and gres porcelain wall and floor tiles and sanitary-ware. It has an annual production capacity of 110 mn sqm of tiles and 5 mn pcs of sanitary-ware at 16 state-of-the-art plants located all over the world, including Bangladesh.

The Company serves clients in 150+ countries through its network of operational hubs in Europe, the Middle East and North Africa (MENA), Asia, North and South America and Australia. It is listed on the Abu Dhabi Securities Exchange in the United Arab Emirates and, as a Group, it has an annual turnover of around US$1 billion.

RAK Ceramics (Bangladesh) has two subsidiaries: RAK Power Pvt. Ltd and RAK Security and Services (Pvt) Ltd, which are fully-owned subsidiaries of the Company. The principal activities and status of these subsidiaries are separately disclosed in the 'Segment wise performance' on page 49 of this Annual Report.

Related party transactions

Details on related parties with whom transactions have taken place and their relationship as identified and certified by the management is disclosed in the 'Related party disclosures under IAS-24' section on page 161 of this Annual Report.

Corporate social responsibility

The Company understands its responsibility towards social welfare and contributed an amount of BDT 1.92 mn during the year 2020. Details of the Company's CSR activities during the year is discussed in the 'Corporate social responsibilities' section on page 81 of this Annual Report.

Human resources and staff welfare

RAK Ceramics (Bangladesh) accords the highest priority to its human resources and towards sustainable staff welfare. The Company believes that its employees are integral to its success. The Company is also committed to ensures a safe and healthy working environment for all. The Company currently has 1,921 full-time employees on its rolls and offers best-in-class compensation packages for employees to encourage professionalism, productivity, build talent and skills, enhance leadership capabilities and also maximise their own personal and professional potential.

The employees of the Company enjoy benefits of contributory Provident Fund, gratuity scheme and group life insurance, etc. Further, the Company has also established a "Workers Profit Participation Fund and Welfare Fund". In year 2020, the Company contributed 5% of its profit before tax (PBT) towards Workers' Profit Participation and Welfare Fund, amounting to BDT 22.82 mn.

Board of Directors

The Board of Directors of the Company comprise five members, including an Independent Director. Names and profiles, including the nature of expertise in specific functional areas of the Directors of the Company are indicated in the 'Directors' profile' on page 18 of this Annual Report.

Appointment/reappointment of Directors

In accordance with the articles 93, 94 and 95 of the Articles of Association of the Company, Mr. Pramod Kumar Chand will retire from his office as Director by rotation at the 22nd 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, who was appointed by the Board on October 27, 2020 as an Additional Director, will retire from his office as Director at the 22nd Annual General Meeting and, being eligible, offers himself for re-election in accordance with the terms of Article 99 of the Articles of Association of the Company.

Remuneration of Directors, including Independent Directors

The Company did not pay any remuneration to any Director, including Independent Director, except Board meeting attendance fees and 3% of profit before tax to the Managing Director.

Board of Directors' meetings and attendance

The Board of Directors of the Company met six times during the year 2020. The number of Board meetings held and the attendance of each Director during the year is disclosed in 'Annexure-2' on page 90 of this Annual Report.

Code of conduct

In compliance with the conditions of Corporate Governance Code, the Board has laid down a code of conduct for the Chairman of the Board and other Board members of the Company, and annual compliance of the code is recorded accordingly.

Pattern of shareholding

In accordance with the conditions of corporate governance, the shareholding pattern of the Company is disclosed in 'Annexure-3' on page 91 of this Annual Report.

Directors' statement on financial reporting

The Directors, in accordance with the Corporate Governance Code, 2018 of the Bangladesh Securities and Exchange Commission dated June 03, 2018, confirm the following to the best of their knowledge:

a. The financial statements prepared by the management of the 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 issuer Company have been maintained.

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

d. International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in the preparation of the financial statements, and any departure therefrom has been adequately disclosed.

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

f. The minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress.

g. There is no significant doubt upon the issuer Company's ability to continue as a going concern.

Management's discussion and analysis

In accordance with the conditions of Corporate Governance Code, 'Management discussion and analysis' has been duly signed by the Managing Director of the Company and is included on page 32 of this Annual Report.

Declaration by MD and CFO

In accordance with the conditions of Corporate Governance Code, a declaration on financial statements for the year ended December 31, 2020 duly signed by the MD and CFO is included on page 115 of this Annual Report.

Credit rating report

RAK Ceramics (Bangladesh) assigned CRISL, a credit rating company, on 02.12.2020 in consideration of its audited financials up to 31st December 2019, unaudited financials up to 30th September 2020, and other relevant quantitative as well as qualitative information up to the date of rating declaration:

- Long-term rating: "AA+" ("Double A Plus" indicating higher safety for timely repayment)
- Short-term rating: "ST-1" (Indicating highest certainty for timely repayment)
- Outlook: "Stable"

Details of the credit rating report are available on the website of the Company and also discussed in the 'Credit rating report' on page 26 of this Annual Report.

Corporate governance

To ensure that the spirit of governance is embraced with full accountability for inspiring confidence and trust of investors, regulators, financers and other stakeholders, RAK Ceramics (Bangladesh) is committed to comply with all the requirements of Corporate Governance Code, 2018 of Bangladesh Securities and Exchange Commission. Details about corporate governance are discussed in the 'Corporate governance report' on page 97 of this Annual Report.

Reporting and compliance of corporate governance

The Company has complied with the conditions of the Corporate Governance Code, 2018 of the Bangladesh Securities and Exchange Commission dated June 03, 2018. Detailed status of compliance on corporate governance, along with the corporate governance compliance certificate, has been included on page 100 of this Annual Report.

Membership with BAPLC

RAK Ceramics (Bangladesh) has membership of the Bangladesh Association of Publicly Listed Companies (BAPLC). A certificate of BAPLC membership has been included on page 113 of this Annual Report.

Post balance sheet events

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

Appreciation

The Board would like to take this opportunity to thank the government authorities, shareholders, investors, bankers, employees and other stakeholders for their continuous commitment, cooperation, confidence and support in achieving the Company's objectives and outcomes.

For and on behalf of the Board of Directors,



(Abdallah Massaad)
Chairman
February 03, 2021

ANNEXURE-1

Key operating and financial data of preceding five years

Amount in BDT

PARTICULARS	2020	2019	2018	2017	2016
Sales	**5,288,916,673**	**6,463,857,312**	**6,331,083,301**	**6,956,185,329**	**5,661,411,578**
Cost of sales	4,099,115,721	4,556,112,666	4,317,689,669	4,251,220,093	3,252,054,966
Gross profit	**1,189,800,952**	**1,907,744,646**	**2,013,393,632**	**2,704,965,236**	**2,409,356,612**
Administration expenses	363,737,421	459,102,484	440,788,957	445,551,419	416,460,612
Marketing and selling expenses	414,376,760	455,996,281	411,359,546	778,347,786	706,362,135
Net profit before financial expenses	**411,686,771**	**992,645,881**	**1,161,245,129**	**1,481,066,031**	**1,286,533,865**
Financial expense	19,673,258	27,323,676	39,394,022	101,024,936	40,014,661
Other income*	55,522,446	79,082,208	104,074,247	34,558,774	24,139,245
Net profit before taxation	**447,535,959**	**1,044,404,413**	**1,225,925,354**	**1,414,599,869**	**1,270,658,449**
Income tax expenses	136,882,507	290,378,957	335,300,169	396,587,747	355,403,678
Non-controlling interest	121	247	422	423	472
Net profit after taxation and NCI	**310,653,331**	**754,025,209**	**890,624,763**	**1,018,011,699**	**915,254,299**

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

ANNEXURE-2

The number of Board meetings held and the attendance by each director during the year 2020:

NAME OF DIRECTORS	POSITION	NUMBER OF MEETINGS HELD WHILE A MEMBER	NUMBER OF MEETINGS ATTENDED
Abdallah Massaad (Nominee of RAK Ceramics PJSC, UAE)	Chairman	06	06
SAK Ekramuzzaman	Managing Director	06	05
Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director	06	06
Wassim Moukahhal (Nominee of RAK Ceramics PJSC, UAE)	Director	06	06
Faheemul Huq Barrister-at-Law	Independent Director	06	04

ANNEXURE-3

SHAREHOLDING PATTERN

The pattern of shareholding as on 31 December 2020.

a) Parent/Subsidiary companies and other related parties:

NAME	STATUS/POSITION	NO. OF SHARES HELD
RAK Ceramics Co. PJSC, UAE	Parent Company	291,586,431

b) Directors/CFO/CS/HIAC and their spouse and minor children:

NAME	STATUS/POSITION	NO. OF SHARES HELD
Abdallah Massaad (Nominee of RAK Ceramics PJSC, UAE)	Chairman	16
SAK Ekramuzzaman	Managing Director	16,895,824
Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director	Nil
Wassim Moukahhal (Nominee of RAK Ceramics PJSC, UAE)	Director	Nil
Faheemul Huq, Barrister-at-Law	Independent Director	104,061
Sadhan Kumar Dey	Chief Operating Officer and Chief Financial Officer	Nil
Muhammad Shahidul Islam	Company Secretary	Nil
Mohammad Samsul Arefin	Head of Internal Audit and Compliance	Nil

c) Shareholding status of top-5 salaried employees other than CFO/CS/HIAC:

NAME	STATUS/POSITION	NO. OF SHARES HELD
Mohammad Jahirull Reza	VP-SCM, HR and Admin	Nil
Md. Mizanur Rahman	VP Sales	Nil
Mohammed Shamsuddin	AGM Taxation	Nil
Md. Azimul Hossain	IT Business Lead Manager	Nil
Srinivasa Rao Ummadisetti	Sr. Manager	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	291,586,431

AUDIT COMMITTEE REPORT

The Audit Committee is a sub-committee of the Board of Directors. The Committee assists the Board in ensuring that the financial statements reflect a true, fair and accurate view of the state of affairs of the Company, and also in ensuring robust monitoring systems and internal control within the business.

Terms of reference

The terms of reference of the Audit Committee have been determined by the Board, as per the Corporate Governance Code, 2018 (CG Code, 2018) of Bangladesh Securities and Exchange Commission, dated June 03, 2018.

Composition

In accordance with the CG Code, 2018, the Audit Committee comprises three members, which include an Independent Director. The Chairperson of the Committee is an Independent Director. The Company Secretary is the Member Secretary of the Committee.

The current members of the Audit Committee include:

- Barrister Faheemul Huq, Chairperson
- Wassim Moukahhal, Member
- Pramod Kumar Chand, Member
- Muhammad Shahidul Islam, Member Secretary

All members of the Audit Committee have rich business acumen, insights and are individuals with specialist skills, ethics and integrity, and are able to ensure compliance with financial, regulatory and corporate laws that support purposeful contribution to the business as well.

Roles and responsibilities

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

(a) Oversee the financial reporting process;

(b) Monitor the choice of accounting policies and principles;

(c) Monitor internal audit and compliance processes to ensure that it is adequately resourced, including approval of the internal audit and compliance plan and review of the internal audit and compliance report;

(d) Oversee hiring and performance of external auditors;

(e) Hold meetings with external/statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;

(f) Review, along with the management, the annual financial statements before submission to the Board for approval;

(g) Review, along with the management, the quarterly and half-yearly financial statements before submission to the Board for approval;

(h) Review the adequacy of the internal audit function;

(i) Review the Management's Discussion and Analysis before disclosing it in the Annual Report;

(j) Review statements of all related party transactions submitted by the management;

(k) Review management letters or letters of internal control weakness issued by statutory auditors;

(l) Oversee the determination of audit fees based on the scope and magnitude, level of expertise and time required for effective audit, while also evaluating the performance of external auditors; and

(m) Perform other activities related to the Audit Committee Charter, as requested by the Board of Directors.

Committee meetings and attendance

During the year 2020, the Committee held 04 (four) meetings, complying with the requirement of at least one meeting to be held every quarter, in which the Committee reviewed issues relating to business operations, compliance and finance and accounts, among others. The Managing Director, Chief Financial Officer and Head of Internal Audit and Compliance (HIAC) were permanent invitees to the meeting. Relevant departmental heads and other members of the management also attended the meetings, as required. The proceedings of the meetings are

properly recorded in minutes and regularly reported to the Board of Directors. The number of Audit Committee meetings held, and the attendance by each member during the year 2020, comprise the following:

NAME OF DIRECTORS	POSITION	NUMBER OF MEETINGS HELD WHILE A MEMBER	NUMBER OF MEETINGS ATTENDED
Barrister Faheemul Huq	Independent Director and Chairperson of the Committee	04	03
Wassim Moukahhal	Director and Member of the Committee	04	04
Pramod Kumar Chand	Director and Member of the Committee	04	04
Muhammad Shahidul Islam	Company Secretary and Member Secretary of the Committee	04	04

Internal control and risk management process

An important responsibility of the Audit Committee is to establish effective systems of internal control. The Company has policies and procedures in place for ensuring proper and efficient conduct of its business, for safeguarding its assets, for prevention and detection of frauds and errors, for compliance with applicable legislations, for accuracy and completeness of accounting records, and for the timely preparation of reliable financial information. The Company has established a separate internal audit and compliance department to ensure that internal control and compliance is in place. On the other hand, the Audit Committee regularly monitors and reviews reports generated by the internal audit and compliance department and takes corrective measures.

The system of internal control covers financial, operational and compliance controls and risk management procedures. The importance of risk management and internal controls includes the establishment of an appropriate control environment and framework, as well as reviewing its adequacy, integrity and competence.

The risk management process at RAK Ceramics (Bangladesh) comprises the alignment of resources to ensure the attainment of strategy and business plans, including harnessing available opportunities that meet the risk appetite criteria set by the Board. Risk profiles intrinsic to existing activities are maintained within approved risk tolerance levels, thereby optimising risk-return parameters, thus laying the foundations for sustainable growth and consistent value creation for shareholders and other stakeholders.

Committee's report summary

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

- Reviewed the quarterly, half-yearly and yearly financial statements of the Company, and recommended to the Board for their adoption and approval;
- Reviewed the internal audit process and effectiveness of internal audit;
- Reviewed the findings of the internal audit team and its corrective actions;
- Reviewed if adequate internal control systems are in place to detect, correct and prevent fraud and errors on a timely basis;
- Reviewed if laws and regulations relating to business and internal policies, procedures and guidelines have been complied with;
- Reviewed if financial statements for the year ended December 31, 2020 contained full disclosures and if these were prepared in accordance with Bangladesh Financial Reporting Standards (BFRS), as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB);
- Reviewed if appropriate management information systems (MIS) are in place to facilitate the decision-making process;
- Reviewed if existing risk management procedures are effective to capture and mitigate risk; and
- Reviewed if the state of compliance with corporate governance code and other regulations, as per the requirements of the Bangladesh Securities and Exchange Commission, were ensured.

Statutory auditor

The Audit Committee is satisfied through its own process of review that the statutory auditor of the Company is independent, as defined by the related act. The Audit Committee of the Board scrutinised the proposals and recommended to appoint M/s A. Qasem & Co., Chartered Accountants, as the statutory auditors of the Company for the year 2021. The Board of Directors also recommended to appoint to M/s A. Qasem & Co.,

Chartered Accountants, which will be placed before the 22nd AGM for shareholders' approval. Remuneration of the auditor will also be fixed by shareholders at the 22nd AGM.

Internal audit

Internal audit is regarded as one of the four pillars of corporate governance. The Company has established a separate internal audit and compliance department to ensure that internal control and compliance is in place. On the other hand, the Audit Committee regularly monitors and reviews the reports generated by the internal audit and compliance department and takes appropriate corrective measures.

Quarterly financial statements

As per the CG Code, 2018, the Audit Committee reviewed quarterly financial statements of the Company and its subsidiaries and found that these statements reflected a true and fair view of the state of affairs of the companies.

Annual financial statements

The Committee has tabled the annual 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 expresses its sincere acknowledgement to members of the Board, the management and statutory and internal auditors for their continuous support and assistance in enabling it to discharge its duties and responsibilities effectively.



(Barrister Faheemul Huq)
Chairman
Audit Committee
February 03, 2021

NOMINATION AND REMUNERATION COMMITTEE REPORT

The Nomination and Remuneration Committee (NRC) is a sub-committee of the Board. The NRC assists the Board in formulating the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of Directors and other top-level executives. The NRC plays a stewardship role to the management to identify the Company's needs for human resources at different levels and to determine their selection, transfer or replacement and promotion criteria.

Terms of reference

The terms of reference of the NRC have been determined by the Board, as per the Corporate Governance Code, 2018 (CG Code 2018) of Bangladesh Securities and Exchange Commission, dated June 03, 2018.

Composition

In accordance with CG Code, 2018, the NRC of RAK Ceramics (Bangladesh) comprises three members, which include an Independent Director. The Chairperson 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 NRC include:

- Barrister Faheemul Huq, Chairperson
- Wassim Moukahhal, Member
- Pramod Kumar Chand, Member
- Muhammad Shahidul Islam, Member Secretary

Roles and responsibilities

The roles and responsibilities of the NRC are clearly defined in the terms of reference (ToR). The core responsibilities of the NRC, among others, are as follows:

(1) NRC shall be independent and responsible or accountable to the Board and to shareholders

(2) NRC shall oversee, among others, the following matters and make a report with recommendations to the Board:

(a) Formulating the criteria for determining qualifications, positive attributes and independence of a Director, and recommending a policy to the Board relating to the remuneration of Directors and top-level executives, considering the following:

(i) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable Directors to steward the Company successfully;

(ii) The alignment of remuneration to performance is clear and meets appropriate performance benchmarks;

(iii) Remuneration to Directors and top-level executives involves a balance between fixed and incentive pay, reflecting short- and long-term performance objectives appropriate to the working of the Company and its goals;

(b) Devising a policy on the Board's diversity, taking into consideration age, gender, experience, ethnicity, educational background and nationality;

(c) Identifying persons who are qualified to become Directors and who may be appointed in top-level executive positions, in accordance with the criteria laid down, and recommend their appointment and removal to the Board;

(d) Formulating the criteria for evaluation of performance of Independent Directors of the Board;

(e) Identifying the Company's needs for employees at different levels and determining their selection, transfer or replacement and promotion criteria;

(f) Developing, recommending and reviewing annually the Company's human resources and training policies; and

(g) Developing a succession plan for the Board and top-level executives, and regularly reviewing the plan.

Nomination policy

The NRC shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director in terms of the diversity policy of the Board, and recommend to the Board his/her appointment. For the appointment of top-level executives, a person should possess adequate

qualifications, expertise and experience for the position he/she is considered for appointment. Further, for administrative convenience, for the appointment of top-level executives, the Managing Director is authorised to identify and appoint a suitable person for such positions. However, if need be, the Managing Director may consult the Committee/Board for further directions/guidance.

Remuneration policy

The level and composition of remuneration to be paid to Directors, top-level executives and other employees shall be reasonable and sufficient to attract, retain and motivate suitable individuals. The relationship of remuneration to performance should be clear and should encourage meeting of appropriate performance benchmarks. The remuneration should also involve a balance between fixed and incentive/performance related pay, reflecting achievement of short- and long-term performance objectives appropriate to the working of the Company and meeting its goals.

Evaluation criteria

The Committee shall carry out evaluation of performance of every Director. The Committee shall identify the evaluation criteria, which will evaluate Directors based on their knowledge to perform the role, time and level of participation, performance of duties, level of oversight and professional conduct and independence. The appointment/re-appointment/continuation of Directors on the Board shall be subject to the outcome of the annual evaluation process. The Committee shall evaluate performance of top-level executives on the basis of individual KPIs. Decisions pertaining to promotion/ continuation of top-level executives shall be subject to the outcome of the annual evaluation process based on appropriate performance benchmarks.

Activities of NRC

The NRC carried out the following activities during the year 2020:

- Reviewed issues related to the formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of Directors and top-level executives.
- Reviewed the performance of top-level executives on the basis of individual KPIs.
- Reviewed the criteria for evaluation of performance of Independent Directors and the Board.
- Reviewed the Company's need for employees at different levels and determined their selection, transfer or replacement and promotion criteria.
- Reviewed human resources and training policies.
- Reviewed the salary at different levels of the Company.
- Reviewed the appointment of Director of the Company.

Committee meetings and attendance

During the year 2020, the NRC held one meeting, complying with the requirement of at least one meeting to be held during the year. The proceedings of the meeting were recorded in proper minutes and reported to the Board of Directors.

The number of NRC meetings held and the attendance by each member during the year 2020 is given below:

NAME OF DIRECTORS	POSITION	NUMBER OF MEETINGS HELD WHILE A MEMBER	NUMBER OF MEETINGS ATTENDED
Barrister Faheemul Huq	Independent Director and Chairperson of the Committee	01	Nil
Wassim Moukahhal	Director and Member of the Committee	01	01
Pramod Kumar Chand	Director and Member of the Committee	01	01
Muhammad Shahidul Islam	Company Secretary and Member Secretary of the Committee	01	01

Appreciation

The NRC expresses its sincere appreciation to the members of the Board and the management of the Company for their excellent support and co-operation extended in helping it discharge its duties and responsibilities effectively.



(Barrister Faheemul Huq)
Chairperson
Nomination and Remuneration Committee
February 03, 2021

CORPORATE
GOVERNANCE REPORT

At RAK Ceramics (Bangladesh), we believe that it is imperative for us to manage our business operations in a fair and transparent manner within the perimeter of our governance framework and under the strategic stewardship of our values. For us, corporate governance represents an ethical business process aimed at enhancing our organisation's reputation, goodwill and sustainability.

We believe that our good governance processes provide transparency with regards to corporate policies and strategies, while enabling us to refine our decision-making process. This further strengthens internal control systems and helps in building positive relationships with all our stakeholders.

The Board of Directors of the Company is deeply engaged in developing and measuring the Company's long-term strategy, performance, culture and values. We believe that it adds a valuable and diverse set of external perspectives, while a robust, open debate about significant business issues brings an additional discipline and rigour to major decisions.

The Board is responsible and committed to embracing sound principles of corporate governance. Our governance framework ensures that we make timely disclosures and share detailed and timely information with respect to our financials and our performance, as well as disclosures related to our leadership and governance. We believe in transparency and commit ourselves to adhere to best practices in governance at all times. Enabling us to reinforce our governance standards, we have adopted a few core principles that include the following:

- Appropriate composition of the Board;
- Timely disclosure of material and financial information to the Board, regulators, shareholders and other stakeholders;
- Robust systems and processes to ensure strong internal controls, financial controls and compliance with laws, rules and regulations; and
- Proper business conduct by the Board, committees, top management and employees.

Board of Directors

At RAK Ceramics (Bangladesh), an active, well-informed and independent Board is necessary to ensure alignment with the highest standards of corporate governance in order to bring forth objectivity and transparency in the overall decision-making process, thus enhancing the quality of our decisions. The Board of Directors is an effective intermediary between shareholders and the management. Directors are elected or appointed by shareholders at the Annual General Meeting (AGM) and they are accountable to our shareholders.

Composition of the Board

In compliance with the Corporate Governance Code 2018 of Bangladesh Securities and Exchange Commission (BSEC), the Board of Directors of RAK Ceramics (Bangladesh) comprises five members, including an Independent Director. The Company has a Non-Executive Chairman and a Managing Director (separate roles).

Board procedure

The Board embraces the practice of planning in advance in matters requiring discussions and decisions by the Board. The Board is appraised across all facets of the business by means of a presentation on production, sales, marketing, finance, major business segments/ operations, among other matters, as per their demands and requirements. The Managing Director along with the Company Secretary, finalises the agenda papers for Board meetings, in consultation with concerned teams/stakeholders. The minutes of the proceedings of each Board meeting are maintained as per statutory provisions.

Committees of the Board

In accordance with the requirements of Corporate Governance Code 2018 of BSEC, RAK Ceramics (Bangladesh) has an Audit Committee and a Nomination and Remuneration Committee as sub-committees of the Board of Directors.

Audit Committee

The Audit Committee is a sub-committee of the Board and provides assistance in ensuring the perpetuation of strong monitoring systems across the organisation. The Committee comprises three members, which include an Independent Director. The Chairman of the Committee is an Independent Director of the Company. The Company Secretary is the Member Secretary of the Committee.

The Audit Committee is responsible to the Board, and the duties and responsibilities of the Committee are clearly articulated in writing by the Board in the Audit Committee Charter. The Audit Committee reports to the:

a) Board of Directors

b) Relevant regulatory authorities

c) Shareholders and general investors

Details about the Audit Committee, including terms of reference, composition, responsibilities, meetings, reporting and activities carried out by the Committee are disclosed in this annual report in the "Audit Committee Report", signed by the Member of the Committee.

Nomination and Remuneration Committee (NRC)

NRC is a sub-committee of the Board and assists the Board in devising the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top-level executives, as well as a policy for the formal processes of considering remuneration of Directors and top-level executives.

NRC of RAK Ceramics (Bangladesh) comprises three members, which include an Independent Director. The Chairperson of the Committee is an Independent Director of the Company. The Company Secretary is the Member Secretary of the Committee. NRC is independent, responsible and accountable to the Board and to shareholders. The NRC shall:

a) Report and offer recommendations to the Board of Directors; and

b) Disclose the nomination and remuneration policy and evaluation criteria and its activities to shareholders

The details about NRC, including terms of reference, composition, responsibilities, meetings, nomination and remuneration policy, evaluation criteria and activities, are disclosed in this annual report in the "Nomination and Remuneration Committee (NRC) Report", signed by the Chairperson of the Committee.

Chairman of the Board and Managing Director

The position of the Chairman of the Board and the Managing Director of RAK Ceramics (Bangladesh) is occupied by different individuals. The Board of Directors has clearly defined the respective roles and responsibilities of the Chairman and the Managing Director, in addition to their roles and responsibilities, as per the Articles of Association of the Company.

Chief Operating Officer and Chief Financial Officer

Sadhan Kumar Dey is the Chief Operating Officer and Chief Financial Officer of RAK Ceramics (Bangladesh). He is a qualified finance and management professional from the Chartered Institute of Management Accountant– UK and the Institute of Certified Management Accountant– Australia. He is an alumni of Harvard Business School, USA. He possesses more than 20 years of industrial experience in construction companies in the manufacturing sector. As COO, he is responsible for entire business operations of the Company including its subsidiaries. He is also responsible for the finance and accounting activities of the Company as 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). His professional career spans more than 16 years in the realm of Company Secretariat, Corporate Affairs, Compliance, Initial Public Offer (IPO), Legal, Capital Market Operations and Internal Audit covering the manufacturing and insurance sectors. The Board of Directors have clearly defined the roles, responsibilities and duties of the Company Secretary.

Head of Internal Audit and Compliance

Mohammad Samsul Arefin is the Head of Internal Audit and Compliance of RAK Ceramics (Bangladesh). He is a qualified Cost and Management Accountant and is a fellow member of the Institute of Cost and Management Accountants of Bangladesh (ICMAB). He is also a Chartered Global Management Accountant (CGMA), qualified from CIMA, UK. He is responsible

for internal controls and compliance of the Company. The Board of Directors have clearly defined the roles, responsibilities and duties of the Head of Internal Audit and Compliance.

Statutory auditors

Statutory auditors are appointed by shareholders at the Annual General Meeting (AGM) and also fix their remuneration thereof. ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL), was the statutory auditor of the Company for the year 2020. They conducted systematic examination of the books and records of the Company and ascertained, verified and reported upon the facts regarding the financial results of the Company. To ensure the highest levels of compliance with governance guidelines, 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 or special audit services;

(vii) Any service that the Audit Committee determines;

(viii) Audit or certification services on compliance of corporate governance; and

(ix) Any other service that creates conflict of interest.

M/s. ACNABIN declares that none of the partners or employees or any family members of any partners or employees of M/s. ACNABIN has taken any loan from RAK Ceramics (Bangladesh), nor have they any directorship/shares of RAK Ceramics (Bangladesh) during the tenure of the audit assignment.

Internal audit and control

RAK Ceramics (Bangladesh) considers internal audit and compliance an important tool for ensuring alignment with best governance practices. Hence, the Company has an independent internal audit and compliance department under the control of the Audit Committee of the Board. Internal audit assists the Company in attaining its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management capabilities, controls and governance processes. It also assists the Audit Committee of the Board to perform their responsibilities efficiently and effectively.

Subsidiary company

RAK Ceramics (Bangladesh) has two subsidiary companies and, in compliance with the Corporate Governance Code 2018 of BSEC, the Company ensured the following across its subsidiaries:

- Provisions relating to the composition of the Board of subsidiary companies, including Independent Directors, have been complied with
- Independent Director of the company is also a Director in subsidiary companies
- Affairs of subsidiary companies have been reviewed at Board meetings of the Company
- Minutes of Board meetings of subsidiary companies have been placed for review at Board meetings of the Company
- Financial statements of subsidiary companies have been reviewed by the Audit Committee of the Company

Code of conduct

The Board of Directors of RAK Ceramics (Bangladesh) has formulated a coherent code of conduct for the Chairperson of the Board, other Board members, and Chief Executive Officer of the Company, and annual compliance to the code is recorded. As an organisation with a longstanding heritage, our values encompass integrity, self-determination and valuing our human resources. Our parent company has articulated the corporate values for the Company and has also stipulated a code of conduct for employees, ensuring that the latter maintains the highest integrity, promotes fair and accurate disclosures, and ensures financial reporting and compliance with all relevant laws and principles.

Compliances

RAK Ceramics (Bangladesh) is committed to comply with all requirements of the corporate governance code, as required by BSEC. The certificate on compliance of conditions of corporate governance code of the Company is provided on page 100 in this annual report.

Conclusion

RAK Ceramics (Bangladesh) ensured compliance with the highest standards of governance and unwavering adherence to the requirements of the ethical code of conduct through close and consistent monitoring. Further, through the code of ethics, all levels of staff were made aware of and encouraged to report through whistle-blowing any suspected wrongdoing.

CORPORATE GOVERNANCE
COMPLIANCE CERTIFICATE

Jasmin&Associates
(Chartered Secretaries & Corporate Affairs Consultants)

55/B, Noakhali Tower, 10th Floor
Suite 11-F, Purana Paltan, Dhaka-1000
jasminmizan123@yahoo.com, jasminandassociates@gmail.com
Phone : 02-9574125, E-TIN No.295279438482

Report to the Shareholders of RAK Ceramics (Bangladesh) Limited on Compliance of the Corporate Governance Code

We have examined the Compliance status to the Corporate Governance Code by RAK Ceramics (Bangladesh) Limited for the year ended on December 31, 2020. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 of the Bangladesh Securities and Exchange Commission.

Such compliance with the Corporate Governance Code is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of the Corporate Governance Code.

This is a scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required, and after due scrutiny and verification thereof, we report that, in our opinion:

(a) The Company has complied with the conditions of the Corporate Governance Code as stipulated in the above mentioned Corporate Governance Code issued by the Commission;
(b) The Company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;
(c) Proper books and records have been kept by the company as required under the Companies Act, 1994, the securities laws and other relevant laws; and
(d) The Governance of the company is highly satisfactory.

