



Condensed consolidated interim financial information  
*30 September 2017*

# **RAK Ceramics PJSC and its Subsidiaries**

Condensed consolidated interim financial information  
*30 September 2017*

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## Report of the Board of Directors

On financial performance during the nine months ending 30 September 2017

05 November 2017

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### Dear Members,

It is our pleasure to present the business & operations report for the nine month period, ending 30 September 2017, along with the Condensed Consolidated Interim Financial Information for the same period. The third quarter of current year has also consecutively shown positive and promising results. We continued delivering the results from our Value Creation Plan by investing in core business growth, focus to increase market share in the UAE, optimized production in the UAE, initiatives taken in India & Bangladesh to push sales, keeping manufacturing costs & overheads under control. These initiatives have resulted in overall good performance.

The UAE market continued its strong growth led by robust project sales. Saudi Arabia has continued to show steady recovery. We completed acquisition of one Saudi JV in October 2017 and another acquisition is underway. In India, we have acquired 51% equity stake in one ceramic tile manufacturing facility in Morbi, Gujarat having annual capacity of 3mn sqm. We are also evaluating expansion of the acquired plant by another 3mn sqm and further acquisition of a vitrified tile plant. These acquisitions will add 10mn sqm capacity and RAK India will have better access to a flexible, efficient and low cost manufacturing base close to major markets in the North and West of India.

### Financial & Operating Results

The company reported a net profit of AED 84.7 million for the third quarter which represents a strong year on year ("YoY") increase of 365% compared to Q3 2016. Like for like profit (excluding extraordinary net gain and provision) increased by 117% YoY and 2.3% QoQ to AED 87.0 million.

Total revenues increased by 9.2% YoY to AED 705.2 million. Core revenues for the third quarter increased by 14.1% YoY at AED 643.6 million due to strong growth in UAE, Saudi Arabia, India & Bangladesh, and decreased slightly by 2.7% quarter on quarter ("QoQ") due to seasonality. Core revenues contributed 91.4% of total revenues following a decline of 24.2% YoY in non-core revenue, being in line with the company's strategy to divest non-core operations and delivering on the VCP.

The company continued to show positive momentum in core gross margins which increased by 300 bps YoY, at 32.7%. Tile gross margins increased to 28.4%, the highest quarterly result in 3 years. Improvements were driven by production efficiencies and cost savings in raw material across UAE and Bangladesh tile plants.

Overall EBITDA for the quarter increased to AED 149.0 million with an EBITDA margin of 21.1% which is a 5 year high. The increase in profits and the continued exits in non-core assets resulted in high return on equity of 12.3% for shareholders for the quarter.

**Financial highlights for the six months' period ending 30-September-2017**

Particulars	Unit	YTD 2017 September 30	YTD 2016 September 30	Change
Total Revenue	AED Mio	2,107.4	2,138.0	(1.4%)
Gross Profit	AED Mio	677.5	635.4	6.6%
GP Margin	%	32.1%	29.7%	240 bps
EBITDA	AED Mio	410.6	382.8	7.3%
EBITDA Margin	%	19.5%	17.9%	160 bps
Reported Net Income	AED Mio	262.3	149.4	75.6%
Reported Profit after NCI (Minority)	AED Mio	230.3	124.1	85.6%
Reported Earnings per share	AED	0.27	0.14	92.9%
Reported Earnings per share from Continuing Operations	AED	0.27	0.14	92.9%
		2017 September 30	2016 December 31	Change
Total Assets	AED Mio	5,885.6	5,756.3	2.2%
Share Capital	AED Mio	858.4	858.4	-
Shareholders' Equity	AED Mio	2795.4	2,680.1	4.3%
Net Debt	AED Mio	1,540.2	1,659.7	7.2%
Net Debt / EBITDA	Times	3.0	3.4	
Cost of Debt	%	3.1%	2.9%	

**Corporate Social Responsibility, Exhibitions, Awards & Other Activities****Corporate Social Responsibility**

**Tiles Donation to GEMS Academy** – RAK Ceramics donated tiles for a summer camp event, in which school children created art and craft projects

**Awards**

**Stevie International Business Awards** - RAK Ceramics won a Gold Stevie Award in the 'Re-branding/ Brand renovation of the year' category

## Exhibitions

**Cersaie 2017** - RAK Ceramics participated in the Cersaie exhibition at Bologna, Italy in last week of September 2017. The Company continued to provide its customers with 'Room for Imagination' and presented them a complete lifestyle solutions collection of tiles, sanitary ware and complementary bathroom furniture and accessories at the exhibition. New collections exhibited include 41 ceramic & porcelain tiles including "Maximus", rimless sanitary-ware, shower trays and "Karbon" collection in tableware.

