

**R.A.K Ceramics PJSC
and its subsidiaries**

**Condensed consolidated
interim financial information**
31 March 2017

R.A.K Ceramics PJSC and its subsidiaries

Condensed consolidated interim financial information

31 March 2017

<i>Contents</i>	<i>Page</i>
Independent auditors' report on review of condensed consolidated interim financial information	1 - 2
Condensed consolidated statement of profit or loss	3
Condensed consolidated statement of profit or loss and other comprehensive income	4
Condensed consolidated statement of financial position	5
Condensed consolidated statement of cash flows	6 - 7
Condensed consolidated statement of changes in equity	8 - 9
Notes to the condensed consolidated interim financial information	10 - 26

Independent auditors' report on review of condensed consolidated interim financial information

To the Shareholders of R.A.K Ceramics PJSC

Introduction

We have reviewed the accompanying 31 March 2017 condensed consolidated interim financial information of R.A.K Ceramics PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2017;
- the condensed consolidated statement of profit or loss for the three month period ended 31 March 2017;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three month period ended 31 March 2017;
- the condensed consolidated statement of changes in equity for the three month period ended 31 March 2017;
- the condensed consolidated statement of cash flows for the three month period ended 31 March 2017; and
- notes to the interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 '*Interim Financial Reporting*'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2017 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates

Date:

R.A.K Ceramics PJSC and its subsidiaries

Condensed consolidated statement of profit or loss (unaudited) for the three month period ended 31 March 2017

	Note	Three month period ended 31 March	
		2017 AED'000	2016 AED'000
Revenue		681,121	735,720
Cost of sales (excluding write off and provision for inventories)	6	(465,286)	(509,880)
Write off and provision for inventories	10	(92)	(3,483)
		-----	-----
Gross profit		215,743	222,357
Administrative and general expenses	7	(52,312)	(56,061)
Impairment of trade receivables and due from related parties	10	(1,661)	(8,733)
Selling and distribution expenses	8	(110,325)	(95,416)
Other income		24,650	15,465
		-----	-----
Operating profit		76,095	77,612
Finance costs	9(i)	(16,558)	(14,780)
Finance income	9(ii)	3,103	1,003
Share of profit in equity accounted investees	13	4,615	6,188
Gain on disposal of subsidiaries	26	3,818	-
		-----	-----
Profit before tax		71,073	70,023
Tax expense		(6,609)	(4,163)
		-----	-----
Profit for the period		64,464	65,860
		=====	=====
<i>Profit attributable to:</i>			
Owners of the Company		54,968	57,802
Non-controlling interests		9,496	8,058
		-----	-----
Profit for the period		64,464	65,860
		=====	=====
Earnings per share			
- basic and diluted (AED)	23	0.06	0.07
		====	====

The notes on pages 10 to 26 are an integral part of these condensed consolidated interim financial information.

The independent auditors' report on review of condensed consolidated interim financial information is set out on pages 1 and 2.

R.A.K Ceramics PJSC and its subsidiaries

Condensed consolidated statement of profit or loss and other comprehensive income (unaudited)

for the three month period ended 31 March 2017

	Note	Three month period ended 31 March	
		2017 AED'000	2016 AED'000
Profit for the period		64,464	65,860
Other comprehensive income:			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences		4,741	(220)
Reclassification of foreign currency translation reserve on sale of subsidiaries	26	128	-
Cash flow hedges – effective portion of changes in fair value		922	-
Total comprehensive income for the period		70,255	65,640
		=====	=====
<i>Total comprehensive income attributable to:</i>			
Owners of the Company		61,820	57,606
Non-controlling interests		8,435	8,034
Total comprehensive income for the period		70,255	65,640
		=====	=====

The notes on pages 10 to 26 are an integral part of these condensed consolidated interim financial information.

The independent auditors' report on review of condensed consolidated interim financial information is set out on pages 1 and 2.

R.A.K Ceramics PJSC and its subsidiaries

Condensed consolidated statement of financial position

as at 31 March 2017

	<i>Note</i>	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Assets			
Property, plant and equipment and capital work-in-progress	<i>12</i>	1,184,045	1,226,534
Goodwill	<i>11</i>	61,524	61,780
Intangible assets		27,834	28,332
Investment properties		1,210,029	1,169,060
Investments in equity accounted investees	<i>13</i>	107,420	112,378
Long term receivables	<i>15(i) & 19(i)</i>	102,137	98,409
Deferred tax assets		963	2,753
		-----	-----
Non-current assets		2,693,952	2,699,246
		-----	-----
Inventories	<i>14</i>	1,156,925	1,179,320
Trade and other receivables	<i>15</i>	1,182,912	1,132,739
Contract work-in-progress		10,319	13,271
Due from related parties	<i>19</i>	260,619	301,274
Derivative financial assets	<i>21</i>	6,906	5,944
Cash in hand and at bank	<i>16</i>	390,972	424,460
		-----	-----
Current assets		3,008,653	3,057,008
		-----	-----
Total assets		5,702,605	5,756,254
		=====	=====
Equity and liabilities			
Equity			
Share capital	<i>17</i>	858,398	858,398
Reserves		1,578,965	1,645,905
		-----	-----
Equity attributable to owners of the Company		2,437,363	2,504,303
Non-controlling interests		146,198	175,777
		-----	-----
Total equity		2,583,561	2,680,080
		-----	-----
Liabilities			
Islamic bank financings	<i>20(a)(ii)</i>	391,364	415,630
Interest bearing bank financings	<i>20(b)(ii)</i>	857,339	892,299
Provision for employees' end-of-service benefits		84,929	83,780
Deferred tax liabilities		6,782	6,128
		-----	-----
Non-current liabilities		1,340,414	1,397,837
		-----	-----
Islamic bank financings	<i>20(a)(i)</i>	473,678	470,545
Interest bearing bank financings	<i>20(b)(i)</i>	396,984	305,695
Trade and other payables	<i>18</i>	714,158	715,041
Billing in excess of valuation		-	866
Due to related parties	<i>19</i>	50,888	49,451
Provision for taxation		142,922	136,739
		-----	-----
Current liabilities		1,778,630	1,678,337
		-----	-----
Total liabilities		3,119,044	3,076,174
		-----	-----
Total equity and liabilities		5,702,605	5,756,254
		=====	=====