For: Jasmin & Associates

Place : Dhaka
Dated : February 03, 2021

Jasmin Akter, FCS
Chief Executive

RAK Ceramics (Bangladesh) Limited

For the year ended 31st December 2020

STATUS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As per Condition No. 1 (5)(xxvii)

"Status of compliance with the conditions imposed by the Commission's Notification No. SEC/CMRRCD/2006-158/207/Admin/80, dated 3 June 2018 issued under section 2CC of the Securities and Exchange Ordinance 1969:

(Report under Condition No. 9)

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)(a)	At least one fifth (1/5) of the total number of directors in the Company's Board shall be Independent Directors; any fraction shall be considered to the next integer or whole number for calculating number of independent director(s);	√		
1(2)(b)(i)	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)(b)(ii)	Who is not a sponsor of the company or is not connected with the company's any sponsor or director or nominated director or shareholder of the company or any of its associates, sister concerns, subsidiaries and parents or holding entities who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship and his or her family members also shall not hold above mentioned shares in the company:	√		
1(2)(b)(iii)	Who has not been an executive of the company in immediately preceding 2 (two) financial years;	√		
1(2)(b)(iv)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/ associated companies;	√		Director of subsidiary Companies
1(2)(b)(v)	Who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange;	√		
1(2)(b)(vi)	Who is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market;	√		
1(2)(b)(vii)	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 or audit firm engaged in internal audit services or audit firm conducting special audit or professional certifying compliance of this Code;	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(2)(b)(viii)	Who shall not be an independent director in more than 5 (Five) listed companies;	√		
1(2)(b)(ix)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan any advance to a bank or a Non-Bank Financial Institution (NBFI); and	√		
1(2)(b)(x)	Who has not been convicted for a criminal offence involving moral turpitude.	√		
1(2)(c)	The Independent Director(s) shall be appointed by the Board of Directors and approved by the shareholders in the Annual General Meeting (AGM).	√		
1(2)(d)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days.	√		
1(2) (e)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) tenure only:	√		
1(3)	**Qualification of Independent Director (ID)**			
1(3)(a)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws regulatory requirements and can make meaningful contribution to business;	√		
1(3)(b)(i)	Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk. 100.00 million or any listed company or a member of any national or international chamber of commerce or business association; or	√		
1(3)(b)(ii)	Corporate Leader who is or was a top level executive not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid-up capital of Tk. 100.00 million or of a listed company; or	√		
1(3)(b)(iii)	Former official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or business or Law; or	√		
1(3)(b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law; or	√		
1(3)(b)(v)	Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification;	√		
1(3) (c)	The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b);	√		
1 (3)(d)	In special cases, the above qualifications or experiences may be relaxed subject to prior approval of the Commission.			No such matter

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(4)	**Duality of chairperson of the Board of Directors and Managing Director of Chief Executive Officer**			
1(4) (a)	The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals;	√		
1(4)(b)	The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company;	√		
1(4) (c)	The Chairperson of the Board shall be elected from among the non-executive directors of the company;	√		
1(4)(d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer;	√		
1(4)(e)	In the absence of the Chairperson of the Board, the remaining members may elect one of themselves from nonexecutive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		
1(5)	**The Director's Report to Shareholders**			
1(5)(i)	An Industry outlook and possible future developments in the industry;	√		
1(5)(ii)	The Segment-wise or product-wise performance;	√		
1(5)(iii)	Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any;	√		
1(5)(iv)	A Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin, where applicable;	√		
1(5)(v)	A Discussion on continuity of any Extra-Ordinary activities and their implication (gain or loss);			No such matter
1(5)(vi)	A detailed discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions;	√		
1(5)(vii)	A statement of utilization of proceeds raised through public issues, rights issues and/or any other 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 Share Offer, Direct Listing, etc.;			No such matter
1(5)(ix)	An explanation on any significant variance that occurs between Quarterly Financial performances and Annual Financial Statements;	√		
1(5)(x)	A statement of remuneration paid to the directors including independent directors;	√		
1(5)(xi)	A statement that 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)	A Statement that Proper books of account of the issuer Company have been maintained.	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(5)(xiii)	A statement that 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)	A statement that International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), 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)	A statement that the system of internal control is sound in design and has been effectively implemented and monitored;	√		
1(5)(xvi)	A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;	√		
1(5)(xvii)	A statement that 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)(xviii)	An explanation that 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)(xix)	Key operating and financial data of at least preceding 5 (five) years shall be summarized;	√		
1(5)(xx)	An explanation on the reasons If the issuer company has not declared dividend (cash or stock) for the year;			No such matter
1(5)(xxi)	Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend;	√		
1(5)(xxii)	The total number of Board meetings held during the year and attendance by each director;	√		
1(5)(xxiii)(a)	Parent or Subsidiary or Associated Companies and other related parties (name-wise details);	√		
1(5)(xxiii)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children (name wise details);	√		
1(5)(xxiii)(c)	Executives;	√		
1(5)(xxiii)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	√		
1(5)(xxiv)(a)	A brief resume of the director;	√		
1(5)(xxiv)(b)	Nature of his / her expertise in specific functional areas;	√		
1(5)(xxiv)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the board;	√		
1(5)(xxv) (a)	Accounting policies and estimation for preparation of financial statements;	√		
1(5)(xxv)(b)	Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes;	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(5)(xxv)(c)	Comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof;	√		
1(5)(xxv)(d)	compare such financial performance or results and financial position as well as cash flows with the peer industry scenario;	√		
1(5)(xxv)(e)	Briefly explain the financial and economic scenario of the country and the globe;	√		
1(5)(xxv)(f)	Risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company; and	√		
1(5)(xxv)(g)	Future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM;	√		
1(5)(xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per **Annexure-A**; and	√		
1(5)(xxvii)	The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per **Annexure-B** and **Annexure-C**.	√		
1(6)	**Meetings of the Board of Directors:** The company shall conduct its Board meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Code.	√		
1(7)	**Code of Conduct for the Chairperson, other Board members and Chief Executive Officer**			
1(7)(a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC) at condition No. 6, for the Chairperson of the Board, other board members and Chief Executive Officer of the company;	√		
1(7)(b)	The code of conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behavior; confidentiality; conflict of interest; compliance with laws, rules and regulations; prohibition of insider trading; relationship with environment, employees, customers and suppliers; and independency.	√		
2	**Governance of Board of Directors of Subsidiary Company.**			
2(a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company;	√		
2(b)	At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company;	√		
2(c)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company;	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
2(d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also;	√		
2(e)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	√		
3	**Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS).**			
3(1)	**Appointment**			
3(1)(a)	The Board shall appoint a Managing Director (MD) or Chief Executive Officer (CEO), a Company Secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC);	√		
3(1)(b)	The positions of the Managing Director (MD) or Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO) and Head of Internal Audit and Compliance (HIAC) shall be filled by different individuals;	√		
3(1)(c)	The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time;	√		
3(1)(d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS;	√		
3(1)(e)	The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s).	√		
3(2)	**Requirement to attend Board of Directors' Meetings** The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board: Provided that the CS, CFO and/or the HIAC shall not attend such part of a meeting of the Board which involves consideration of an agenda item relating to their personal matters.	√		
3(3)	**Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)**			
3(3)(a)	The MD or CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief:			
3(3)(a)(i)	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and	√		
3(3)(a)(ii)	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;	√		
3(3)(b)	The MD or CEO and CFO shall also certify that there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board or its members;	√		
3(3)(c)	The certification of the MD or CEO and CFO shall be disclosed in the Annual Report.	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
4	**Board of Directors' Committee:- For ensuring good governance in the company, the Board shall have at least following sub-committees:**			
4 (i)	Audit Committee; and	√		
4(ii)	Nomination and Remuneration Committee	√		
5	**AUDIT COMMITTEE:**			
5(1)	**Responsibility to the Board of Directors**			
5(1)(a)	The Company shall have an Audit Committee as a sub-committee of the Board of Directors;	√		
5(1)(b)	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;	√		
5(1) (c)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√		
5(2)	**Constitution of the Audit Committee**			
5(2)(a)	The Audit Committee shall be composed of at least 3 (three) members;	√		
5(2)(b)	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;	√		
5(2)(c)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience;	√		
5(2)(d)	When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 1 (one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee;	√		
5(2)(e)	The company secretary shall act as the secretary of the Committee;	√		
5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without independent director.	√		
5(3)	**Chairman of the Audit Committee**			
5(3)(a)	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;	√		
5(3)(b)	In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
5(3) (c)	Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM):	√		
5(4)	**Meeting of the Audit Committee**			
5(4)(a)	The Audit Committee shall conduct at least its four meetings in a financial year;	√		
5(4)(b)	The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two-third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must.	√		
5(5)	**Role of Audit Committee** The Audit Committee shall :-			
5(5)(a)	Oversee the financial reporting process;	√		
5(5)(b)	monitor choice of accounting policies and principles;	√		
5(5) (c)	Monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report;	√		
5(5)(d)	Oversee hiring and performance of external auditors;	√		
5 (5)(e)	hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;	√		
5(5)(f)	Review along with the management, the annual financial statements before submission to the board for approval;	√		
(5)(5)(g)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;	√		
5(5)(h)	Review the adequacy of internal audit function;	√		
5(5)(i)	Review the Management's Discussion and Analysis before disclosing in the Annual Report;	√		
5(5)(j)	Review statement of all related party transactions submitted by the management;	√		
5(5)(k)	Review Management Letters or Letter of Internal Control weakness issued by statutory auditors;	√		
5(5)(l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors; and	√		
5(5)(m)	Oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission:			No such matter
5(6)	**Reporting of the Audit Committee**			
5(6)(a)	Reporting to the Board of Directors			
5(6)(a)(i)	The Audit Committee shall report on its activities to the Board.	√		
5(6)(a)(ii)(a)	Report on conflicts of interests;			No such matter

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
5(6)(a)(ii)(b)	Suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements;			No such matter
5(6)(a)(ii)(c)	Suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations; and			No such matter
5(6)(a)(ii)(d)	Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately;			No such matter
5(6)(b)	**Reporting to the Authorities;** If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier.			No such matter
5(7)	**Reporting to the Shareholders and General Investors;** Report on activities carried out by the Audit Committee, including any report made to the Board under condition No. 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.	√		
6	**Nomination and Remuneration Committee (NRC):-**			
6(1)	**Responsibility to the Board of Directors**			
6(1)(a)	The company shall have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board;	√		
6(1)(b)	The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive;	√		
6(1)(c)	The Terms of Reference (ToR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5)(b).	√		
6 (2)	**Constitution of the NRC**			
6(2)(a)	The Committee shall comprise of at least three members including an independent director;	√		
6(2)(b)	All members of the Committee shall be non-executive directors;	√		
6(2)(c)	Members of the Committee shall be nominated and appointed by the Board;	√		
6(2)(d)	The Board shall have authority to remove and appoint any member of the Committee;	√		
6(2)(e)	In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee;	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
6(2)(f)	The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as advisor who shall be non-voting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee;	√		
6(2)(g)	The company secretary shall act as the secretary of the Committee;	√		
6(2)(h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent director;	√		
6(2)(i)	No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company.	√		
6(3)	**Chairperson of the NRC**			
6(3)(a)	The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director;	√		
6(3)(b)	In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;	√		
6(3)(c)	The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders:	√		
6(4)	**Meeting of the NRC**			
6(4)(a)	The NRC shall conduct at least one meeting in a financial year;	√		
6(4)(b)	The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC;	√		
6(4)(c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h);	√		
6(4)(d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC.	√		
6(5)	**Role of the NRC**			
6(5)(a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders;	√		
6(5)(b)(i)(a)	The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;	√		
6(5)(b)(i)(b)	The relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
6(5)(b)(i)(c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;	√		
6(5)(b)(ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;	√		
6(5)(b)(iii)	Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;	√		
6(5)(b)(iv)	Formulating the criteria for evaluation of performance of independent directors and the Board;	√		
6(5)(b)(v)	Identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and	√		
6(5)(b)(vi)	Developing, recommending and reviewing annually the company's human resources and training policies;	√		
6(5)(c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report.	√		
7	**External or Statutory Auditors.**			
7(1)	The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely:-			
7(1)(i)	Appraisal or valuation services or fairness opinions;	√		
7(1)(ii)	Financial information systems design and implementation;	√		
7(1)(iii)	Book-keeping or other services related to the accounting records or financial statements;	√		
7(1)(iv)	Broker-dealer services;	√		
7(1)(v)	Actuarial services;	√		
7(1)(vi)	Internal audit services or special audit services	√		
7(1)(vii)	any service that the Audit Committee determines;	√		
7(1)(viii)	Audit or certification services on compliance of corporate governance as required under condition No. 9(1); and	√		
7(1)(ix)	Any other service that creates conflict of interest.	√		
7(2)	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; his or her family members also shall not hold any shares in the said company:	√		
7(3)	Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General Meeting or Extraordinary General Meeting) to answer the queries of the shareholders.	√		
8	**Maintaining a website by the Company:-**			
8(1)	The company shall have an official website linked with the website of the stock exchange.	√		
8(2)	The company shall keep the website functional from the date of listing.	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
8(3)	The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchange(s).	√		
9	**Reporting and Compliance of Corporate Governance.-**			
9(1)	The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report.	√		
9(2)	The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the annual general meeting.	√		
9(3)	The directors of the company shall state, in accordance with the Annexure-C attached, in the directors' report whether the company has complied with these conditions or not.	√		

BAPLC CERTIFICATE 2020



BANGLADESH ASSOCIATION OF PUBLICLY LISTED COMPANIES

Ref. No: CM-2020/084

BAPLC

Date of issue : February 13, 2020

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 **2020.**

BAPLC

Secretary-General

DECLARATION OF MD AND CFO REGARDING FINANCIAL STATEMENTS

Our innovative and lifestyle-oriented products, successful presence in all sales channels, creative marketing programs and extensive sales resources have enabled the Company to build market leadership positions in in Bangladesh. We have leveraged our brands, broad offerings and deep capabilities in merchandising to build strong positions across all product categories. This has been reflected in our consistent performance over the years. What is also central to our Company is compliance and we ensure the highest standards of transparency in all our disclosures, including our financial statements.



DECLARATION OF MD AND CFO
REGARDING FINANCIAL STATEMENTS

Date: February 03, 2021

The Board of Directors

RAK Ceramics (Bangladesh) Limited

Subject: Declaration on Financial Statements for the year ended 31 December 2020.

Dear Sir,

Pursuant to the condition No. 1 (5)(xxvi), imposed vide the Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 under section 2CC of the Securities and Exchange Ordinance, 1969, we hereby declare that:

(1) The audited standalone and consolidated financial statements of RAK Ceramics (Bangladesh) Limited for the year ended 31 December 2020 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, and any departure therefrom has been adequately disclosed;

(2) The estimates and judgements related to the financial statements were made on a prudent and reasonable basis in order for the financial statements to reveal a true and fair view;

(3) The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;

(4) To ensure the above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;

(5) Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and

(6) The management's use of the going concern basis of accounting in preparing the financial statements is appropriate, and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that:

(i) We have reviewed the audited standalone and consolidated financial statements for the year ended 31 December 2020 and 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; and

  (b) These statements collectively 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 period, which are fraudulent, illegal or in violation of the code of conduct of the Company's Board of Directors or its members.

Sincerely yours,

(SAK Ekramuzzaman)
Managing Director

(Sadhan Kumar Dey)
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF RAK CERAMICS (BANGLADESH) LTD.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of RAK Ceramics (Bangladesh) Ltd. ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) By-laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matters	How our audit addressed the Key Audit Matters
Revenue recognition	
Refer note no 3.14.2 and 24 to the consolidated financial statements	
The Group earns revenue from contracts with customers for sale of goods. Due to impact of the COVID-19 pandemic on the operating environment surrounding the Group, there is a decline in the amount of revenue earned by the Group compared to last year's reported numbers. The amount of decline was significant during the second quarter of the year due to the lockdown situation in the country as containment measures against the pandemic. However, in the following quarters, revenue started to grow remarkably as the lockdown situation gradually phased out. The management uses its judgment for assessing appropriateness of revenue recognition, especially considering collectability of revenue from customers stressed by the pandemic situation. Revenue is measured at net of discounts, dealers' commissions and incentives. The calculation of the discounts and commission is complex and require judgment in some instances.	Our audit procedures for revenue recognition included the following: • Understanding of the key controls related to the contracts with customers, goods delivery and invoicing process and sanctioning of discount and commissions; • Review collectability of sales to customers, especially those which are stressed because of the pandemic situation; • Substantive procedures using sampling techniques to verify relevant supporting documents for the revenue recognised; • Recalculation of the discounts and commissions granted to customers and agreeing them with the underlying contracts, policy documents and past trends, which arise valid expectation among customers to be eligible for discounts and commissions; • Cut off testing, which involves testing of revenue recognised shortly before and after the date of statement of financial position, to determine whether the revenue is recognised in the correct year.

Key Audit Matters	How our audit addressed the Key Audit Matters
Valuation of inventories	
Refer note no 3.9 and 9 to the consolidated financial statements	
The inventories of the Group are carried at lower of cost and net realisable value. During the year, the risk of cost exceeding net realisable value has increased due to the pandemic situation having an adverse impact on market conditions. The determination of net realisable value of inventories is judgmental and complex, especially in the current uncertain market conditions due to the pandemic.	We obtained assurance over relevance and appropriateness of the management's assumptions applied in calculating the provision for slow moving and obsolete inventories by: • Evaluating the design and implementation of key inventory controls operating across the Group. • Evaluating management's process of determining the net realisable value of the inventories and impact of the pandemic upon it. • Attending stock counting and reconciling the count results to the inventory listings to test the completeness of data. • Checking the ageing analysis of inventories and appropriateness of management's determination of probability of obsolescence for each group of inventory ageing. • Reviewing the historical accuracy of inventory provisioning, and the level of inventory write-offs during the year.
Credit risk and impairment on trade receivables	
Refer note no 3.10, 3.14.1, 10.1, 27.1 and 35.1(b) to the consolidated financial statements	
The COVID-19 pandemic situation has put many businesses of the country in financial stress. So, there is increased risk of default for the sales to customers being stressed. Remarkable amount of trade receivables of the Group is attributable to a single customer, which is also a related party (as disclosed in note no #36 to the consolidated financial statements) to the Group. Being related party, there may be unpalatable behaviour putting reliability at risk. Significant amount of judgment is to be applied to determine the risk of default over the expected life of trade receivables, which may have material impact over the figures of trade receivable. As a result, there is risk of error in determining the allowance for impairment for trade receivables.	Our audit procedures included testing the Group's credit control procedures and judgment on determining the provisions for expected credit losses. The audit procedures involved the following activities: • Testing of receivable balances and comparing it with our results from the external confirmations. • Inspecting the arrangements, securities documents, credibility assessments and correspondences with parties concerned to assess the recoverability of significant long outstanding receivables. • Reviewing the calculations of allowance for impairment of trade receivables based on the judgment applied by the management.
Review of tax and regulatory matters	
Refer note no 23 and 42 to the consolidated financial statements	
The Group has several pending corporate tax assessments and legal proceedings with the government revenue authorities related to claims for tax, VAT and customs duty. The pending cases expose the Group to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties, and the outcome may not be appropriate to predict. These uncertainties inherently affect the amount and timing of potential outflows with respect to tax provisions and contingent liabilities. As a listed entity, the Group also has to maintain compliance with the requirements of the Bangladesh Securities and Exchange Commission.	We obtained an understanding, evaluated the design and tested the operational effectiveness of the Group's key controls over the legal provision and contingencies recognition process. To get more insights we performed the following procedures: • Enquired into those charged with governance to obtain their view on the status of all significant litigation and regulatory matters; • Enquired with the Group's internal legal counsel for all significant litigation and regulatory matters and studied internal notes and reports. We also enquired formal confirmations from external counsel on these matters; • Assessed the methodologies on which the provision amounts are based, recalculated the provisions, and tested the completeness and accuracy of the underlying information; • Assessed the Group's provisions and contingent liabilities disclosure. We have reviewed the controls related to Corporate Governance compliance and reporting compliance as per Bangladesh Securities and Exchange Commission guidelines.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our Auditor's Report thereon. The Annual Report is expected to be made available to us after the date of this Auditor's Report.

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the Key Audit Matters as reported in the respective section of the

report above. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

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

A. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;

B. In our opinion, proper books of accounts, as required by law, have been kept by the Group so far as it appeared from our examination of these books;

C. The statement of consolidated financial position and statement of consolidated profit or loss and other comprehensive income dealt with by the report are in agreement with the books of accounts and returns; and

D. The expenditure incurred was for the purpose of the Group's business.

Dhaka, Bangladesh
03 Feb 2021

ACNABIN
Chartered Accountants

Signed by
Md. Rokonuzzaman FCA
Patner
Enrollment No. : 0739

DVC 2102040739AS435533

RAK Ceramics (Bangladesh) Ltd.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	2020 Taka	2019 Taka
Assets			
Property, plant and equipment	4	3,087,064,214	3,002,294,289
Investment property	5	503,456,083	681,433,369
Right of use assets	6	21,183,255	45,836,335
Intangible assets	7	3,132,357	6,495,047
Capital work-in-progress	8	56,636,694	177,641,997
Total non-current assets		3,671,472,603	3,913,701,037
Inventories	9	2,026,990,380	2,785,630,242
Trade and other receivables	10	1,008,800,248	859,960,257
Advances, deposits and prepayments	11	270,311,098	267,192,251
Advance income tax	12	3,588,659,675	3,434,063,275
Cash and cash equivalents	13	1,949,194,840	1,499,310,101
Total current assets		8,843,956,241	8,846,156,126
Total assets		12,515,428,844	12,759,857,163
Equity			
Share capital	14	4,279,687,010	4,279,687,010
Share premium	15	1,473,647,979	1,473,647,979
Retained earnings	16	1,269,975,797	1,601,275,518
Equity attributable to equity holders of the company		7,023,310,786	7,354,610,507
Non-controlling interests		1,314	1,393
Total equity		7,023,312,100	7,354,611,900
Liabilities			
Deferred tax liability	17	191,761,301	191,893,149
Lease liability	20	9,291,390	29,374,867
Total non-current liabilities		201,052,691	221,268,016
Borrowings	19	119,940,905	89,232,918
Lease liability	20	4,505,188	10,101,008
Trade and other payables	21	675,069,613	691,725,531
Accrued expenses	22	520,281,836	558,665,634
Provision for income tax	23	3,971,266,511	3,834,252,156
Total current liabilities		5,291,064,053	5,183,977,246
Total liabilities		5,492,116,744	5,405,245,263
Total equity and liabilities		12,515,428,844	12,759,857,163

The accompanying notes are an integral part of these financial statements

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

As per our report of same date

ACNABIN
Chartered Accountants

2102040739AS435533

Dated, 03 February 2021

RAK Ceramics (Bangladesh) Ltd.

CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	2020 Taka	2019 Taka
Sales	24	5,288,916,673	6,463,857,312
Cost of sales	25	(4,099,115,721)	(4,556,112,666)
Gross profit		1,189,800,952	1,907,744,646
Other income	26	3,973,687	46,204,060
Administrative expenses	27	(340,243,455)	(400,512,718)
Impairment loss on trade receivable	27.1	(677,294)	(5,624,637)
Marketing and selling expenses	28	(414,376,760)	(455,996,281)
		(751,323,822)	(815,929,576)
Profit from operating activities		438,477,130	1,091,815,070
Finance income	29	51,548,759	32,878,148
Finance expenses	30	(19,673,258)	(27,323,676)
Net finance income		31,875,501	5,554,472
Profit before contribution to worker's profit participation and welfare fund		470,352,631	1,097,369,542
Contribution to worker's profit participation and welfare fund	31	(22,816,672)	(52,965,129)
Profit before income tax		447,535,959	1,044,404,413
Income tax expense			
Current tax	32	(137,014,355)	(296,420,303)
Deferred tax	17	131,848	6,041,346
		(136,882,507)	(290,378,957)
Profit for the year		310,653,452	754,025,456
Other comprehensive income		-	-
Total comprehensive income for the year		310,653,452	754,025,456
Profit attributable to:			
Equity holders of the company		310,653,331	754,025,209
Non-controlling interests		121	247
Profit after tax for the year		310,653,452	754,025,456
Basic earnings per share (Par value TK 10)	38	0.73	1.76

The accompanying notes are an integral part of these financial statements

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

As per our report of same date

ACNABIN
Chartered Accountants

2102040739AS435533

Dated, 03 February 2021

RAK Ceramics (Bangladesh) Ltd.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Share capital Taka	Share Premium Taka	Retained earnings Taka	Total Taka	Non-controlling interests Taka	Total equity Taka
Balance as at 01 January 2019	3,890,624,560	1,473,647,979	1,628,694,442	6,992,966,981	1,546	6,992,968,527
Prior year adjustment (Leases)	-	-	(3,319,226)	(3,319,226)	-	(3,319,226)
Total comprehensive income for 2019						
Profit for the year	-	-	754,025,209	754,025,209	247	754,025,456
Transactions with the shareholders						
Cash dividend (2018)	-	-	(389,062,456)	(389,062,456)	(400)	(389,062,856)
Stock dividend (2018)	389,062,450	-	(389,062,450)	-	-	-
Balance as at 31 December 2019	4,279,687,010	1,473,647,979	1,601,275,518	7,354,610,507	1,393	7,354,611,900
Balance as at 01 January 2020	4,279,687,010	1,473,647,979	1,601,275,518	7,354,610,507	1,393	7,354,611,900
Total comprehensive income for 2020						
Profit for the year	-	-	310,653,331	310,653,331	121	310,653,452
Transactions with the shareholders:						
Cash dividend (2019)	-	-	(641,953,052)	(641,953,052)	(200)	(641,953,252)
Balance as at 31 December 2020	4,279,687,010	1,473,647,979	1,269,975,797	7,023,310,786	1,314	7,023,312,100

The accompanying notes are an integral part of these financial statements

RAK Ceramics (Bangladesh) Ltd.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	2020 Taka	2019 Taka
Cash flows from operating activities		
Cash receipts from customers	5,105,194,886	6,450,716,308
Cash payments to suppliers and employees	(3,732,064,498)	(4,563,582,744)
Cash generated from operating activities	1,373,130,388	1,887,133,564
Interest received from bank deposit	10,130,980	6,832,490
Income tax paid (note - 12)	(154,596,400)	(308,746,264)
Net cash (used in)/from operating activities (note-41.1)	1,228,664,968	1,585,219,790
Cash flows from investing activities		
Acquisition of property, plant and equipment	(231,242,745)	(279,524,603)
Sale of property, plant and equipment	2,361,500	179,500
Interest received from FDR	38,673,987	20,857,636
Income from rental	5,325,653	12,045,000
Intangible assets	(492,890)	(771,526)
Insurance claim received	38,287,131	56,976,731
Dividend received	100	200
Net cash (used in)/from investing activities	(147,087,264)	(190,237,062)
Cash flows from financing activities		
Finance charges	(18,873,848)	(18,947,425)
Avail/(repayment) of term loan	-	(88,203,349)
Avail/(repayment) of short-term loan	30,707,987	(220,419,498)
Payment of lease liability	(9,677,498)	(10,730,542)
Dividend paid	(634,047,427)	(386,966,131)
Unclaimed share application refund	-	(8,160)
Adjustment related with non-controlling interest	(200)	(400)
Net cash (used in)/from financing activities	(631,890,986)	(725,275,505)
Effect of exchange rate changes in cash and cash equivalents	198,021	(204,349)
Net increase/(decrease) in cash and cash equivalents	449,884,739	669,502,874
Cash and cash equivalents as at 01 January	1,499,310,101	829,807,227
Cash and cash equivalents as at 31 December (Note 13)	1,949,194,840	1,499,310,101

The accompanying notes are an integral part of these financial statements

1. Reporting entity

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

1.1 Nature of business

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

1.2 Description of subsidiaries

RAK Power Pvt. Ltd.

RAK Power Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 30 June 2005 as a private company limited by shares with an authorized capital of Taka 1,000,000,000 divided into 10,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 205,000,000 at the end of reporting period. The Company has gone into operation from 1 May 2009. The registered office of the Company is at RAK Tower (8th floor), Jashimuddin Avenue, Plot # 1/A, Sectoe # 03, Uttara Model Town, Dhaka - 1230. The Power Plant is located at Village : Dhanua, P.S: Sreepur, District: Gazipur. 57% shares of RAK Power Pvt. Ltd. is held by RAK Ceramics (Bangladesh) Limited.

The Board of Directors of RAK Ceramics (Bangladesh) Limited in its meeting held on July 26, 2015 have decided to further increase the shareholding in RAK Power Pvt. Ltd. from 57% to 99.99% through purchase of 881,495 number of ordinary shares of BDT 100 each in consideration of BDT 255 per share totaling to BDT 224,781,225 only from all the other shareholders of RAK Power Pvt. Ltd. subject to approval by the shareholders and concerned authorities for the interest of the business of the Company. The shareholders of RAK Ceramics (Bangladesh) Limited have approved the same in the EGM dated September 20, 2015.The effect of acquisition has been taken place as approved in Board of Directors meeting of RAK Power (Pvt.) Ltd on 20 October 2015.

RAK Security and Services (Pvt.) Limited

RAK Security and Services (Pvt.) Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 21 December 2006 as a private company limited by shares with an authorized capital of Taka 100,000,000 divided into 1,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 1,000,000 at the end of reporting period. The Company has gone into operation from 1 May 2007. The registered office of the Company is at RAK Tower (8th floor), Plot # 1/A, Jasimuddin Avenue, Sector # 03, Uttara Model Town, Dhaka-1230. 35% shares of RAK Security and Services (Pvt.) Ltd is held by RAK Ceramics (Bangladesh) Limited.

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

2. Basis of preparation

2.1 Statement of compliance

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

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

Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on 03 February 2021.

2.2 Basis of measurement

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

2.3 Functional and presentational currency

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

2.4 Use of estimates and judgements

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

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

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

Note 4	Property, plant & equipment
Note 5	Investment property
Note 6	Right of use assets
Note 17	Deferred tax liability
Note 18	Employees benefit payable
Note 20	Lease liability
Note 23	Provision for income tax
Note 27.1	Impairment on trade receivable

2.5 Reporting period

The financial period of the Company covers one year from 1 January to 31 December 2020 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.

Impact of COVID-19 pandemic

When assessing going concern assumption of the Company as above, key consideration was the impact of COVID-19 pandemic. The pandemic has caused country-wide lockdown in Bangladesh by the end of March 2020 which caused closure of outlets/stores of the company's dealers, suspension of production in factory, disruption in the supply chain and closure of physical office requiring employees to work from home. In face of uncertainties related to the impact of COVID-19, management has developed adequate plans to minimize the impact on its financial conditions and liquidity. However, since september 2020 the economy has been started returning back to normalcy. Accordingly, the management believes the going concern assumption will remain unaffected from COVID-19.

3 Significant accounting policies

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

3.1 Basis of consolidation

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

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

Subsidiaries

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

Loss of control

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

Transactions eliminated on consolidation

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

3.2 Financial assets

a) Trade & other receivables

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

b) Cash and cash equivalents

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

3.3 Financial liabilities

a) Trade & other payables

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

b) Borrowings

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

3.4 Share capital

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

3.5 Property, plant and equipment

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

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

3.5.1 Depreciation on property, plant and equipment

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

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

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

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

3.6 Investment property

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

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

3.6.1 Depreciation on investment property

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

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

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

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

3.7 Capital work-in-progress

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

3.8 Intangible assets

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

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

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

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. No internal developed intangible assets capitalized during the period.

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. Materials in transit are valued at cost.

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

3.10 Impairment

Non-derivative financial assets

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

Non-financial assets

The carrying amount of the non-financial assets, 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 Employee benefit schemes

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

Defined contribution plan (Provident fund)

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

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

Defined benefit plan (Gratuity)

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

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

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

The Company provides 5% of its net profit before tax after charging such expense as WPPF in accordance with "The Bangladesh Labour Act 2006 amended in 2018".

3.13 Provisions

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

3.14 Standards, amendmends and interpretations

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

3.14.1 IFRS 9 Financial Instruments

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

i. Classification – financial assets

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

ii. Impairment

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

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

- 12-months ECLs: these are ECLs which result from possible default events within the 12 months after the reporting date; and
- 12-Lifetime ECLs: these are ECLs which result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the group has a choice to also apply this policy for trade receivables and contract assets with a significant financing component.

The estimated ECL will be calculated based on actual credit loss experience. The group will perform the calculation of ECL rates separately for different types of customers including related parties.

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

ii. Hedging

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

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

3.14.2 IFRS 15 Revenue from Contracts with Customers

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

i. Sales of goods

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

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

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

i. Rendering of services

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

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

i. Construction contracts

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

3.14.3 IFRS 16 Leases

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

General impact of application of IFRS 16 Leases

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

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

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

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

Impact of the new definition of a lease

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

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

Impact on Lessee Accounting

Former operating leases

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

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

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

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

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

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

Former finance leases

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

Impact on Lessor Accounting

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

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

3.15 Finance income and expenses

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

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

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

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

3.16 Foreign currency

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

3.17 Taxation

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

Current tax:

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Provisions for corporate income tax is made following the rate applicable for companies as per Finance Act 2020.

Deferred tax:

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

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

3.18 Earning per share

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

3.19 Determination and presentation of operating segment

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

3.20 Contingencies

Contingent liability

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

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

Contingent asset

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

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

3.21 Statement of cash flows

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

3.22 New standards adopted

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

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

3.23 Events after the reporting period

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

3.24 Comparatives and reclassification

Comparative information have been disclosed in respect of 2019 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

2020

Amount in Taka

Particulars	COST					DEPRECIATION				Net book value as at 31 Dec 2020
	Balance as at 01 Jan 2020	Addition during the year	Sale/Transfer during the year	Balance as at 31 Dec 2020	Rate (%)	Balance as at 01 Jan 2020	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2020	
Land	338,570,507	2,995,200	-	341,565,707		-	-	-	-	341,565,707
Factory building	1,038,033,128	-	-	1,038,033,128	5-20	434,633,410	53,712,768	-	488,346,178	549,686,949
Office and accomodation building	200,864,019	100,062,037	207,019,337	507,945,395	5	119,708,362	17,174,934	38,050,714	174,934,010	333,011,384
Plant and machinery	5,545,628,139	242,044,784	(806,250)	5,786,866,674	5-10	3,758,357,220	315,353,914	(50,225)	4,073,660,908	1,713,205,765
Mobile plant	142,301,896	-	-	142,301,896	10	103,632,451	5,237,022	-	108,869,473	33,432,423
Electrical installation	242,630,147	-	-	242,630,147	10-20	200,863,110	7,579,537	-	208,442,647	34,187,500
Gas pipeline	79,438,345	-	-	79,438,345	10-20	56,251,363	3,725,105	-	59,976,468	19,461,877
Furniture and fixtures	44,569,418	2,863,982	(4,721,772)	42,711,628	10	30,123,069	2,777,793	(4,716,673)	28,184,191	14,527,438
Office equipment	119,827,598	4,093,113	(26,800,299)	97,120,413	10-20	93,068,558	19,010,249	(26,775,670)	85,303,137	11,817,276
Communication equipment	18,105,282	188,931	(4,536,890)	13,757,325	10-20	10,640,101	2,347,334	(4,536,853)	8,450,583	5,306,742
Tools and appliances	19,177,097	-	-	19,177,097	10-20	12,019,368	1,577,437	-	13,596,805	5,580,292
Vehicles	91,062,462	-	(6,551,223)	84,511,240	10-20	58,616,737	6,771,205	(6,157,560)	59,230,380	25,280,859
Fire fighting equipments	3,631,012	-	-	3,631,012	20	3,631,012	-	-	3,631,012	-
Total	7,883,839,050	352,248,049	163,602,903	8,399,690,005		4,881,544,761	435,267,297	(4,186,267)	5,312,625,791	3,087,064,214

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

* Office and accomodation building includes BDT. 207,019,337 (gross block) has transferred from "investment property" to "property, plant and equipment" because management has decided to use the asssets for its own purpose. Therefore, due to change in use of office building, an apartment on 10th floor at RAK Tower, has transferred from "Investment property" to "property, plant and equipment".

5 Investment Property

2020

Amount in Taka

Particulars	COST					DEPRECIATION				Net book value as at 31 Dec 2020
	Balance as at 01 Jan 2020	Addition during the year	Sale/Transfer during the year	Balance as at 31 Dec 2020	Rate (%)	Balance as at 01 Jan 2020	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2020	
Land[1]	500,571,750	-	-	500,571,750		-	-	-	-	500,571,750
Office building[2]	211,452,074	-	(207,019,337)	4,432,737	5%	30,590,455	9,008,663	(38,050,714)	1,548,404	2,884,333
Total	712,023,824	-	(207,019,337)	505,004,487		30,590,455	9,008,663	(38,050,714)	1,548,404	503,456,083

2019

Amount in Taka

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

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

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

2 The property, being an Apartment on 10th floor, RAK Tower, was acquired in the month of February 2017 from M/s Julphar Bangladesh (Erstwhile RAK Pharmaceuticals Pvt. Ltd) and godown office building is situated at above mentioned land. This property is too under operating lease culminating in undetermined future use till 31st October 2020. Hence the same was classified under "Investment Property" under IAS 40 till 31st October 2020.

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

3 Management has decided to use the 10th floor for its own from 1st November 2020. Therefore, the property under office building, an apartment on 10th floor at RAK Tower, has transferred from "investment property to "Property, plant and equipment" due to change in use in accordance with IAS 40.