## Visits

The UAE facility of the Company was visited by following government officials and business groups during the third quarter.

- VIP Visit of the Ambassador of India to the UAE
- Spanish Business Council
- French Business Council
- The Crown Prince, Princess and the Deputy Prime Minister of Luxembourg heading a Government delegation, businessmen and the press

## Future Outlook

Looking towards 2017 and beyond, we are refining our VCP focus on the next set of initiatives that will create value for shareholders. Immediate priorities include reviving and expanding our Indian business, leveraging investments in Europe distribution, expanding the GCC manufacturing footprint, continuous product differentiation, building Brand Image and better integrating the taps and faucets business. We are confident these initiatives will ensure long term profitability and deliver our promise of unlocking value to the shareholders.

## Financial Reporting

Consolidated Financial Statements of the Company, prepared in accordance with International Financial Reporting Standards (IFRSs), fairly present its financial position, the result of its operations, cash flows and changes in equity.


Appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgments. There are no matters which call into question the company's ability to continue as a going concern.

## Vote of Thanks

The Board would like to take this opportunity to thank Government bodies, the shareholders, investors, bankers & employees for their continuous commitment, co-operation, confidence & continuous support in achieving the company's objectives.



Chairman



Director

6 5 NOV 2017



Chief Executive Officer

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

Condensed consolidated  
interim financial information  
*30 September 2017*

# R.A.K Ceramics PJSC and its subsidiaries

## Condensed consolidated interim financial information

30 September 2017

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## **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 30 September 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 30 September 2017;
- the condensed consolidated statement of profit or loss for the three-month and nine-month periods ended 30 September 2017;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2017;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2017;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2017; and
- notes to the condensed consolidated 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 30 September 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: **05 NOV 2017**

# R.A.K Ceramics PJSC and its subsidiaries

## Condensed consolidated statement of profit or loss (unaudited)

for the three month and nine month periods ended 30 September 2017

		Nine month period ended 30 September		Three month period ended 30 September	
		2017	2016	2017	2016
	Note	AED'000	AED'000	AED'000	AED'000
Revenue		<b>2,107,440</b>	2,138,017	<b>705,240</b>	645,738
Cost of sales (excluding write off and provision for inventories)	6	<b>(1,429,861)</b>	(1,489,031)	<b>(482,997)</b>	(449,193)
Write off and provision for inventories	10	<b>(114)</b>	(13,550)	<b>(408)</b>	(6,306)
		-----	-----	-----	-----
<b>Gross profit</b>		<b>677,465</b>	635,436	<b>221,835</b>	190,239
Administrative and general expenses	7	<b>(157,076)</b>	(177,565)	<b>(50,503)</b>	(64,974)
Impairment of trade receivables and due from related parties	10	<b>(33,735)</b>	(21,470)	<b>(2,289)</b>	(9,149)
Selling and distribution expenses	8	<b>(305,831)</b>	(273,607)	<b>(92,053)</b>	(88,121)
Other income		<b>56,838</b>	37,283	<b>14,719</b>	8,357
		-----	-----	-----	-----
<b>Operating profit</b>		<b>237,661</b>	200,077	<b>91,709</b>	36,352
Finance costs	9(i)	<b>(52,197)</b>	(53,541)	<b>(18,010)</b>	(16,789)
Finance income	9(ii)	<b>19,363</b>	2,298	<b>13,155</b>	787
Share of profit in equity accounted investees	13	<b>11,998</b>	13,794	<b>3,666</b>	1,458
Gain on disposal of equity accounted investee	13(i)	<b>57,899</b>	-	<b>-</b>	-
Gain on disposal of a subsidiary	26(c)(i)	<b>3,818</b>	-	<b>-</b>	-
		-----	-----	-----	-----
<b>Profit before tax</b>		<b>278,542</b>	162,628	<b>90,520</b>	21,808
Tax expense		<b>(16,194)</b>	(13,222)	<b>(5,831)</b>	(3,578)
		-----	-----	-----	-----
<b>Profit for the period</b>		<b>262,348</b>	149,406	<b>84,689</b>	18,230
		=====	=====	=====	=====
<i>Profit attributable to:</i>					
Owners of the Company		<b>230,349</b>	124,139	<b>74,295</b>	11,374
Non-controlling interests		<b>31,999</b>	25,267	<b>10,394</b>	6,856
		-----	-----	-----	-----
<b>Profit for the period</b>		<b>262,348</b>	149,406	<b>84,689</b>	18,230
		=====	=====	=====	=====
<b>Earnings per share</b>					
- basic (AED)	23	<b>0.27</b>	0.14	<b>0.09</b>	0.01
		====	====	====	====