The notes on pages 10 to 26 are an integral part of these condensed consolidated interim financial information.

The condensed consolidated interim financial information was authorised for issue by and on behalf of the Board of Directors on _____

Chairman

Director

Chief Executive Officer

The independent auditors' report on review of condensed consolidated interim financial information is set out on pages 1 and 2.

R.A.K Ceramics PJSC and its subsidiaries

Condensed consolidated statement of cash flows (unaudited) for the three month period ended 31 March 2017

	Three month period ended 31 March	
	2017 AED'000	2016 AED'000
Operating activities		
Profit for the period before tax	71,073	70,023
<i>Adjustments for:</i>		
Share of profit in equity accounted investees	(4,615)	(6,188)
Interest expense	9,294	10,526
Profit on Wakala deposit	6,249	2,764
Interest income	(963)	(848)
Profit on Islamic financing	(194)	-
Gain on disposal of property, plant and equipment	(11,062)	(767)
Gain on disposal of subsidiaries	(3,818)	-
Depreciation on property, plant and equipment	37,885	43,633
Amortisation of intangible assets	1,187	957
Capital work in progress written off	660	430
Depreciation on investment properties	2,462	2,171
Provision for employees' end-of-service benefits	6,030	3,838
	-----	-----
	114,188	126,539
Change in:		
- inventories (including contract work in progress)	4,372	(3,345)
- trade and other receivables (including long term)	(46,341)	65,094
- due from related parties (including long term)	23,727	9,341
- trade and other payables (including billings in excess of valuation)	11,192	(63,478)
- due to related parties	2,624	16,882
- derivative financial assets	(40)	-
- derivative financial liabilities	-	289
- deferred tax assets	1,790	-
- deferred tax liabilities	654	(884)
Income tax paid	(426)	(110)
Employees' end-of-service benefits paid	(1,304)	(2,890)
Currency translation adjustment	(1,778)	147
	-----	-----
Net cash generated from operating activities	108,658	147,585
	-----	-----
Investing activities		
Additions to property, plant and equipment and capital work in progress	(17,452)	(100,082)
Proceeds from disposal of property, plant and equipment	713	1,261
Additions to intangible assets	(571)	(917)
Change in bank deposits	1,124	(54)
Dividend received from equity accounted investees	104	-
Proceeds from disposal of subsidiaries	10,000	-
Interest income received	963	848
Profit received on Wakala deposits	194	-
Consideration paid for acquisition of subsidiaries	-	(7,491)
Cash acquired as a part of acquisition of subsidiaries	12,701	5,173
Cash foregone as a part of disposal of shares in subsidiary	(6,598)	-
	-----	-----
Net cash generated from / (used in) investing activities	1,178	(101,262)
	-----	-----

R.A.K Ceramics PJSC and its subsidiaries

Condensed consolidated statement of cash flows (unaudited) (continued)
for the three month period ended 31 March 2017

	Three month period ended 31 March	
	2017 AED'000	2016 AED'000
Financing activities		
Long term bank financing availed	-	26,239
Long term Islamic financing availed	-	495,923
Long term bank financing repaid	(26,480)	(497,106)
Long term Islamic bank financing repaid	(20,664)	-
Net movement in short term financing	31,267	190,432
Interest paid	(9,294)	(10,526)
Profit on Islamic financing paid	(6,249)	(2,764)
Dividend paid	(128,760)	(245,257)
Dividend paid to non-controlling interests	(12,500)	(15,000)
Remuneration paid to the Board of Directors	-	(3,700)
	-----	-----
Net cash used in from financing activities	(172,680)	(61,759)
	-----	-----
Net decrease in cash and cash equivalents	(62,844)	(15,436)
Cash and cash equivalents at the beginning of the period	393,648	332,976
	-----	-----
Cash and cash equivalents at the end of the period	330,804	317,540
	=====	=====
Comprises of:		
Cash in hand and at bank (net of bank deposits on lien)	390,611	347,140
Bank overdraft	(59,807)	(29,600)
	-----	-----
	330,804	317,540
	=====	=====

The notes on pages 10 to 26 are an integral part of these condensed consolidated interim financial information.