		2020 Taka	2019 Taka
5.1	**Depreciation charged on the basis of the purpose of use**		
	Cost of sales (Note 25)	393,410,021	377,142,595
	Administrative expenses (Note 5.2)	45,447,776	44,810,745
	Marketing & selling expenses (Note 28)	5,418,163	5,461,681
		444,275,960	**427,415,022**
5.2	**Administrative expenses**		
	Depreciation on property, plant & equipment (Note 27)	36,439,113	34,278,645
	Depreciation on investment property (Note 27)	9,008,663	10,532,101
		45,447,776	**44,810,745**

5.3 Disposal of property, plant and equipment

2020

Particulars	Original cost	Accumulated depreciation	Book value	Receipt against sales/insurance	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Office equipment	26,800,299	26,775,670	24,629	32,500	7,871
Vehicle	6,551,223	6,157,560	393,663	1,942,500	1,548,837
Furniture & fixture	4,721,772	4,716,673	5,100	131,500	126,400
Plant and machinery	806,250	50,225	756,025	255,000	(501,025)
Communication equipment	4,536,890	4,536,853	37	-	(37)
Total	**43,416,434**	**42,236,981**	**1,179,453**	**2,361,500**	**1,182,046**

2019

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

6 Right of use assets

2020

Amount in Taka

Particulars	COST				DEPRECIATION				Net book value as at 31 Dec 2020
	Balance as at 01 Jan 2020	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2020	Balance as at 01 Jan 2020	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2020	
Display center	47,637,481	11,271,396	(6,960,220)	51,948,657	31,138,351	7,302,906	(6,960,220)	31,481,037	20,467,620
Accomodation Building	3,300,136	699,246	(1,567,168)	2,432,214	1,812,180	1,394,608	(1,490,209)	1,716,579	715,635
Warehouse	32,707,529	-	(32,707,529)	-	5,723,818	4,906,129	(10,629,947)	-	-
Office Building	3,776,889	-	-	3,776,889	2,911,352	865,537	-	3,776,889	-
Total	87,422,036	11,970,643	(41,234,917)	58,157,760	41,585,701	14,469,180	(19,080,376)	36,974,505	21,183,255

Allocation of depreciation	2020	2019
Administrative expenses (Note:27)	2,260,145	2,403,090
Marketing & Selling expenses (Note:28)	12,209,035	14,156,874
	14,469,180	16,559,964

2019

Amount in Taka

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

6.1 Gain/(loss) on retirement of right of use assets

2020

Particulars	Lease liability	Right of use assets	Gain/(loss)
Warehouse	21,594,420	22,077,582	(483,162)
Accommodation	84,526	76,959	7,567
Total	**21,678,946**	**22,154,541**	**(475,595)**

2019

Particulars	Lease liability	Right of use assets	Gain/(loss)
Display center	30,048,249	28,391,487	1,656,762
Total	**30,048,249**	**28,391,487**	**1,656,762**

1. Company rented four display center's situated in Dhaka, Chittagong and Sylhet.

2. Accomodation Buildings rented for the use of transit employees.

3. Company took a warehouse at pubail to store the finished goods to distribute in nearby area promptly. The company now feel that the warehouse is not required. Therefore, the company cancelled the lease agreement dated 30 September 2020.

4. Office Buildings rented for the use of official work.

7 Intangible assets

2020

Amount in Taka

Particulars	COST				AMORTIZATION				
	Balance as at 01 Jan 2020	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2020	Balance as at 01 Jan 2020	Amortized during the year	Adjustment during the year	Balance as at 31 Dec 2020	Net book value as at 31 Dec 2020
License	22,199,986	492,890	-	22,692,876	19,467,114	2,624,829	-	22,091,943	600,933
Computer Software	11,614,380	-	-	11,614,380	7,852,207	1,230,749	-	9,082,956	2,531,424
Total	33,814,366	492,890	-	34,307,256	27,319,321	3,855,578	-	31,174,899	3,132,357

2019

Amount in Taka

Particulars	COST				AMORTIZATION				
	Balance as at 01 Jan 2019	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2019	Balance as at 01 Jan 2019	Amortized during the year	Adjustment during the year	Balance as at 31 Dec 2019	Net book value as at 31 Dec 2019
License	22,078,460	121,526	-	22,199,986	14,453,949	5,013,164	-	19,467,114	2,732,873
Computer Software	10,964,380	650,000	-	11,614,380	6,672,509	1,179,699	-	7,852,207	3,762,174
Total	33,042,840	771,526	-	33,814,366	21,126,458	6,192,863	-	27,319,321	6,495,047

		2020 Taka	2019 Taka
8	**Capital Work-in-Progress**		
	Balance as at 1 January	177,641,997	127,781,531
	Add: Addition during the year	218,936,985	261,225,698
		396,578,982	389,007,230
	Less: Transfer to property, plant & equipment and investment Property (note 8.1)	339,942,288	211,365,233
	Balance as at 31 December	56,636,694	177,641,997
8.1	Items transferred from capital work in progress to property, plant & equipment		
	Factory building	100,062,037	38,326,033
	Plant & machinery	238,863,795	139,907,809
	Others	1,016,456	33,131,391
		339,942,288	**211,365,233**
9	**Inventories**		
	Raw materials	606,226,281	818,594,596
	Less : Provision for slow moving & obsolete inventories	20,246,533	20,729,536
	Less: Write off for obsolate raw materials	23,875,000	-
		562,104,748	797,865,060
	Stores and consumables spares and packing	899,836,155	951,862,906
	Less: Write off for stores and spares	30,826,750	-
		869,009,405	951,862,906
	Finished goods (net of net realizable value adjustment)	441,243,898	719,463,284
	Less : Provision for slow moving & obsolete inventories	17,064,161	16,461,944
		424,179,737	703,001,340
	Work-in-process	47,290,564	104,694,796
	Goods-in-transit	124,405,926	228,206,140
		2,026,990,380	**2,785,630,242**
10	**Trade and other receivables**		
	Trade receivables (Note 10.1)	997,281,663	813,475,817
		997,281,663	813,475,817
	Receivable against insurance claim	-	38,287,131
	Accrued interest (Note 10.2)	10,941,100	8,197,308
	Accrued rental income	570,000	-
	Other receivable	7,485	-
		1,008,800,248	859,960,257
10.1	**Trade receivables**		
	Receivables from local sales	1,006,405,123	816,128,848
	Receivables from export sales	779,903	6,573,037
		1,007,185,026	822,701,885

		2020 Taka	2019 Taka
	Less: Provision of impairment loss on trade receivable:		
	Unrelated parties	3,031,610	2,640,080
	Related parties	6,871,753	6,585,988
		997,281,663	**813,475,817**
10.2	**Accrued interest**		
	Interest accrued on FDR	10,941,100	8,197,308
		10,941,100	**8,197,308**
11	**Advance, deposit and prepayments**		
	Advances:		
	Employees	-	3,000
	Purchase of land and others	2,369,670	5,729,371
	Suppliers against materials and services	33,557,110	78,360,866
		35,926,780	84,093,237
	Security and other deposits:		
	Titas gas	69,752,450	65,658,900
	Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
	VAT and Supplementary duty (Note-11.1)	7,417,931	1,833,190
	Deposited with income tax authority	68,128,195	68,128,195
	Deposited with VAT authority	58,361,240	6,726,946
	Display center and others	2,449,000	3,757,500
	Other deposits	1,494,626	1,494,626
		209,558,442	149,554,357
	Prepayments:		
	Insurance and others	24,825,876	33,544,657
		270,311,098	**267,192,251**
11.1	Supplementary duty & VAT		
	Balance as at 1 January	1,833,190	216,803
	Add: Treasury deposit for SD & VAT purpose	52,131,108	1,616,388
		53,964,298	1,833,190
	Less: SD & VAT on sales	46,546,367	-
	Balance as at 31 December	**7,417,931**	**1,833,190**
	The above amount represents RAK Power Pvt. Ltd. and RAK Security and services Pvt. Ltd		
12	**Advance Income Tax**		
	Balance as at 1 January	3,434,063,275	3,125,317,011
	Add: Paid during the year	154,596,400	308,746,264
	Balance as at 31 December (Note - 12.1)	**3,588,659,675**	**3,434,063,275**

		2020 Taka	2019 Taka
12.1	**Payment for the year**		
	Income year		
	Year 2020	115,088,258	-
	Year 2019	274,857,779	235,349,636
	Year 2018	314,338,282	314,338,282
	Year 2017	344,518,556	344,518,556
	Year 2016	291,375,845	291,375,845
	Year 2015	187,267,285	187,267,285
	Year 2014	291,694,002	291,694,002
	Year 2013	389,651,054	389,651,054
	Year 2012	334,263,453	334,263,453
	Year 2011	328,701,317	328,701,317
	Year 2010	265,532,626	265,532,626
	Year 2009	218,091,876	218,091,876
	Year 2008	85,378,847	85,378,847
	Year 2007	124,813,161	124,813,161
	Year 2006	23,087,333	23,087,333
		3,588,659,675	**3,434,063,275**
13	**Cash and cash equivalents**		
	Cash in hand	5,899,358	3,628,454
	Cash at banks		
	HSBC (current account -001-013432-011, 107580-011, 096015-011, 096007-011 BDT)	808,003	20,555,049
	Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - BDT)	94,048,347	180,849,061
	Brac Bank Ltd. (current account - 1530201731248001 - BDT)	20,293,811	39,046,938
	Citibank N.A. (current account - G0100001200262018 - BDT)	156,438	161,889
	Dutch Bangla Bank Ltd. (current account -117-110-12733,117-110-4311,117.110.23474 BDT)	21,955,460	2,600,632
	Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	11,828,247	11,995,287
	Standard Chartered Bank (Margin money account)	3,319,200	15,827,195
	Dutch Bangla Bank (Margin money account)	-	246,006
	United Commercial Bank (SND account - 0831301000000164 BDT)	26,109,945	27,528,317
	Eastern Bank Ltd. (SND account - 1131350237146 - BDT)	116,447,666	96,642,480
	Eastern Bank Ltd. (SND account - 1131350237393 WH - BDT)	3,291	4,980
	EXIM Bank (SND account - 01513100031877 - BDT)	706,355	510,116
	Standard Chartered Bank (SND account - 02-3767272-01 - BDT)	55,211	52,842
	Dutch Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330,117-120.2550 - BDT)	192,923,791	100,382,750
	Dutch Bangla Bank Ltd. (SND account - 117-120-376 (WH)- BDT)	129,548	128,657
	BRAC Bank (SND - 1513101731248001 - BDT)	363,694	362,785

	2020 Taka	2019 Taka
Prime Bank Ltd. (SND - 12531010022563 - BDT)	7,650,678	27,898,730
Eastern Bank Ltd. (CD account - 1132040363287 - BDT)	457,046	-
Dhaka Bank Ltd (SND - 102.150.274- BDT))	36,019,530	24,223,605
Commercial Bank of Ceylon (CD-2817000776 - BDT.)	25,000	22,154
Dhaka Bank Ltd (CD - 204100000019318- BDT))	137,649	234,064
Commercial Bank of Ceylon (SND-2817000777 - BDT.)	128,925,016	52,176,242
Meghna Bank Ltd. (SND 1112-13500000004 - BDT)	60,095,754	52,844,531
Midland Bank Ltd. (SND 0006-1070000015 - BDT)	504,195	608,850
EBL (Margin Money account)	10,426,965	-
	733,390,840	654,903,160
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	2,433,214	2,431,487
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262042 - USD)	3,919,501	3,919,501
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262026 - EURO)	153,606	153,606
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262034 - GBP)	126,599	126,599
	6,632,920	6,631,193
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,606,551	2,610,821
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	2,190,689	2,196,201
SCB (Current - 02-6162940-02- BDT) - 2012	3,885,208	3,873,556
SCB (Current - 02-6162940-03- BDT) - 2013	16,951,065	16,882,899
SCB (Current - 02-6162940-04- BDT) - 2014	5,021,420	5,006,270
SCB (Current - 02-6162940-05- BDT) - 2015	3,743,396	3,847,241
SCB (Current - 02-6162940-06- BDT) - 2016	4,222,208	4,307,616
SCB (Current - 02-6162940-07- BDT) - 2017	1,663,022	1,715,963
SCB (Current - 02-6162940-08- BDT) - 2018	1,933,758	2,199,822
SCB (Current - 02-6162940-09- BDT) - 2019	8,479,278	-
	50,696,595	42,640,389
Investment in Fixed Deposit Receipt (FDR)		
HSBC	11,974,547	11,906,325
SCB	6,762,080	762,080
Brac Bank Ltd.	250,000,000	-
Dutch Bangla Bank Ltd.	428,838,500	28,838,500
Eastern Bank Ltd.	150,000,000	250,000,000
Dhaka Bank Ltd.	250,000,000	500,000,000
Commercial bank of ceylon	55,000,000	-
	1,152,575,127	791,506,905
	1,949,194,840	**1,499,310,101**

		2020 Taka	2019 Taka
14	**Share Capital**		
	Authorised		
	600,000,000 ordinary shares of Taka 10/- each	**6,000,000,000**	**6,000,000,000**
	Issued, subscribed, called and paid up :		
	427,968,701 ordinary shares of Taka 10/- each	**4,279,687,010**	**4,279,687,010**

Percentage of shareholdings	2020		2019	
	%	Taka	%	Taka
RAK Ceramics PJSC, UAE	68.13	2,915,864,310	68.13	2,915,864,310
SAK Ekramuzzaman	3.95	168,958,240	3.95	168,958,240
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	340	0.00	340
Sheikh Omer Bin Saqr Al Qassimi	0.00	340	0.00	340
Sheikh Ahmad Bin Humaid al Qassimi	0.00	340	0.00	340
Hamad Abdulla Al Muttawa	0.00	160	0.00	160
Dr. Khater Massaad	0.00	160	0.00	160
Abdallah Massaad	0.00	160	0.00	160
Manoj Uttamrao Ahire	0.00	160	0.00	160
General Public	27.92	1,194,862,800	27.92	1,194,862,800
	100.00	**4,279,687,010**	**100.00**	**4,279,687,010**

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

Classification of shareholders by holding

Shareholder's range	Number of shareholders		Number of shares	
	2020	2019	2020	2019
01-499 shares	19,020	20,366	4,669,870	4,995,826
500 to 5,000 shares	7,619	8,198	12,586,707	13,460,461
5001 to 10,000 shares	986	1,031	7,057,991	7,277,910
10,001 to 20,000 shares	501	527	7,062,682	7,320,397
20,001 to 30,000 shares	178	167	4,330,386	4,076,759
30,001 to 40,000 shares	70	70	2,399,501	2,404,839
40,001 to 50,000 shares	51	48	2,296,962	2,143,014
50,001 to 100,000 shares	97	106	6,817,326	7,222,580
100,001 to 1,000,000 shares	106	100	25,620,555	25,398,876
1,000,001 to 1,000,000,000 Shares	16	15	355,126,721	353,668,039
	28,644	**30,628**	**427,968,701**	**427,968,701**

15 Share premium

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

No. of shares	Share premium (per share)	2020 Taka	2019 Taka
10,000,000	30	300,000,000	300,000,000
34,510,000	38	1,311,380,000	1,311,380,000
		1,611,380,000	1,611,380,000
Less : Share issue expenses		137,732,021	137,732,021
		1,473,647,979	1,473,647,979

16 Reserve and surplus

	2020 Taka	2019 Taka
Balance as on 1 January	1,601,275,518	1,628,694,442
Less : Adjustment for prior year (Leases)	-	(3,319,226)
Add : Profit during the year	310,653,331	754,025,209
	1,911,928,849	2,379,400,424
Less: Dividend declared during the year	(641,953,052)	(778,124,906)
Balance as on 31 December	**1,269,975,797**	**1,601,275,518**

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

17 Deferred tax liabilities

	2020 Taka	2019 Taka
Balance as at 1 January	191,893,149	197,934,495
Less : Deferred tax (income)/expenses	(131,848)	(6,041,346)
Balance as at 31 December	**191,761,301**	**191,893,149**

	Carrying amount on the date of statement of financial position	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
As at 31 December 2020			
Property, plant and equipment (Excluding land and others)	2,685,260,012	1,871,466,588	813,793,424
Trade receivable	1,008,371,909	1,018,275,272	(9,903,363)
Inventory	1,964,552,190	2,024,804,059	(60,251,869)
Net taxable temporary difference			**743,638,192**
Deferred tax liability (applying applicable tax rate for individual company)			**191,761,301**

As at 31 December 2019	Taka	Taka	Taka
Property, plant and equipment (Excluding land and others)	2,769,055,533	1,978,873,851	790,181,682
Trade receivable	791,627,927	800,414,926	(8,786,999)
Inventory	2,716,061,804	2,763,754,793	(47,692,989)
Net taxable temporary difference			**733,701,694**
Deferred tax liability (applying applicable tax rate for individual company)			**191,893,149**

18 Employees benefits payable

	2020		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	61,920,904	35,510,412	97,431,316
	61,920,904	35,510,412	97,431,316
Less: Payments made to fund during the year	61,920,904	35,510,412	97,431,316
Balance as at 31 December	-	-	-

Provision and payment includes BDT. 1,199,147 for the year 2020 as employee contribution paid to employee leaving company before being eligible for provident fund and employer's contribution reversed.

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

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

19 Borrowings

Non-current:		
Term loan	-	89,232,918
Current portion of term loan	-	(89,232,918)
	-	-
Current:		
Short-term borrowings	119,940,905	-
Current portion of term loan	-	89,232,918
Balance as at 31 December	**119,940,905**	**89,232,918**

19.1 Borrowings by maturity

At 31 December 2020	< 1 year	1-2 years	2-5 years	Total
Short-term borrowings	119,940,905	-	-	119,940,905
	119,940,905	-	-	119,940,905

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

19.2 Facilities details (Funded)

Bank	Name of facilities	Limit	Utilisation	Maturity	Repayment	Security - STL
SCB	Overdraft	50,000,000	-	Revolving	From company's own source	1) Corporate gurantee, 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.
	Short term loan	500,000,000	-	180/360 days from B/L date		
Dutch Bangla Bank Ltd.	Overdraft	25,000,000	-	Revolving	From company's own source	
	Short term loan	90,000,000	-	180/360 days from B/L date		
Commercial Bank of Ceylon	Overdraft	35,000,000	-	Revolving	From company's own source	
	Short term loan	550,000,000	119,940,905	180/360 days from B/L date		

		2020 Taka	2019 Taka
20	**Lease liability**		
	Non-current:		
	Lease liability	13,796,578	39,475,875
	Less : Current portion of lease liability	4,505,188	10,101,008
		9,291,390	29,374,867
	Current:		
	Current portion of lease liability	4,505,188	10,101,008

2020

Lease liability schedule

Particulars	Balance as on 01 January, 2020	Addition/ (deletion)	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2020
Display center	11,583,808	4,977,901	4,965,967	1,458,705	3,507,262	13,054,447
Accomodation Building	1,558,557	614,720	1,531,734	100,588	1,431,146	742,131
Warehouse	25,330,639	(21,594,420)	5,467,635	1,731,416	3,736,219	-
Office Building	1,002,871	-	1,045,000	42,128	1,002,871	-
	39,475,875	**(16,001,798)**	**13,010,336**	**3,332,837**	**9,677,498**	**13,796,578**

2019

Lease liability schedule

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

21	**Trade and other payables**		
	Trade payables		
	Payable to local suppliers	127,943,341	92,068,742
	Payable to foreign suppliers	199,107,788	334,034,758
	Payable to service provider	45,527,314	31,996,004
	Payable to C & F agent	34,072,045	18,884,970
		406,650,488	476,984,474

		2020 Taka	2019 Taka
	Other payables		
	Tax deducted at source	21,601,748	20,422,540
	Tax deducted at source on remuneration (Note 22.1)	4,312,351	-
	VAT deducted at source	10,062,124	7,771,816
	VAT and Supplementary duty payable (Note-21.1)	139,511,697	103,722,054
	Dividend Payable	49,576,141	41,670,516
	Unclaimed share application	20,810,756	20,810,756
	Advance from customer against sales	9,524,924	14,403,615
	Security deposit payable	3,470,342	3,470,342
	Payable to employees	2,025,964	1,202,084
	Provisional liabilities - material & services	7,523,078	1,267,333
		268,419,125	214,741,056
		675,069,613	**691,725,531**
21.1	**VAT and Supplementary duty (SD) payable**		
	Opening Balance	103,722,054	-
	VAT and Supplementary duty on sales	1,702,174,335	1,855,334,444
	Payable - SD & VAT	-	107,215,433
	Other payable	-	3,336,899
		1,805,896,389	1,965,886,776
	Less: Balance as at 1 January		
	Treasury deposit for SD & VAT purpose	1,237,856,244	1,276,905,762
	Rebate of input VAT	428,528,450	538,898,901
		1,666,384,694	1,862,164,722
	Balance as at 31 December	139,511,697	103,722,054
22	**Accrued expenses**		
	Power and gas	39,137,439	41,446,942
	Staff cost	110,868,915	128,303,482
	Audit fees	1,525,000	1,525,000
	Professional charges	445,000	463,000
	Interest on loans	875,254	1,554,585
	Telephone	380,138	239,907
	Freight bill	1,997,523	1,114,737
	Business promotion and advertiesment	11,220,000	-
	Managing Director's remuneration (Note 22.1)	10,062,153	35,910,357
	Worker's profit participation and welfare fund (Note 22.2)	22,816,672	52,965,129
	Royalty and technical know-how fees (Note 22.3)	317,433,528	287,408,635
	Others	3,520,214	7,733,860
		520,281,836	558,665,634

		2020 Taka	2019 Taka
22.1	**Managing Director's remuneration**		
	Balance as at 1 January	35,910,357	39,943,228
	Add: Payable to Managing Director for the year	14,374,504	35,910,357
		50,284,861	75,853,586
	Less: Tax deducted at source during the year	4,312,351	-
	Less: Paid to Managing Director during the year	35,910,357	39,943,228
	Balance as at 31 December	**10,062,153**	**35,910,357**
22.2	**Worker's profit participation and welfare fund**		
	Balance as at 1 January	52,965,129	58,913,315
	Add: Contribution made to the fund during the year	22,816,672	52,965,129
		75,781,801	111,878,444
	Less: Payment made from the fund during the year	52,965,129	58,913,315
	Balance as at 31 December	**22,816,672**	**52,965,129**
22.3	**Provision for royalty and technical know-how fees**		
	Balance as at 1 January	287,408,635	284,211,437
	Add: Provision made during the year	30,521,994	84,744,206
		317,930,629	368,955,643
	Less: Payment made during the year	497,101	81,547,008
	Balance as at 31 December	**317,433,528**	**287,408,635**
23	**Provision for income Tax**		
	Balance as at 1 January	3,834,252,156	3,537,831,853
	Add: Provision made during the year	137,014,355	296,420,303
	Balance as at 31 December (Note 23.1)	**3,971,266,511**	**3,834,252,156**
23.1	**Provision for income Tax**		
	Income year		
	Year 2020	137,014,355	-
	Year 2019	296,420,303	296,420,303
	Year 2018	316,355,666	316,355,666
	Year 2017	346,089,883	346,089,883
	Year 2016	302,798,649	302,798,649
	Year 2015	323,397,728	323,397,728
	Year 2014	377,885,822	377,885,822
	Year 2013	362,336,361	362,336,361
	Year 2012	339,211,366	339,211,366
	Year 2011	326,685,215	326,685,215
	Year 2010	348,965,691	348,965,691

		2020 Taka	2019 Taka
	Year 2009	266,823,984	266,823,984
	Year 2008	147,117,914	147,117,914
	Year 2007	80,163,573	80,163,573
		3,971,266,511	**3,834,252,156**
24	**Sales**		
	Gross sales from Ceramics product	7,475,155,261	8,869,234,727
	Gross sales from Power generation	345,738,925	379,906,242
	Gross sales from Security service	111,196,260	121,388,597
		7,932,090,446	9,370,529,566
	Less: Elimination	344,965,855	404,110,423
	Supplementary Duty	724,808,552	670,842,773
	VAT	1,033,562,911	1,201,656,333
	Discount	2,269,354	47,695,679
	Commission, incentive and bonus	537,567,101	582,367,046
	Net sales	**5,288,916,673**	**6,463,857,312**
25	**Cost of sales**		
	Materials consumed:		
	Opening inventory as at 1 January	797,865,060	839,612,529
	Add: Purchase during the year	1,634,799,086	2,218,620,308
		2,432,664,146	3,058,232,837
	Less: Closing inventory as at 31 December	562,104,748	797,865,060
		1,870,559,398	2,260,367,777
	Manufacturing overhead:		
	Direct labour (note 25.1)	518,282,673	595,504,852
	Direct expenses:		
	Power and gas	265,768,407	234,312,245
	Repairs and indirect materials (note 25.2)	594,527,241	716,398,223
	Depreciation on property, plant & equipment (note 5.1)	393,410,021	377,142,595
	Royalty and technical know-how/assistance fees	30,521,994	84,744,206
	Other production overhead (note 25.3)	103,454,570	46,178,500
	Provision for slow moving & obsolete inventories (note 9)	119,214	37,191,480
	Movement in stock	322,472,203	204,272,788
		4,099,115,721	**4,556,112,666**
25.1	**Direct labour**		
	Salary & wages	337,742,059	366,268,122
	Overtime	30,272,103	35,996,638
	Bonus	41,497,207	68,754,469

		2020 Taka	2019 Taka
	Incentive	94,545	20,000
	Temporary labour wages	51,850,892	67,609,061
	Staff uniform expenses	1,676,197	1,548,395
	Gratuity	24,872,362	22,559,693
	Employer's contribution to provident fund	20,342,150	19,860,877
	Leave encashment	7,012,364	9,387,856
	Group life insurance	2,536,978	2,547,186
	Compensation	385,816	952,555
		518,282,673	**595,504,852**
25.2	**Repairs and indirect materials**		
	Stores, spares, repair & maintenance	310,553,917	366,435,809
	Packing expenses	283,973,324	349,962,414
		594,527,241	**716,398,223**
25.3	**Other production overhead**		
	Hotel fare and tour expenses	1,196,430	3,675,774
	Demurrage	9,731,754	2,384,244
	Insurance	27,645,254	27,331,071
	Hiring charges and transportation	3,680,026	6,163,396
	Write off for obsolate raw materials	23,875,000	-
	Write off for stores and spares	30,826,750	-
	Other expenses	6,499,356	6,624,015
		103,454,570	**46,178,500**
	*Royalty has been calculated 8% on businees profit as per Finance Act. 2020.		
26	**Other income**		
	Dividend income	100	200
	Miscellaneous income	91,541	79,340
	Rental income	2,700,000	6,120,000
	Profit on sale of fixed assets (note 5.3)	1,182,046	60,627
	Gain on retirement of right of use assets (note 6.1)	-	1,656,762
	Insurance claim	-	38,287,131
		3,973,687	**46,204,060**
27	**Administrative expenses**		
	Staff cost (note 27.2)	174,075,387	198,668,844
	Annual General Meeting expenses	907,281	5,091,981
	Telephone and postage	6,596,109	5,879,843
	Office repair and maintenance (note 27.3)	11,006,455	11,602,345
	Registration and renewal	12,785,446	899,311
	Security and guard expenses	15,677,538	12,963,951
	Electricity, gas and water	7,601,779	8,735,395

		2020 Taka	2019 Taka
	Depreciation on property, plant & equipment (note 5.2)	36,439,113	34,278,645
	Depreciation on investment property (note 5.2)	9,008,663	10,532,101
	Depreciation on right of use assets (note 6)	2,260,145	2,403,090
	Amortisation	3,855,577	6,192,863
	Legal and professional fees	11,576,354	9,962,298
	Vehicle repair and maintenance	10,752,427	14,449,905
	Rent, rate and tax	3,376,837	4,320,400
	Loss on right of use assets (note : 6.1)	475,595	-
	Loss on retirement of assets	-	10,204,172
	IT expenses	3,507,401	5,284,353
	General ervicing	9,112,748	10,615,266
	Donation	1,918,924	1,102,500
	Managing Director's remuneration (note 27.4)	14,374,504	35,910,357
	Others	4,935,172	11,415,098
		340,243,455	**400,512,718**
27.1	**Impairment loss on trade receivable**		
	Unrelated parties	391,530	2,291,988
	Related parties	285,764	3,332,649
		677,294	**5,624,637**

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

27.2	**Staff cost**		
	Salary & wages	130,595,255	138,394,082
	Overtime	-	30,166
	Bonus	12,778,324	24,022,478
	Incentive	25,349	-
	Gratuity	7,524,558	7,586,413
	Employer's contribution to provident fund	6,810,795	7,301,369
	Leave encashment	2,240,943	5,411,101
	Group life insurance	667,104	801,988
	Canteen and conveyance expenses	6,343,715	9,270,590
	Staff uniform expenses	649,666	770,127
	Travelling expenses	2,381,591	1,571,722
	Compensation	2,875,605	129,002
	Medical expenses	725,554	1,262,481
	Accommodation expenses	102,895	1,703,857
	Other employee benefit	354,033	413,468
		174,075,387	**198,668,844**

Accomodation expenses includes rent expenses for short term lease for BDT. 1,382,450 and related government levis wherever applicable. Details of the short term lease is shown in note 34 . No low value item exists at the reporting period.

		2020 Taka	2019 Taka
27.3	**Office repair & maintenance**		
	Repairs office equipment	2,510,848	756,985
	Office maintenance	8,495,607	10,845,360
		11,006,455	**11,602,345**
27.4	**Managing Director's remuneration**		
	Provision made during the year	14,374,504	35,910,357
		14,374,504	**35,910,357**

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

28	**Marketing & selling expenses**		
	Staff cost (note 28.1)	67,695,097	66,340,939
	Advertisement	13,582,495	33,829,109
	Freight and transportation	267,693,797	265,406,265
	Compensation	3,623,491	11,826,912
	Business promotion	30,697,584	37,446,893
	Depreciation on property, plant & equipment (note 5.1)	5,418,163	5,461,681
	Depreciation on right of use assets (note 6)	12,209,035	14,156,874
	Showroom, office & house rent	850,355	5,047,545
	Sample expenses	8,836,769	9,936,512
	Tour, travel and others	3,769,974	6,543,551
		414,376,760	**455,996,281**

Showroom, office and house rent includes rent expenses for short term lease for BDT. 142,500 and related government levis wherever applicable. Details of the short term lease is shown in note no 34. No low value item exists at the reporting period.

28.1	**Staff cost**		
	Salary & wages	46,304,544	44,191,989
	Bonus	5,115,016	9,086,827
	Incentive	2,156,857	173,977
	Gratuity	3,113,492	2,646,232
	Employer's contribution to provident fund	2,608,360	2,386,546
	Leave Encashment	930,590	1,649,726
	Group life insurance	356,441	239,568
	Conveyance & food expenses	7,001,311	5,758,730
	Compensation	108,486	139,920
	Staff uniform expenses	-	67,424
		67,695,097	**66,340,939**

28.2 Salary & wages under staff cost (note no. 25.1, 27.2 & 28.1) includes employee conttribution to provident fund for BDT. 20,342,150, BDT. 6,810,795 & BDT. 2,608,360.

		2020 Taka	2019 Taka
29	**Finance income**		
	Interest on bank account (SND)	10,130,980	6,832,490
	Interest on fixed deposits	41,417,779	26,045,658
		51,548,759	**32,878,148**
30	**Finance expenses**		
	Interest expenses against loan	9,990,999	12,774,595
	Interest expenses against lease liability	3,332,837	5,111,376
	Foreign exchange loss	1,478,740	6,874,554
	Bank charges	4,870,682	2,563,151
		19,673,258	**27,323,676**
31	**Contribution to worker's profit participation and welfare fund**		
	Provision made during the year	22,816,672	52,965,129
		22,816,672	**52,965,129**
32	**Current tax**		
	Current year	137,014,355	296,420,303
		137,014,355	**296,420,303**

33 Reconciliation of effective tax rate

	2020		2019	
	%	Taka	%	Taka
Profit before tax		447,535,959		1,044,404,413
Current tax expenses	30.62%	137,014,355	28.38%	296,420,303
Deferred tax expenses	-0.03%	(131,848)	-0.58%	(6,041,346)
Total tax expenses	30.59%	136,882,507	27.80%	290,378,957
Expected income tax using applicable tax rate for individual company	28.26%	126,488,523	27.63%	288,576,855
Tax on non-deductible expenses	2.4%	10,525,832	0.8%	7,843,448
Effective current tax	30.62%	137,014,355	28.38%	296,420,303
Effective deferred tax	-0.03%	(131,848)	-0.58%	(6,041,346)
	30.59%	136,882,507	27.80%	290,378,957

34 Short term lease expenses

Nature of the lease	Lease term	Allocation	Rent Payment	Rent Payment
Rented accomodation	<1 year	Admin	1,382,450	1,455,560
Rented accomodation	<1 year	Marketing	142,500	1,234,000
			1,524,950	**2,689,560**

35 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

35.1 Credit risk

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

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

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

a) Exposure to credit risk

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

	USD		Amounts in Taka	
	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2019
Trade receivables				
Customer-Local	-	-	996,501,760	806,902,780
Customer-Export	9,235	78,297	779,903	6,573,037
	9,235	**78,297**	**997,281,664**	**813,475,817**
Other receivables				
Receivable against insurance claim			-	38,287,131
Accrued Interest			10,941,100	8,197,308
Accrued rental income			570,000	-
			11,518,584	**46,484,439**
Cash equivalents			**1,943,295,482**	**1,495,681,647**

Impact of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the financial assets as at 31 December 2020.

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impairment loss (Refer note-10.1)
Trade receivable-unrelated	10.1	Loan & receivable	Amortized cost	368,553,475	365,521,865	3,031,610
Trade receivable-related	10.1	Loan & receivable	Amortized cost	638,631,551	631,759,798	6,871,753
Cash & cash equivalent	13	Loan & receivable	Amortized cost	1,943,295,482	1,943,295,482	-

i The above table provides information ECLs till date. Impairment provision till Dec 2019 was Tk. 9,226,068 and provision made during the year is Tk. 677,294.