The notes on pages 10 to 27 are an integral part of this 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 and nine month periods ended 30 September 2017

		Nine month period ended 30 September		Three month period ended 30 September	
		2017	2016	2017	2016
	Note	AED'000	AED'000	AED'000	AED'000
<b>Profit for the period</b>		<b>262,348</b>	149,406	<b>84,689</b>	18,230
<b>Other comprehensive income</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Foreign currency translation differences		<b>(3,198)</b>	(5,588)	<b>(7,471)</b>	1,641
Reclassification of foreign currency translation reserve on disposal of a subsidiary	26(c)(i)	<b>128</b>	-	-	-
Cash flow hedges – effective portion of changes in fair value		<b>239</b>	(433)	<b>330</b>	1,259
<b>Total comprehensive income for the period</b>		<b>259,517</b>	143,385	<b>77,548</b>	21,130
<i>Total comprehensive income attributable to:</i>					
Owners of the Company		<b>230,302</b>	118,027	<b>68,638</b>	14,228
Non-controlling interests		<b>29,215</b>	25,358	<b>8,910</b>	6,902
<b>Total comprehensive income for the period</b>		<b>259,517</b>	143,385	<b>77,548</b>	21,130

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# R.A.K Ceramics PJSC and its subsidiaries


## Condensed consolidated statement of financial position

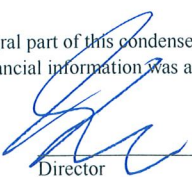
as at 30 September 2017

	Note	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment and capital work-in-progress	12	1,152,218	1,226,534
Goodwill	11	61,950	61,780
Intangible assets		27,826	28,332
Investment properties		1,193,593	1,169,060
Investments in equity accounted investees	13	50,358	112,378
Long term receivables	15(i) & 19(i)	137,762	98,409
Deferred tax assets		1,291	2,753
		<u>2,624,998</u>	<u>2,699,246</u>
<b>Current assets</b>			
Inventories	14	1,151,321	1,179,320
Trade and other receivables	15	1,289,954	1,132,739
Contract work-in-progress		2,464	13,271
Due from related parties	19	314,910	301,274
Derivative financial assets	21	3,928	5,944
Cash in hand and at bank	16	498,064	424,460
		<u>3,260,641</u>	<u>3,057,008</u>
<b>Total assets</b>		<u>5,885,639</u>	<u>5,756,254</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	17	858,398	858,398
Reserves		1,762,597	1,645,905
		<u>2,620,995</u>	<u>2,504,303</u>
<b>Equity attributable to owners of the Company</b>		<u>2,620,995</u>	<u>2,504,303</u>
Non-controlling interests		174,353	175,777
		<u>2,795,348</u>	<u>2,680,080</u>
<b>Total equity</b>		<u>2,795,348</u>	<u>2,680,080</u>
<b>Liabilities</b>			
Islamic bank financings	20(a)(ii)	378,047	415,630
Interest bearing bank financings	20(b)(ii)	890,397	892,299
Provision for employees' end-of-service benefits		86,072	83,780
Deferred tax liabilities		7,516	6,128
		<u>1,362,032</u>	<u>1,397,837</u>
<b>Non-current liabilities</b>		<u>1,362,032</u>	<u>1,397,837</u>
Islamic bank financings	20(a)(i)	418,025	470,545
Interest bearing bank financings	20(b)(i)	351,810	305,695
Trade and other payables	18	750,202	715,041
Billing in excess of valuation		-	866
Due to related parties	19	60,581	49,451
Provision for taxation		147,641	136,739
		<u>1,728,259</u>	<u>1,678,337</u>
<b>Current liabilities</b>		<u>1,728,259</u>	<u>1,678,337</u>
<b>Total liabilities</b>		<u>3,090,291</u>	<u>3,076,174</u>
<b>Total equity and liabilities</b>		<u>5,885,639</u>	<u>5,756,254</u>

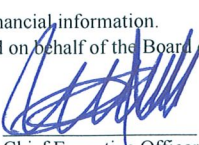
The notes on pages 10 to 27 are an integral part of this condensed consolidated interim financial information.