The independent auditors' report on review of condensed consolidated interim financial information is set out on pages 1 and 2.

R.A.K Ceramics PJSC and its subsidiaries

Condensed consolidated statement of changes in equity

for the three month period ended 31 March 2017

	-----Attributable to owners of the Company-----											Non- controlling interests (NCI)	Total equity
	-----Reserves-----										Total		
	Share capital	Share premium	Legal reserve	Translation reserves	Hyper inflation reserve	General reserves	Capital reserves	Retained earnings	Total reserves				
AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	
Balance at 1 January 2016 (audited)	817,522	221,667	462,351	(94,748)	(82,676)	82,805	53,866	1,307,371	1,950,636	2,768,158	169,294	2,937,452	
<i>Total comprehensive income for the period (unaudited)</i>													
Profit for the period	-	-	-	-	-	-	-	57,802	57,802	57,802	8,058	65,860	
<i>Other comprehensive income</i>													
Foreign currency translation differences	-	-	-	454	(650)	-	-	-	(196)	(196)	(24)	(220)	
Total comprehensive income for the period	-	-	-	454	(650)	-	-	57,802	57,606	57,606	8,034	65,640	
<i>Other equity movements (unaudited)</i>													
Director's fees (refer note 22(ii))	-	-	-	-	-	-	-	(3,700)	(3,700)	(3,700)	-	(3,700)	
Transfer to legal reserve	-	-	9,085	-	-	-	-	(9,085)	-	-	-	-	
<i>Transactions with owners of the Company directly recorded in equity (unaudited)</i>													
Bonus share issued	40,876	-	-	-	-	-	-	(40,876)	(40,876)	-	-	-	
Dividend declared	-	-	-	-	-	-	-	(245,257)	(245,257)	(245,257)	-	(245,257)	
Dividend distributed to NCI	-	-	-	-	-	-	-	-	-	-	(15,000)	(15,000)	
At 31 March 2016 (unaudited)	858,398	221,667	471,436	(94,294)	(83,326)	82,805	53,866	1,066,255	1,718,409	2,576,807	162,328	2,739,135	

R.A.K Ceramics PJSC and its subsidiaries

Condensed consolidated statement of changes in equity (continued)

for the three month period ended 31 March 2017

	-----Attributable to owners of the Company-----											Non- controlling interests (NCI)	Total equity	
	-----Reserves-----													
	Share capital	Share premium	Legal reserve	Translation reserves	Hyper inflation reserve	Hedging reserve	General reserves	Capital reserve	Retained earnings	Total reserves	Total equity			
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Balance at 1 January 2017 (audited)	858,398	221,667	486,483	(103,005)	(92,117)	5,944	82,805	53,866	990,262	1,645,905	2,504,303	175,777	2,680,080	
Total comprehensive income for the period (unaudited)														
Profit for the period	-	-	-	-	-	-	-	-	54,968	54,968	54,968	9,496	64,464	
<i>Other comprehensive income</i>														
Foreign currency translation differences	-	-	-	5,929	(127)	-	-	-	-	5,802	5,802	(1,061)	4,741	
Reclassification of foreign currency translation reserve to profit or loss (refer note 26)	-	-	-	128	-	-	-	-	-	128	128	-	128	
Changes in cash flow hedges	-	-	-	-	-	922	-	-	-	922	922	-	922	
	---	---	---	-----	-----	-----	---	---	-----	-----	-----	-----	-----	
Total comprehensive income for the period	-	-	-	6,057	(127)	922	-	-	54,968	61,820	61,820	8,435	70,255	
<i>Other equity movements (unaudited)</i>														
Transfer to legal reserve	-	-	14,240	-	-	-	-	-	(14,240)	-	-	-	-	
<i>Transactions with owners of the Company directly recorded in equity (unaudited)</i>														
Capitalization of retained earnings	-	-	-	-	-	-	-	5,570	(5,570)	-	-	-	-	
Dividend declared (refer note 22(i))	-	-	-	-	-	-	-	-	(128,760)	(128,760)	(128,760)	-	(128,760)	
Dividend distributed to NCI	-	-	-	-	-	-	-	-	-	-	-	(21,309)	(21,309)	
Change in NCI due to acquisition and disposal (refer note 26)	-	-	-	-	-	-	-	-	-	-	-	(16,705)	(16,705)	
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	
At 31 March 2017 (unaudited)	858,398	221,667	500,723	(96,948)	(92,244)	6,866	82,805	59,436	896,660	1,578,965	2,437,363	146,198	2,583,561	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	

The notes on pages 10 to 26 are an integral part of these condensed consolidated interim financial information.

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2017 (unaudited)

1 Reporting entity

R.A.K Ceramics PJSC ("the Company") was incorporated under Emiri Decree No. 6/89 dated 26 March 1989 as a limited liability company in the Emirate of Ras Al Khaimah, UAE. Subsequently, under the Emiri Decree No. 9/91 dated 6 July 1991, the legal status of the Company was changed to a Public Shareholding Company. The registered address of the Company is P.O. Box 4714 Al Jazeerah, Al Hamra City, Ras Al Khaimah, United Arab Emirates. The Company is listed on the Abu Dhabi Securities Exchange, UAE.