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

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

c) Ageing of receivables

The ageing of trade receivables as at 31 December was:

	Amount in Taka	
	As at 31 Dec 2020	As at 31 Dec 2019
Not past due	939,289,386	751,147,263
0-90 days past due	42,546,485	32,705,826
91-180 days past due	7,633,293	18,869,623
181-365 days past due	3,364,944	3,437,613
over 365 days past due	4,447,556	7,315,492
	997,281,664	**813,475,817**

35.2 Liquidity risk

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

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

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

	As at 31 Dec 2020			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	675,069,613	675,069,613	675,069,613	-
Short term borrowing	119,940,905	119,940,905	119,940,905	-
Term loan	-	-	-	-
	795,010,518	**795,010,518**	**795,010,518**	**-**

	As at 31 Dec 2019			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	691,725,531	691,725,531	691,725,531	-
Short term borrowing	-	-	-	-
Term loan	89,232,918	89,232,918	89,232,918	-
	780,958,449	**780,958,449**	**780,958,449**	**-**

35.3 Market risk

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

a) Currency risk

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

i) Exposure to currency risk

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

	As at 31 Dec 2020			As at 31 Dec 2019		
	GBP	USD	EURO	GBP	USD	EURO
Foreign currency denominated assets						
Receivable from customers-Export	-	9,235	-	-	78,297	-
Cash at bank	-	139,238	-	-	141,204	-
	-	**148,473**	**-**	**-**	**219,501**	**-**

	As at 31 Dec 2020			As at 31 Dec 2019		
	GBP	USD	EURO	GBP	USD	EURO
Foreign currency denominated liabilities						
Trade payables	198,261	1,387,121	572,772	132,189	2,201,698	1,373,117
Short term borrowings	-	1,411,900	-	-	-	-
Term loan	-	-	-	-	1,050,417	-
Royalty & Technical Fees	-	3,736,710	-	-	3,383,268	-
	198,261	6,535,731	572,772	132,189	6,635,383	1,373,117
Net exposure	**(198,261)**	**(6,387,258)**	**(572,772)**	**(132,189)**	**(6,415,882)**	**(1,373,117)**

The Company has foreign exchange loss of Tk 1,478,740 during the year ended 31 Dec 2020 (31 Dec 2019: Exchange loss Tk 6,874,554).

The following significant exchange rates have been applied:

	Exchange rate (Average)	
	As at 31 Dec 2020	As at 31 Dec 2019
GBP	114.6885	111.3664
USD	84.4500	84.4500
EURO	104.0430	95.0948

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

	As at 31 Dec 2020 Profit or (loss)		As at 31 Dec 2019 Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
At 31 December				
GBP (3 percent movement)	(6,132)	5,775	(4,088)	3,850
USD (3 percent movement)	(197,544)	186,037	(198,429)	186,870
EURO (3 percent movement)	(17,715)	16,683	(42,468)	39,994

b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The Company is not significantly exposed to fluctuation in interest rates as company has not entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

Profile

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

	Carrying amount	
	As at 31 Dec 2020	As at 31 Dec 2019
Fixed rate instruments	Taka	Taka
Financial assets		
Investment in FDR	1,152,575,127	791,506,905
Cash at banks	790,720,355	704,174,743
Financial liabilities		
Term loan	-	89,232,918
Short term borrowing	119,940,905	-

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

	As at 31 Dec 2020		As at 31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	Taka	Taka	Taka	Taka
Held to maturity assets				
Investment in FDR	1,152,575,127	1,152,575,127	791,506,905	791,506,905
Loans and receivables				
Trade receivables	997,281,664	997,281,664	813,475,817	813,475,817
Other receivables	11,518,584	11,518,584	46,484,439	46,484,439
Cash equivalents	1,943,295,482	1,943,295,482	1,495,681,647	1,495,681,647
Financial liabilities				
Liabilities carried at amortised costs				
Term loan	-	-	89,232,918	89,232,918
Trade and other payables	675,069,613	675,069,613	691,725,531	691,725,531
Short term borrowing	119,940,905	119,940,905	-	-

Interest rates used for determining amortised cost

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

	As at 31 Dec 2020	As at 31 Dec 2019
Investment in FDR (local currency/BDT)	1.95%-4.50%	1.95%-10.50%
Bank overdraft (local currency/BDT)	9%	8.00%-10.25%
Short term bank loan (local currency/BDT)	9%	9.50%-10.00%
Short term bank loan (foreign currency/USD)	Libor+2.75%-3.5%	Libor+2.75%
Long term bank loan (foreign currency/USD)	Libor+3%	Libor+3%

36 Related party disclosures under IAS-24

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

Amount in Taka

Name of related party	Relationship	Security/ Gurantee status	Bad debts Status	Period	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables/ Advance	Outstanding payable	Remuneration	Dividend income
RAK Power Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	295,184,786	12,782,609	-	21,115,349	-	40,999,800
				Previous year	350,456,021	11,064,211	-	69,096,649	-	81,999,600
RAK Security & Services Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	48,309,891	-	-	11,693,202	-	4,950,000
				Previous year	52,160,129	-	-	6,400,853	-	4,950,000
RAK Ceramics PJSC, UAE	Parent	Unsecured	Nil	Current year	7,789,789	-	-	19,247,093	-	-
				Previous year	22,466,247	-	-	24,122,508	-	-
Ceramin FZ LLC	Fellow subsidiary	Secured	Nil	Current year	424,280,078	-	-	16,073,113	-	-
				Previous year	392,749,682	-	-	81,573,238	-	-
RAK Ceramics (India) Pvt. Ltd.	Fellow subsidiary	Secured	Nil	Current year	585,136	-	-	-	-	-
				Previous year	-	-	-	-	-	-
Julphar Pharmaceuticals Ltd.	Other related party	Unsecured	Nil	Current year	-	-	-	-	-	-
				Previous year	-	2,520,000	-	-	-	-
RAK Paints Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	164,529	2,700,000	570,000	39,059	-	-
				Previous year	419,421	3,600,000	5,144	-	-	-
Kea Printing & Packaging Industries	Other related party	Unsecured	Nil	Current year	59,354,094	-	-	9,987,018	-	-
				Previous year	68,191,789	-	-	10,047,843	-	-
Palli Properties Pte. Ltd	Other related party	Unsecured	Nil	Current year	10,104,303	-	-	746,231	-	-
				Previous year	14,711,593	-	-	722,088	-	-
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	381,373	-	-	-	-	-
				Previous year	353,672	-	-	-	-	-
Green Planet Communications Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	-	-	-	-	-	-
				Previous year	379,457	-	-	-	-	-
Global Business Associates Ltd.	Other related party	Unsecured	Nil	Current year	6,414	-	-	-	-	-
				Previous year	780,380	-	-	17,595	-	-
Pelikan Plastic & Packing Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	11,750,342	-	-	56,532,946	-	-
				Previous year	39,045,942	-	-	5,772,579	-	-
Mohammed Trading	Other related party	Secured by Guaranted Cheque	Nil	Current year	-	1,892,025,898	638,218,496	-	-	-
				Previous year	-	2,384,669,868	494,919,371	-	-	-
SAK Ekramuzzaman	Key Management Personnel	Unsecured	Nil	Current year	2,529,300	-	-	10,062,153	14,374,504	-
				Previous year	2,563,008	-	-	35,910,357	35,910,357	-
Imtiaz Hussain	Key Management Personnel	Unsecured	Nil	Current year	-	-	-	-	-	-
				Previous year	-	-	-	-	10,367,732	-

36.1 Paid to Directors

During the year, provision was made as MD's remuneration for Taka. 14,374,504.

During the year, Board meeting fees of Taka 125,000 was paid to the board members for attending the Board meetings.

37 Segment reporting

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

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

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

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

2020	Business Segments				
	Ceramic & sanitary ware	Power	Security and Services	Inter segment	Entity total
	Taka	Taka	Taka	Taka	Taka
Revenue - external customers	5,233,144,472	5,457,758	50,314,443	-	5,288,916,673
Revenue - inter segment	-	295,184,786	49,781,069	(344,965,855)	-
Total segment revenue	5,233,144,472	300,642,544	100,095,512	(344,965,855)	5,288,916,673
Cost of sales- external customer	(3,775,750,801)	(240,322,745)	(83,042,175)	-	(4,099,115,721)
Cost of sales- inter segment	(343,494,677)	(13,563,396)	-	357,058,073	-
Total segment cost of sales	(4,119,245,478)	(253,886,141)	(83,042,175)	357,058,073	(4,099,115,721)
Gross profit	1,113,898,995	46,756,403	17,053,337	-	1,189,800,952
Other income	1,173,543	91,541	8,503		1,273,587
Dividend income	45,949,800	50,000	100	(45,999,800)	100
Rental income	15,482,609	-	-	(12,782,609)	2,700,000
Financial income	49,393,744	2,105,101	49,914	-	51,548,759
Financial expenses	(18,187,444)	(1,429,694)	(56,119)	-	(19,673,257)
Depreciation	(429,425,595)	(14,634,411)	(215,954)	-	(444,275,960)
Other operating expenses	(321,952,203)	5,230,787	(17,116,806)	-	(333,838,222)
Segment profit before tax	456,333,450	38,169,727	(277,026)	-	447,535,959
Income tax expense	(122,316,309)	(14,698,046)	-	-	(137,014,355)
Deferred tax	(4,531,782)	4,454,486	209,144	-	131,848
Non -Controlling interest	-	121	0.00	-	121
Profit for the year					**310,653,331**

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

		2020 Taka	2019 Taka
38	**Calculation of Earnings per share (EPS)**		
	Calculation of earnings per share (EPS) is as under:		
	(a) Profit attributable to equity holders of the Company	310,653,331	754,025,209
	(b) No. of ordinary equity shares	427,968,701	427,968,701
	(c) Weighted average no. of equity shares outstanding (Note 38.1)	427,968,701	427,968,701
	Earnings per share (EPS) for the year (a÷c)	0.73	1.76
	Diluted earnings per share for the year (a÷c)	0.73	1.76

38.1 Weighted average number of ordinary shares

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

Outstanding shares	427,968,701	427,968,701
	427,968,701	**427,968,701**

38.2 Diluted earning per share

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

	2020 Taka	2019 Taka

38.3 Reason of deviation of earnings per share:

Due to COVID-19 pandemic there was country-wide lockdown in Bangladesh since 26th of March 2020 which caused closure of outlets/stores of compamy's dealers, suspension of production in the factory, disruption of supply chain which causing reduction of earnings per share to 0.73 compare to corresponding year 1.76.

39 Calculation of Net assets value per share		
(a) Net assets value (Note 14, 15 & 16)	7,023,310,786	7,354,610,507
(b) Weighted average no. of equity shares outstanding (Note 38.1)	427,968,701	427,968,701
Net assets value per share (a÷b)	16.41	17.18
40 Calculation of Net operating cash flow per share		
(a) Net Cash flows from operating activities (Note 41.1)	1,228,664,968	1,585,219,790
(b) Weighted average no. of equity shares outstanding (Note 38.1)	427,968,701	427,968,701
Net operating cash flow per share (a÷b)	2.87	3.70

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

Due to COVID-19 pandemic there was country-wide lockdown in Bangladesh since 26th of March 2020 which caused closure of outlets/stores of compamy's dealers, suspension of production in the factory, disruption of supply chain which causing reduction of operating cash flow per share to 2.87 compare to corresponding year 3.70.

41.1 Reconciliation of operating cash flow:

Cash flows from operating activities		
Profit before taxation	447,535,959	1,044,404,413
Adjustment for:		
Depreciation	458,745,140	443,974,986
Amortization	3,855,577	6,192,863
Loss on retirement of right of use assets	475,595	-
Advance rent adjustment	(6,293,495)	(13,852,346)
Loss on assets retirement	-	10,204,172
Foreign exchange loss	1,478,740	6,874,554
Finance expenses	18,194,518	20,449,121
Finance income	(51,548,759)	(32,878,148)
Other income	(3,882,147)	(46,124,720)
	868,561,128	1,439,244,895
Increase/decrease in trade and other receivables	(183,813,330)	(7,595,707)
Increase/decrease in inventories	758,639,862	219,985,839
Increase/decrease in trade and other payables	(70,257,266)	235,498,541
Cash generated from operating activities	1,373,130,388	1,887,133,564
Interest received from bank deposit	10,130,980	6,832,490
Income tax paid	(154,596,400)	(308,746,264)
Net cash (used in)/from operating activities	1,228,664,968	1,585,219,790

42 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 1,154,183,701 (31 Dec 2019: Tk 888,227,095). 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 455,609,557 (31 Dec 2019: Tk 228,028,036) and letter of guarantee of Tk 178,626,844 (31 Dec 2019: Tk 100,575,768).

The company issued two corporate gurantee value BDT. 205 mn (HSBC) and BDT. 70 mn (SCB) in favour of subsidiary company to avail loan from banks. Outstanding loan against the said corporate guarantees are nil at 31 December 2020. Therefore no credit loss allowances is expected.

43 Events after the reporting period

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

The Board of Directors of RAK Ceramics (Bangladesh) Limited, in its meeting held on 03 February 2021, has unanimously recommended cash dividend @ 10% of the paid up capital of the company for the year ended 31 December 2020 equivalent to BDT. 427,968,701 to be distributed as cash dividend among shareholders, which is more than 30% of the current year profit. The dividend is subject to final approval by the shareholders at the forthcoming 31 March 2021 Annual General Meeting of the Company .

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF RAK CERAMICS (BANGLADESH) LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RAK Ceramics (Bangladesh) Ltd. ("the Company"), which comprise the statement of financial position as at 31 December 2020, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters	How our audit addressed the Key Audit Matters
Revenue recognition	
Refer note no 3.15.2 and 25 to the financial statements	
The Company earns revenue from contracts with customers for sale of goods. Due to impact of COVID-19 pandemic on the operating environment surrounding the Company, there is a decline in the amount of revenue earned by the Company compared to last year's reported numbers. The amount of decline was significant during the second quarter of the year due to the lockdown situation in the country as a containment measure against the pandemic. However, in the following quarters, revenue started to grow remarkably as the lockdown situation gradually phased out. The management uses its judgment for assessing appropriateness of revenue recognition, especially considering collectability of revenue from the customers stressed by the pandemic situation. Revenue is measured at net of discounts and dealers' commissions. The calculation of the discounts and commission is complex and requires judgment in some instances.	Our audit procedures for revenue recognition included the following: • Understanding of the key controls related to the contracts with customers, goods delivery and invoicing process, and sanctioning of discounts and commissions. • Review collectability of the sales to customers, especially those which are stressed because of the pandemic situation. • Substantive procedures using sampling techniques to verify relevant supporting documents for the revenue recognised. • Recalculation of discounts and commissions granted to customers and agreeing them with the underlying contracts, policy documents and past trends which arise valid expectation among customers to be eligible for the discounts and commissions. • Cut off testing, which involves testing of the revenue recognised shortly before and after the date of statement of financial position, to determine whether the revenue is recognised in the correct year.

Key Audit Matters	How our audit addressed the Key Audit Matters
Valuation of inventories	
Refer note no 3.9 and 10 to the financial statements	
The inventories of the Company are carried at lower of cost and net realisable value. During the year, the risk of cost exceeding net realisable value has increased due to the pandemic situation having an adverse impact on market conditions. The determination of net realisable value of inventories is judgmental and complex, especially in the current uncertain market conditions due to the pandemic.	We obtained assurance over relevance and appropriateness of management's assumptions applied in calculating the provision for slow moving and obsolete inventories by: • Evaluating the design and implementation of key inventory controls operating across the Company; • Evaluating management's process of determining the net realisable value of the inventories and impact of the pandemic upon it; • Attending stock counting and reconciling the count results to the inventory listings to test the completeness of data; • Checking the ageing analysis of inventories and appropriateness of management's determination of probability of obsolescence for each group of inventory ageing; and • Reviewing the historical accuracy of inventory provisioning, and the level of inventory write-offs during the year.
Credit risk and impairment on trade receivables	
Refer note no 3.10, 3.15.1, 11.1, 28.1 and 37.1(b) to the financial statements	
The COVID-19 pandemic situation has put many businesses of the country in financial stress. So, there is increased risk of default for sales to customers being stressed. Remarkable amount of the trade receivables of the Company is attributable to a single customer, which is also a related party (as disclosed in note no #38 to the financial statements) to the Company. Being related party, there may be unpalatable behaviour putting reliability at risk. Significant amount of judgment is to be applied to determine the risk of default over the expected life of trade receivables, which may have material impact over the figures of trade receivable. As a result, there is risk of error in determining the allowance for impairment for trade receivables.	Our audit procedures included testing the Company's credit control procedures and judgment on determining the provisions for expected credit losses. The audit procedures involved following activities: • Testing of receivable balances and comparing it with our results from external confirmations. • Inspecting the arrangements, securities documents, credibility assessments and correspondences with parties concerned to assess the recoverability of significant long outstanding receivables. • Reviewing calculations of the allowance for impairment of trade receivables based on the judgment applied by the management.
Review of tax and regulatory matters	
Refer note no 24 and 44 to the financial statements	
The Company has several pending corporate tax assessments and legal proceedings with the government revenue authorities related to claims for tax, VAT and customs duty. The pending cases expose the Company to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may not be appropriate to predict. These uncertainties inherently affect the amount and timing of potential outflows with respect to tax provisions and contingent liabilities. As a listed entity, the Company also has to maintain compliance with the requirements of the Bangladesh Securities and Exchange Commission.	We obtained an understanding, evaluated the design and tested the operational effectiveness of the Company's key controls over the legal provision and contingencies recognition process. To get more insights we performed the following procedures: • Enquired into those charged with governance to obtain their view on the status of all significant litigation and regulatory matters; • Enquired with the Company's internal legal counsel for all significant litigation and regulatory matters and studied internal notes and reports. We also enquired formal confirmations from external counsel on these matters; • Assessed the methodologies on which the provision amounts are based, recalculated the provisions, and tested the completeness and accuracy of the underlying information; and • Assessed the Company's provisions and contingent liabilities disclosure. We have reviewed the controls related to Corporate Governance compliance and reporting compliance as per Bangladesh Securities and Exchange Commission guidelines.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our Auditor's Report thereon. The Annual Report is expected to be made available to us after the date of this Auditor's Report.

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

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

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

Responsibilities of Management and those Charged with Governance for Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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. The Bangladesh Securities and Exchange Commission rules and regulations, together with other applicable regulations, require the Management to ensure effective internal audit, internal control and risk management functions of the Company.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error or design, and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on other Legal and Regulatory Requirements

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

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

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

c) The 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 accounts and returns; and

d) The expenditure incurred was for the purpose of the Company's business.

Dhaka, Bangladesh
03 Feb 2021

ACNABIN
Chartered Accountants

Signed by
Md. Rokonuzzaman FCA
Patner
Enrollment No. : 0739

DVC 2102040739AS435533

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	2020 Taka	2019 Taka
Assets			
Property, plant and equipment	4	2,956,685,158	2,857,158,157
Investment property	5	503,456,083	681,433,368
Right of use assets	6	21,183,255	44,970,798
Intangible assets	7	3,132,358	6,495,047
Capital work in progress	8	3,777,569	177,641,997
Investment in subsidiaries	9	360,379,950	360,379,950
Total non-current assets		3,848,614,373	4,128,079,317
Inventories	10	1,964,552,190	2,716,061,804
Trade and other receivables	11	988,855,261	837,944,361
Advances, deposits and prepayments	12	229,920,846	236,462,896
Advance income tax	13	3,241,709,306	3,106,581,019
Cash and cash equivalents	14	1,904,369,238	1,427,796,668
Total current assets		8,329,406,841	8,324,846,748
Total assets		12,178,021,214	12,452,926,065
Equity			
Share capital	15	4,279,687,010	4,279,687,010
Share premium	16	1,473,647,979	1,473,647,979
Retained earnings	17	1,324,462,127	1,636,929,820
Total equity		7,077,797,116	7,390,264,809
Liabilities			
Deferred tax liability	18	166,403,706	161,871,924
Lease liability	21	9,291,390	29,374,867
Total non-current liabilities		175,695,096	191,246,791
Borrowings	20	119,940,905	89,232,918
Lease liability	21	4,505,188	9,098,137
Trade and other payables	22	690,564,553	754,014,087
Accrued expenses	23	490,310,554	522,177,830
Provision for income tax	24	3,619,207,802	3,496,891,493
Total current liabilities		4,924,529,002	4,871,414,465
Total liabilities		5,100,224,098	5,062,661,256
Total equity and liabilities		12,178,021,214	12,452,926,065

The accompanying notes are an integral part of these financial statements.

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

As per our report of same date

ACNABIN
Chartered Accountants

2102040739AS435533

Dated, 03 February 2021

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	2020 Taka	2019 Taka
Sales	25	5,233,144,472	6,408,004,827
Cost of sales	26	(4,119,245,478)	(4,608,074,082)
Gross profit		1,113,898,994	1,799,930,745
Other income	27	62,605,952	144,138,331
Administrative expenses	28	(316,798,031)	(377,202,064)
Impairment loss on trade receivable	28.1	-	(5,624,637)
Marketing and selling expenses	29	(411,763,094)	(452,510,987)
		(665,955,173)	(691,199,357)
Profit from operating activities		447,943,821	1,108,731,388
Finance income	30	49,393,745	30,596,482
Finance expenses	31	(18,187,444)	(27,060,159)
Net finance income		31,206,301	3,536,323
Profit before contribution to workers' profit participation and welfare fund and income tax		479,150,122	1,112,267,711
Contribution to workers' profit participation and welfare fund		(22,816,672)	(52,965,129)
Profit before income tax		456,333,450	1,059,302,582
Income tax expense:			
Current tax	32	(122,316,309)	(269,804,714)
Deferred tax	18	(4,531,782)	4,152,154
		(126,848,091)	(265,652,560)
Profit for the year		329,485,359	793,650,022
Other comprehensive income for the year		-	-
Total comprehensive income for the year		329,485,359	793,650,022
Basic earnings per share (par value Tk 10)	40	0.77	1.85

The accompanying notes are an integral part of these financial statements.

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

As per our report of same date

ACNABIN
Chartered Accountants

2102040739AS435533

Dated, 03 February 2021

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Share capital	Share premium	Retained earnings	Total
	Taka	Taka	Taka	Taka
Balance as at 1 January 2019	3,890,624,560	1,473,647,979	1,624,536,295	6,988,808,834
Prior year adjustment (leases)			(3,131,591)	(3,131,591)
Total comprehensive income for 2019				
Profit for the year	-	-	793,650,022	793,650,022
Other comprehensive income	-	-	-	-
Transactions with the shareholders				
Cash dividend (2018)	-	-	(389,062,456)	(389,062,456)
Stock dividend (2018)	389,062,450	-	(389,062,450)	-
Balance as at 31 December 2019	4,279,687,010	1,473,647,979	1,636,929,820	7,390,264,809
Balance as at 1 January 2020	4,279,687,010	1,473,647,979	1,636,929,820	7,390,264,809
Total comprehensive income for 2020				
Profit for the year	-	-	329,485,359	329,485,359
Other comprehensive income	-	-	-	-
Transactions with the shareholders				
Cash dividend (2019)	-	-	(641,953,052)	(641,953,052)
Balance as at 31 December 2020	4,279,687,010	1,473,647,979	1,324,462,127	7,077,797,116

The accompanying notes are an integral part of these financial statements.

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	2020 Taka	2019 Taka
Cash flows from operating activities		
Cash receipts from customers	5,047,314,151	6,397,938,990
Cash payments to suppliers and employees	(3,775,409,759)	(4,660,207,012)
Cash generated from operating activities	1,271,904,392	1,737,731,978
Interest received from bank deposit	9,646,592	5,904,922
Income tax paid (note 13)	(135,128,287)	(265,344,903)
Net cash (used in)/from operating activities (note 43)	1,146,422,697	1,478,291,997
Cash flows from investing activities		
Acquisition of property, plant and equipment	(178,260,840)	(276,441,901)
Sale of property, plant and equipment	2,323,500	179,500
Interest received from FDR	36,949,445	19,500,669
Income from rental	14,912,609	23,109,211
Intangible assets	(492,890)	(771,526)
Insurance claim received	38,287,131	56,976,731
Dividend received	45,949,800	86,949,600
Net cash (used in)/from investing activities	(40,331,245)	(90,497,716)
Cash flows from financing activities		
Finance charges	(17,702,836)	(18,627,853)
Avail/ (repayment) of short term borrowings	30,707,987	(220,419,498)
Avail/ (repayment) of long term borrowings	-	(88,203,349)
Payment of lease liability	(8,674,627)	(9,736,019)
Dividend paid	(634,047,427)	(386,966,131)
Unclaimed share application fund	-	(8,160)
Net cash (used in)/from financing activities	(629,716,903)	(723,961,010)
Effect of exchange rate changes in cash and cash equivalents	198,021	(204,349)
Net increase/(decrease) in cash and cash equivalents	476,572,570	663,628,922
Cash and cash equivalents as at 1 January	1,427,796,668	764,167,746
Cash and cash equivalents as at 31 December (Note 14)	1,904,369,238	1,427,796,668

The accompanying notes are an integral part of these financial statements.

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

2. Basis of preparation

2.1 Statement of compliance

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

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

Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on 03 February 2021.

2.2 Basis of measurement

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

2.3 Functional and presentational currency

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

2.4 Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the 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 6	Right of use assets
Note 18	Deferred tax liability

Note 19	Employees benefit payable
Note 21	Lease liability
Note 24	Provision for income tax
Note 28.1	Impairment on trade receivable.

2.5 Reporting year

The financial period of the Company covers one year from 1 January to 31 December 2020 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.

Impact of COVID-19 pandemic

When assessing going concern assumption of the Company as above, key consideration was the impact of COVID-19 pandemic. The pandemic has caused country-wide lockdown in Bangladesh by the end of March 2020 which caused closure of outlets/stores of the company's dealers, suspension of production in factory, disruption in the supply chain and closure of physical office requiring employees to work from home. In face of uncertainties related to the impact of COVID-19, management has developed adequate plans to minimize the impact on its financial conditions and liquidity. However, since september 2020 the economy has been started returning back to normalcy. Accordingly, the management believes the going concern assumption will remain unaffected from COVID-19.

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 when it is available for use and charging of depreciation on property, plant, equipment & investment property ceases at the earliest of the date the assets is classified held for sale in accordance with IFRS 5 and the date that aasets is derecognised.

Rates of depreciation on various classes of 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 when it is available for use and charging of depreciation on investment property ceases at the earliest of the date the assets is classified held for sale in accordance with IFRS 5 and the date that assets is derecognised.

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

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

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

3.5 Intangible assets

Expenditure to acquire designs and trade marks for manufacture of ceramic tiles and sanitary ware as well as computer software 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. No internal developed intangible assets capitalized during the year.

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 available 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 assets

a) Investment in subsidiaries

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

b) Loans to subsidiaries & associate companies

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

c) Trade & other receivables

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

d) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank including short notice deposits and fixed deposits having maturity of three months or less 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.

3.8 Financial liabilities

a) Trade & other payables

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

b) Borrowings

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

3.9 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. Materials in transit are valued at cost.

3.10 Impairment

Non-derivative financial assets

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

Non-financial assets

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

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

Defined contribution plan (provident fund)

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

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

Defined benefit plan (gratuity 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 emplyees benefit schemes have been provided in note no. 19.

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 Paticipation and Welfare Fund in accordance with "The Bangladesh Labour Act 2006 amended in 2018".

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 Standards, amendmends and interpretations

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

3.15.1 IFRS 9 Financial Instruments

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

i. Classification – financial assets

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

ii. Impairment

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

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

- 12-months ECLs**:** these are ECLs which result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs which result from all possible default events over the expected life of a financial instrument.

ii. Impairment

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the company has a choice to also apply this policy for trade receivables and contract assets with a significant financing component.

The estimated ECL will be calculated based on actual credit loss experience. The company will perform the calculation of ECL rates separately for different types of customers including related parties.

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

ii. Hedging

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

The company will avail of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Impact of IFRS 9 shown in note no 37.1 (b).

3.15.2 IFRS 15 Revenue from Contracts with Customers

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

i. Sales of goods

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

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

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

i. Rendering of services

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

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

i. Construction contracts

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

3.15.3 IFRS 16 Leases

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

General impact of application of IFRS 16 Leases

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

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

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

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

Impact of the new definition of a lease

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

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

Impact on Lessee Accounting

Former operating leases

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

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

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

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

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

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

Former finance leases

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

Impact on Lessor Accounting

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

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

3.16 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 2020 as per Finance Act 2020.

Deferred tax:

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

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

3.18 Foreign currency

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

3.19 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 International Accounting Standard (IAS)-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 New standards adopted

The following new standards are effective for annual periods begining from 1 January 2018/2019 and have been applied in preparing these financial statements.

IFRS 9	Financial Instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases

3.24 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.

3.25 Comparatives and reclassification

Comparative information have been disclosed in respect of 2019 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

2020

Amount in Taka

Particulars	COST					DEPRECIATION				Net book value as at 31 Dec 2020
	Balance as at 01 Jan 2020	Addition during the year	Sale/Transfer during the year	Balance as at 31 Dec 2020	Rate	Balance as at 01 Jan 2020	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2020	
Land	319,680,040	2,995,200	-	322,675,240		-	-	-	-	322,675,240
Factory building	1,018,459,997	-	-	1,018,459,997	5%	415,345,742	53,637,168	-	468,982,910	549,477,086
Office and accomodation building*	200,864,019	100,062,037	207,019,337	507,945,393	5%	119,708,363	17,174,934	38,050,714	174,934,011	333,011,382
Plant and machinery	5,277,012,539	242,044,784	(806,250)	5,518,251,073	10%	3,610,618,640	301,923,134	(50,225)	3,912,491,549	1,605,759,524
Mobile plant	108,704,737	-	-	108,704,737	10%	70,118,736	5,201,295	-	75,320,031	33,384,706
Electrical installation	216,807,511	-	-	216,807,511	10%	175,559,060	7,107,621	-	182,666,681	34,140,830
Gas pipeline	59,347,562	-	-	59,347,562	10%	38,191,334	3,364,810	-	41,556,144	17,791,419
Furniture and fixtures	41,643,341	2,777,404	(4,676,772)	39,743,973	10%	28,100,318	2,616,909	(4,676,688)	26,040,539	13,703,434
Office equipment	116,111,876	4,056,913	(26,758,299)	93,410,490	10-20%	90,896,617	18,696,383	(26,758,152)	82,834,848	10,575,641
Communication equipment	17,980,495	188,931	(4,536,890)	13,632,536	10-20%	10,515,318	2,347,334	(4,536,853)	8,325,799	5,306,736
Tools and appliances	19,046,398	-	-	19,046,398	10%	11,891,952	1,576,139	-	13,468,091	5,578,307
Vehicles	86,372,205	-	(6,551,223)	79,820,982	10%	53,926,486	6,771,205	(6,157,560)	54,540,131	25,280,852
Total	7,482,030,723	352,125,269	163,689,903	7,997,845,892		4,624,872,567	420,416,932	(4,128,764)	5,041,160,734	2,956,685,158

2019

Amount in Taka

Particulars	COST				Rate	DEPRECIATION				Net book value as at 31 Dec 2019
	Balance as at 01 Jan 2019	Addition during the year	Sale/ disposal during the year	Balance as at 31 Dec 2019		Balance as at 01 Jan 2019	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2019	
Land	319,680,040	-	-	319,680,040		-	-	-	-	319,680,040
Factory building	979,802,214	38,657,783	-	1,018,459,997	5%	363,141,065	52,204,676	-	415,345,742	603,114,256
Office and accomodation building	204,836,622	8,784,691	(12,757,294)	200,864,019	5%	111,325,400	10,936,085	(2,553,122)	119,708,363	81,155,655
Plant and machinery	5,119,372,534	157,640,006	-	5,277,012,539	10%	3,318,680,685	291,937,956	-	3,610,618,640	1,666,393,899
Mobile plant	101,976,217	6,728,522	-	108,704,737	10%	65,530,875	4,587,861	-	70,118,736	38,586,002
Electrical installation	216,807,511	-	-	216,807,511	10%	168,451,438	7,107,621	-	175,559,060	41,248,451
Gas pipeline	59,347,562	-	-	59,347,562	10%	34,795,610	3,395,726	-	38,191,334	21,156,227
Furniture and fixtures	37,908,982	3,734,359	-	41,643,341	10%	25,843,131	2,257,187	-	28,100,318	13,543,023
Office equipment	110,886,803	5,225,073	-	116,111,876	10-20%	72,296,842	18,599,775	-	90,896,617	25,215,258
Communication equipment	14,644,071	3,336,425	-	17,980,495	10-20%	8,475,172	2,040,145	-	10,515,318	7,465,178
Tools and appliances	18,982,348	64,050	-	19,046,398	10%	10,178,508	1,713,444	-	11,891,952	7,154,446
Vehicles	85,072,098	1,594,836	(294,728)	86,372,205	10%	47,124,560	6,977,782	(175,856)	53,926,486	32,445,719
Total	7,269,317,002	225,765,744	(13,052,023)	7,482,030,723		4,225,843,286	401,758,257	(2,728,978)	4,624,872,567	2,857,158,157

* Office and accomodation buildings includes BDT. 207,019,337 (gross block) has transferred from "investment property" to "property, plant and equipment" because management has decided to use the asssets for its own purpose. Therefore, due to change in use of office building, an apartment on 10th floor at RAK Tower, has transferred from "Investment property" to "property, plant and equipment".

5 Investment property

2020

Amount in Taka

Particulars	COST				Rate	DEPRECIATION				Net book value as at 31 Dec 2020
	Balance as at 01 Jan 2020	Addition during the year	Sale/Transfer during the year	Balance as at 31 Dec 2020		Balance as at 01 Jan 2020	Charged during the year	Adj./Transfer during the year	Balance as at 31 Dec 2020	
Land[1]	500,571,750	-	-	500,571,750		-	-	-	-	500,571,750
Office building[2]	211,452,074	-	(207,019,337)	4,432,737	5%	30,590,456	9,008,663	(38,050,714)	1,548,404	2,884,333
Total	712,023,824	-	(207,019,337)	505,004,487		30,590,456	9,008,663	(38,050,714)	1,548,404	503,456,083

2019

Amount in Taka

Particulars	COST				Rate	DEPRECIATION				Net book value as at 31 Dec 2019
	Balance as at 01 Jan 2019	Addition during the year	Sale/Transfer during the year	Balance as at 31 Dec 2019		Balance as at 01 Jan 2019	Charged during the year	Adj./Transfer during the year	Balance as at 31 Dec 2019	
Land	500,571,750	-	-	500,571,750		-	-	-	-	500,571,750
Office building	210,636,382	815,692	-	211,452,074	5%	20,058,356	10,532,101	-	30,590,456	180,861,618
Total	711,208,132	815,692	-	712,023,824		20,058,356	10,532,101	-	30,590,456	681,433,368

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

The said property are stated at cost as per IAS 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 (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 till 31st October 2020. Hence the same was classified under "Investment Property" under IAS 40 till 31st October 2020.

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

3 Management has decided to use the 10th floor for its own from 1st November 2020. Therefore, the property under office building, an apartment on 10th floor at RAK Tower, has transferred from"investment property" to "Property, plant and equipment" due to change in use in accordance with IAS 40.