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

  
Chairman

  
Director

05 NOV 2017

  
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 nine month period ended 30 September 2017

	<b>Nine month period ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>Operating activities</b>		
Profit for the period before tax	278,542	162,628
<i>Adjustments for:</i>		
Share of profit in equity accounted investees	(11,998)	(13,794)
Interest expense	29,601	27,078
Profit expense on Islamic financing	17,989	15,967
Interest income	(1,960)	(1,731)
Profit income on Wakala deposits	(371)	(58)
Gain on disposal of property, plant and equipment	(11,521)	(189)
Gain on disposal of investment properties	(1,737)	-
Gain on sale of a subsidiary	(3,818)	-
Gain on sale of equity accounted investee	(57,899)	-
Depreciation on property, plant and equipment	113,124	134,098
Depreciation on investment properties	7,682	6,532
Amortisation of intangible assets	3,610	3,223
Capital work-in-progress written off	1,543	1,796
Intangibles written off	-	693
Provision for impairment loss on equity accounted investees	-	3,490
Provision for employees' end-of-service benefits	14,940	15,742
	-----	-----
	<b>377,727</b>	<b>355,475</b>
 Change in:		
- inventories (including contract work-in-progress)	19,275	(37,426)
- trade and other receivables (including long term)	(125,233)	84,876
- due from related parties (including long term)	34,130	47,001
- trade and other payables (including billings-in-excess of valuation)	44,854	(75,110)
- due to related parties	12,317	10,219
- derivative financial assets	2,255	-
- deferred tax assets	1,624	(17)
- deferred tax liabilities	1,388	763
Income tax paid	(5,292)	(3,774)
Employees' end-of-service benefits paid	(9,192)	(7,778)
Currency translation adjustment	(4,830)	(1,592)
	-----	-----
<b>Net cash generated from operating activities</b>	<b>349,023</b>	<b>372,637</b>
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# R.A.K Ceramics PJSC and its subsidiaries

## Condensed consolidated statement of cash flows (unaudited) (continued)

for the nine month period ended 30 September 2017

	<b>Nine month period ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>Investing activities</b>		
Additions to property, plant and equipment and capital work-in-progress	(55,511)	(186,994)
Acquisition of intangible assets	(1,266)	(2,280)
Proceeds from disposal of property, plant and equipment	7,951	5,845
Proceeds from disposal of shares in subsidiaries	15,000	-
Change in bank deposits	1,146	1,062
Dividend received from equity accounted investees	316	5,163
Interest income received	1,960	1,731
Profit income received on Wakala deposits	371	58
Consideration paid for acquisition of subsidiaries	-	(8,176)
Cash foregone as part of disposal of shares in subsidiary	(6,598)	-
Proceeds from disposal of shares in a subsidiary	24,699	-
Cash acquired as a part of acquisition of subsidiaries	11,148	8,893
	-----	-----
<b>Net cash used in investing activities</b>	<b>(784)</b>	<b>(174,698)</b>
	-----	-----
<b>Financing activities</b>		
Long term bank financing availed	134,840	119,142
Long term bank financing repaid	(117,530)	(567,812)
Long term Islamic bank financing availed	44,083	495,923
Long term Islamic bank financing repaid	(69,064)	(41,327)
Net movement in short term bank financing	(50,129)	41,472
Interest paid	(29,601)	(27,078)
Profit expense on Islamic financing paid	(17,989)	(15,967)
Dividend paid to non-controlling interests	(26,079)	(26,181)
Dividend paid	(128,760)	(245,257)
Remuneration paid to Board of Directors	-	(3,700)
	-----	-----
<b>Net cash used in financing activities</b>	<b>(260,229)</b>	<b>(270,785)</b>
	-----	-----
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>88,010</b>	<b>(72,846)</b>
Cash and cash equivalents at the beginning of the period	393,648	332,976
	-----	-----
<b>Cash and cash equivalents at the end of the period</b>	<b>481,658</b>	<b>260,130</b>
	=====	=====
<b>Represented by:</b>		
Cash in hand and at bank (net of bank deposits on lien)	497,725	318,244
Bank overdraft	(16,067)	(58,114)
	-----	-----
	<b>481,658</b>	<b>260,130</b>
	=====	=====