The condensed consolidated interim financial information as at and for the three month period ended 31 March 2017 ("the current period") comprise the Company and its subsidiaries (collectively referred to as "the Group") and the Group's interest in equity accounted investees.

The principal activities of the Company are manufacturing and sale of a variety of ceramic products including tiles, bathroom sets and sanitary wares. The Company and certain entities in the Group are also engaged in investing in other entities, in UAE or globally, that undertake similar or ancillary activities. Accordingly, the Company also acts as a Holding Company of the Group entities. The Group is also engaged in contracting and other industrial manufacturing activities.

2 Basis of preparation

Statement of compliance

The condensed consolidated interim financial information has been prepared in accordance with the International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. The condensed consolidated interim financial information does not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2016. In relation to the compliance with the relevant articles of the Company and the UAE Federal Law No. (2) of 2015, the following note should also be referred:

UAE Federal Law No. (2) of 2015 being the Commercial Companies Law ("UAE Companies Law of 2015") was issued on 1 April 2015 to come into force on 1 July 2015 repealing the old UAE Federal Law No. 8 of 1984 (as amended). Companies are mandated to comply with the UAE Companies Law of 2015 by 30 June 2017.

Accounting estimates and judgments

In preparing these condensed consolidated interim financial information, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as to those that were applied in the preparation of the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2017 (unaudited)

3 Significant accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial information are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2016.

4 New standards, interpretations and amendments

A number of new standards and amendments to standards are effective for periods beginning after 1 January 2018 and that are also available for early adoption. However, the Group does not plan to adopt these standard early.

- *IFRS 9 Financial Instruments*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

- *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. 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.

- *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 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. Early adoption is permitted provided IFRS 15 *Revenue from Contract with Customers* is also applied by the Group.

The Group is assessing the potential impact on its condensed consolidated financial information resulting from the application of above mentioned IFRSs.

5 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2016.

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2017 (unaudited)

6 Cost of sales (excluding write off and provision for inventories)

	Three month period ended 31 March	
	2017	2016
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Raw materials consumed	212,070	212,704
Change in inventory of finished goods	5,832	5,294
Direct labour	63,557	68,265
Power and fuel	41,488	48,596
LPG and natural gas	45,347	60,334
Depreciation on property, plant and equipment (refer note 12)	32,849	38,506
Repairs and maintenance	28,654	35,132
Packing material expenses	24,550	27,576
Sub-contractors' fee	24	591
Others	10,915	12,882
	-----	-----
	465,286	509,880
	=====	=====

7 Administrative and general expenses

	Three month period ended 31 March	
	2017	2016
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Staff costs	23,396	27,722
Depreciation on property, plant and equipment (refer note 12)	4,669	4,809
Depreciation on investment properties	2,462	2,171
Telephone, postal and office supplies	1,353	2,158
Repairs and maintenance	2,165	1,813
Legal and professional fee	3,080	2,649
Rental expenses	414	250
Utility expenses	1,121	1,391
Security charges	436	588
Amortisation of intangible assets	1,187	957
Others	12,029	11,553
	-----	-----
	52,312	56,061
	=====	=====

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2017 (unaudited)

8 Selling and distribution expenses

	Three month period ended 31 March	
	2017 AED'000 (Unaudited)	2016 AED'000 (Unaudited)
Staff costs	32,139	26,853
Freight and transportation	28,806	30,451
Performance rebates	20,187	14,900
Advertisement and promotions expenses	16,279	11,856
Rental expenses	4,571	4,665
Travel and entertainment expenses	1,673	501
Depreciation on property, plant and equipment (refer note 12)	367	318
Others	6,303	5,872
	-----	-----
	110,325	95,416
	=====	=====

9 Finance costs and income

	Three month period ended 31 March	
	2017 AED'000 (Unaudited)	2016 AED'000 (Unaudited)
(i) Finance costs		
Interest on bank financings	9,294	10,497
Profit expense on Islamic financings	6,249	2,764
Interest on amounts due to related parties (refer note 19)	-	29
Net change in the fair value of derivatives	85	289
Bank charges	930	918
Net foreign exchange loss	-	283
	-----	-----
Total (A)	16,558	14,780
	=====	=====
(ii) Finance income		
Interest on fixed deposits	963	833
Interest on Wakala deposits	194	-
Interest on amount due from related parties (refer note 19)	-	15
Net change in the fair value of derivatives	125	-
Net foreign exchange gain	1,649	-
Others	172	155
	-----	-----
Total (B)	3,103	1,003
	=====	=====
Net finance costs recognised in the profit or loss (A-B)	13,455	13,777
	=====	=====

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2017 (unaudited)

10 Impairment, provision and write offs

	Three month period ended 31 March	
	2017	2016
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Write off and provision for inventories		
Provision for slow moving and obsolete inventory - net	92	2,022
Inventories written off	-	1,461
	---	-----
A	92	3,483
	==	=====
Impairment of trade receivables and due from related parties		
Provision for impairment loss - net	B 1,661	8,733
	=====	=====
A+B	1,753	12,216
	=====	=====

11 Goodwill

	31 March 2017	31 December 2016
	AED'000	AED'000
	(Unaudited)	(Audited)
Balance as at 1 January	61,780	50,356
Add: acquisition through business combination	-	24,347
	-----	-----
	61,780	74,703
Less: impairment loss	-	(12,923)
Less: effect of movements in exchange rate	(256)	-
	-----	-----
Balance as at 31 March / 31 December	61,524	61,780
	=====	=====

Goodwill represents an amount of AED 50.36 million, AED 5.61 million and AED 5.55 million recognized on the acquisition of Ceramin FZ LLC, RAK Ceramics UK Limited and RAK Distribution Europe S.A.R.L respectively. Goodwill arising from a business combination is tested annually for impairment.