		2020 Taka	2019 Taka
5.1	**Depreciation charged on the basis of the purpose of use**		
	Cost of sales (Note 26)	379,035,704	362,506,495
	Administrative expenses (Note 5.2)	44,971,728	44,322,181
	Marketing & selling expenses (Note 29)	5,418,163	5,461,681
		429,425,595	412,290,358
5.2	Administrative expenses		
	Depreciation on property, plant & equipment (Note 28)	35,963,065	33,790,081
	Depreciation on investment property (Note 28)	9,008,663	10,532,101
		44,971,728	44,322,181

5.3 Disposal of property, plant and equipment

2020

Particulars	Original cost Taka	Accumulated depreciation Taka	Book value Taka	Receipts against insurance claim/sale Taka	Profit /(loss) on disposal Taka
Office Equipment	26,758,299	26,758,152	147	7,500	7,353
Vehicle	6,551,223	6,157,560	393,663	1,942,500	1,548,837
Furniture & fixture	4,676,772	4,676,688	85	118,500	118,415
Plant and machinery	806,250	50,225	756,025	255,000	(501,025)
Communication equipment	4,536,890	4,536,853	37	-	(37)
Total	43,329,434	42,179,478	1,149,956	2,323,500	1,173,543

2019

Particulars	Original cost Taka	Accumulated depreciation Taka	Book value Taka	Receipts against insurance claim/sale Taka	Profit /(loss) on disposal Taka
Vehicle	294,728	175,856	118,873	179,500	60,627
Total	294,728	175,856	118,873	179,500	60,627

6 Right of use assets

2020

Amount in Taka

Particulars	COST				DEPRECIATION				Net book value as at 31 December 2020
	Balance as at 01 Jan 2020	Addition during the year	Sale/disposal during the year	Balance as at 31 December 2020	Balance as at 01 January 2020	Charged during the year	Adjustment during the year	Balance as at 31 December 2020	
Display center	47,637,481	11,271,396	(6,960,220)	51,948,658	31,138,351	7,302,906	(6,960,220)	31,481,038	20,467,620
Accomodation Building	3,300,136	699,246	(1,567,168)	2,432,215	1,812,180	1,394,608	(1,490,209)	1,716,580	715,635
Warehouse	32,707,529	-	(32,707,529)	-	5,723,818	4,906,129	(10,629,947)	-	-
Total	83,645,147	11,970,643	(41,234,917)	54,380,872	38,674,349	13,603,644	(19,080,376)	33,197,617	21,183,255

Allocation of depreciation	2020	2019
Administrative expenses (Note:28)	1,394,608	1,458,868
Marketing & selling expenses (Note:29)	12,209,035	14,156,874
	13,603,644	15,615,742

2019

Amount in Taka

Particulars	COST				DEPRECIATION				Net book value as at 31 December 2019
	Balance as at 01 Jan 2019	Addition during the year	Sale/disposal during the year	Balance as at 31 December 2019	Balance as at 01 January 2019	Charged during the year	Adjustment during the year	Balance as at 31 December 2019	
Display center	76,028,968	-	(28,391,487)	47,637,481	22,705,295	8,433,056	-	31,138,351	16,499,130
Accomodation Building	2,644,593	655,543	-	3,300,136	353,312	1,458,868	-	1,812,180	1,487,956
Warehouse	-	32,707,529		32,707,529		5,723,818	-	5,723,818	26,983,711
Total	78,673,561	33,363,072	(28,391,487)	83,645,147	23,058,607	15,615,742		38,674,349	44,970,798

6.1 Gain/(loss) on retirement of right of use assets

2020

Particulars	Lease liability	Right of use assets	Gain/(Loss)
Warehouse	21,594,420	22,077,582	(483,162)
Accommodation	84,526	76,959	7,567
Total	**21,678,946**	**22,154,541**	**(475,595)**

2019

Particulars	Lease liability	Right of use assets	Gain/(Loss)
Display center	30,048,249	28,391,487	1,656,762
Total	**30,048,249**	**28,391,487**	**1,656,762**

1. Company rented four display center's situated in Dhaka, Chittagong and Sylhet.

2. Accomodation Buildings rented for the use of transit employees.

3. Company took a warehouse at pubail to store the finished goods to distribute in nearby area promptly. The company now feel that the warehouse is not required. Therefore, the company cancelled the lease agreement dated 30 September 2020.

7 Intangible assets

2020

Amount in Taka

Particulars	COST				AMORTIZATION				Net book value as at 31 December 2020
	Balance as at 01 Jan 2020	Addition during the year	Sale/disposal during the year	Balance as at 31 December 2020	Balance as at 01 January 2020	Amortized during the year	Adjustment during the year	Balance as at 31 December 2020	
License	22,199,986	492,890	-	22,692,876	19,467,114	2,624,829	-	22,091,943	600,934
Computer Software	11,614,380	-	-	11,614,380	7,852,207	1,230,749	-	9,082,956	2,531,424
Total	33,814,366	492,890	-	34,307,256	27,319,321	3,855,577	-	31,174,898	3,132,358

2019

Amount in Taka

Particulars	COST				AMORTIZATION				Net book value as at 31 December 2019
	Balance as at 01 Jan 2019	Addition during the year	Sale/disposal during the year	Balance as at 31 December 2019	Balance as at 01 January 2019	Amortized during the year	Adjustment during the year	Balance as at 31 December 2019	
License	22,078,460	121,526	-	22,199,986	14,453,949	5,013,164	-	19,467,114	2,732,873
Computer Software	10,964,380	650,000	-	11,614,380	6,672,509	1,179,699	-	7,852,207	3,762,174
Total	33,042,840	771,526	-	33,814,366	21,126,458	6,192,863	-	27,319,321	6,495,047

		2020 Taka	2019 Taka
8	**Capital Work-in-Progress**		
	Balance as at 1 January	177,641,997	127,781,532
	Add: Addition during the year	166,077,860	261,225,698
		343,719,857	389,007,230
	Less: Transfer to property, plant & equipment and investment property during the year (Note-8.1)	339,942,288	211,365,233
	Balance as at 31 December	**3,777,569**	**177,641,997**
8.1	**Items transferred from capital work in progress to property, plant & equipment and investment property**		
	Factory building	100,062,037	38,326,033
	Plant and machinery	238,863,795	139,907,809
	Others	1,016,456	33,131,391
		339,942,288	**211,365,233**
9	**Investment in subsidiaries (Note-9.1)**		
	RAK Power Pvt. Ltd	341,629,950	341,629,950
	RAK Security & Services Pvt. Ltd	18,750,000	18,750,000
		360,379,950	**360,379,950**

9.1 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 & Services Pvt. Ltd	Security services provider	99.00	18,750,000	18,750,000

10	**Inventories**		
	Raw materials	606,226,281	818,594,596
	Less : Provision for slow moving & obsolete inventories	20,246,533	20,729,536
	Less: Write off for obsolate raw materials	23,875,000	-
		562,104,748	797,865,060
	Stores, consumables spares and packing	837,397,965	882,294,468
	Less: Write off for stores and spares	30,826,750	-
		806,571,215	882,294,468
	Finished goods (net of net realizable value adjustment)	441,243,898	719,463,284
	Less : Provision for slow moving & obsolete inventories	17,064,161	16,461,944
		424,179,737	703,001,340
	Work-in-process	47,290,564	104,694,796
	Goods-in-transit	124,405,926	228,206,140
		1,964,552,190	**2,716,061,804**
11	**Trade and other receivables**		
	Trade receivables (Note-11.1)	977,458,250	791,627,927
	Receivable against insurance claim	-	38,287,131
	Accrued interest (Note-11.2)	10,827,011	8,029,303
	Accrued rental income	570,000	-
		988,855,261	**837,944,361**

		2020 Taka	2019 Taka
11.1	**Trade receivables**		
	Receivable from dealers	985,465,346	793,841,889
	Receivable from export sales	779,903	6,573,037
		986,245,249	800,414,926
	Less: Provision of impairment loss on trade receivable:		
	Unrelated parties	2,328,301	2,328,301
	Related parties	6,458,698	6,458,698
		977,458,250	**791,627,927**
11.2	**Accrued Interest**		
	Interest accrued on FDR	10,827,011	8,029,303
		10,827,011	**8,029,303**
12	**Advance, deposits and prepayments**		
	Advances:		
	Purchase of land and others	2,369,670	5,729,371
	Suppliers against materials and services	33,221,610	78,134,866
		35,591,280	83,864,237
	Security and other deposit:		
	Titas gas	38,569,450	38,569,450
	Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
	Deposited with income tax authority	68,128,195	68,128,195
	Deposited with VAT authority	58,361,240	6,726,946
	Display center and others	2,200,000	3,472,500
	Other deposits	1,494,626	1,494,626
		170,708,511	120,346,717
	Prepayments:		
	Insurance and others	23,621,055	32,251,942
		229,920,846	**236,462,896**
13	**Advance Income Tax**		
	Balance as at 1 January	3,106,581,019	2,841,236,116
	Add: Paid during the year	135,128,287	265,344,903
	Balance as at 31 December (Note -13.1)	**3,241,709,306**	**3,106,581,019**
13.1	**Year wise closing balance**		
	Income year		
	Year 2020	95,620,144	-
	Year 2019	254,675,621	215,167,478
	Year 2018	270,464,119	270,464,119
	Year 2017	295,460,648	295,460,648
	Year 2016	242,216,508	242,216,508
	Year 2015	138,288,579	138,288,579
	Year 2014	253,701,667	253,701,667
	Year 2013	352,440,807	352,440,807

		2020 Taka	2019 Taka
	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
		3,241,709,306	**3,106,581,019**
14	**Cash and cash equivalents**		
	Cash in hand	5,456,303	3,318,879
	Cash at banks		
	HSBC (current account - 001-013432-011 - BDT)	41,946	19,762,353
	Standard Chartered Bank (current account - 016162940-01 - BDT)	93,976,268	180,535,362
	Brac Bank (current account - 1530301731248001 - BDT)	20,293,811	39,046,938
	Citibank N.A. (current account - G010000200262018 - BDT)	156,438	161,889
	Dutch Bangla Bank Ltd. (current account - 117 - 110 - 12733 - BDT)	20,979,424	2,000
	Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	11,828,247	11,995,287
	Standard Chartered Bank (Margin Money account)	-	12,507,995
	DBBL (Margin Money account)	-	246,006
	UCB (SND account - 0831301000000164 BDT)	26,109,945	27,528,317
	EBL (SND account - 1131350237146 - BDT)	116,447,666	96,642,480
	EBL (SND account - 1131350237393 (WH) - BDT)	3,291	4,980
	DBL (SND - 102.150.274- BDT))	36,019,530	24,223,605
	EXIM Bank (SND account - 01513100031877 - BDT)	706,355	510,116
	Dutch Bangla Bank Ltd. (SND account - 117-120-589 - BDT)	191,085,495	68,605,781
	Dutch Bangla Bank Ltd. (SND account - 117-120-376 (WH)-BDT)	129,548	128,657
	BRAC Bank (STD - 1513101731248001 - BDT)	363,694	362,785
	Prime Bank Ltd. (SND - 12531010022563 - BDT)	7,650,678	27,898,730
	Commercial Bank of Ceylon (CD - 1817000776 - BDT)	25,000	22,154
	Commercial Bank of Ceylon (SND - 2817000777 - BDT)	128,925,016	52,176,242
	Meghna Bank Ltd. (SND 1112-13500000004 - BDT)	60,095,753	52,844,530
	EBL (Margin Money account)	5,745,315	-
		720,583,420	615,206,207
	IPO bank account		
	Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	2,433,214	2,431,487
	Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262042 - USD)	3,919,501	3,919,501
	Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262026 - EURO)	153,606	153,606
	Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262034 - GBP)	126,599	126,599
		6,632,920	6,631,193

	2020 Taka	2019 Taka
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,606,551	2,610,821
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	2,190,689	2,196,201
SCB (Current - 02-6162940-02 - BDT) - 2012	3,885,208	3,873,556
SCB (Current - 02-6162940-03 - BDT) - 2013	16,951,065	16,882,899
SCB (Current - 02-6162940-04 - BDT) - 2014	5,021,420	5,006,270
SCB (Current - 02-6162940-05 - BDT) - 2015	3,743,396	3,847,241
SCB (Current - 02-6162940-06 - BDT) - 2016	4,222,208	4,307,616
SCB (Current - 02-6162940-07 - BDT) - 2017	1,663,022	1,715,963
SCB (Current - 02-6162940-08 - BDT) - 2018	1,933,758	2,199,822
SCB (Current - 02-6162940-09 - BDT) - 2019	8,479,278	-
	50,696,595	42,640,389
Investment in Fixed Deposit Receipt (FDR)		
HSBC	10,000,000	10,000,000
SCB	6,000,000	-
Brac Bank Ltd.	250,000,000	-
Dutch Bangla Bank Ltd.	400,000,000	-
Eastern Bank Ltd.	150,000,000	250,000,000
Dhaka Bank Ltd.	250,000,000	500,000,000
Commercial Bank of ceylon	55,000,000	-
	1,121,000,000	760,000,000
	1,904,369,238	**1,427,796,668**

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	**4,279,687,010**	**4,279,687,010**
427,968,701 ordinary shares of Tk 10 each		

Percentage of shareholding:

	2020		2019	
	%	Taka	%	Taka
RAK Ceramics PJSC, UAE	68.13	2,915,864,310	68.13	2,915,864,310
SAK Ekramuzzaman	3.95	168,958,240	3.95	168,958,240
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	340	0.00	340
Sheikh Omer Bin Saqr Al Qassimi	0.00	340	0.00	340
Sheikh Ahmad Bin Humaid al Qassimi	0.00	340	0.00	340
Hamad Abdulla Al Muttawa	0.00	160	0.00	160
Dr. Khater Massaad	0.00	160	0.00	160
Abdallah Massaad	0.00	160	0.00	160
Manoj Uttamrao Ahire	0.00	160	0.00	160
General Public	27.92	1,194,862,800	27.92	1,194,862,800
	100.00	**4,279,687,010**	**100.00**	**4,279,687,010**

	2020 Taka	2019 Taka

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

Classification of shareholders by range:

Shareholder's range	Number of shareholders		Number of shares	
	2020	2019	2020	2019
Less than 500 shares	19,020	20,366	4,669,870	4,995,826
501 to 5,000 shares	7,619	8,198	12,586,707	13,460,461
5001 to 10,000 shares	986	1,031	7,057,991	7,277,910
10,001 to 20,000 shares	501	527	7,062,682	7,320,397
20,001 to 30,000 shares	178	167	4,330,386	4,076,759
30,001 to 40,000 shares	70	70	2,399,501	2,404,839
40,001 to 50,000 shares	51	48	2,296,962	2,143,014
50,001 to 100,000 shares	97	106	6,817,326	7,222,580
100,001 to 1,000,000 shares	106	100	25,620,555	25,398,876
Over 1,000,000 shares	16	15	355,126,721	353,668,039
	28,644	**30,628**	**427,968,701**	**427,968,701**

16 Share premium

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

No. of shares	Share premium (per share)	2020	2019
	Taka	Taka	Taka
10,000,000	30	300,000,000	300,000,000
34,510,000	38	1,311,380,000	1,311,380,000
		1,611,380,000	1,611,380,000
Less : Share issue expenses		137,732,021	137,732,021
		1,473,647,979	**1,473,647,979**

17 Reserve and surplus

Balance as on 01 January	1,636,929,820	1,624,536,295
Less: Adjustment for prior year (Leases)	-	(3,131,591)
Add : Profit during the year	329,485,359	793,650,022
	1,966,415,179	2,415,054,726
Less: Dividend declared during the year	(641,953,052)	(778,124,906)
Balance as at 31 December	**1,324,462,127**	**1,636,929,820**

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

		2020 Taka	2019 Taka
18	**Deferred tax liabilities**		
	Balance as at 1 January	161,871,924	166,024,078
	Deferred tax (income) / expenses	4,531,782	(4,152,154)
	Balance as at 31 December	**166,403,706**	**161,871,924**

	Carrying amount on the date of statement of financial position Taka	Tax base Taka	Taxable/ (deductible) temporary difference Taka
As at 31 December 2020			
Property, plant and equipment (Excluding land and others)	2,574,837,178	1,840,183,487	734,653,691
Trade receivable	977,458,250	986,245,249	(8,786,999)
Inventory	1,964,552,190	2,024,804,059	(60,251,869)
Net taxable temporary difference			**665,614,823**
Deferred tax liability (applying tax rate 25.00%)			**166,403,706**
As at 31 December 2019			
Property, plant and equipment (Excluding land and others)	2,644,036,865	1,940,069,180	703,967,685
Trade receivable	791,627,927	800,414,926	(8,786,999)
Inventory	2,716,061,804	2,763,754,793	(47,692,989)
Net taxable temporary difference			**647,487,697**
Deferred tax liability (applying tax rate 25.00%)			**161,871,924**

19 Employees benefits payable

	2020		
	Provident Fund Taka	Gratuity Fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	56,325,573	31,873,108	88,198,681
	56,325,573	31,873,108	88,198,681
Less: Payments made to fund during the year	56,325,573	31,873,108	88,198,681
Balance as at 31 December	-	-	-

Provision and payment includes BDT. 626,185 for the year 2020 as employee contribution paid to employee leaving company before being eligible for provident fund and employer's contribution reversed.

	2019		
	Provident Fund Taka	Gratuity Fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	55,735,470	29,250,807	84,986,277
	55,735,470	29,250,807	84,986,277
Less: Payments made to fund during the year	55,735,470	29,250,807	84,986,277
Balance as at 31 December	-	-	-

	2020 Taka	2019 Taka
20 Borrowings		
Non-current:		
Term loan -HSBC	-	89,232,918
Less : Current portion of long term loan - HSBC	-	(89,232,918)
	-	-
Current:		
Short-term borrowings :		
Short term borrowings - CBC	119,940,905	-
Current portion of long term loan - HSBC	-	89,232,918
	119,940,905	89,232,918
Balance as at 31 December	**119,940,905**	**89,232,918**

20.1 Borrowings by maturity

At 31 December 2020	< 1 year	1-2 years	Total
Short-term borrowings	119,940,905	-	119,940,905
	119,940,905	**-**	**119,940,905**

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

The company opted for off-shore financing from SCB & CBC on its outstanding import bills as deferred payment bills under the letter of credits.

20.2 Facilities details (Funded)

Bank	Name of facilities	Limit	Utilisation	Maturity	Repayment	Security - STL
SCB	Overdraft	50,000,000	-	Revolving	From company's own source	"1) Corporate gurantee, 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."
	Short term loan	500,000,000	-	180/360 days from B/L date		
Dutch-Bangla Bank Ltd.	Overdraft	25,000,000	-	Revolving	From company's own source	
	Short term loan	90,000,000	-	180/360 days from B/L date		
Commercial Bank of Ceylon	Overdraft	35,000,000	-	Revolving	From company's own source	
	Short term loan	550,000,000	119,940,905	180/360 days from B/L date		

21 Lease liability

Non-current:		
Lease liability	13,796,578	38,473,003
Less : Current portion of lease liability	4,505,188	9,098,137
	9,291,390	29,374,867
Current:		
Current portion of lease liability	4,505,188	9,098,137

Lease liability schedule

2020

Particulars	Balance as on 01 January 2020	Addition/ (deletion)	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2020
Display center	11,583,808	4,977,901	4,965,967	1,458,705	3,507,262	13,054,447
Accomodation Building	1,558,557	614,720	1,531,734	100,588	1,431,146	742,131
Warehouse	25,330,639	(21,594,420)	5,467,635	1,731,416	3,736,219	-
	38,473,004	**(16,001,798)**	**11,965,336**	**3,290,709**	**8,674,627**	**13,796,578**

2019

Particulars	Balance as on 01 January 2019	Addition/ (deletion)	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2019
Display center	46,374,623	(30,048,249)	7,049,344	2,306,778	4,742,566	11,583,808
Accomodation Building	2,319,576	655,543	1,602,312	185,750	1,416,562	1,558,557
Warehouse	-	28,907,529	6,050,262	2,473,372	3,576,890	25,330,639
	48,694,199	**(485,177)**	**14,701,918**	**4,965,900**	**9,736,019**	**38,473,003**

		2020 Taka	2019 Taka
22	**Trade and other payables**		
	Trade payables		
	Payable to local suppliers	127,349,527	91,474,988
	Payable to foreign suppliers	199,107,788	334,034,758
	Payable to service provider	68,014,396	102,705,441
	Payable to C & F agent and freight forwarder	34,072,045	18,884,970
		428,543,756	547,100,157
	Other payables		
	Tax deducted at source	20,545,230	19,471,170
	Tax deducted at source on remuneration (Note-23.1)	4,312,351	-
	VAT deducted at source	7,536,338	5,547,759
	VAT and Supplementary duty payable (Note-22.1)	139,511,697	101,875,164
	Dividend Payable	49,576,141	41,670,516
	Unclaimed share application	20,810,756	20,810,756
	Advance from customer against sales	8,561,650	13,451,556
	Provisional liabilities - material & services	7,523,078	1,267,333
	Payable to employees	2,025,964	1,202,084
	Security deposit payable	1,617,592	1,617,592
		262,020,797	206,913,930
		690,564,553	**754,014,087**
22.1	**VAT and Supplementary duty (SD) payable**		
	Opening Balance	101,875,164	-
	VAT and Supplementary duty on sales	1,702,174,335	1,827,830,290
	Payable - SD & VAT	-	107,215,433
	Other payable	-	3,336,899
		1,804,049,499	1,938,382,622
	Less: Balance as at 1 January	-	46,341,073
	Treasury deposit for SD & VAT purpose	1,236,009,353	1,267,336,620
	Rebate of input VAT	428,528,450	522,829,766
		1,664,537,803	1,836,507,459
	Balance as at 31 December	**139,511,697**	**101,875,164**
23	**Accrued expenses**		
	Power and gas	24,522,822	22,761,878
	Staff cost	99,210,463	117,084,602
	Audit fees	1,400,000	1,400,000
	Taxation matter	400,000	400,000
	Interest on loan	875,254	1,554,585
	Telephone	372,138	232,907
	Labour bill	-	1,345,000
	Freight bill	1,997,523	1,114,737

		2020 Taka	2019 Taka
	Business promotion and advertiesment	11,220,000	-
	Managing Director's remuneration (Note-23.1)	10,062,153	35,910,357
	Workers profit participation and welfare fund (Note-23.2)	22,816,672	52,965,129
	Royalty and technical know-how fee (Note-23.3)	317,433,528	287,408,635
		490,310,554	**522,177,830**
23.1	**Managing Director's remuneration**		
	Balance as at 1 January	35,910,357	39,943,228
	Add: Payable to Managing Director for the year	14,374,504	35,910,357
		50,284,861	75,853,585
	Less: Tax deducted at source during the year	4,312,351	-
	Less: Paid to Managing Director during the year	35,910,357	39,943,228
	Balance as at 31 December	**10,062,153**	**35,910,357**
23.2	**Workers' Profit Participation and welfare Fund**		
	Balance as at 1 January	52,965,129	58,913,315
	Add: Contribution made to the fund during the year	22,816,672	52,965,129
		75,781,802	111,878,444
	Less: Payment made from the fund during the year	52,965,129	58,913,315
	Balance as at 31 December	**22,816,672**	**52,965,129**
23.3	**Royalty and technical know-how fee**		
	Balance as at 1 January	287,408,635	284,211,437
	Add: Provision made during the year	30,521,994	84,744,206
		317,930,629	368,955,643
	Less: Payment made during the year	497,101	81,547,008
	Balance as at 31 December	**317,433,528**	**287,408,635**
24	**Provision for income tax**		
	Balance as at 1 January	3,496,891,493	3,227,086,779
	Add: Provision made during year	122,316,309	269,804,714
	Balance as at 31 December (note 24.1)	**3,619,207,802**	**3,496,891,493**
24.1	**Year wise closing balance**		
	Income year		
	Year 2020	122,316,309	-
	Year 2019	269,804,714	269,804,714
	Year 2018	273,027,981	273,027,981
	Year 2017	297,112,555	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

	2020 Taka	2019 Taka
Year 2010	348,965,691	348,965,691
Year 2009	266,823,984	266,823,984
Year 2008	147,117,914	147,117,914
Year 2007	80,163,573	80,163,573
	3,619,207,802	**3,496,891,493**

25 Sales

	Unit	2020		2019	
		Quantity in million	Amount Taka	Quantity in million	Amount Taka
Local					
Tiles	Sft	73.70	5,268,770,400	86.22	6,178,147,485
Decor/Border	Pcs	0.35	41,861,966	0.37	39,660,138
Sanitary ware	Pcs	1.09	2,144,389,549	1.43	2,636,589,379
			7,455,021,915		8,854,397,002
Less: Supplementary Duty			724,808,552		670,842,773
			6,730,213,363		8,183,554,229
Less: VAT			977,365,782		1,160,324,403
			5,752,847,581		7,023,229,826
Export					
Tiles	Sft	0.34	20,133,346	0.33	14,837,726
			5,772,980,927		7,038,067,552
Less: Discount			2,269,354		47,695,679
Less: Commission, incentive and bonus (note - 25.1)			537,567,101		582,367,046
			5,233,144,472		**6,408,004,827**

25.1 Commission, incentive and bonus

Dealer's commission	111,915,106	129,982,592
Breakage commission	116,790,409	140,036,687
Incentive and bonus	308,861,586	312,347,767
	537,567,101	**582,367,046**

		2020 Taka	2019 Taka
26	**Cost of sales**		
	Material consumed:		
	Opening inventory as on 01 January	797,865,060	839,612,529
	Add:Purchase during the year	1,504,265,473	2,072,547,766
	Less:Closing inventory as on 31 December	562,104,748	797,865,060
		1,740,025,785	2,114,295,235
	Factory overhead:		
	Direct labour (note-26.1)	474,388,527	548,032,235
	Direct expenses:		
	Power and gas	555,223,159	579,941,454
	Repairs and indirect materials (note-26.2)	519,427,562	636,845,559
	Depreciation (note-5.1)	379,035,704	362,506,495
	Royalty and technical know-how fees*	30,521,994	84,744,206
	Other production overhead (note-26.3)	98,031,330	40,244,630
	Provision for slow moving & obsolete inventories (note 10)	119,214	37,191,480
	Movement in stock	322,472,203	204,272,788
		4,119,245,478	**4,608,074,082**
26.1	**Direct labour**		
	Salary & wages	316,710,928	341,738,057
	Overtime	18,358,453	23,864,555
	Bonus	37,517,069	64,460,325
	Temporary labour wages	51,850,892	67,609,061
	Gratuity	21,974,836	19,705,388
	Employers contribution to provident fund	18,683,965	18,346,773
	Leave encashment	6,756,044	9,201,840
	Group life insurance	2,150,524	2,153,681
	Compensation	385,816	952,555
		474,388,527	**548,032,235**
26.2	**Repair and indirect materials**		
	Stores, spares, repair & maintanance	235,454,238	286,883,145
	Packing expenses	283,973,324	349,962,414
		519,427,562	**636,845,559**
26.3	**Other production overhead**		
	Hotel fare and tour expenses	1,196,430	3,675,774
	Demurrage	9,731,754	2,384,244
	Insurance	25,540,511	25,508,575
	Write off for obsolate raw materials	23,875,000	-
	Write off for stores and spares	30,826,750	-
	Hiring charges and transportation	3,680,026	6,163,396
	Other expenses	3,180,859	2,512,641
		98,031,330	**40,244,630**

		2020 Taka	2019 Taka
	*Royalty has been calculated 8% on businees profit as per Finance Act. 2020		
27	**Other income**		
	Dividend income	45,949,800	86,949,600
	Rental income	15,482,609	17,184,211
	Profit on sale of fixed assets (note - 5.3)	1,173,543	60,627
	Gain on retirement of right of use assets (note 6.1)	-	1,656,762
	Insurance claim	-	38,287,131
		62,605,952	**144,138,331**
28	**Administrative expenses**		
	Staff cost (note-28.2)	157,076,531	182,280,806
	Annunal General Meeting expenses	897,431	5,062,006
	Telephone and postage	6,008,223	5,233,070
	Office repair and maintenance (note-28.3)	10,066,938	10,515,542
	Registration and renewal	12,668,330	782,400
	Security and guard expenses	15,529,650	12,835,911
	Electricity, gas and water	7,206,380	8,266,362
	Depreciation on property, plant & equipment (note - 5.2)	35,963,065	33,790,081
	Depreciation on investment property (note - 5.2)	9,008,663	10,532,101
	Depreciation on right of use assets (note-6)	1,394,608	1,458,868
	Amortization	3,855,577	6,192,863
	Legal and professional fees	11,364,529	9,731,184
	Vehicle repair and maintenance	10,057,998	13,449,291
	Rent rate and tax	1,802,228	2,772,959
	Loss on right of use assets (Note : 6.1)	475,595	-
	IT expenses	3,507,401	5,284,353
	General Servicing	9,112,748	10,615,266
	Loss on retirement of fixed assets	-	10,204,172
	Donation	1,918,924	1,102,500
	Others	4,508,708	11,181,972
	Managing Director's remuneration (note-28.4)	14,374,504	35,910,357
		316,798,031	**377,202,064**
28.1	**Impairment loss of trade receivable**		
	Unrelated parties	-	2,291,988
	Related parties	-	3,332,649
		-	**5,624,637**
	New classification of financial assets shown in note 37.1(b). Impairment loss allowance has not been considered on other receivables and bank balances because business is confident to recover the full amount from the party.		
28.2	**Staff cost**		
	Salary & wages	117,982,117	126,494,586
	Overtime	-	30,166
	Bonus	11,516,376	22,725,164

		2020 Taka	2019 Taka
	Incentive	25,349	-
	Gratuity	6,884,152	6,990,369
	Employers contribution to provident fund	6,323,116	6,830,379
	Leave encashment	2,135,956	5,364,745
	Group life insurance	631,221	780,020
	Canteen and conveyance expenses	5,548,936	8,457,825
	Staff uniform expenses	-	8,450
	Travelling expenses	2,325,254	1,503,762
	Compensation	2,875,605	129,002
	Medical expenses	725,554	1,262,481
	Accommodation expenses	102,895	1,703,857
		157,076,531	**182,280,806**

Accomodation expenses includes rent expenses for short term lease for BDT. 156,000 and related government levis wherever applicable. Details of the short term lease is shown in note no 35. No low value item exists at the reporting period.

28.3	**Office repair & maintenance**		
	Repairs office equipment	2,510,848	756,985
	Office maintenance	7,556,090	9,758,557
		10,066,938	**10,515,542**

28.4 This represents provision made @ 3% of net profit before tax.

29	**Marketing & selling expenses**		
	Staff cost (note-29.1)	65,982,085	64,753,904
	Advertisement	13,582,495	33,829,109
	Freight and transportation	267,693,797	265,406,265
	Compensation	3,623,491	11,826,912
	Business promotion	30,058,530	36,410,305
	Depreciation on property, plant & equipment (note - 5.1)	5,418,163	5,461,681
	Depreciation on right of use assets (note-6)	12,209,035	14,156,874
	Showroom, office & house rent	850,355	5,047,545
	Sample expenses	8,836,769	9,936,512
	Tour,travel and others	3,508,374	5,681,880
		411,763,094	**452,510,987**

Showroom, office and house rent includes rent expenses for short term lease for BDT. 142,500 and related government levis wherever applicable. Details of the short term lease is shown in note no 35. No low value item exists at the reporting period.

29.1	**Staff cost**		
	Salary & wages	44,918,044	42,928,822
	Bonus	4,968,666	8,927,627
	Incentive	2,156,857	173,977
	Gratuity	3,014,120	2,555,050
	Employers contribution to provident fund	2,529,520	2,314,906
	Leave encashment	930,590	1,649,726
	Group life insurance	354,491	237,722
	Compensation	108,486	139,920
	Conveyance and food expenses	7,001,311	5,758,730
	Staff uniform expenses	-	67,424
		65,982,085	**64,753,904**

		2020 Taka	2019 Taka

29.2 Salary & wages under staff cost (note no. 26.1, 28.2 & 29.1) includes employee conttribution to provident fund for BDT.18,683,965, BDT. 6,323,116 & BDT. 2,529,520.

30	**Finance income**		
	Interest on bank account (SND)	9,646,592	5,904,922
	Interest on Fixed deposits	39,747,153	24,691,560
		49,393,745	**30,596,482**
31	**Finance expenses**		
	Interest expenses against Loan	9,990,999	12,772,822
	Interest expenses against lease liability	3,290,709	4,965,900
	Bank charges	3,741,797	2,390,828
	Foreign exchange loss	1,163,939	6,930,609
		18,187,444	**27,060,159**
32	**Income tax expenses**		
	Current year	122,316,309	269,804,714
		122,316,309	**269,804,714**

33 Reconciliation of effective tax rate

	2020		2019	
	%	Taka	%	Taka
Profit before tax		456,333,450		1,059,302,582
Current tax expenses	26.80%	122,316,309	25.47%	269,804,714
Deferred tax expenses	0.99%	4,531,782	-0.39%	(4,152,154)
Total tax expenses	**27.80%**	**126,848,091**	**25.08%**	**265,652,560**
Expected income tax using applicable tax rate	25.00%	114,083,363	25.00%	264,825,645
Tax on non-deductible expenses	1.80%	8,232,946	0.47%	4,979,068
Effective current tax	26.80%	122,316,309	25.47%	269,804,714
Effective deferred tax	0.99%	4,531,782	-0.39%	(4,152,154)
	27.80%	**126,848,091**	**25.08%**	**265,652,560**

		2020 Taka	2019 Taka
34	**Transaction in foreign currency**		
	CIF value of import:		
	Raw materials	1,078,897,150	1,552,832,480
	Spare parts	113,501,664	230,672,877
	Capital machinery	142,719,110	133,001,302
	Expenditure:		
	Royalty, consultancy & training fees	372,826	61,160,256
	Dividend	415,510,664	251,824,645
		1,751,001,413	**2,229,491,560**
	Earnings:		
	FOB value of exports	20,133,346	14,837,726
		20,133,346	**14,837,726**

35 Short term lease expenses

Nature of the lease	Lease term	Allocation	Rent Payment	Rent Payment
Rented accomodation	<1 year	Admin	156,000	156,000
Rented accomodation	<1 year	Marketing	142,500	1,234,000
			298,500	**1,390,000**

36 Quantitative details of opening stock, purchase/production, consumption/sales and closing stock of raw materials and finished goods (Refer to Note 26)

Description	Unit	Opening stock	Purchase / Production	Sale / Consumption	Closing stock
		Quantity	Quantity	Quantity	Quantity
Raw materials	KG				
Current year		124.47	207.20	204.00	127.67
Previous year		110.13	246.56	232.21	124.47
Finished goods					
Tiles:	Sft				
Ceramics/granite					
Current year*		17.93	70.37	74.12	14.18
Previous year		21.82	82.66	86.55	17.93
Decor/border	Pcs				
Current year		0.12	0.34	0.35	0.11
Previous year		0.14	0.35	0.37	0.12
Sanitaryware:					
Sanitary items	Pcs				
Current year		0.13	1.09	1.09	0.13
Previous year		0.13	1.42	1.42	0.13

36.1 Production capacity and actual production are given below: (Refer to Note 26)

2020

Production	Unit	Installed Capacity (million) Annual	Utilisation during the year (million)	% of Utilisation	"Over/(Under) Utilisation (million)"
Tiles	Sft	111.04	70.37	63%	(40.67)
Sanitary ware	Pcs	1.45	1.09	75%	(0.36)

2019

Production	Unit	Installed Capacity (million) Annual	Utilisation during the year (million)	% of Utilisation	"Over/(Under) Utilisation (million)"
Tiles	Sft	111.04	82.66	74%	(28.38)
Sanitary ware	Pcs	1.45	1.42	98%	(0.03)

* Non saleable broken finished goods 0.08 mio. Sft has been net off with current year sale/consumption.