The notes on pages 10 to 27 are an integral part of this 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 nine month period ended 30 September 2017

	Attributable to owners of the Company											Non-controlling interests (NCI)	Total equity
	Reserves												
	Share capital AED '000	Share premium AED '000	Legal reserve AED '000	Translation reserve AED '000	Hyper inflation reserve AED '000	Hedging reserve AED '000	General reserves AED '000	Capital reserves AED '000	Retained earnings AED '000	Total reserves AED '000	Total 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><b>Total comprehensive income for the period (unaudited)</b></i>													
Profit for the period	-	-	-	-	-	-	-	-	124,139	124,139	124,139	25,267	149,406
<i>Other comprehensive income</i>													
Foreign currency translation differences	-	-	-	774	(6,453)	-	-	-	-	(5,679)	(5,679)	91	(5,588)
Changes in cash flow hedges	-	-	-	-	-	(433)	-	-	-	(433)	(433)	-	(433)
	---	---	---	-----	-----	-----	---	---	-----	-----	-----	-----	-----
<b>Total comprehensive income for the period</b>	-	-	-	774	(6,453)	(433)	-	-	124,139	118,027	118,027	25,358	143,385
<i><b>Other equity movements (unaudited)</b></i>													
Directors' fees (refer note 22 (ii))	-	-	-	-	-	-	-	-	(3,700)	(3,700)	(3,700)	-	(3,700)
Transfer to legal reserve	-	-	24,524	-	-	-	-	-	(24,524)	-	-	-	-
Dividend distributed to NCI	-	-	-	-	-	-	-	-	-	-	-	(26,181)	(26,181)
<i><b>Transactions with owners of the Company directly recorded in equity (unaudited)</b></i>													
Dividend declared	-	-	-	-	-	-	-	-	(245,257)	(245,257)	(245,257)	-	(245,257)
Bonus shares issued	40,876	-	-	-	-	-	-	-	(40,876)	(40,876)	-	-	-
<i><b>Changes in ownership interests in a subsidiary (unaudited)</b></i>													
Decrease in NCI	-	-	-	(431)	-	-	-	-	2,123	1,692	1,692	(2,377)	(685)
At 30 September 2016 (unaudited)	858,398	221,667	486,875	(94,405)	(89,129)	(433)	82,805	53,866	1,119,276	1,780,522	2,638,920	166,094	2,805,014

# R.A.K Ceramics PJSC and its subsidiaries

## Condensed consolidated statement of changes in equity (continued)

for the nine month period ended 30 September 2017

	-----Attributable to owners of the Company-----											Non- controlling interests (NCI)	Total equity
	-----Reserves-----												
	Share capital AED '000	Share premium AED '000	Legal reserve AED '000	Translation reserve AED '000	Hyper inflation reserve AED '000	Hedging reserve AED '000	General reserves AED '000	Capital reserves AED '000	Retained earnings AED '000	Total reserves AED '000	Total 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
<i>Total comprehensive income for the period (unaudited)</i>													
Profit for the period	-	-	-	-	-	-	-	-	230,349	230,349	230,349	31,999	262,348
<i>Other comprehensive income</i>													
Foreign currency translation differences	-	-	-	2,965	(3,379)	-	-	-	-	(414)	(414)	(2,784)	(3,198)
Reclassification of foreign currency translation reserve to profit or loss (refer note 26(c)(i))	-	-	-	128	-	-	-	-	-	128	128	-	128
Changes in cash flow hedges	-	-	-	-	-	239	-	-	-	239	239	-	239
	---	---	---	-----	-----	-----	---	---	-----	-----	-----	-----	-----
<b>Total comprehensive income for the period</b>	-	-	-	3,093	(3,379)	239	-	-	230,349	230,302	230,302	29,215	259,517
<i>Other equity movements (unaudited)</i>													
Transfer to legal reserve	-	-	34,616	-	-	-	-	-	(34,616)	-	-	-	-
Dividend distributed to NCI	-	-	-	-	-	-	-	-	-	-	-	(28,199)	(28,199)
<i>Transactions with owners of the Company directly recorded in equity (unaudited)</i>													
Dividend declared (refer note 22(i))	-	-	-	-	-	-	-	-	(128,760)	(128,760)	(128,760)	-	(128,760)
Change in NCI due to acquisitions and disposals (refer note 26)	-	-	-	2,006	-	-	-	(6,638)	19,782	15,150	15,150	(2,440)	12,710
Capitalization of retained earnings	-	-	-	-	-	-	-	5,570	(5,570)	-	-	-	-
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
At 30 September 2017 (unaudited)	858,398	221,667	521,099	(97,906)	(95,496)	6,183	82,805	52,798	1,071,447	1,762,597	2,620,995	174,353	2,795,348
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

The notes on pages 10 to 27 are an integral part of this condensed consolidated interim financial information.