During the previous year, based on the assessment, the Group had recorded an impairment loss amounting to AED 12.92 million on goodwill recorded on the acquisition of RAK Germany GmbH.

12 Property, plant and equipment and capital work in progress

Additions, disposal and depreciation (unaudited)

During the three month period ended 31 March 2017, the Group acquired property, plant and equipment and made additions to capital work in progress amounting to AED 26.91 million (*three month period ended 31 March 2016: AED 100.08 million*). This amount excludes the assets acquired through a business combination with a net book value of AED 0.66 million (*three month period ended 31 March 2016: AED 8.87 million*). Refer note 26.

Property, plant and equipment with net book value of AED 0.71 million were disposed during the current period (*three month period ended 31 March 2016: AED 0.49 million*) resulting in a gain on disposal of AED 11.06 million (*three month period ended 31 March 2016: gain of AED 0.77 million*) which is included in other income in the condensed consolidated statement of profit or loss. This amount excludes the assets disposed off, on the disposal of subsidiaries with the net book value of AED 3.47 million. Refer note 26.

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2017 (unaudited)

12 Property, plant and equipment and capital work in progress (continued)

Additions, disposal and depreciation (unaudited)(continued)

Depreciation charge on property, plant and equipment for the current period amounted to AED 37.89 million (*three month period ended 31 March 2016: AED 43.63 million*).

13 Investments in equity accounted investees

Effective 1 January 2017, due to a change in composition of Board of Directors of Restofair RAK LLC (a jointly controlled entity until 31 December 2016), the Group can now exercise control over the financial and operating policies of the investee. Accordingly, the acquisition has been accounted for from the date when the group acquired the control. Also refer note 26.

The Group's share of profit in equity accounted investees for the three month period ended 31 March 2017 amounted to AED 4.62 million (*three month period ended 31 March 2016: AED 6.19 million*).

The Group has received AED 0.10 million as dividends during the current period from its equity accounted investees (*three month period ended 31 March 2016: AED 0.99 million*).

During the three month period ended 31 March 2016, the Group acquired the remaining 50% equity interests of its two equity accounted investees namely, RAK Ceramics UK and RAK Ceramics GMBH, at a total consideration of AED 7.49 million. Also refer note 26.

14 Inventories

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Finished goods (net of net realisable value adjustments)	833,355	827,522
Less: provision for slow moving and obsolete inventories	(118,043)	(122,357)
	-----	-----
	715,312	705,165
Raw materials	230,991	236,705
Goods-in-transit	53,424	59,851
Work-in-progress	24,592	25,532
Stores and spares	191,474	209,920
	-----	-----
	1,215,793	1,237,173
Less: provision for slow moving raw materials and stores and spares	(58,868)	(57,853)
	-----	-----
	1,156,925	1,179,320
	=====	=====

At 31 March 2017, the Group has recognised a cumulative loss due to write-down of finished goods inventories of AED 71.92 million against the cost of AED 290.86 million (*31 December 2016: AED 56.46 million against the cost of AED 350.78 million*) to bring them to their net realisable value which was lower than their cost. The difference in write down of AED 15.46 million (*three month period ended 31 March 2016: AED 6.09 million*) is included in cost of sales in the condensed consolidated statement of profit or loss (refer note 6).

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2017 (unaudited)

15 Trade and other receivables

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Trade receivables	1,027,672	1,022,340
Less: allowance for impairment loss	(177,418)	(184,017)
	-----	-----
	850,254	838,323
Advances and prepayments	163,098	154,437
Deposits	16,796	16,800
Other receivables (refer note (i) below)	152,764	123,179
	-----	-----
	1,182,912	1,132,739
	=====	=====

(i) Long term other receivables

Total amount receivable	169,045	139,045
Less: current portion	(68,603)	(44,082)
	-----	-----
Long term portion	100,442	94,963
	=====	=====

The above long term other receivable include amounts receivable on disposal of a subsidiary and carries interest at normal commercial rates and is partially secured by post-dated cheques. The Group's management is of the view that this amount is fully recoverable.

16 Cash in hand and at bank

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Cash in hand	2,915	1,808
Cash at bank		
- in fixed deposits	161,388	163,223
- in wakala deposits	25,000	25,000
- in current accounts	197,864	227,724
- in margin deposits	1,642	1,055
- in call accounts	2,163	5,650
	-----	-----
	390,972	424,460
	=====	=====

Cash in hand and cash at bank includes AED 0.54 million (31 December 2016: AED 0.62 million) and AED 85.95 million (31 December 2016: AED 63.08 million) respectively, held outside UAE.