37 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

37.1 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 As at 31 Dec 2020	USD As at 31 Dec 2019	Amount in Taka As at 31 Dec 2020	Amount in Taka As at 31 Dec 2019
Trade receivables				
Customer-Local	-	-	976,678,347	785,054,890
Customer-Export	9,235	78,297	779,903	6,573,037
	9,235	**78,297**	**977,458,250**	**791,627,927**
Other receivables				
Receivable against insurance claim			-	38,287,131
Accrued rental income			570,000	-
Accrued Interest			10,827,011	8,029,303
			11,397,011	**46,316,434**
Cash equivalents			**1,898,912,935**	**1,424,477,789**

b) Impact of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the financial assets as at 31 December 2020.

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impairment loss (Refer note-11.1)
Trade receivable-unrelated	11.1	Loan & receivable	Amortized cost	348,026,753	345,698,452	2,328,301
Trade receivable-related	11.1	Loan & receivable	Amortized cost	638,218,496	631,759,798	6,458,698
Cash & cash equivalent	14	Loan & receivable	Amortized cost	1,898,912,935	1,898,912,935	-

i The above table provides information ECLs till date. Impairment provision till Dec 2019 was Tk. 8,786,999.

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

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

iv Due to the improvemnet of receivable ageing compare to year 2019, no further impairment provision is required in the year 2020.

c) Ageing of receivables

	Amount in Taka	
	As at 31 Dec 2020	As at 31 Dec 2019
The aging of trade receivables as at 31 December was:		
Not past due	932,573,365	744,018,786
0-90 days past due	34,742,888	25,698,995
91-180 days past due	5,854,201	14,272,937
181-365 days past due	1,881,393	2,834,611
over 365 days past due	2,406,402	4,802,598
	977,458,250	**791,627,927**

37.2 Liquidity risk

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

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

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

	As at 31 Dec 2020			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Short term borrowing	119,940,905	119,940,905	119,940,905	-
Long term borrowing	-	-	-	-
Trade and other payables	690,564,553	690,564,553	690,564,553	-
	810,505,458	**810,505,458**	**810,505,458**	**-**

	As at 31 Dec 2019			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Short term borrowing	-	-	-	-
Long term borrowing	89,232,918	89,232,918	89,232,918	-
Trade and other payables	754,014,087	754,014,087	754,014,087	-
	843,247,005	**843,247,005**	**843,247,005**	**-**

37.3 Market risk

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

a) Currency risk

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

i) Exposure to currency risk

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

	As at 31 Dec 2020			As at 31 Dec 2019		
	GBP	USD	EURO	GBP	USD	EURO
Foreign currency denominated assets						
Receivable from customers-Export	-	9,235	-	-	78,297	-
Cash at bank	-	139,238	-	-	141,204	-
	-	**148,473**	**-**	**-**	**219,501**	**-**
Foreign currency denominated liabilities						
Trade and other payables	198,261	1,362,803	572,772	132,189	2,201,698	1,373,117
Short term borrowings (foreign)	-	1,411,900	-	-	-	-
Long term borrowings (foreign)	-	-	-	-	1,050,417	-
Royalty & Technical Fees	-	3,736,710	-	-	3,383,268	-
	198,261	6,511,413	572,772	132,189	6,635,383	1,373,117
Net exposure	**(198,261)**	**(6,362,940)**	**(572,772)**	**(132,189)**	**(6,415,882)**	**(1,373,117)**

The Company has foreign exchange loss of Tk 1,163,939 during the year ended 31 December 2020 (31 December 2019: Exchange loss Tk 6,930,609).

The following significant exchange rates have been applied:

	Exchange rate (Average)	
	As at 31 Dec 2020	As at 31 Dec 2019
GBP	114.6885	111.3664
USD	84.4500	84.4500
EURO	104.0430	95.0948

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

	As at 31 Dec 2020		As at 31 Dec 2019	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
At 31 December				
GBP (3 percent movement)	(6,132)	5,775	(4,088)	3,850
USD (3 percent movement)	(196,792)	185,328	(198,429)	186,870
EURO (3 percent movement)	(17,715)	16,683	(42,468)	39,994

b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The Company is not significantly exposed to fluctuation in interest rates as company has not entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

Profile

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

	Carrying amount Amount in Taka	
	As at 31 Dec 2020	As at 31 Dec 2019
Fixed rate instruments		
Financial assets		
Investment in FDR	1,121,000,000	760,000,000
Cash at banks	777,912,935	664,477,789
Financial liabilities		
Long term borrowing	-	89,232,918
Short term borrowing	119,940,905	-

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 Dec 2020		Amount in Taka As at 31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Held to maturity assets				
Investment in FDR	1,121,000,000	1,121,000,000	760,000,000	760,000,000
Loans and receivables				
Trade receivables	977,458,250	977,458,250	791,627,927	791,627,927
Other receivables	11,397,011	11,397,011	46,316,434	46,316,434
Cash equivalents	1,898,912,935	1,898,912,935	1,424,477,789	1,424,477,789
Available for sale financial assets				
Financial liabilities				
Liabilities carried at amortised costs				
Short term borrowing	119,940,905	119,940,905	-	-
Long term borrowing	-	-	89,232,918	89,232,918
Trade and other payables	690,564,553	690,564,553	754,014,087	754,014,087

Accounting classification and fair values as at 31 December 2020 in respect of the separate financial statements does not vary significantly from the consolidated one.

Interest rates used for determining amortised cost

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

	As at 31 Dec 2020	As at 31 Dec 2019
Investment in FDR (local currency/BDT)	2.50%-4.00%	3.50%-10.50%
Bank overdraft (local currency/BDT)	9.00%	8%-10.50%
Short term bank loan (local currency/BDT)	9.00%	9.50%-10%
Short term bank loan (foreign currency/USD)	Libor+2.75%-3.5%	Libor+2.75%
Long term bank loan (foreign currency/USD)	Libor+3%	Libor+3%

38 Related party disclosures under IAS-24

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

Amount in Taka

Name of related party	Relationship	Security/ Gurantee status	Bad debts Status	Period	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables/ Advance	Outstanding payable	Remuneration	Dividend income
RAK Power Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	295,184,786	12,782,609	-	21,115,349	-	40,999,800
				Previous year	350,456,021	11,064,211	-	69,096,649	-	81,999,600
RAK Security & Services Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	48,309,891	-	-	11,693,202	-	4,950,000
				Previous year	52,160,129	-	-	6,400,853	-	4,950,000
RAK Ceramics PJSC, UAE	Parent	Unsecured	Nil	Current year	7,789,789	-	-	19,247,093	-	-
				Previous year	22,466,247	-	-	24,122,508	-	-
Ceramin FZ LLC	Fellow subsidiary	Secured	Nil	Current year	424,280,078	-	-	16,073,113	-	-
				Previous year	392,749,682	-	-	81,573,238	-	-
RAK Ceramics (India) Pvt. Ltd.	Fellow subsidiary	Secured	Nil	Current year	585,136	-	-	-	-	-
				Previous year	-	-	-	-	-	-
Julphar Pharmaceuticals Ltd.	Other related party	Unsecured	Nil	Current year	-	-	-	-	-	-
				Previous year	-	2,520,000	-	-	-	-
RAK Paints Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	164,529	2,700,000	570,000	39,059	-	-
				Previous year	419,421	3,600,000	5,144	-	-	-
Kea Printing & Packaging Industries	Other related party	Unsecured	Nil	Current year	59,354,094	-	-	9,987,018	-	-
				Previous year	68,191,789	-	-	10,047,843	-	-
Palli Properties Pte. Ltd	Other related party	Unsecured	Nil	Current year	10,104,303	-	-	746,231	-	-
				Previous year	14,711,593	-	-	722,088	-	-
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	381,373	-	-	-	-	-
				Previous year	353,672	-	-	-	-	-
Green Planet Communications	Other related party	Unsecured	Nil	Current year	-	-	-	-	-	-
				Previous year	379,457	-	-	-	-	-
Global Business Associates Ltd.	Other related party	Unsecured	Nil	Current year	6,414	-	-	-	-	-
				Previous year	780,380	-	-	17,595	-	-
Pelikan Plastic & Packing Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	11,750,342	-	-	56,532,946	-	-
				Previous year	39,045,942	-	-	5,772,579	-	-
Mohammed Trading	Other related party	Secured by Guaranted Cheque	Nil	Current year	-	1,892,025,898	638,218,496	-	-	-
				Previous year	-	2,384,669,868	494,919,371	-	-	-
SAK Ekramuzzaman	Key Management Personnel	Unsecured	Nil	Current year	2,529,300	-	-	10,062,153	14,374,504	-
				Previous year	2,563,008	-	-	35,910,357	35,910,357	-
Imtiaz Hussain	Key Management Personnel	Unsecured	Nil	Current year	-	-	-	-	-	-
				Previous year	-	-	-	-	10,367,732	-

38.1 Paid to Directors

During the year, provision was made as MD's remuneration for Taka. 14,374,504.

During the year, Board meeting fees of Taka 125,000 was paid to the board members for attending the Board meetings.

39 Number of employees

The number of employees engaged for the period who received total remuneration of Taka 96,000 and above per annum at reporting date was as follows.

	2020	2019
Number of employees	1,563	1,582
None of receiving below Taka 8,000 per month.		

40 Calculation of Earnings per share (EPS)

(a) Net Profit for the year	329,485,359	793,650,022
(b) No. of ordinary equity shares	427,968,701	427,968,701
(c) Weighted average no. of equity shares outstanding (Note 40.1)	427,968,701	427,968,701
Earnings per share (EPS) for the year (a÷c)	0.77	1.85
Diluted earnings per share for the year (a÷c)	0.77	1.85

40.1 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.

	2020	2019
Outstanding shares	427,968,701	427,968,701
	427,968,701	**427,968,701**

40.2 Diluted earning per share

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

40.3 Reason of deviation of earnings per share:

Due to COVID-19 pandemic there was country-wide lockdown in Bangladesh since 26th of March 2020 which caused closure of outlets/stores of compamy's dealers, suspension of production in the factory, disruption of supply chain which causing reduction of earnings per share to 0.77 compare to corresponding year 1.85.

41 Calculation of Net assets value per share

(a) Net assets value (Note 15, 16 & 17)	7,077,797,116	7,390,264,809
(b) Weighted average no. of equity shares outstanding (Note 40.1)	427,968,701	427,968,701
Net assets value per share (a÷b)	16.54	17.27

42 Calculation of Net operating cash flow per share

(a) Net Cash flows from operating activities (Note 43)	1,146,422,697	1,478,291,997
(b) Weighted average no. of equity shares outstanding (Note 40.1)	427,968,701	427,968,701
Net operating cash flow per share (a÷b)	2.68	3.45

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

Due to COVID-19 pandemic there was country-wide lockdown in Bangladesh since 26th of March 2020 which caused closure of outlets/stores of compamy's dealers, suspension of production in the factory, disruption of supply chain which causing reduction of operating cash flow per share to 2.68 compare to corresponding year 3.45

43 Reconciliation of operating cash flow:

Cash flows from operating activities	2020	2019
Profit before taxation	456,333,450	1,059,302,582
Adjustment for:		
Depreciation	443,029,238	427,906,099
Amortization	3,855,577	6,192,863
Loss on right of use assets	475,595	-
Loss on assets retirement	-	10,204,172
Advance rent adjustment	(6,293,495)	(13,852,346)
Foreign exchange loss	1,163,939	6,930,609
Finance expenses	17,023,505	20,129,550
Finance income	(49,393,745)	(30,596,482)
Other income	(62,605,952)	(144,138,331)
	803,588,113	1,342,078,716
Increase/decrease in trade and other receivable	(185,830,323)	(10,065,839)
Increase/decrease in inventories	751,509,614	219,279,902
Increase/decrease in trade and other payables	(97,363,014)	186,439,196
Cash generated from operating activities	1,271,904,392	1,737,731,978
Interest received from bank deposit	9,646,592	5,904,922
Income tax paid	(135,128,287)	(265,344,903)
Net cash (used in)/from operating activities	1,146,422,697	1,478,291,997

44 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments, VAT claims and customs duty by the authority aggregating to Tk 1,154,183,701 (31 Dec 2019: Tk 888,227,095. 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 455,609,557 (31 Dec 2019: Tk 228,072,306) and letter of guarantee of Tk 77,629,444 (31 Dec 2019: Tk 77,720,974).

The company issued two corporate gurantee value BDT. 205 mn (HSBC) and BDT. 70 mn (SCB) in favour of subsidiary company to avail loan from banks. Outstanding loan against the said corporate guarantees are nil at 31 December 2020. Therefore no credit loss allowances is expected.

45 Events after the reporting period

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

The Board of Directors of RAK Ceramics (Bangladesh) Limited, in its meeting held on 03 February 2021, has unanimously recommended cash dividend @ 10% of the paid up capital of the company for the year ended 31 December 2020 equivalent to BDT. 427,968,701 to be distributed as cash dividend among shareholders, which is more than 30% of the current year profit. The dividend is subject to final approval by the shareholders at the forthcoming 31 March 2021 Annual General Meeting of the Company .

DIRECTORS' REPORT
OF RAK POWER PVT. LTD

Dear shareholders,

The Board of Directors of RAK Power Pvt. Ltd are pleased to present to this Directors' Report, along with the audited financial statements of the Company for the year ended 31 December 2020, and the Auditors' Report thereon, for your valued consideration, approval and adoption.

Principal activities

The primary purpose of the company is to establish power generating plants and operate transmission and distribution systems to sell the generated electric power (output) to the parent Company, RAK Ceramics (Bangladesh) Limited, to authorised legal entities and/or to designated franchisees, including group companies, within the geographical boundary of Bangladesh. Over its journey of a decade, the company has continually evolved to stay attuned to the needs of customers and contribute meaningfully to the Group. The company remains focused on building sustainable value for all stakeholders, while upholding the values of the parent.

Performance of power generation

The power plant capacity was available in excess of 90% of installed capacity during the year 2020. A substantial portion of the generated power was transmitted to meet the requirements of the parent Company. Prior to 2018, available capacity of the plant was 9.5MW, out of the installed capacity of 10MW. To support the additional power requirements after the expansion of the fourth tiles plant and also increased capacity of the existing sanitary-ware plant of the parent Company, RAK Power installed an additional 3MW MWM generators in 2016, which commenced operations in January 2021. Until 2016, the business was selling additional power to BREB and, up to 2017, to Julphar Bangladesh Ltd. However, the third-party sale arrangement was withdrawn for ensuring uninterrupted power supply to the parent Company. However, from November 2019, the business started selling additional power to Julphar Bangladesh Ltd and continued to do so up to September 2020.

Operating results

The operating results of the Company for the year ended 2020 are as follows:

(Amount in BDT mn)

Particulars	2020	2019
Sales	300.64	352.40
Gross profit	46.76	82.75
Net profit after tax	27.93	50.67
Earnings per share (absolute BDT)	13.62	24.72
Net operating cash flow per share (NOCFPS)	38.89	44.39
Net asset value (NAV)	268.98	282.05
Net asset value per share (absolute BDT)	131.21	137.59

Dividend

The Board of Directors of RAK Power is pleased to recommend cash dividend @10% of the paid-up capital of the company for the year 2020. While recommending the dividend, the Board of Directors considered the operational performance, business results, assets as at that date, working capital requirements, and any potential future expansions. The company paid cash dividend @20% of paid-up capital for the year 2019.

Auditors

M/s ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL), shall retire at the 16th Annual General Meeting and new statutory auditor is required to be appointed for the year 2021. Being a subsidiary of RAK Ceramics (Bangladesh), it would be more effective to appoint the same statutory auditor for the parent as well as subsidiaries. M/S ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL), has given a 'No Objection Certificate (NOC)' for appointing another Chartered Accountant firm as the statutory auditor of RAK Power Pvt. Ltd for the year 2021. Hence, the Board of Directors recommends to appoint M/s A. Qasem & Co., Chartered Accountants. The remuneration of the auditor will be fixed by shareholders at the 16th AGM.

Post Balance Sheet events

There were no material events or developments that have occurred after the Balance Sheet/reporting date, the 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 its earnest appreciation to the Government authorities, shareholders, investors, bankers and employees of the company 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
February 03, 2021

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF RAK POWER PVT. LTD.

Opinion

We have audited the financial statements of R.A.K. Power Pvt. Ltd. which comprise the statement of financial position as at 31 December 2020, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, we also report the following:

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

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

c) the 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 and returns.

Dhaka, Bangladesh
03 Feb 2021

ACNABIN
Chartered Accountants

Signed by
Md. Rokonuzzaman FCA
Patner
Enrollment No. : 0739

DVC 2102080739AS220149

RAK Power Pvt. Ltd.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	2020 Taka	2019 Taka
Assets			
Property, plant and equipment	4	121,716,834	136,312,668
Capital Work in Progress	5	52,859,125	-
Right of use asset	6	-	2,833,258
Investment	7	287,500	287,500
Total non-current assets		**174,863,459**	**139,433,426**
Inventories	8	62,438,199	69,568,437
Trade and other receivables	9	22,014,677	71,502,631
Advances, deposits and prepayments	10	39,421,245	28,304,852
Advance income tax	11	326,143,285	308,327,274
Cash and cash equivalents	12	41,881,159	58,970,986
Total current assets		**491,898,565**	**536,674,180**
Total assets		**666,762,024**	**676,107,606**
Equity			
Share capital	13	205,000,000	205,000,000
Retained earnings	14	63,978,520	77,052,355
Total equity		**268,978,520**	**282,052,355**
Liabilities			
Deferred tax liability	15	25,720,413	30,174,899
Total non-current liabilities		**25,720,413**	**30,174,899**
Lease Liability	17	-	3,575,688
Trade and other payables	18	16,383,728	12,291,292
Accrued expenses	19	20,541,620	27,573,675
Provision for income tax	20	335,137,743	320,439,697
Total current liabilities		**372,063,091**	**363,880,352**
Total liabilities		**397,783,504**	**394,055,251**
Total equity and liabilities		**666,762,024**	**676,107,606**

The accompanying notes are an integral part of these financial statements.

Managing Director **Director**

As per our report of same date

ACNABIN
Chartered Accountants

Dated, 03 February 2021

2102080739AS220149

RAK Power Pvt. Ltd.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	31-Dec-20 Taka	31-Dec-19 Taka
Sales	**21**	300,642,544	352,402,088
Cost of sales	22	(253,886,141)	(269,648,146)
Gross profit		**46,756,403**	**82,753,942**
Other income	23	141,541	129,340
Administrative expenses	24	(9,403,626)	(9,192,202)
		(9,262,085)	(9,062,862)
Profit from operating activities		**37,494,318**	**73,691,080**
Finance income	25	2,105,101	2,202,836
Finance expenses	26	(1,429,694)	(493,252)
Net finance income		**675,407**	**1,709,584**
Profit before income tax		**38,169,725**	**75,400,664**
Income tax expense:			
Current tax	27	(14,698,046)	(26,615,589)
Deferred tax	15	4,454,486	1,889,191
		(10,243,560)	(24,726,398)
Profit for the year		**27,926,165**	**50,674,266**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**27,926,165**	**50,674,266**
Basic earnings per share (par value Tk 100)	34	**13.62**	**24.72**

The accompanying notes are an integral part of these financial statements.

Managing Director

Director

As per our report of same date

ACNABIN
Chartered Accountants

2102080739AS220149

Dated, 03 February 2021

RAK Power Pvt. Ltd.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Share capital Taka	Retained earnings Taka	Total Taka
Balance as at 01 January 2019	205,000,000	111,216,108	316,216,108
Prior year adjustment (leases)	-	(2,838,019)	(2,838,019)
Total comprehensive income for 2019			
Profit for the year	-	50,674,266	50,674,266
Transactions with the shareholders			
Cash dividend (2018)	-	(82,000,000)	(82,000,000)
Balance as at 31 December 2019	**205,000,000**	**77,052,355**	**282,052,355**
Balance as at 01 January 2020	205,000,000	77,052,355	282,052,355
Total comprehensive income for 2020			
Profit for the year	-	27,926,165	27,926,165
Transactions with the shareholders			
Cash dividend (2019)	-	(41,000,000)	(41,000,000)
Balance as at 31 December 2020	**205,000,000**	**63,978,520**	**268,978,520**

The accompanying notes are an integral part of these financial statements.

RAK Power Pvt. Ltd.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Notes	31-Dec-20 Taka	31-Dec-19 Taka
Cash flows from operating activities			
Cash receipts from customers		350,168,123	379,805,584
Cash payments to suppliers and employees		(253,062,671)	(247,656,201)
Cash generated from operating activities		**97,105,452**	**132,149,383**
Interest received from bank deposit		434,475	792,683
Income tax paid		(17,816,011)	(41,940,393)
Net cash (used in)/from operating activities (Note-37)		**79,723,916**	**91,001,673**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(52,897,703)	(3,051,201)
Interest received from FDR		1,724,542	1,359,834
Dividend received		50,000	50,000
Net cash (used in)/from investing activities		**(51,123,161)**	**(1,641,367)**
Cash flows from financing activities			
Finance charges		(1,098,930)	(147,610)
Payment of Lease Liability		(3,591,652)	(11,388,522)
Dividend paid		(41,000,000)	(82,000,000)
Net cash (used in)/from financing activities		**(45,690,582)**	**(93,536,132)**
Net increase/(decrease) in cash and cash equivalents		**(17,089,827)**	**(4,175,826)**
Cash and cash equivalents as at 1 January		**58,970,986**	**63,146,812**
Cash and cash equivalents as at 31 December (Note 12)		**41,881,159**	**58,970,986**

The accompanying notes are an integral part of these financial statements.

RAK Power Pvt. Ltd.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

1. Reporting entity

"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 BDT 1,000,000,000 divided into 10,000,000 ordinary shares of BDT 100 each. The paid up capital stands at BDT 205,000,000 as on 31 December 2020. 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."

1.1 Nature of business

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. Basis of preparation

2.1 Statement of compliance

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

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

Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the company on 03 February 2021

2.2 Basis of measurement

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

2.3 Functional and presentational currency

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

2.4 Use of estimates and judgements

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

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

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

Note 4	Property, plant & equipment
Note 6	Right of use asset
Note 15	Deferred tax liability
Note 16	Employees benefit payable
Note 17	Lease liability
Note 20	Provision for income tax

2.5 Reporting year

The financial year 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.

Impact of COVID-19 pandemic

When assessing going concern assumption of the Company as above, key consideration was the impact of COVID-19 pandemic. The pandemic has caused country-wide lockdown in Bangladesh by the end of March 2020 which caused suspension of production in factory of the customer and the customer is now operating their plant with partial load and the partial closure requiring employees to work partialy from home and at office. However, company is having minimum guarantee payment arrangement with its primary customer. Moreover, in face of uncertainties related to the impact of COVID-19, management has developed adequate plans to minimize the impact on its financial conditions and liquidity. However since September 2020 the company has been started returning back to normalcy. Accordingly, the management believes the going concern assumption will remain unaffected from COVID-19.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years 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 when it is available for use and charging of depreciation on property, plant, equipment & investment property ceases at the earliest of the date the assets is classified held for sale in accordance with IFRS 5 and the date that aasets is derecognised.

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

Category of property, plant and equipment	Rate (%)
Factory building	20
Plant and machinery:	
Main Genset	5
Auxiliary equipments	10
Electrical installation	20
Gas pipeline	20
Furniture and fixtures	10
Office equipment	20
Communication equipment	10
Tools and appliances	20
Fire fighting equipments	20
Vehicles	20

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

3.3 Financial assets

a) Investment (in share)

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

b) Trade & other receivables

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

c) 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.

3.3.1 Financial liabilities

The Company recognises a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Non-derivative financial liabilities comprise trade & other payables, and interest bearing borrowings.

a) Trade & other payables

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

3.4 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.

3.5 Employee benefit schemes

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

Defined contribution plan (provident fund)

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

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

Defined benefit plan (gratuity 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 years.

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 year 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 year of employment.

Details of employees benefit schemes have been provided in note no. 16.

Workers' Profit Participation and Welfare Fund

As per Bangladesh Labour Act 2006 as amended in 2018, The Workers Profit Participation Fund is yet to be introduced.

3.6 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 only on overdraft. All finance expenses are recognised in the statement of profit or loss and other comprehensive income.

3.7 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 private limited company of the same industry. The tax rate 32.50% is used for the reporting year.

Deferred tax:

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

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

3.8 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 year are recognised in the statement of profit or loss and other comprehensive income as per International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates".

3.9 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.

3.10 Contingencies

3.10.1 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 year in which the recognition criteria of provision have been met.

3.11 Statement of cash flows

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

3.12 Provisions

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

3.13 Standards, amendmends and interpretations

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

3.13.1 IFRS 9 Financial Instruments

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

i. Classification – financial assets

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

ii. Impairment

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

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

- 12-months ECLs: these are ECLs which result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs which result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-months ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the company has a choice to also apply this policy for trade receivables and contract assets with a significant financing component.

The estimated ECL will be calculated based on actual credit loss experience. The company will perform the calculation of ECL rates separately for different types of customers including related parties.

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

iii. Hedging

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

The company will avail the exemption allowing it not to restate comparative information for prior years with respect to classification and measurement (including impairment) changes. Impact of IFRS 9 shown in note no 31.1 (b).

The company analysed its financial assets and decided not to provide for impairment because the company is confident enough to recover its financial assets.

3.13.2 IFRS 15 Revenue from Contracts with Customers

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

i. Sales of goods

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

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

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

ii. Rendering of services

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

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

iii. Construction contracts

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

Under IFRS 15, claims and variations will be included in the contract accounting when they are approved.

The company does not expect the application of IFRS 9 and IFRS 15 to have a significant impact on its consolidated financial statements. The actual impacts of adopting these standards at 1 January 2018 may change because:

these standards will require the company to revise its accounting policies and internal controls and these changes are not yet complete;

the company is also refining and finalizing its model for expected credit loss calculations; and the new accounting policies, assumptions, judgement and estimation techniques employed are subject to change until the company finalizes its first consolidated financial statements that includes the date of initial application.

3.13.3 IFRS 16 Leases

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

General impact of application of IFRS 16 Leases

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

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

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

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

Impact of the new definition of a lease

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

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

Impact on Lessee Accounting

Former operating leases

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

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

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

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

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

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

Former finance leases

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

Impact on Lessor Accounting

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

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

3.14 New standards adopted

The following new standards are effective for annual years begining from 1 January 2018 / 2019 and have been applied in preparing these financial statements.

IFRS 9	Financial Instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases

3.15 Events after the reporting year

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

3.16 Comparatives and reclassification

Comparative information have been disclosed in respect of 2020 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

31-Dec-20

Amounts in Taka

Particulars	COST					DEPRECIATION				Net book value as at 31 Dec 2020
	Balance as at 01 Jan 2020	Addition during the year	Sale/ disposal during the year	Balance as at 31 Dec 2020	Rate	Balance as at 01 Jan 2020"	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2020	
Land	11,294,000	-	-	11,294,000	0%	-	-	-	-	11,294,000
Factory building	19,573,131	-	-	19,573,131	20%	19,287,669	75,600	-	19,363,269	209,862
Plant and machinery						-				
Main Genset	268,615,599	-	-	268,615,599	5%	147,738,579	13,430,780	-	161,169,359	107,446,240
Auxiliary equipments	33,597,157	-	-	33,597,157	10%	33,513,715	35,727	-	33,549,442	47,715
Electrical installation	25,822,636	-	-	25,822,636	20%	25,304,051	471,916	-	25,775,967	46,669
Gas pipeline	20,090,783	-	-	20,090,783	20%	18,060,026	360,295	-	18,420,321	1,670,462
Furniture and fixtures	2,002,698	13,578	-	2,016,276	10%	1,509,125	84,669	-	1,593,794	422,482
Office equipment	1,855,221	25,000	-	1,880,221	20%	1,125,396	175,425	-	1,300,821	579,400
Communication equipment	124,786	-	-	124,786	10%	124,785	-	-	124,785	1
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%	2,300,530	-	-	2,300,530	1
Total	**388,911,999**	**38,578**	-	**388,950,577**		**252,599,331**	**14,634,411**	**-**	**267,233,743**	**121,716,834**

31-Dec-19

Amounts in Taka

Particulars	COST				Rate	DEPRECIATION				Net book value as at 31 Dec 2019
	Balance as at 01 Jan 2019	Addition during the year	Sale/ disposal during the year	Balance as at 31 Dec 2019		Balance as at 01 Jan 2019	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2019	
Land	11,294,000	-	-	11,294,000	0%	-	-	-	-	11,294,000
Factory building	19,573,131	-	-	19,573,131	20%	19,212,069	75,600	-	19,287,669	285,462
Plant and machinery										
Main Genset	268,615,599	-	-	268,615,599	5%	134,307,800	13,430,779	-	147,738,579	120,877,020
Auxiliary equipments	33,597,157	-	-	33,597,157	10%	33,477,988	35,727	-	33,513,715	83,442
Electrical installation	25,822,636	-	-	25,822,636	20%	24,736,353	567,698	-	25,304,051	518,585
Gas pipeline	17,699,732	2,391,051	-	20,090,783	20%	17,533,731	526,295	-	18,060,026	2,030,757
Furniture and fixtures	2,002,698	-	-	2,002,698	10%	1,424,569	84,556	-	1,509,125	493,573
Office equipment	1,195,071	660,150	-	1,855,221	20%	1,039,058	86,338	-	1,125,396	729,825
Communication equipment	124,786	-	-	124,786	10%	124,785	-	-	124,785	1
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%	2,300,530	-	-	2,300,530	1
Total	**385,860,798**	**3,051,201**	-	**388,911,999**		**237,792,338**	**14,806,993**	**-**	**252,599,331**	**136,312,668**

		31-Dec-20 Taka	31-Dec-19 Taka
4.1	**Depreciation charged on the basis of the purpose of use**		
	Cost of sales	14,374,317	14,636,099
	Administrative expenses	260,094	170,894
		14,634,411	**14,806,993**
4.2	**Disposal of property, plant and equipment**		
	No disposal of property, plant and equipment took place during the year.		
5	**Capital Work in Progress**		
	Plant & Machinery	52,844,125	-
	Gas Pipe Line	15,000	-
		52,859,125	**-**

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2020

5 Right of use assets

31 Dec 2020

Particulars	COST				DEPRECIATION				Net book value as at 31 December 2020
	Balance as at 01 Jan 2020	Addition during the period	Sale/disposal during the period	Balance as at 31 December 2020	Balance as at 01 January 2020	Charged during the period	Adjustment during the year	Balance as at 31 December 2020	
Plant and machinery	27,200,020	-	(27,200,020)	-	24,694,755	2,505,265	(27,200,020)	-	-
Office Building	1,431,242	-	(1,431,242)	-	1,103,249	327,993	(1,431,242)	-	-
Total	28,631,262	-	(28,631,262)	-	25,798,004	2,833,258	(28,631,262)	-	-

1 Office Building agreement starts from December 1, 2016 and effective for 4 years.

2 Plant and Machinery agreement starts from April 1, 2015 and ended at March 31, 2020.

31 Dec 2019

Particulars	COST				DEPRECIATION				Net book value as at 31 December 2019
	Balance as at 01 Jan 2019	Addition during the period	Sale/ disposal during the period	Balance as at 31 December 2019	Balance as at 01 January 2019	Charged during the period	Adjustment during the year	Balance as at 31 December 2019	
Plant and machinery	27,200,020	-	-	27,200,020	16,105,275	8,589,480	-	24,694,755	2,505,265
Office Building	1,431,242	-	-	1,431,242	745,438	357,811	-	1,103,249	327,993
Total	28,631,262	-	-	28,631,262	16,850,713	8,947,291	-	25,798,004	2,833,258

		31-Dec-20 Taka	31-Dec-19 Taka
7	**Investment**		
	Investment in associates		
	Investment to RAK Security & Services Pvt. Ltd	287,500	287,500
		287,500	**287,500**
8	**Inventories**		
	Stores, spares and consumables	62,438,199	69,568,437
		62,438,199	**69,568,437**
9	**Trade and other receivables**		
	Trade receivable		
	Receivable from Sales	21,893,103	71,334,626
		21,893,103	**71,334,626**
	Other receivable		
	Supplier against services	7,485	-
	Interest accrued on FDR	114,089	168,005
		121,574	168,005
		22,014,677	**71,502,631**
10	**Advance, deposits and prepayments**		
	Advances:		
	Suppliers against VAT Software and spares	334,500	225,000
		334,500	225,000
	Security and other deposit:		
	Titas gas transmission & distribution co. ltd.	31,183,000	27,089,450
	Value Added Tax (VAT) (Note-10.1)	7,034,727	-
	Office Rent	77,000	113,000
		38,294,727	27,202,450
	Prepayments:		
	Insurance and others	792,018	877,402
		792,018	877,402
		39,421,245	**28,304,852**
10.1	**Value Added Tax (VAT)**		
	Balance as at 1 January	-	-
		-	-
	Add: Input VAT Credit & Cash deposit	52,131,108	-
		52,131,108	-
	Less:VAT on sales	45,096,381	-
		45,096,381	-
	Balance as at 31 December	**7,034,727**	**-**

Note: Debit balance VAT is brought from the note 18.1

		31-Dec-20 Taka	31-Dec-19 Taka
11	**Advance Income Tax**		
	Balance as at 1 January	308,327,274	266,386,881
	Add: Paid during the year	17,816,011	41,940,393
	Balance as at 31 December	**326,143,285**	**308,327,274**
11.1	**Yearwise Advance income tax**		
	Income year		
	Year 2020	11,724,042	-
	Year 2019	24,813,160	18,721,191
	Year 2018	41,898,983	41,898,983
	Year 2017	41,290,654	41,290,654
	Year 2016	44,944,216	44,944,216
	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	5,945,904
	Year 2010	1,840,421	1,840,421
	Year 2009	5,000	5,000
		326,143,285	**308,307,274**
12	**Cash and cash equivalents**		
	Cash in hand	99,635	92,843
		99,635	92,843
	Cash at banks		
	HSBC (current account - 001-107580-011 - BDT)	766,057	792,696
	Standard Chartered Bank (CD - 01-3767272-01 - BDT)	72,079	313,699
	Dutch Bangla Bank Ltd. (CD 117 - 110 - 23474 - BDT)	2,000	901,655
	Standard Chartered Bank (SND -02-3767272-01 - BDT)	55,211	52,842
	Standard Chartered Bank (Margin Money account)	3,319,200	3,319,200
	Dutch Bangla Bank Ltd. (SND account - 117-120-2550 - BDT)	348,959	21,382,296
	MidLand Bank (SND Account 0006-1070000015 - BDT)	504,195	608,850
	Eastern Bank Limited (CD Account-1132040363287)	457,046	-
	Eastern Bank Limited (Margin Money account)	4,681,650	-
		10,206,397	27,371,238
	Investment in Fixed Deposit Receipt (FDR)		
	HSBC	1,974,547	1,906,325
	Standard Chartered Bank.	762,080	762,080
	Dutch Bangla Bank Ltd.	28,838,500	28,838,500
		31,575,127	31,506,905
		41,881,159	**58,970,986**
13	**Share Capital**		
	Authorised		
	10,000,000 ordinary shares of Tk 100 each	**1,000,000,000**	**1,000,000,000**

	31-Dec-20 Taka	31-Dec-19 Taka
Issued, subscribed, called and paid up	**205,000,000**	**205,000,000**
2,050,000 ordinary shares of Tk 100 each		

Percentage of shareholding

	2020		2019	
	%	Taka	%	Taka
RAK Ceramics (Bangladesh) Limited.	99.9996	204,999,000	99.9996	204,999,000
RAK Security and Services (Pvt.) Ltd.	0.0002	500	0.0002	500
Engr. Md. Maqsudul Karim	0.0002	500	0.0002	500
	100.00	**205,000,000**	**100.00**	**205,000,000**

Classification of shareholders by range

Shareholder's range	Number of shareholders		Number of shares	
	2020	2019	2020	2019
Less than 500 shares	2	2	10	10
Over 500 shares	1	1	2,049,990	2,049,990
	3	**3**	**2,050,000**	**2,050,000**

14	**Reserve and Surplus**		
	Balance as on 01 January	77,052,355	111,216,108
	Prior year adjustment (leases)	-	(2,838,019)
	Add : Profit during the year	27,926,165	50,674,266
	Less: Dividend declared during the year	(41,000,000)	(82,000,000)
	Balance as on 31 December	**63,978,520**	**77,052,355**

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

15	**Deferred tax liabilities**		
	Balance as at 1 January	30,174,899	32,064,091
	Deferred tax (income) / expenses	(4,454,486)	(1,889,192)
	Balance as at 31 December	**25,720,413**	**30,174,899**

	Carrying amount on the date of statement of financial position	Tax base	Taxable/ (deductible) temporary difference
	Taka	**Taka**	**Taka**
As at 31 Dec 2020			
Property, plant and equipment (Excluding land and others)	110,422,834	31,283,101	79,139,733
Net taxable temporary difference			**79,139,733**
Deferred tax liability (applying tax rate 32.50%)			**25,720,413**

			31-Dec-20 Taka	31-Dec-19 Taka
	As at 31 Dec 2019			
	Property, plant and equipment (Excluding land and others)	125,018,668	38,804,671	86,213,997
	Net taxable temporary difference			**86,213,997**
	Deferred tax liability (applying tax rate 35%)			**30,174,899**

16 Employees benefits payable

	31-Dec-20		
	Provident Fund Taka	Gratuity Fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	1,248,239	781,495	2,029,734
	1,248,239	781,495	2,029,734
Less: Payments made to fund during the year	1,248,239	781,495	2,029,734
Balance as at 31 December	-	-	-

Provision and payment includes Taka 17,391 for the year 2020 as employee contribution paid to employee leaving company before being eligible for provident fund and employers contribution reversed.