# R.A.K Ceramics PJSC and its subsidiaries

## Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 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 nine month period ended 30 September 2017 ("the current period") comprises 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 carry out 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.

This condensed consolidated interim financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and the applicable provisions of UAE Federal Law No. (2) of 2015 and in compliance with the relevant articles of the Company.

#### *Accounting estimates and judgements*

In preparing this condensed consolidated interim financial information, the management has made judgements, 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 judgements made by the 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.

### 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.

# R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)  
for the nine month period ended 30 September 2017 (*unaudited*)

## 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 are also available for early adoption. However, the Group does not plan to adopt these standards 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 nine month period ended 30 September 2017 (*unaudited*)

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

	Nine month period ended 30 September 2017		Three month period ended 30 September 2017	
	AED'000	2016	AED'000	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Raw materials consumed	643,785	694,011	201,997	198,269
Change in inventory of finished goods	5,608	(86,410)	10,199	(40,960)
Direct labour	200,272	213,526	69,529	71,170
Power and fuel	134,480	145,842	47,210	46,609
LPG and natural gas	144,009	168,626	48,333	52,203
Depreciation on property, plant and equipment (refer note 12)	97,798	119,087	32,681	40,999
Repairs and maintenance	91,482	104,781	33,931	35,338
Packing material expenses	78,637	84,216	27,363	27,521
Sub-contractors' fee	254	2,773	131	1,776
Others	33,536	42,579	11,623	16,268
	-----	-----	-----	-----
	1,429,861	1,489,031	482,997	449,193
	=====	=====	=====	=====

## 7 Administrative and general expenses

	Nine month period ended 30 September 2017		Three month period ended 30 September 2017	
	AED'000	2016	AED'000	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Staff costs	74,765	83,799	24,339	29,637
Depreciation on property, plant and equipment (refer note 12)	14,214	14,049	4,839	4,728
Depreciation on investment properties	7,682	6,532	2,609	2,189
Telephone, postal and office supplies	4,155	4,620	1,456	1,194
Repairs and maintenance	5,364	6,185	1,833	2,440
Legal and professional fee	8,230	7,432	2,688	1,318
Rental expenses	1,883	910	785	573
Utility expenses	3,861	5,167	1,448	1,852
Security charges	1,661	2,245	559	667
Amortisation of intangible assets	3,610	3,223	1,252	1,258
Others	31,651	43,403	8,695	19,118
	-----	-----	-----	-----
	157,076	177,565	50,503	64,974
	=====	=====	=====	=====

# R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*  
for the nine month period ended 30 September 2017 *(unaudited)*

## 8 Selling and distribution expenses

	Nine month period ended 30 September		Three month period ended 30 September	
	2017	2016	2017	2016
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Staff costs	97,214	80,582	33,985	26,553
Freight and transportation	87,081	84,787	25,815	23,433
Performance rebates	49,993	45,999	13,649	16,635
Advertisement and promotions	35,648	31,942	7,237	9,432
Rental expenses	16,153	13,737	6,257	6,097
Travel and entertainment	4,833	2,041	1,320	757
Depreciation on property, plant and equipment (refer note 12)	1,112	962	365	323
Others	13,797	13,557	3,425	4,891
	-----	-----	-----	-----
	305,831	273,607	92,053	88,121
	=====	=====	=====	=====