Fixed deposits are placed with banks for an original maturity period of less than three months and carry interest at normal commercial rates and include AED 0.36 million (31 December 2016: AED 22.08 million) which are held by banks under lien against bank facilities availed by the Group. Wakala deposits carry profit at rates agreed with the Islamic banks and were placed with banks for an original maturity period of less than three months.

Margin deposits and current accounts are non-interest bearing accounts.

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2017 (unaudited)

17 Share capital

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
<i>Authorised, issued and paid up</i>		
170,000,000 shares of AED 1 each paid up in cash	170,000	170,000
688,398,310 shares of AED 1 each issued as bonus shares	688,398	688,398
	-----	-----
	858,398	858,398
	=====	=====

18 Trade and other payables

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Trade payables	300,717	342,954
Accrued and other expenses	251,949	241,192
Advances from customers	54,303	38,395
Commissions and rebates payables	61,313	64,960
Others payables	45,876	27,540
	-----	-----
	714,158	715,041
	=====	=====

19 Related party transactions

The Group, in the ordinary course of business, enters into transactions with other business enterprises that fall within the definition of related parties as contained in International Accounting Standard 24 “*Related Party Disclosures*”. The management approves prices and terms of payment for these transactions and these are carried out at mutually agreed rates. The significant transactions entered into by the Group with related parties during the period, other than those disclosed elsewhere in these condensed consolidated interim financial information are as follows:

	Three month period ended 31 March 2017 AED'000 (Unaudited)	31 March 2016 AED'000 (Unaudited)
Sale of goods and services and construction contracts	48,235	56,764
Purchase of goods and rendering of services	59,170	66,573
Interest income	-	15
Interest expense	-	29
	=====	=====
<i>Compensation to key management personnel:</i>		
Short-term benefits	3,151	5,454
Staff terminal benefits	59	60
Board of Directors' remuneration	-	3,700
	=====	=====

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2017 (unaudited)

19 Related party transactions (continued)

Due from related parties

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Equity accounted investees	302,623	311,636
Other related parties	34,374	67,743
	-----	-----
	336,997	379,379
Less: allowance for impairment loss	(74,683)	(74,659)
Less: long term receivables (refer note (i) below)	(1,695)	(3,446)
	-----	-----
	260,619	301,274
	=====	=====

Due to related parties

Other related parties	50,888	49,451
	=====	=====

(i) Long term receivables

Total amount receivable	5,086	6,892
Less: current portion	(3,391)	(3,446)
	-----	-----
Long term portion	1,695	3,446
	=====	=====

20 Bank financing arrangements

(a) Islamic bank financings

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
(i) Short term		
Mudaraba facilities (A)	83,452	137,955
Commodity murabaha facilities (B)	293,322	85,000
Ijarah facilities (C)	-	154,288
Current portion of long term financing (refer below)	96,904	93,302
	-----	-----
	473,678	470,545
	=====	=====

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2017 (unaudited)

20 Bank financing arrangements (continued)

(a) Islamic bank financings (continued)

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
(ii) Long term - Commodity Murabaha facilities		
Balance as at 1 January	508,932	-
Availed during the period/year	-	570,923
Less: repaid during the period/year	(20,664)	(61,991)
	-----	-----
Balance as at 31 March/31 December	488,268	508,932
Less: current portion (refer above)	(96,904)	(93,302)
	-----	-----
Long term portion	391,364	415,630
	=====	=====

The securities provided against these facilities are similar to those mentioned in the consolidated financial statements of the Group for the year ended 31 December 2016.

- (A) Mudaraba is a mode of Islamic financing where a contract is entered into between two parties whereby one party (Bank) provides fund to another party (the Group) who then invest in activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit.
- (B) In Murabaha Islamic financing, a contract is entered into between two parties whereby one party (Bank) purchases an asset and sells to another party (the Group), on a deferred payment basis at a pre-agreed profit.
- (C) Ijarah is another mode of Islamic financing where a contract is entered into between two parties whereby one party (Bank) purchases/acquires an asset, either from a third party or from the Group and leases it to the Group against certain rental payments and for a specific lease period.

(b) Interest bearing bank financings

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
(i) Short term		
Bank overdrafts	59,807	8,734
Short term loans	130,989	99,253
Current portion of long-term bank loans (refer below)	206,188	197,708
	-----	-----
	396,984	305,695
	=====	=====

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2017 (unaudited)

20 Bank financing arrangements (continued)

(b) Interest bearing bank financings (continued)

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
(ii) Long term bank loans		
Balance as at 1 January	1,090,007	1,500,686
Add: availed during the period/year	-	220,243
Less: repaid during the period/year	(26,480)	(630,922)
	-----	-----
Balance as at 31 March/31 December	1,063,527	1,090,007
Less: current portion (refer above)	(206,188)	(197,708)
	-----	-----
Long term portion	857,339	892,299
	=====	=====

The details of the long term bank loans, including terms of repayment, interest rate and security provided are mentioned in the consolidated financial statements of the Group for the year ended 31 December 2016.

21 Derivative financial instruments

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts analysed by term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the reporting date and are neither indicative of the market risk nor credit risk.