	31-Dec-19		
	Provident Fund Taka	Gratuity Fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	1,115,592	684,291	1,799,883
	1,115,592	684,291	1,799,883
Less: Payments made to fund during the year	1,115,592	684,291	1,799,883
Balance as at 31 December	-	-	-

		31-Dec-20 Taka	31-Dec-19 Taka
17	**Lease Liability**		
	Non- Current		
	Lease Liability	-	3,575,688
	Less: Current portion of Lease liability	-	3,575,688
		-	-
	Current		
	Current portion of Lease liability	**-**	**3,575,688**

Liability Schedule 31 Dec 2020

Particular	"Balance as on 01 Jan 2020"	Addition	Payment	Interest expenses	"Decrease in lease liability"	"Balance as on 31 Dec 2020"
Plant and Machinery	3,195,652	-	3,195,652	-	3,195,652	-
Office Building	380,036	-	396,000	15,964	380,036	-
	3,575,688	**-**	**3,591,652**	**15,964**	**3,575,688**	**-**

Liability Schedule 31 Dec 2019

Particular	"Balance as on 01 Jan 2019"	Addition	Payment	Interest expenses	"Decrease in lease liability"	"Balance as on 31 Dec 2019"
Plant and Machinery	13,861,660	-	10,956,522	290,514	10,666,008	3,195,652
Office Building	756,908		432,000	55,128	376,872	380,036
	14,618,568	**-**	**11,388,522**	**345,642**	**11,042,880**	**3,575,688**

		31-Dec-20 Taka	31-Dec-19 Taka
18	**Trade and other payables**		
	Trade payables		
	Payable to local suppliers	593,814	593,754
	Payable to service provider	10,496,267	4,944,317
		11,090,081	5,538,071
	Other payables		
	Tax deducted at source	991,518	891,370
	VAT deducted at source	2,502,128	2,214,959
	VAT payable (Note 18.1)	-	1,846,891
	Security deposit payable	1,800,000	1,800,000
		5,293,646	6,753,221
		16,383,728	**12,291,292**
18.1	**VAT payable**		
	Balance as at 1 January	1,846,891	(18,986)
	Add: VAT on sales	-	27,504,154
	Total	1,846,891	27,485,168
	Less: Treasury depposit for VAT purpose	1,846,891	9,569,142
	Less: Input VAT credit	-	16,069,135
		-	**1,846,891**

Note: Debit balance VAT is shown in the note 10.1

		31-Dec-20 Taka	31-Dec-19 Taka
19	**Accrued expenses**		
	Power and gas	14,602,267	18,673,764
	Staff cost	5,841,353	4,904,905
	Audit fees	70,000	70,000
	Taxation Matter	20,000	38,000
	Operation and maaintenence	-	3,880,006
	Telephone & Others	8,000	7,000
		20,541,620	**27,573,675**
20	**Provision for income tax**		
	Balance as at 1 January	320,439,697	293,824,108
	Add: Provision made for current year	14,698,046	26,615,589
	Balance as at 31 December (note 20.1)	**335,137,743**	**320,439,697**
20.1	**Year wise closing balance**		
	Income year		
	Year 2020	14,698,046	-
	Year 2019	26,615,589	26,615,589
	Year 2018	42,125,554	42,125,554
	Year 2017	41,210,074	41,210,074
	Year 2016	45,393,782	45,393,782
	Year 2015	45,242,248	45,242,248
	Year 2014	37,992,335	37,992,335
	Year 2013	44,169,714	44,169,714
	Year 2012	33,236,076	33,236,076
	Year 2011	3,535,904	3,535,904
	Year 2010	913,421	913,421
	Year 2009	5,000	5,000
		335,137,743	**320,439,697**

21 Sales

	31-Dec-20		31-Dec-19	
	Quantity in million kwh	Amount Taka	Quantity in million kwh	Amount Taka
Electricity	41.47	345,738,925	51.64	379,906,242
Less: VAT @ 15% (from 01 July 2019)		45,096,381		27,504,154
		300,642,544		**352,402,088**

21.1 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	Purchase / Production	Sale / Consumption	Closing stock
		Quantity	Quantity	Quantity	Quantity
Raw materials (natural gas)	cubic meter				
Current year		-	10.89	10.89	-
Previous year		-	13.55	13.55	-
Finished goods					
Electricity	kwh				
Current year		-	41.47	41.47	-
Previous year		-	51.64	51.64	-

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

31-Dec-20

Production	Unit	Installed Capacity during the year (million)	Utilisation during the year (million)	% of Utilisation	Over/(Under) Utilisation (million)
Electricity	kwh	93.33	41.47	44%	(51.86)

31-Dec-19

Production	Unit	"Installed Capacity during the year (million)"	Utilisation during the year (million)	% of Utilisation	"Over/ (Under) Utilisation (million)"
Electricity	kwh	82.02	51.64	63%	(30.38)

		31-Dec-20 Taka	31-Dec-19 Taka
22	**Cost of sales**		
	Cost of electricity generation		
	Consumption of natural gas	130,533,613	146,072,541
	Factory overhead:		
	Direct labour (note-22.1)	10,647,769	9,951,481
	Direct expenses:		
	Lubricating Oil	5,730,034	4,826,812
	Repair & indirect materials (note-22.2)	75,099,679	79,552,663
	Depreciation on property, plant and equipment (Note-4)	14,374,317	14,636,099
	Depreciation on right of use assets (Note-6)	2,505,265	8,589,480
	Other production expenses (note 22.3)	14,995,464	6,019,070
		253,886,141	**269,648,146**
22.1	**Direct labour**		
	Salary & wages	8,095,233	7,654,087
	Bonus	886,856	778,260
	Incentive	94,545	20,000
	Gratuity	644,565	561,229
	Employers contribution to provident fund	514,579	457,608
	Leave Encashment	256,320	186,016
	Group life insurance	77,671	72,781
	Special Allowances	78,000	221,500
		10,647,769	**9,951,481**
22.2	**Repair and indirect materials**		
	Operation & Maintanance	60,006,573	69,187,644
	Spare Parts Cat genset	14,188,776	9,383,452
	Water & Chemicals	783,080	955,567
	Diesel	121,250	26,000
		75,099,679	**79,552,663**
22.3	**Other production overhead**		
	Security & Services	1,197,440	1,670,363
	Insurance	2,104,743	1,822,496
	Rent, rates & taxes	11,504,348	1,767,320
	Other expenses	188,933	758,891
		14,995,464	**6,019,070**

Rent,rates and taxes includes rental expenses for short term lease for BDT. 11,025,000 and related government levis wherever applicable. Details of the short term lease is shown in note no. 30

23	**Other income**		
	Dividend income	50,000	50,000
	Misc. Income	91,541	79,340
		141,541	**129,340**

		31-Dec-20 Taka	31-Dec-19 Taka
24	**Administrative expenses**		
	Staff cost (note-24.1)	7,331,722	6,942,090
	Telephone and postage	146,928	138,236
	Office repair and maintenance	51,214	270,733
	Registration and renewal	117,116	116,911
	Security and guard expenses	147,888	128,040
	Electricity, gas and water	130,910	161,983
	Depreciation on property, plant and equipment (Note-4)	260,094	170,894
	Depreciation on right of use assets (Note-6)	327,995	357,811
	Legal and professional fees	117,450	145,389
	Vehicle repair and maintenance	393,368	597,159
	Rent rate and tax	125,830	86,810
	Meeting Expenses	9,850	29,975
	Others	243,261	46,171
		9,403,626	9,192,202
24.1	**Staff cost**		
	Salary & wages	5,633,083	5,291,958
	Bonus	534,063	473,303
	Gratuity	136,930	123,062
	Employers contribution to provident fund	92,149	100,188
	Leave encashment	104,987	46,356
	Group life insurance	14,912	16,442
	Staff welfare expenses	104,000	17,899
	Other employee benefit	354,033	413,468
	Travelling expenses	56,337	67,960
	Special Allowances	20,000	72,500
	Fooding expenses	281,228	318,954
		7,331,722	**6,942,090**
25	**Finance income**		
	Interest on bank account (SND)	434,475	792,683
	Interest on FDR	1,670,626	1,354,098
	Exchange gain	-	56,055
		2,105,101	**2,202,836**
26	**Finance expenses**		
	Interest expenses	-	1,772
	Interest on Lease Liability	15,964	345,642
	Bank charges	1,098,930	145,838
	Exchange loss	314,800	-
		1,429,694	**493,252**
27	**Income tax expenses**		
	Income tax expense	14,698,046	26,615,589
		14,698,046	**26,615,589**

28 Reconciliation of effective tax rate

	31-Dec-20		31-Dec-19	
	%	Taka	%	Taka
Profit before tax		38,169,725		75,400,664
Current tax expenses	38.51%	14,698,046	35.30%	26,615,589
Deferred tax expenses	-11.67%	(4,454,486)	-2.51%	(1,889,191)
Total tax expenses	**26.84%**	**10,243,560**	**32.79%**	**24,726,398**
Expected income tax using applicable tax rate	32.50%	12,405,161	31.50%	23,751,209
Tax on non-deductible expenses	6.01%	2,292,885	3.80%	2,864,380
Effective current tax	38.51%	14,698,046	35.30%	26,615,589
Effective deferred tax	-11.67%	(4,454,486)	-2.51%	(1,889,191)
	26.84%	**10,243,560**	**32.79%**	**24,726,398**

29 Transaction in foreign currency

	31-Dec-20 Taka	31-Dec-19 Taka
CIF value of import:		
Spare parts & Capital Items	74,721,319	9,511,997
	74,721,319	**9,511,997**

30 Short term lease expenses

Particulars	Lease term	Rent/Tk./ MW	Capacity	Nos.	31-Dec-20 Rental/ Taka
Caterpillar Generator	<1 year	175,000	1.0 MW	4	6,300,000
MWM Generator	<1 year	625,000	1.5 MW	2	4,725,000
					11,025,000

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:

	Amount in USD		Amount in Taka	
	As at 31-Dec-20	31-Dec-19	As at 31-Dec-20	31-Dec-19
	2020	2019	2020	2019
Trade receivables				
Customer-Local	-	-	21,893,103	71,334,626
	-	**-**	**21,893,103**	**71,334,626**
Other receivables				
Accrued Interest	-	-	114,089	168,005
Other Receivable			7,485	-
	-	**-**	**121,574**	**168,005**
Cash equivalents	-	-	41,781,524	58,878,143
	-	**-**	**41,781,524**	**58,878,143**

b) Impact of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the financial assets as at 31 December 2020.

	Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impairment
	Trade receivable-related	9	Loan & receivable	Amortized cost	21,893,103	21,893,103	-
	Cash & cash equivalent	12	Loan & receivable	Amortized cost	41,881,159	41,881,159	-

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

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

iii Management is confident to recover all of its recoverable and cash and cash equivalent. Therefore , no impairment provision is required.

	31-Dec-20 Taka	31-Dec-19 Taka
c) Ageing of receivables		
Not past due	21,893,103	71,334,626

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-Dec-20			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	16,383,728	16,383,728	16,383,728	-
	16,383,728	**16,383,728**	**16,383,728**	**-**

	As at 31-Dec-19			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	12,291,292	12,291,292	12,291,292	-
	12,291,292	**12,291,292**	**12,291,292**	**-**

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 purchase of spare parts. Majority of the company's foreign currency purchase are denominated in EURO.

i) Exposure to currency risk

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

	31-Dec-20	31-Dec-19
	EUR	EUR
Foreign currency denominated liabilities		
Trade payables	24,318	26,158
	24,318	26,158
Net exposure	(24,318)	(26,158)
The Company has foreign exchange loss or (gain)	314,800	(56,055)
	314,800	(56,055)

The following significant exchange rates have been applied:

	Exchange rate as at	
	31-Dec-20	31-Dec-19
EURO	104.0430	95.0948

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

A strengthening or weakening of the Taka, as indicated below, against EUR at 31 December 2020 would have increased/(decreased) profit or loss by the amounts shown below.

	As at 31-Dec-20 Profit or (loss) Amount		As at 31-Dec-19 Profit or (loss) Amount	
	Strengthening	Weakening	Strengthening	Weakening
At 31 December				
EURO (3 percent movement)	**752**	**(708)**	**809**	**(762)**

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 Amount in Taka	
	31-Dec-20	31-Dec-19
Fixed rate instruments		
Financial assets		
Investment in FDR	31,575,127	31,506,905
Cash at banks	10,206,397	27,371,238

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

	Amount in Taka		Amount in Taka	
	As at 31-Dec-20		As at 31-Dec-19	
	Carrying amount	Fair value	Carrying amount	Fair value
Held to maturity assets				
Investment in FDR	31,575,127	31,575,127	31,506,905	31,506,905
Loans and receivables				
Trade receivables	21,893,103	21,893,103	71,334,626	71,334,626
Other receivables	121,574	121,574	168,005	168,005
Cash equivalents	41,781,524	41,781,524	58,878,143	58,878,143
Available for sales financial assets				
Liabilities carried at amortised cost				
Trade and other payables	16,383,728	16,383,728	12,291,292	12,291,292

Accounting classification and fair value as at 31 December 2020 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:

	31-Dec-20	31-Dec-19
Investment in Overdraft	N/A	8%-10.25%
Investment in FDR	1.95%-4.50%	1.95%-4.50%

32 Related party disclosures under IAS-24

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

Amounts in Taka

Name of related party	Relationship	"Security/ Guarantee status"	Bad debts Status	year	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables	Outstanding payable	Remuneration	Dividend Payment	Dividend Income	Security / Gurantee status
RAK Ceramics (Bangladesh) Limited	Parent Company	Unsecured	Nil	Current	12,782,609	295,184,786	21,115,349	-	-	40,999,800		Agreement
				Previous	11,064,211	350,456,021	69,096,649	-	-	81,999,600		
RAK Security & Services Pvt. Ltd	Fellow Subsidiary	Unsecured	Nil	Current	1,471,178	-	-	174,798	-	100	50,000	-
				Previous	1,494,273	-	-	156,253	-	200	50,000	-
Julphar Bangladesh Ltd.	Other related party	Partial Secured	Nil	Current	-	5,457,758	777,754	-	-	-	-	1,800,000
				Previous	-	1,946,067	2,237,977	-	-	-	-	-
Md. Maqsudul Karim	Key Management Personnel	Unsecured	Nil	Current	-	-	-	-	3,905,063	100	-	-
				Previous	-	-	-	-	4,042,237	200	-	-
SAK Ekramuzzaman	Key Management Personnel	Unsecured	Nil	Current	-	-	-	-	2,400	-	-	-
				Previous	-	-	-	-	5,500	-	-	-

32.1 Paid to Directors

During the year, Board meeting fees of Taka 9,850 was paid to the Directors.

33 Number of employees

The number of employees engaged for the year who received total remuneration of Taka 96,000 and above per annum at reporting date was as follows;

	31-Dec-20	31-Dec-19
	Person	Person
Number of employees	19	18

None of receiving below Taka 8,000 per month.

34 Calculation of Earnings per share (EPS)

	31-Dec-20	31-Dec-19
	Taka	Taka
(a) Net Profit for the year	27,926,165	50,674,266
(b) No. of ordinary equity shares	2,050,000	2,050,000
(c) Weighted average no. of equity shares outstanding (Note 34.1)	2,050,000	2,050,000
Earnings per share (EPS) for the year (a÷c)	**13.62**	**24.72**
Diluted earnings per share for the year (a÷c)	**13.62**	**24.72**

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.

Outstanding shares	2,050,000	2,050,000
	2,050,000	**2,050,000**

34.2 Diluted earning per share

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

34.3 Reason of deviation of earnings per share:

Supply stopped & reduced for Corona Pandemic (COVID19) in the second quarter of the year 2020 as well as major overhauling of the Main GenSet.

35 Calculation of Net assets value per share

(a) Net assets value (Note 13 & 14)	268,978,520	282,052,355
(b) Weighted average no. of equity shares outstanding (Note 34.1)	2,050,000	2,050,000
Net assets value per share (a÷b)	**131.21**	**137.59**

36 Calculation of Net operating cash flow per share

(a) Net Cash flows from operating activities (Note 37)	79,723,916	91,001,673
(b) Weighted average no. of equity shares outstanding (Note 34.1)	2,050,000	2,050,000
Net operating cash flow per share (a÷b)	**38.89**	**44.39**

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

Reduction of power supply is the main reason for deviation in net operating cash flow per share.

37 Reconciliation of operating cash flow:

Cash flows from operating activities	31-Dec-20	31-Dec-19
Profit before taxation	38,169,725	75,400,664
Adjustment for:		
Depreciation	17,467,669	23,754,284

		31-Dec-20 Taka	31-Dec-19 Taka
	Foreign exchange loss	314,800	(56,055)
	Finance expenses	1,429,694	493,252
	Finance income	(2,159,017)	(2,034,831)
	Other income	(141,541)	(129,340)
	Operating profit before working capital changes	**55,081,331**	**97,427,974**
	Increase/decrease in trade and other receivable	49,434,038	27,324,156
	Increase/decrease in inventories	7,130,238	703,062
	Increase/decrease in trade and other payables	(14,540,155)	6,694,191
	Cash generated from operating activities	**97,105,452**	**132,149,383**
	Interest received from bank deposit	434,475	792,683
	Income tax paid	(17,816,011)	(41,940,393)
	Net cash (used in)/from operating activities	**79,723,916**	**91,001,673**

38 Contingent liabilities

There is contingent liability in respect of letter of guarantee of Tk 100,997,400

34 Events after the reporting period

34.1 Declaration of dividend and date of annual General Meeting (AGM)

The Board of Directors of RAK Power Pvt. Ltd. in its meeting held on 03 February 2021, has unanimously recommened cash dividend @ 10% of the paid up Capital of the company for the year ended 2020 equivalent to BDT 20,500,000 to be distributed as as cash dividend amongst shareholders. These dividends are subject to final approval by the shareholders at the forthcoming 31 March 2021 Annual General Meeting of the Company.

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 this Directors' Report, along with the audited financial statements of the Company for the year ended 31 December 2020, and the Auditors' Report thereon, for your valued consideration, approval and adoption.

Principal activities

The principal activities of the company comprises the business of security guarding and facilities management that include cleaning services; termite, pest control and fumigation services; fire security services; and setting-up manpower technical training institutes for developing skilled workers for various fields, including construction and other public works. We also provide pre-employment background verification and immigration and visa documentation verification services, among others.

Review of business

The company reported revenue of BDT 100.09 mn in 2020, against BDT 107.56 mn in 2019. The decline was primarily due to income from labour services declining by 6.94%, as compared to 2019. The Company's net loss after tax stood at BDT (0.06) mn, against BDT (1.22) mn in 2019.

Operating results

The operating results of the company for the year ended 2020 are as follows:

(Amount in BDT mn)

Particulars	2020	2019
Sales	100.09	107.56
Gross profit	17.05	16.36
Net profit after tax	(0.06)	(1.22)
Earnings per share (Absolute BDT)	(6.79)	(122.27)
Net operating cash flow per share (NOCFPS)	(383.49)	1,581.55
Net asset value (NAV)	31.92	36.99
Net asset value per share (Absolute BDT)	3,191.79	3,698.58

Dividend

The Board of Directors of RAK Security and Services is pleased to recommend cash dividend @200% of the paid-up capital of the company for the year 2020. While recommending the dividend, the Board has considered the operational performance, business results, assets as at that date, and working capital requirements for the future. The Company paid cash dividend @500% of paid-up capital for the year 2019.

Auditors

M/s ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL), shall retire at the 14th Annual General Meeting and new statutory auditor is required to be appointed for the year 2021. 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 ACNABIN, Chartered Accountants, has given 'No Objection Certificate (NOC)' for appointing another Chartered Accountant firm as the statutory auditor of RAK Security and Services (Pvt.) Ltd. for the year 2021. Hence, the Board of Directors recommends to appoint M/s A. Qasem & Co., Chartered Accountants, as statutory auditor of the company for the year 2021. Remuneration of the auditor will be fixed by the shareholders at the 14th AGM.

Post Balance Sheet events

There were no material events or developments that have occurred after the balance sheet/reporting date, the 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 its heartfelt appreciation to the Government authorities, 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
February 03, 2021

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF RAK SECURITY AND SERVICES (PVT.) LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of R.A.K. Security And Services (Pvt) Ltd. which comprise the statement of financial position as at 31 December 2020, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, we also report the following:

a) 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 these books;

c) the 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 and returns.

Dhaka, Bangladesh
03 Feb 2021

ACNABIN
Chartered Accountants

Signed by
Md. Rokonuzzaman FCA
Patner
Enrollment No. : 0739

DVC 2102170739AS191736

RAK Security and Services (Pvt) Ltd.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	31 Dec 2020 Taka	31 Dec 2019 Taka
Assets			
Property, plant and equipment	4	3,374,965	3,536,216
Right of use assets	5	-	537,544
Investment	6	1,275	1,275
Deferred tax asset	7	362,818	153,674
Total non-current assets		3,739,058	4,228,709
Trade receivables	8	30,913,660	26,167,019
Advance, deposit and prepayment	9	969,007	2,424,503
Advance income tax	10	20,807,084	19,154,981
Cash & bank balances	11	2,944,443	12,542,447
Total current assets		55,634,194	60,288,950
Total Assets		**59,373,252**	**64,517,659**
Equity			
Share capital	12	1,000,000	1,000,000
Retained earning		30,917,942	35,985,823
Total equity		31,917,942	36,985,823
Liabilities			
Trade & other payables	13	1,104,682	1,073,906
Lease liability	14	-	622,836
Provision for expenses	15	9,429,663	8,914,129
Provision for income tax	16	16,920,965	16,920,965
Total current liability		27,455,310	27,531,836
Total equity and liabilities		**59,373,252**	**64,517,659**

The accompanying notes are an integral part of these financial statements.

Managing Director

Director

As per our report of same date

ACNABIN
Chartered Accountants

DVC:2102170739AS191736

Dated, 03 February 2021

RAK Security and Services (Pvt) Ltd.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	31-Dec-2020 Taka	31-Dec-2019 Taka
Sales			
Cost of service	18	100,095,512	107,560,821
Gross profit	19	(83,042,175)	(91,198,028)
		17,053,337	16,362,793
Other income			
Administrative expenses	20	8,603	200
Impairment loss on trade receivable	21	(14,041,800)	(14,118,452)
Marketing expenses	21.1	(677,294)	-
	22	(2,613,666)	(3,485,294)
Profit from operating activities		(17,324,157)	(17,603,546)
		(270,820)	(1,240,753)
Finance income			
Finance expenses	23	49,914	134,885
	24	(56,119)	(116,834)
Profit/(Loss) before income tax		(6,205)	18,051
Income tax		(277,025)	(1,222,702)
Deferred tax	25	-	-
Profit/(Loss) for the year	7	209,144	-
Other comprehensive income for the year		(67,881)	(1,222,702)
Total comprehensive income for the year		-	-
		(67,881)	**(1,222,702)**
Basic earnings per share (par value Tk 100)			
		(6.79)	**(122.27)**

The accompanying notes are an integral part of these financial statements.

Managing Director

Director

As per our report of same date

ACNABIN
Chartered Accountants

DVC: 2102170739AS191736

Dated, 03 February 2021

RAK Security and Services (Pvt) Ltd.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Share capital	Retained earnings	Total
	Taka	Taka	Taka
Balance as at 01 January 2019	1,000,000	42,325,057	43,325,057
Total comprehensive income for 2019			
Adjustment for leased liability		(116,531)	(116,531)
Profit for the year	-	(1,222,702)	(1,222,702)
Other comprehensive income	-	-	-
Transaction with the shareholders			
Cash dividend (2018)	-	(5,000,000)	(5,000,000)
Balance as at 31 December 2019	**1,000,000**	**35,985,823**	**36,985,823**
Balance as at 01 January 2020	1,000,000	35,985,823	36,985,823
Total comprehensive income for 2020			
Adjustment for leased liability		-	-
Profit for the year	-	(67,881)	(67,881)
Other comprehensive income	-	-	-
Transaction with the shareholders			
Cash dividend (2019)	-	(5,000,000)	(5,000,000)
Balance as at 31 December 2020	**1,000,000**	**30,917,942**	**31,917,942**

The accompanying notes are an integral part of these financial statements.

RAK Security and Services (Pvt) Ltd.

STATEMENT OF CASH FLOWS

'for the year ended 31 December 2020

	31-Dec-2020 Taka	31-Dec-2019 Taka
Cash flow from operating activities		
Cash received from customer and others	95,386,871	125,796,859
Cash paid to suppliers and employees	(97,619,631)	(108,655,212)
Cash generated from operating activities	**(2,232,759)**	**17,141,647**
Interest received from Bank	49,914	134,885
Payment of corporate income tax	(1,652,103)	(1,460,967)
Net cash (used in)/from operatingting activities	**(3,834,949)**	**15,815,565**
Cash flow from investing activities		
Acquisition of fixed assets	(84,200)	(31,500)
Dividend received	100	200
Net cash (used in)/from investing activities	**(84,100)**	**(31,300)**
Cash flow from financing activities		
Finance Charge	(29,955)	(26,485)
Payment of lease liability	(649,000)	(708,000)
Dividend Payment	(5,000,000)	(5,000,000)
Net cash (used in)/from financing activities	**(5,678,955)**	**(5,734,485)**
Net increase/(decrease) in cash and cash equivalents	(9,598,004)	10,049,780
Cash and cash equivalents as at 01 January	12,542,447	2,492,667
Cash and cash equivalents as at 31 December	**2,944,443**	**12,542,447**

The accompanying notes are an integral part of these financial statements.

RAK Security and Services (Pvt) Ltd.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2020

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 and immigration & Visa documents verfication services, fire safty services etc.

2.1 Authorization for issue

These financial statements have been authorized for issue by the Board of Directors of the Company on 03 February 2021

2.2 Reporting Period

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

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.

The disclosures of information have been made in accordance with the requirements of the above mentioned standards and in compliance with Companies Act 1994 and the statement of financial position and statement of profit or loss and other comprehensive income have been prepared according to IAS-1 (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 and Suplementary duty Act 2012, The Value Added Tax and Suplementary duty Rules 2016 and Bangladesh Labor Law 2006 as amended in 2019.

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 2020.

b. Statement of Profit or Loss and Other Comprehensive Income for the Year ended 31 December 2020.

c. Statement of Changes in Equity for the year ended 31 December 2020.

d. Statement of Cash Flows for the year ended 31 December 2020.

e. Notes, Comprising a Summary of Significant Accounting Policies and Other Explanatory Information.

3.4 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.

Impact of COVID-19 pandemic

When assessing going concern assumption of the Company as above, key consideration was the impact of COVID-19 pandemic. The pandemic has caused country-wide lockdown in Bangladesh by the end of March 2020 which caused suspension of production in factory of the customer and closure of physical office requiring employees to work from home. However, security business is no more impacted because customer require security of its assets during the lockdown period. Moreover, in face of uncertainties related to the impact of COVID-19, management has developed adequate plans to minimize the impact on its financial conditions and liquidity. However since September 2020 the economy has been started returning back to normalcy. Accordingly, the management believes the going concern assumption will remain unaffected from COVID-19.

3.5 Property, Plant & Equipments (PPE)

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 when it is available for use and charging of depreciation on property, plant, equipment & investment property ceases at the earliest of the date the assets is classified held for sale in accordance with IFRS 5 and the date that aasets is derecognised.

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

Category	Rate
Furniture & fixtures	10%
Tools & appliances	20%
Vehicles	20%
Office Equipments	10%

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

3.6 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.

3.7 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.

3.8 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 years.

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 year 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 year of employment.

3.9 IFRS 9 Financial Instruments

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

i. Classification – financial assets

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

ii. Impairment

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

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

- **12-month ECLs:** these are ECLs which result from possible default events within the 12 months after the reporting date; and
- **Lifetime ECLs:** these are ECLs which result from all possible default events over the expected life of a financial instrument.

ii. Impairment

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the company has a choice to also apply this policy for trade receivables and contract assets with a significant financing component.

The estimated ECL will be calculated based on actual credit loss experience. The company will perform the calculation of ECL rates separately for different types of customers including related parties.

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

ii. Hedging

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

The company will avail of the exemption allowing it not to restate comparative information for prior years with respect to classification and measurement (including impairment) changes. Impact of IFRS 9 shown in note no 27.1 (b).

3.10 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018/2019, with early adoption permitted.

i. Sales of goods

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

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

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

ii.Rendering of services

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

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

3.11 IFRS 16 Leases

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

General impact of application of IFRS 16 Leases

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

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

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

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

Impact of the new definition of a lease

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

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

Impact on Lessee Accounting

Former operating leases

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

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

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

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

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

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

Former finance leases

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

Impact on Lessor Accounting

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

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

3.12 Provision for taxation

Corporate tax

Corporate tax provision at the rate of @32.50% is made for the Current year.

Deferred tax

There is no such timing difference between Profit as per Income Tax ordinance and accounting profit as per financial statements, hence no Deferred Tax liabilities/Assets calculated as per IAS-12 for the year ended 31 December 2020.

3.13 Earnings per share (EPS)

The Company calculates Earning per Share (EPS) in accordance with IAS 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.

3.14 New standards adopted

The following new standards are effective for annual periods begining from 1 January 2018/2019 and have been applied in preparing these financial statements.

IFRS 9	Financial Instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases

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.