## 9 Finance costs and income

	Nine month period ended 30 September		Three month period ended 30 September	
	2017	2016	2017	2016
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>(i) Finance costs</b>				
Interest on bank financings	29,591	27,078	10,218	8,469
Profit expense on Islamic financings	17,989	15,967	5,874	6,530
Interest on amounts due to related parties (refer note 19)	10	-	10	-
Net change in fair value of derivatives	2,288	-	1,271	-
Bank charges	2,319	3,852	637	1,495
Net foreign exchange loss	-	6,644	-	295
	-----	-----	-----	-----
Total (A)	52,197	53,541	18,010	16,789
	=====	=====	=====	=====
<b>(ii) Finance income</b>				
Interest on fixed deposits	1,960	1,586	561	468
Profit income on Wakala deposits	371	58	119	58
Interest on amounts due from related parties (refer note 19)	-	145	-	116
Net change in the fair value of derivatives	33	-	18	-
Net foreign exchange gain	16,685	-	12,391	-
Others	314	509	66	145
	-----	-----	-----	-----
Total (B)	19,363	2,298	13,155	787
	=====	=====	=====	=====
Net finance expense recognised in profit or loss (A-B)	32,834	51,243	4,855	16,002
	=====	=====	=====	=====

# R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*  
for the nine month period ended 30 September 2017 *(unaudited)*

## 10 Impairment, provision and write offs (inventories, receivables and related parties)

	Nine month period ended 30 September		Three month period ended 30 September	
	2017 AED'000 (Unaudited)	2016 AED'000 (Unaudited)	2017 AED'000 (Unaudited)	2016 AED'000 (Unaudited)
<b>Write off and provision for inventories</b>				
Provision for slow moving and obsolete inventory - net	114	7,290	408	3,940
Inventories written off	-	6,260	-	2,366
	----	-----	----	-----
A	114	13,550	408	6,306
	====	=====	====	=====
<b>Impairment of trade receivables and due from related parties</b>				
Provision for impairment loss – net	33,735	17,980	2,289	9,149
Provision for impairment loss on equity accounted investees (refer note 13)	-	3,490	-	-
	-----	-----	-----	-----
B	33,735	21,470	2,289	9,149
	=====	=====	=====	=====
A+B	33,849	35,020	2,697	15,455
	=====	=====	=====	=====

## 11 Goodwill

	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (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	170	-
	-----	-----
Balance as at 30 September / 31 December	61,950	61,780
	=====	=====

Goodwill represents an amount of AED 50.36 million, AED 5.61 million and AED 5.98 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 pertaining to the acquisition of RAK Ceramics Germany GmbH.

# R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)  
for the nine month period ended 30 September 2017 (*unaudited*)

## 12 Property, plant and equipment and capital work-in-progress

### *Additions, disposals and depreciation*

During the nine month period ended 30 September 2017, the Group acquired property, plant and equipment and made additions to capital work-in-progress amounting to AED 65.38 million (*nine month period ended 30 September 2016: AED 190.05 million*). This amount excludes the assets acquired through a business combination with a net book value of AED 14.16 million (*nine month period ended 30 September 2016: AED 9.66 million*) (refer note 26).

Property, plant and equipment with net book value of AED 6.24 million were disposed during the current period (*nine-month period ended 30 September 2016: AED 5.66 million*) resulting in a gain on disposal of AED 11.52 million (*nine month period ended 30 September 2016: gain of AED 0.19 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 the subsidiaries with the net book value of AED 3.47 million. Refer note 26.

Depreciation charged on property, plant and equipment for the current period amounted to AED 113.12 million (*nine month period ended 30 September 2016: AED 134.10 million*).

## 13 Investments in equity accounted investees

The Group's share of profit in equity accounted investees for the nine month period ended 30 September 2017 amounted to AED 11.99 million (*nine month period ended 30 September 2016: AED 13.79 million*).

The Group has received a dividend of AED 0.32 million during the current nine month period from equity accounted investees (*nine month period ended 30 September 2016: AED 5.16 million*).

During the nine month period ended 30 September 2016, the Group had acquired the remaining 50% equity interests of its three equity accounted investees namely, RAK Ceramics UK, RAK Ceramics GMBH and RAK Distribution Europe SARL- Italy at a total consideration of AED 7.49 million. Also refer note 26(b)(i).

During the current period ended 30 September 2017, the Group has recognised a provision for impairment loss on its investment amounting to Nil (*nine month period ended 30 September 2016: AED 3.49 million*). Refer note 10.

### (i) Disposal and conversion of equity accounted investees:

#### **Conversion from an equity accounted investee to a subsidiary:**

Effective 1 January 2017, due to a change in the 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 conversion from an equity accounted entity to a subsidiary has been accounted for from the date when the Group acquired the control. Also refer note 26.

#### **Disposal of an equity accounted investee:**

Further, the Group has disposed its entire 50% equity interest in jointly controlled entity RAK Warehouse Leasing LLC on 13 June 2017.