	Positive/ (negative) fair value AED'000	Notional amount AED'000	Maturity within 1 year AED'000	Maturity within 2-5 years AED'000	Maturity more than 5 years AED'000
31 March 2017 (Unaudited)					
Interest rate swaps used for hedging*	6,866	411,680	74,134	296,537	41,009
Forward exchange contracts	125	20,565	20,565	-	-
Other interest rate swaps	(85)	150,000	-	150,000	-
	-----	-----	-----	-----	-----
	6,906	582,245	94,699	446,537	41,009
	=====	=====	=====	=====	=====
31 December 2016 (Audited)					
Interest rate swaps used for hedging*	5,944	411,681	55,601	339,676	16,404
	-----	-----	-----	-----	-----
	5,944	411,681	55,601	339,676	16,404
	=====	=====	=====	=====	=====

* Designated as a cash flow hedging instrument.

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2017 (unaudited)

21 Derivative financial instruments (continued)

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. As at 31 March 2017, the Group held the following classes of financial instruments measured at fair value:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
31 March 2017 (Unaudited)			
<i>Financial assets- net</i>			
Interest rate swaps used for hedging	-	6,866	-
Forward exchange contracts	-	125	-
Other interest rate swaps	-	(85)	-
	--	-----	--
	-	6,906	-
	=	=====	=
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
31 December 2016 (Audited)			
<i>Financial asset</i>			
Derivative financial assets	-	5,944	-
	--	-----	--
	-	5,944	-
	=	=====	=

During the three-month period ended 31 March 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Valuation techniques

Derivative financial assets

The fair values of interest rate swaps/ forward contracts are based on quotation / rates provided by the counterparty banks and financial institutions.

Other financial assets and liabilities

The Group has not disclosed the fair values of other financial instruments such as trade and other receivables, due from / due to related parties, trade and other payables and bank financing arrangements because their fair value approximates to their book values due to the current nature of these instruments as the effect of discounting is immaterial. In case they are non-current in nature, the fair value is estimated based on the present value of future cash flows, discounted at the market rate of interest at the reporting date.

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2017 (unaudited)

22 Dividend and Directors' fee

- (i) At the Annual General Meeting (AGM) held on 14 March 2017, the shareholders approved a cash dividend of 15 %, which was proposed by the Board of Directors.
- (ii) At the Annual General Meeting (AGM) held on 14 March 2017, the Directors of the Company waived their remuneration for the year ended 31 December 2016 (2015: the shareholders approved the directors' remuneration amounting AED 3.7 million).

23 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding as at 31 March 2017, calculated as follows:

	Three month period ended	
	31 March 2017 AED'000 (Unaudited)	31 March 2016 AED'000 (Unaudited)
Earnings per share		
Net profit attributable to owners of the Company (AED'000)	54,968 =====	57,802 =====
Weighted average number of shares outstanding ('000s)	858,398 =====	858,398 =====
Earnings per share (AED)	0.06 ===	0.07 ===

There was no dilution effect on the basic earnings per share as the Company does not have any such outstanding commitment as at the reporting date.

24 Contingent liabilities and commitments

The Company has issued corporate guarantees for loans and advances from commercial banks obtained by related parties including subsidiaries and joint ventures.

25 Operating lease

As lessor:

Certain Group entities lease out their investment properties under operating leases. The leases typically run for a period of more than five years, with an option to renew the lease after that date. Lease rentals are usually reviewed periodically to reflect market rentals.

	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Less than one year	33,023	30,884
Between two and five years	36,372	67,226
More than five years	88,656	95,000
	158,051 =====	193,110 =====

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2017 (unaudited)

26 Acquisition and disposal of subsidiaries

Acquisition of a subsidiary in 2017

Effective 1 January 2017, due to change in the composition of the Board of Directors of Restofair RAK LLC (a jointly controlled entity until 31 December 2016), the Group can now exercise control over the financial and operating policies of the investee. Considering that the Group has the power to control activities and operations of investee, the acquisition accounting has been based on book values at the date when the Group acquired control. The Group is in the process of finalising legal formalities in the relation to the acquisition. Restofair RAK LLC is engaged mainly in the trading in catering equipment and undertaking turnkey contracting projects.

The fair value which represents the book values of the identifiable assets and liabilities of Restofair RAK LLC acquired by the Group were as follows:

	AED'000
Property, plant and equipment	663
Inventories	7,056
Trade and other receivables	12,817
Cash in hand and at bank	12,701

Total assets	33,237
Less: total liabilities	(11,369)

Net assets acquired	21,868
	=====
Fair value of pre-existing interest in Restofair RAK LLC (refer note 13)	10,278
	=====
Increase in non-controlling interests	11,590
	=====

In the period from acquisition of controlling interests in Restofair RAK LLC up to 31 March 2017, the newly acquired subsidiary contributed revenue of AED 16.24 million and profit of AED 2.91 million to the Group's result.

Acquisition of subsidiaries in 2016

- (i) During the period ended 31 March 2016, the Group had acquired the remaining 50% equity interest in its previously equity accounted investees namely, RAK Ceramics UK Limited and RAK Ceramics GmbH and converted them into wholly owned subsidiaries.