4. Property, plant and equipment

31-Dec-2020

Amounts in Taka

Particulars	COST					DEPRECIATION				
	Balance as at 01 Jan 2020	Addition during the year	Sale/ disposal during the year	Balance as at 31 Dec 2020	Rate	Balance as at 01 Jan 2020	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2020	Net book value as at 31 Dec 2020
Land	2,309,220	-	-	2,309,220		-	-	-	-	2,309,220
Furniture & fixtures	923,379	73,000	45,000	951,379	10%	513,625	76,215	39,985	549,855	401,524
Office equipments	1,860,500	11,200	42,000	1,829,700	10%	1,046,544	138,441	17,518	1,167,467	662,233
Tools & appliances	126,255	-	-	126,255	20%	122,972	1,298	-	124,270	1,985
Vehicles	2,389,725	-	-	2,389,725	20%	2,389,722	-	-	2,389,722	3
Total	**7,609,079**	**84,200**	**87,000**	**7,606,279**		**4,072,863**	**215,954**	**57,503**	**4,231,314**	**3,374,965**

4.1 Disposal of Fixed Assets

Name of Assets	Cost	Depreciation Charged	Cost after Dep.	Sale Price	Gain/ (Loss)
Furniture & fixtures	45,000	39,985	5,015	13,000	7,985
Office equipments	42,000	17,518	24,482	25,000	518
Total	**87,000**	**57,503**	**29,497**	**38,000**	**8,503**

31-Dec-2019

Amounts in Taka

Particulars	COST					DEPRECIATION				
	Balance as at 01 Jan 2019	Addition during the year	Sale/ disposal during the year	Balance as at 31 Dec 2019	Rate	Balance as at 01 Jan 2019	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2019	Net book value as at 31 Dec 2019
Land	2,309,220	-	-	2,309,220		-	-	-	-	2,309,220
Furniture & fixtures	915,379	8,000	-	923,379	10%	437,061	76,564	-	513,625	409,754
Office equipments	1,837,000	23,500	-	1,860,500	10%	905,991	140,553	-	1,046,544	813,956
Tools & appliances	126,255	-	-	126,255	20%	121,672	1,300	-	122,972	3,283
Vehicles	2,389,725	-	-	2,389,725	20%	2,290,469	99,253	-	2,389,722	3
Total	**7,577,579**	**31,500**	-	**7,609,079**		**3,755,193**	**317,670**	**-**	**4,072,863**	**3,536,216**

5 Right of use assets

31 Dec 2020

Amounts in Taka

Particulars	COST				DEPRECIATION				Net book value as at 31 December 2020
	Balance as at 01 Jan 2020	Addition during the year	Sale/disposal during the year	Balance as at 31 December 2020	Balance as at 01 January 2020	Charged during the year	Adjustment during the year	Balance as at 31 December 2020	
Office Building	2,345,647	-	2,345,647	-	1,808,103	537,544.0	2,345,647	-	-
Total	2,345,647	-	2,345,647	-	1,808,103	537,544	2,345,647	-	-

Office building agreement starts from December 01, 2016 for four years and end at 30 November 2020. The agreement renewed further for one year falls under short term lease.

31 Dec 2019

Amounts in Taka

Particulars	COST				DEPRECIATION				Net book value as at 31 December 2019
	Balance as at 01 Jan 2019	Addition during the year	Sale/ disposal during the year	Balance as at 31 December 2019	Balance as at 01 January 2019	Charged during the year	Adjustment during the year	Balance as at 31 December 2019	
Office Building	2,345,647	-	-	2,345,647	1,221,691	586,412	-	1,808,103	537,544
Total	2,345,647	-	-	2,345,647	1,221,691	586,412	-	1,808,103	537,544

		31-Dec-2020 Taka	31-Dec-2019 Taka
6.	**Investment**		
	Investment in RAK Power Pvt. Ltd.	1,275	1,275
		1,275	**1,275**
7.	**Deferred tax asset**		
	Balance as at 1 January	153,674	-
	Deferred tax income	209,144	153,674
	Balance as at 31 December	**362,818**	**153,674**

	Carrying amount on the date of statement of financial position	Tax base	Taxable/ (deductible) temporary difference
	Taka	**Taka**	**Taka**
As at 31 December 2020			
Trade receivables	30,913,660	32,030,023	(1,116,363)
			(1,116,363)
Deferred tax asset (applying tax rate 32.50%)			**(362,818)**
As at 31 December 2019			
Trade receivables	26,167,019	26,606,088	(439,069)
			(439,069)
Deferred tax asset (applying tax rate 35.00%)			**(153,674)**

8.	**Trade Receivables**		
	Trade receivables	32,030,023	26,606,088
		32,030,023	**26,606,088**
	Less: Provision of impairment loss on trade receivable:		
	Unrelated parties	703,308	311,779
	Related parties	413,055	127,290
		30,913,660	**26,167,019**
9.	**Advance, deposit and prepayment**		
	Advance to employee	-	3,000
	Advance to suppliers	1,000	1,000
	Security deposit	172,000	172,000
	VAT deposit	383,204	1,833,190
	Insurance and others	412,803	415,313
		969,007	**2,424,503**
10.	**Advance income tax**		
	Balance as at 01 January	19,154,981	17,694,014
	Add. Paid during the year	1,652,103	1,460,967
		20,807,084	19,154,981
	Balance as at 31 December	**20,807,084**	**19,154,981**

		31-Dec-2020 Taka	31-Dec-2019 Taka
10.1	**Year wise closing balance**		
	Year - 2020	1,452,103	-
	Year - 2019	1,386,968	1,386,968
	Year - 2018	1,975,180	1,975,180
	Year - 2017	7,767,254	7,767,254
	Year - 2016	4,215,121	4,215,121
	Year - 2015	3,736,458	3,736,458
	Advance Tax Appeal	274,000	74,000
		20,807,084	**19,154,981**
11.	**Cash and bank balances**		
	Cash in hand	343,421	216,733
	Cash at banks		
	DBBL (current account 117.110.4311)	974,036	1,696,977
	DBBL (SND account 117.120.311)	1,489,337	10,394,673
	Dhaka Bank Ltd. (current account 204.100.19318)	137,649	234,064
		2,944,443	**12,542,447**
12.	**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**

Particulars of share-holdings are as follows:

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**

13.	**Trade and other payables**		
	Other Payables		
	Advance from customers	963,274	952,059
	Payable to employee	52,750	52,750
	Tax deducted at source	65,000	60,000
	VAT deducted at source	23,658	9,097
		1,104,682	**1,073,906**
14.	**Lease Liability**		
	Non- Current		
	Lease Liability	-	622,836
	Less: Current portion of lease liability	-	622,836
		-	-
	Current		
	Current portion of lease liability	-	**622,836**

Liability Schedule 2020

Particulars	Balance as on Jan 01, 2020	Addition	Payment	Interest Expenses	Decrease in lease liability	Closing Balance as on Dec 31, 2020
Office Building	622,836	-	649,000	26,164	622,836	-
	622,836	**-**	**649,000**	**26,164**	**622,836**	**-**

Liability Schedule 2019

Particulars	Balance as on Jan 01, 2019	Addition	Payment	Interest Expenses	Decrease in lease liability	Closing Balance as on Dec 31, 2019
Office Building	1,240,487	-	708,000	90,349	617,651	622,836
	1,240,487	**-**	**708,000**	**90,349**	**617,651**	**622,836**

		31-Dec-2020 Taka	31-Dec-2019 Taka
15.	**Provision for expenses**		
	Satff cost	5,817,099	6,313,975
	Audit fees	55,000	55,000
	Legal and professional charges	25,000	25,000
	Utilities bill	12,350	11,300
	Temporary labour	3,520,214	2,508,854
		9,429,663	**8,914,129**
16.	**Provision for income tax**		
	Balance as at 01 January	16,920,965	16,920,965
	Add. Provision made during the year	-	-
	Balance as at 31 December	**16,920,965**	**16,920,965**
16.1	**Year wise closing balance**		
	Year 2015	3,736,458	3,736,458
	Year 2016	4,215,122	4,215,122
	Year 2017	7,767,254	7,767,254
	Year 2018	1,202,131	1,202,131
		16,920,965	**16,920,965**

17.	**Employees' benefit payable**	2020		
		Provident Fund	Gratuity Fund	Total
		Taka	Taka	Taka
	Balance as at 01 January	-	-	-
	Add: Provision made during the year	4,347,092	2,855,809	7,202,901
		4,347,092	2,855,809	7,202,901
	Less: Payment made during the year	4,347,092	2,855,809	7,202,901
	Balance as at 31 December	-	-	-

Provision and payment includes BDT. 555,570 as employee contibution paid to employee leaving company before being eligible for provident fund and employer's contribution reversed.

	2019		
	Provident Fund	Gratuity Fund	Total
	Taka	Taka	Taka
Balance as at 01 January	-	-	-
Add: Provision made during the year	4,193,412	2,857,240	7,050,652
	4,193,412	2,857,240	7,050,652
Less: Payment made during the year	4,193,412	2,857,240	7,050,652
Balance as at 31 December	-	-	-

Provision and payment includes BDT. 597,768 as employee contibution paid to employee leaving company before being eligible for provident fund and employer's contribution reversed.

		31-Dec-2020 Taka	31-Dec-2019 Taka
18.	**Sales**		
	Gross receipts from services	111,196,260	121,388,597
	Less: Value added tax (VAT)	11,100,748	13,827,776
		100,095,512	**107,560,821**
19.	**Direct expenses**		
	Direct Wages (Note-19.1)	79,645,712	86,545,908
	Security Training expenses (Note-19.2)	208,415	204,233
	Other direct expenses (Note-19.3)	1,467,782	1,346,972
	Verification expenses (Note-19.4)	1,720,266	3,100,915
		83,042,175	**91,198,028**
19.1	**Direct Wages**		
	Salary and Wages	60,933,430	67,227,645
	Overtime	11,913,650	12,132,083
	Bonus	3,093,282	3,515,884
	Employer's contribution to provident fund	1,143,606	1,056,496
	Gratuity	2,252,961	2,293,076
	Group Life Insurance	308,783	320,724
		79,645,712	**86,545,908**
19.2	**Security training expenses**		
	Staff welfare	208,415	201,423
	Conveyance	-	2,810
		208,415	**204,233**
19.3	**Other direct expenses**		
	Uniform expenses	1,467,782	1,346,972
		1,467,782	**1,346,972**

		31-Dec-2020 Taka	31-Dec-2019 Taka
19.4	**Verification expenses**		
	Staff Cost	1,064,007	1,645,536
	Special Service Allowance	641,530	1,435,700
	Mobile Bill	14,729	19,679
		1,720,266	**3,100,915**
20.	**Other income**		
	Dividend income	100	200
	Gain on Sale of Assets (Note- 4.1)	8,503	-
		8,603	**200**
21.	**Administrative expenses**		
	Staff Cost (21.2)	9,667,134	9,445,948
	Rent, rates and taxes	1,448,779	1,460,631
	Telephone and postage	440,958	508,537
	Repair and maintenance	888,303	816,070
	Electricity, gas and water	264,489	307,050
	Depreciation	215,954	317,670
	Depreciation on right of use assets	537,544	586,412
	Vehicle repair & maintenance	301,061	403,455
	Legal and professional fees	94,375	85,725
	Other expenses	183,203	186,955
		14,041,800	**14,118,452**

Rent, rates and taxes includes rent expenses for short term lease for BDT. 1,226,450 and related government levis wherever applicable. Details of the short term lease is shown in note no 26. No low value item exists at the reporting year.

21.1	**Impairment loss on trade receivable**		
	Related parties	391,530	-
	Unrelated parties	285,764	-
		677,294	**-**

New classification of financial assets shown in note 27.1(b). Impairment loss allowance has not been considered on bank banlance because business is confident to recover the full amount from the bank.

21.2	**Staff Cost**		
	Salary	6,960,055	6,535,038
	Bonus	727,885	824,011
	Staff welfare	545,666	743,778
	Employer's contribution to provident fund	395,530	370,802
	Gratuity	503,476	472,982
	Conveyance	513,551	493,811
	Group Life Insurance	20,971	5,526
		9,667,134	**9,445,948**

		31-Dec-2020 Taka	31-Dec-2019 Taka
22.	**Marketing expenses**		
	Staff Cost (22.1)	1,713,012	1,587,035
	Travelling expenses	-	37,575
	Conveyance	251,926	814,882
	Telephone and Telex Expenses	9,674	9,214
	Promotional expenses	639,054	1,036,588
		2,613,666	**3,485,294**
22.1	**Staff Cost**		
	Salary	1,386,500	1,263,167
	Bonus	146,350	159,200
	Employer's contribution to provident fund	78,840	71,640
	Gratuity fund	99,372	91,182
	Group Life Insurance	1,950	1,846
		1,713,012	**1,587,035**
23.	**Finance income**		
	Interest on bank account (SND)	49,914	134,885
		49,914	**134,885**
24.	**Financial expenses**		
	Interest expenses against lease liability	26,164	90,349
	Bank charges	29,955	26,485
		56,119	**116,834**
25.	**Income tax**		
	Current year	-	-
		-	**-**
26.	**Short term lease expenses**		

Nature of the lease	lease term	Allocation	Rent payment	Rent payment
Rented accomodation	<1 year	Admin	1,226,450	1,299,560
			1,226,450	**1,299,560**

27 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

27.1 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		Amounts in Taka	
	As at Dec 31 2020	As at Dec 31 2019	As at Dec 31 2020	As at Dec 31 2019
Trade receivables				
Customer-Local	-	-	30,913,660	26,167,019
Customer-Export	-	-	-	-
	-	-	30,913,660	26,167,019
	-	-	-	-
Cash equivalents	-	-	2,944,443	12,542,447

b) Impact of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the financial assets as at 31 December 2020.

	Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impairment
	Trade & other receivable-related	8	Loan & receivable	Amortized cost	13,077,346	12,664,291	413,055
	Trade & other receivable-unrelated	8	Loan & receivable	Amortized cost	18,952,677	18,249,369	703,308
	Cash & cash equivalent	11	Loan & receivable	Amortized cost	2,944,443	2,944,443	

i The above table provides information ECLs till date. Impairment provision till Dec 2019 was Tk. 439,069 and provision made during the year is Tk. 677,294.

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

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

	31-Dec-2020 Taka	31-Dec-2019 Taka
c) Aging of receivables		
The aging of trade receivables:		
Current (not due)	14,932,518	8,910,942
Overdue by 0 - 90 days	10,237,722	9,491,135
Overdue by 91 - 180 days	2,218,715	4,711,606
Overdue by 180 - 365 days	1,483,551	750,040
More than 365 days	2,041,154	2,303,296
	30,913,660	**26,167,019**

27.2 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, 2020			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Trade and other payables	1,104,682	1,104,682	1,104,682	-
	1,104,682	1,104,682	1,104,682	-

	As at December 31, 2019			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Trade and other payables	1,073,906	1,073,906	1,073,906	-
	1,073,906	1,073,906	1,073,906	-

28. Related party disclosure under IAS-24

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

Name of related party	Relationship	Security/ Guarantee status	Bad debts Status	year	Purchase / Service	Sales of goods / Services	Outstanding Receivables	Dividend income
RAK Ceramics (Bangladesh) Limited	Parent Company	Unsecured	Nil	Current year	-	48,309,891	12,882,452	-
				Previous year	-	52,160,129	6,536,365	-
RAK Power Pvt. Ltd.	Fellow Subsidiary	Unsecured	Nil	Current year	-	1,471,178	194,893	100
				Previous year	-	1,494,273	163,536	200
M/s. Ekramuzzaman	Other related party	Unsecured	Nil	Current year	-	1,281,993	352,548	-
				Previous year	-	1,075,506	117,516	-
Mohammed Trading	Other related party	Unsecured	Nil	Current year	-	1,258,927	295,046	-
				Previous year	-	1,658,568	293,374	-
Julphar Bangladesh Ltd.	Other related party	Unsecured	Nil	Current year	-	1,850,780	1,093,316	-
				Previous year	-	1,819,444	489,878	-
Kansai Nerolac Paints (BD) Ltd.	Other related Party	Unsecured	Nil	Current year	-	6,945,812	2,048,276	-
				Previous year	-	6,467,577	2,957,865	-
RAK Consumer Products Ltd.	Other related Party	Unsecured	Nil	Current year	-	2,006,911	1,336,760	-
				Previous year	-	1,992,941	1,469,000	-
Rakeen Development Pvt. Limited	Other related party	Unsecured	Nil	Current year	-	14,140,934	4,044,395	-
				Previous year	-	6,997,737	4,050,134	-
Star Ceramics Pvt. Limited	Other related party	Unsecured	Nil	Current year	-	426,207	454,845	-
				Previous year	-	713,807	425,058	-
Star Porcelain Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	-	5,110	2,574,675	-
				Previous year	-	325,089	2,862,456	-
Kea Printing and Packaging Ind.	Other related party	Unsecured	Nil	Current year	-	1,174,385	323,400	-
				Previous year	-	988,098	90,982	-

28.1 Events after the reporting year

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

28.2 Paid to Directors

During the year, Board meeting fees of Taka 2,000 was paid to the board members for attending the Board meetings.

29. Number of employees

The number of employees engaged for the year who received total remuneration of Taka 60,000 and above per annum at reporting date was as follows.

	31 Dec 2020 Taka	31-Dec-2019 Taka
Number of employees	338	357
None of receiving below Taka 5,000 per month.		

30. Calculation of earnings per share (EPS)

Calculation of earnings per share (EPS) is as under:		
Earnings attributable to the ordinary shareholders		
(a) Profit/(Loss) for the year	(67,881)	(1,222,702)
(b) No. of ordinary equity shares	10,000	10,000
(c) Weighted average no. of equity shares outstanding (Note 12)	10,000	10,000
Earnings per share (EPS) for the year (a/c)	(6.79)	(122.27)
Diluted earnings per share for the year (a/c)	(6.79)	(122.27)

30.1 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.

	31 Dec 2020 Taka	31-Dec-2019 Taka
Outstanding shares	10,000	10,000
	10,000	**10,000**

30.2 Diluted earning per share

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

30.3 Reason of deviation of earnings per share:

Though there was decrease in the revenue of the company as compared to previous year and the costs was higher, which resulted in a reduction of net profit for the year.

	31 Dec 2020 Taka	31-Dec-2019 Taka
31 Calculation of Net assets value per share		
(a) Net assets value	31,917,942	36,985,823
(b) Weighted average no. of ordinary shares (Note 30.1)	10,000	10,000
Net assets value per share (a/b)	3,191.79	3,698.58
32 Calculation of Net operating cash flow per share		
(a) Net cash flows from operating activities	(3,834,949)	15,815,565
(b) Weighted average no. of ordinary shares (Note 30.1)	10,000	10,000
Net operating cash flow per share (a/b)	(383.49)	1,581.56

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

Though there was decrease in collection from customers as compared to previous year and the operating costs was higher, which resulted in a reduction of net operating cash flow per share.

33 Events after the reporting year

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

The Board of Directors of RAK Security and Services (Pvt) Ltd, in its meeting held on February 03, 2021, has unanimously recommended cash dividend @ 200% of the paid up capital of the company for the year ended on 31 December 2020 equivalent to BDT. 2,000,000/= to be distributed as cash dividend among shareholders. The dividend is subject to final approval by the shareholders at the forthcoming 31 March 2021 Annual General Meeting(AGM) of the Company.

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, 2020	December 31, 2020
Net aggregate amount of the subsidiary company's profits/(losses) dealt with in the holding company's accounts	Taka 547.25 mn	Taka 17.00 mn
For the subsidiary's aforesaid financial year	Taka 41.00 mn	Taka 5.00 mn
For the previous financial years since it became subsidiary	Taka 506.25 mn	Taka 12.00 mn
Net aggregate amount of the subsidiary company's profits/(losses) not dealt with in the holding company's accounts	Taka 119.00	Nil
For the subsidiary's aforesaid financial Year	Nil	Nil
For the previous financial years since it became subsidiary	Taka 119.00	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	No such changes	No such changes
Material changes, if any, between the end of the financial year of the subsidiary and that of the holding company	No material changes	No material changes

GLOSSARY

- **Accounts payable -** Accounts payable represents incurred expenses the company expects to pay within one year. It is recorded as part of current liabilities on the balance sheet.
- **Accounts receivable -** Accounts receivable represents uncollected revenues the company expects to receive within one year. It is recorded as part of current assets on the balance sheet.
- **Accrual accounting system -** Under this system, revenues are recorded when earned and expenses are recorded when incurred. Therefore, earned revenues may include sales on credit for which you have yet to receive cash and expenses may include bills that you have not yet paid. This method is used when preparing the income statement and balance sheet.
- **Accumulated depreciation-** The cumulative depreciation of an asset to the date of the current financial year.
- **Accumulated profits-** The amount of past years profit not paid in dividends. Sometimes referred to as retained profit. In contrast, losses from previous years not absorbed by past years profit are accumulated losses.
- **Annual report-** A report published yearly by all publicly-held companies that details the financial condition of the company and includes the balance sheet, income statement, cash flow statement, and other relevant information.
- **Asset revaluation-** The application of an accounting policy choice, whereby the monetary measure of the asset is the amount for which it could be exchanged between knowledgeable, willing parties in an arms-length transaction.
- **Assets -** The value of everything a company uses to conduct business, such as cash, equipment, land, inventories, office equipment, and money owed to the company by customers and clients.
- **Assets Items** of value which the company can trade or use in its business.
- **Balance sheet-** A financial statement that gives a snapshot of a company's financial situation at a particular point in time and lists its different assets, liabilities, and owners' equity.
- **Cash basis of accounting-** A method of accounting where only actual cash inflows and cash outflows are recorded, i.e. when payment is received or made. This method is used when preparing the cash flow statement.
- **Cash flow statement-** A financial statement that records a company's actual cash inflows and cash outflows over a defined period of time. It includes three sections: operating cash flow, investing cash flow, and financing cash flow.
- **Contingent liabilities-** A potential liability dependent on uncertain future events which are beyond the control of the company.
- **Contributed capital-** Money invested in a company by its owners/shareholders. Reported as part of owners' equity on the balance sheet.
- **Corporate social responsibility report-** A report on how the company manages its business processes to produce an overall positive impact
- **Cost of goods sold-** Also known as Cost of Sales, this represents all the expenses directly related to the making and storing of a company's goods, such as raw materials, warehousing, and direct labor costs. Doesn't exist for service companies.
- **Cost of sales-** Also known as Cost of Goods Sold, this represents all the expenses directly related to the making and storing of a company's goods, such as raw materials, warehousing, and direct labor costs. Doesn't exist for service companies.
- **Current assets-** Assets the company plans to convert to cash, sell, or use during the coming year, including cash, accounts receivable, and inventory on hand.
- **Current assets-** Cash and cash equivalents and assets which are expected to be turned into cash in the next year.
- **Current liabilities -** Amounts which the company is obliged to pay to others in the next year.
- **Depreciation -** A method used to account for the diminishing value of an asset over the time it is used and to match profit with the expenses it took to generate that profit. Registered as a non-cash expense.
- **Direct method-** A method of arriving at net operating cash flow by adjusting each item on the income statement from the accrual basis of accounting to the cash basis of accounting.
- **DSE listing rules -** Listing rules govern the admission of companies to the official list of listed companies, quotation of their shares, suspension of those shares from quotation and removal of companies from the official list. The listing rules also govern disclosure and some aspects of a listed company's conduct.

- **EBIT (Earnings before interest and taxes)-** Amount calculated by subtracting cost of goods sold and operating expenses from revenue on the income statement. Also called operating earnings.

- **Emphasis of matter -**A paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial report that, in the auditor's judgement, is of such importance that it is fundamental to users' understanding of the financial report.

- **Employee benefits** - Represent benefits offered to employees of the company and can include short-term (e.g. salaries and wages), long-term (e.g. long service leave), post-employment benefits (retirement benefits) and termination benefits.

- E**quity** - Total assets less total liabilities; includes share capital, reserves and accumulated profit Expenses, the costs of deriving revenue.

- **Expenses** - Different costs, such as cost of goods sold, operating expenses, and interest expense, incurred during the normal operation of a business.

- **Financing cash flow**- Cash received or paid from borrowing money or paying back investors, creditors, and shareholders. The third part of calculating net cash flow on the cash flow statement.

- **Fixed assets**- Assets that the company does not plan to turn into cash within one year or that would take longer than one year to convert, including property, plants, machinery, and patents.

- **Gross profit**- An item included on the income statement of production companies, calculated by deducting cost of goods sold from revenues/sales generated from those goods. It is used as a rough estimate of the company's profitability.

- **Income statement**- A financial statement that specifies the financial results of a business over a defined period of time and lists the revenue, expenses, and net income of the business. Also referred to as the profit-and-loss statement, or P&L statement.

- **Income tax**- Tax levied by the government for income and part of the expenses deducted from revenues when arriving at net income on the income statement.

- **Indirect method**- A method of arriving at net operating cash flow by adjusting the net income on the income statement for non-cash revenues and expenses. Also called the reconciliation method.

- **Interest expense-** Represents all interest paid by the company for loans it incurred and is part of the expenses deducted from revenues in the process of arriving at net income on the income statement.

- **Investing cash flow**- Cash used for investing in long-term assets, such as equipment or equity securities, and cash received from the sale of such investments. The second part of calculating net cash flow on the cash flow statement.

- **Investor relations**- The section on a company's website under which you can find the company's financial statements.

- **Key management personnel** Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that company.

- **Liabilities** - Debts a company owes to its creditors and lenders. Liabilities Amounts which the company is obliged to pay to others.

- **Liquidity** - The case with which assets and liabilities may be converted into cash.

- **Listed company**- A company which is publicly listed on a securities exchange like the Dhaka Stock Exchange.

- **Long-term liabilities**- The flip side of fixed assets, this represents money the company needs to pay back in one or more years. It includes long-term bank loans, mortgages, and bonds.

- **Modified opinion** - The auditor may issue a modified opinion, being a qualified opinion, an adverse opinion or a disclaimer of opinion.

- **Net loss**- The bottom line of the income statement. The negative profit (loss) left after all expenses have been deducted from revenues. If expenses are smaller than revenues than we will refer to it as net profit.

- **Net profit**- The bottom line of the income statement. The profit left after all expenses have been deducted from revenues. If expenses are larger than revenues, then we refer to it as net loss.

- **Operating cash flow-** The first section of the cash flow statement, which includes cash generated by and required for the daily operations of a business.

- **Operating earnings**- earnings left after subtracting the cost of goods sold and operating expenses from a company's revenues on the income statement. Also called EBIT (Earnings Before Interest and Taxes).

- **Operating expenses**- All costs incurred in operating the business that are not directly related to the production and storage of a company's goods. They include administrative salaries, research and development expenses, rents, and marketing costs. These cost are included in the expense section of the income statement.

- **Owners' equity**- Owners' equity equals all assets minus all liabilities and represents the part of the company owned by its shareholders. It generally includes contributed capital and retained earnings.

- **P&L statement** - A financial statement that specifies the financial results of a business over a defined period of time and lists the revenue, expenses, and net income of the business. Also referred to as the income statement or the profit-and-loss statement.

- **Profit margin**- An indicator of profitability. It is calculated by dividing the company's net income by its revenue for the same period. The higher the margin the more profitable a company is.

- Profit Surplus of revenues and other income over expenses.

- **Profit-and-loss statement**- A financial statement that specifies the financial results of a business over a defined period of time and lists the revenue, expenses, and net income of the business. Also referred to as the income statement or the P&L statement.

- **Remuneration of directors** or executives will typically include all or some of cash salary, shares or share options, superannuation, annual and long service leave.

- **Reporting period** - The period that the financial statements cover. This will typically be one year (e.g. the year ended 31st December 20XX) but can be shorter or longer in certain circumstances.

- **Reserves surpluses** arising from (for example) revaluations of certain assets.

- **Retained earnings-** Money reinvested into the company after all dividends are paid. Reported as part of owners' equity on the balance sheet.

- **Revenue earnings** arising in the ordinary activities of the company. Fees from the rendering of services are examples of revenue, as is revenue from the sale of goods.

- **Revenues-** Money generated by the company by selling its products or services to customers, before deducting any expenses. It includes only revenues associated with the company's main operations and is sometimes referred to as sales.

- **SEC-** Securities and Exchange Commission, a Bangladesh Governmental agency established by the Act to enforce all federal securities laws and protect investors from fraud in the securities markets.

- **Share option** - A contract that gives the holder of the option the right, but not the obligation, to subscribe to the company's shares at a fixed or determinable price for a specified period of time.

- **Share**-based payment arrangement - An arrangement between the company and another party (including an employee) that entitles the other party, on satisfying any conditions specific to the arrangement, to shares or share options of the company, or cash or other assets of the company that are based on the price of those shares or share options.

- **Sustainability report**- A report that provides information about the company's performance towards the goal of sustainable development.

NOTICE OF THE 22ND ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting (AGM) of RAK Ceramics (Bangladesh) Limited will be held on Wednesday, March 31, 2021 at 11:00 am (Bangladesh Time). Pursuant to the Bangladesh Securities and Exchange Commission's Order No. SEC/SRMRC/04-231/25 dated 08 July 2020, the AGM will be held virtually by using digital platform through the following link https://tinyurl.com/rakagm2021 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 2020, together with the reports of the Auditor and the Directors.
2. To declare dividend for the year ended 31 December 2020.
3. To elect/re-elect Director(s) of the Company.
4. To appoint the Statutory Auditors of the Company for the year 2021 and fix their remuneration.
5. To appoint the Chartered Secretary in Practice (Compliance Auditors) of the Company for the year 2021 for compliance certification on corporate governance and fix their remuneration.
6. To approve of entering into contract for supply of goods and materials with Mohammed Trading amounting to 1% (one percent) or above of the revenue for the immediately preceding financial year.

Dhaka, Bangladesh
Date: March 09, 2021

QR code for virtual AGM

By order of the Board of Directors

Sd/-

(Muhammad Shahidul Islam FCS)
Company Secretary

Notes:

1. The shareholders whose name appeared in the Share/Depository Register as on the 'Record Date' (i.e. February 25, 2021), are eligible to participate in the 22nd AGM and receive the dividend.
2. The Board unanimously recommended dividend @ 10% in cash of the paid up capital of the Company for the year 2020.
3. Pursuant to the BSEC Notification No. BSEC/CMRRCD/2006-158/208/Admin/81, dated 20 June, 2018; M/s A. Qasem & Co., Chartered Accountants has been recommended by the Board of Directors to be appointed as Statutory Auditors of the Company for the year 2021 subject to approval of the shareholders.
4. Pursuant to the Corporate Governance Code, 2018 of the BSEC dated 03 June, 2018, M/s. Jasmin & Associates, Chartered Secretaries & Corporate Affairs Consultants, has been recommended by the Board of Directors to be appointed as Compliance Auditors of the Company for the year 2021 for compliance certification on corporate governance subject to approval of the shareholders.
5. In order to comply with the BSEC notification No. BSEC/CMRRCD/2009-193/2/Admin/103 dated 05 February, 2020, the Board of Directors has recommended to enter into contract for supply of goods and materials with Mohammed Trading [Owner is Managing Director of RAK Ceramics (Bangladesh) Limited] amounting to 1% (one percent) or above of the revenue for the immediately preceding financial year subject to approval of the shareholders
6. A shareholder entitled to attend and vote at the AGM may appoint a proxy to attend and vote in his/her behalf (such a proxy shall be a shareholder of the Company). The Proxy Form, duly filled, signed and stamped of BDT 20 must be sent through email to the Company at sharedepartment.bgd@rakceramics.com not later than 48 hours before the time fixed for the meeting.
7. Shareholders are requested to submit through mail to the Company at sharedepartment.bgd@rakceramics.com on or before March 25, 2021, their written option to receive dividend in the form available in Company's website www.rakceramics.com/bangladesh If the shareholder fails to submit such option within the stipulated time, the dividend will be paid off as deemed appropriate by the Company.
8. The concern stock broker, merchant banker and portfolio manager are requested to submit through mail to the Company at sharedepartment.bgd@rakceramics.com on or before March 25, 2021; the statement along with detail of their margin client or customer who has debit balance or margin loan, who are entitled to receive cash dividend of the Company for the year ended December 31, 2020. The statement should include shareholder's name, BO ID number, client-wise shareholding position, gross dividend receivable, applicable tax rate, net dividend receivable etc. along with the Consolidated Customers' Bank Account number, routing number and contact person.
9. The shareholders will be able to submit their questions/comments and vote electronically 24 hours before commencement of the AGM and during the AGM. For logging in to the system, the shareholders need to put their 16 digit Beneficial Owner (BO) ID number and other credential as proof of their identity by visiting the link https://tinyurl.com/rakagm2021
10. Shareholders are requested to log in to the system prior to the meeting start time of 11:00 am (Bangladesh Time) on 31 March 2021. The webcast will start at 10.45 am on March 31, 2021. Please contact +8801730058055 and +8801730055355 for any technical difficulties in accessing the virtual meeting.
11. Detail log in process has been sent through email to respective shareholder's mail ID available in their BO Account maintained with the Depository. The detailed procedures to participate in the virtual meeting along with link are also available in the Company's website www.rakceramics.com/bangladesh

RAK
CERAMICS

RAK Ceramics (Bangladesh) Limited
RAK Tower (7th, 8th & 9th floors), 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 **22nd Annual General Meeting** of the Company to be held on **Wednesday, March 31, 2021 at 11:00 am** (Bangladesh time). The AGM will be held virtually via digital platform and can be accessible on the following link **https://tinyurl.com/rakagm2021**

As witness my / our hand this ..... day of 2021

.....
(Signature of Proxy)

Revenue Stamp Taka 20/-

.....
(Signature of Shareholder)

BO ID No. | | | | | | | | | | | | | | | | | BO ID No. | | | | | | | | | | | | | | | | |

Notes:

1. 1. A shareholder entitled to attend and vote at 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 Articles 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 floors), 1/A Jasimuddin Avenue, Sector-3, Uttara Model Town, Dhaka-1230

Attendance Slip

I/We do hereby record my/our attendance at the **22nd Annual General Meeting** of the Company to be held on **Wednesday, March 31, 2021 at 11:00am** (Bangladesh Time). The AGM will be held virtually via digital platform and can be accessible on the following link **https://tinyurl.com/rakagm2021**

Name of the Shareholder (s)/Proxy: .....

BO ID No. of Shareholder:																

BO ID No. of Proxy:																

No. of shares held by Shareholder: .....

No. of shares held by Proxy holder: .....

.....
Signature of Shareholder(s)/Proxy

RAK
CERAMICS

RAK Ceramics (Bangladesh) Limited
RAK Tower (7th, 8th & 9th floors), 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 March 28, 2021.
2. Signature of the shareholder(s) must be in accordance with the specimen signature recorded with the Company.
3. Number of shares, bank account details and address shall be considered final as provided by CDBL on record date, i.e. February 25, 2021.
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.

Notes

Notes

RAKCERAMICS.COM

SCAN TO DOWNLOAD
RAK CERAMICS ANDROID APP
TO BROWSE ALL TILES AND SANITARY WARE

16630
RAK CERAMICS **CARELINE**

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CERAMICS

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