The fair values of the identifiable assets and liabilities of RAK Ceramics UK Limited and RAK Ceramics GmbH acquired by the Group were as follows:

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2017 (unaudited)

26 Acquisition and disposal of subsidiaries (continued)

Acquisition of subsidiaries in 2016 (continued)

	RAK Ceramics UK Limited AED'000	RAK Ceramics GmbH AED'000	Total AED'000
Total assets	21,905	80,240	102,145
Less: total liabilities	(18,337)	(93,062)	(111,399)
	-----	-----	-----
Net assets / (liabilities)	3,568	(12,822)	(9,254)
Less: fair value of pre-existing interests	(1,784)	-	(1,784)
	-----	-----	-----
Net assets acquired / (liabilities) assumed	1,784	(12,822)	(11,038)
Less: consideration	(7,390)	(101)	(7,491)
	-----	-----	-----
(Goodwill)	(5,606)	(12,923)	(18,529)
	=====	=====	=====

Disposal of subsidiaries in 2017

During the current period, the Group has disposed of its entire shareholding of 51.08%, 50% and 10% shareholding in Electro RAK LLC, Emirates Heavy Engineering LLC and Encom Trading LLC respectively and recognised a cumulative gain of AED 3.82 million. The disposal resulted in a decrease in non-controlling interests of AED 28.30 million.

The effect of disposals of subsidiaries on the condensed consolidated interim financial information of the Group is as below:

	AED'000
Assets	
Property, plant and equipment	3,471
Inventories	17,031
Trade and other receivables	66,012
Cash in hand and at bank*	30,175
Other current assets	28,171

	144,860
Liabilities	
Borrowings	(2,984)
Trade and other payables	(72,527)

Net assets	69,349
Less: net assets attributable to non-controlling interests	(28,295)

Net assets attributable to parent (A)	41,054
Consideration (B)	45,000

Gain on disposal (B-A)	3,946
Less: foreign currency translation loss reclassified to the profit or loss	(128)

Gain on disposal – net	3,818
	=====

*The amount includes AED 20.59 million of fixed deposits on lien.

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2017 (unaudited)

26 Acquisition and disposal of subsidiaries (continued)

Disposal of subsidiaries in 2016

There was no disposal of any subsidiary during the three month period ended 31 March 2016.

27 Segment reporting

The Group has broadly three reportable segments as described below, which are the Group's strategic business units. The strategic business units operate in different sectors and are managed separately because they require different strategies. The following summary describes the operation in each of the Group's reportable segments:

<i>Ceramic products</i>	includes manufacture and sale of ceramic wall and floor tiles, Gres Porcellanato and bathware products.
<i>Contracting</i>	includes construction projects and civil works.
<i>Other industrial</i>	includes manufacturing and distribution of power, table ware, paints, plastic, mines and faucets.
<i>Others</i>	other operations include, trading, travel, warehousing and trading in catering and turnkey contracting projects.

Information regarding the operations of each separate segment is included below. Performance is measured based on segment profit as management believes that profit is the most relevant factor in evaluating the results of certain segments relative to other entities that operate within these industries. There are regular transactions between the segments and any such transaction is priced on mutually agreed terms.

	Ceramic products AED'000	Contracting AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
<i>Three month period ended 31 March 2017 (Unaudited)</i>						
External revenue	568,623	28,035	78,554	5,909	-	681,121
Inter segment revenue	62,688	1,152	59,411	1,540	(124,791)	-
Total revenue	631,311	29,187	137,965	7,449	(124,791)	681,121
Segment profit for the period	84,928	13,186	18,652	(3,592)	(48,710)	64,464
<i>As at 31 March 2017 (Unaudited)</i>						
Total assets	6,323,567	264,473	546,008	355,652	(1,787,095)	5,702,605
Total liabilities	3,364,102	94,215	156,864	111,060	(607,197)	3,119,044

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2017 (unaudited)

27 Segment reporting (continued)

	Ceramic products AED'000	Contracting AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
<i>Three month period ended 31 March 2016 (Unaudited)</i>						
External revenue	607,491	62,596	56,345	9,288	-	735,720
Inter segment revenue	74,580	2,892	47,951	3,277	(128,700)	-
Total revenue	<u>682,071</u>	<u>65,488</u>	<u>104,296</u>	<u>12,565</u>	<u>(128,700)</u>	<u>735,720</u>
Segment profit for the period	<u>51,286</u>	<u>11,572</u>	<u>20,990</u>	<u>4,768</u>	<u>(22,756)</u>	<u>65,860</u>
<i>As at 31 December 2016 (Audited)</i>						
Total assets	<u>6,225,732</u>	<u>405,025</u>	<u>519,017</u>	<u>373,858</u>	<u>(1,767,378)</u>	<u>5,756,254</u>
Total liabilities	<u>3,217,834</u>	<u>173,546</u>	<u>127,722</u>	<u>129,593</u>	<u>(572,521)</u>	<u>3,076,174</u>

Reconciliation of reportable segment profit or loss

	31 March 2017 AED'000 (Unaudited)	31 March 2016 AED'000 (Unaudited)
Total profit or loss for reportable segments after tax	108,559	82,428
Elimination of inter-segment profits	(48,710)	(22,756)
Share of profit of equity accounted investees	4,615	6,188
	<u>64,464</u>	<u>65,860</u>