	<b>RAK Warehouse Leasing LLC AED'000</b>
Present value of sale consideration*	122,360
Less: Net carrying value	(64,461)
	-----
<b>Net gain on disposal</b>	<b>57,899</b>
	=====

\*As per the sale and purchase agreement, the sale consideration of AED 125 million is to be paid in 5 equal semi-annual instalments of AED 21 million and one semi-annual instalment of AED 20 million commencing from June 2017 to December 2019. The present value of the sale consideration is stated net of discounting impact of AED 2.64 million.

# R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*  
for the nine month period ended 30 September 2017 *(unaudited)*

## 14 Inventories

	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Finished goods (net of net realisable value adjustments)	821,914	827,522
Less: provision for slow moving and obsolete inventories	(109,981)	(122,357)
	-----	-----
	711,933	705,165
Raw materials	225,973	236,705
Goods-in-transit	60,726	59,851
Work-in-progress	30,829	25,532
Stores and spares	182,628	209,920
	-----	-----
	1,212,089	1,237,173
Less: provision for slow moving raw materials and stores and spares	(60,768)	(57,853)
	-----	-----
	1,151,321	1,179,320
	=====	=====

At 30 September 2017, the Group has recognised a cumulative loss due to write-down of finished goods inventories of AED 76.77 million against the cost of AED 284.05 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 its cost. The difference in write down is included in cost of sales in the condensed consolidated statement of profit or loss.

## 15 Trade and other receivables

	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Trade receivables	1,108,648	1,022,340
Less: allowance for impairment loss	(181,867)	(184,017)
	-----	-----
	926,781	838,323
Advances and prepayments	169,129	154,437
Deposits	19,554	16,800
Other receivables (refer note (i) below)	174,490	123,179
	-----	-----
	1,289,954	1,132,739
	=====	=====

### (i) Long term other receivables

Total amount receivable	154,434	139,045
Less: current portion	(76,033)	(44,082)
	-----	-----
Long term portion	78,401	94,963
	=====	=====

The above long term other receivable represents 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.

# R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*  
for the nine month period ended 30 September 2017 (unaudited)

## 16 Cash in hand and at bank

	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Cash in hand	2,464	1,808
Cash at bank		
- in fixed deposits	193,726	163,223
- in wakala deposits	40,545	25,000
- in current accounts	239,164	227,724
- in margin deposits	2,278	1,055
- in call accounts	19,887	5,650
	-----	-----
	498,064	424,460
	=====	=====

Cash in hand and cash at bank includes AED 0.44 million (31 December 2016: AED 0.62 million) and AED 69.22 million (31 December 2016: AED 63.08 million) respectively, held outside the UAE.

Fixed deposits are placed with banks for an original maturity period of greater than three months and carry interest at normal commercial rates and include AED 0.34 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 greater than three months.

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

## 17 Share capital

	30 September 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

	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Trade payables	351,938	342,954
Accrued and other expenses	250,033	241,192
Advances from customers	55,221	38,395
Commissions and rebates payables	59,214	64,960
Others payables	33,796	27,540
	-----	-----
	750,202	715,041
	=====	=====



# R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)  
for the nine month period ended 30 September 2017 (*unaudited*)

## 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:

	<b>Nine month period ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>AED’000</b>	<b>AED’000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Sale of goods and services and construction contracts	<b>172,382</b>	250,454
Purchase of goods and rendering of services	<b>184,748</b>	186,154
Interest expense (refer note 9(i))	<b>10</b>	-
Interest income (refer note 9(ii))	-	145
Consideration - for purchase of shares (refer note 26)	-	8,176
	<b>==</b>	<b>=====</b>

### *Compensation to key management personnel:*

Short-term benefits	<b>7,680</b>	12,556
End of service benefits	<b>179</b>	179
Board of Directors’ remuneration	-	3,700
	<b>==</b>	<b>=====</b>

	<b>30 September 2017</b>	<b>31 December 2016</b>
	<b>AED’000</b>	<b>AED’000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Due from related parties</b>		
Equity accounted investees	<b>309,477</b>	311,636
Other related parties	<b>161,872</b>	67,743
	<b>-----</b>	<b>-----</b>
	<b>471,349</b>	379,379
Less: allowance for impairment loss	<b>(97,078)</b>	(74,659)
Less: long term receivables (refer note (i) below)	<b>(59,361)</b>	(3,446)
	<b>-----</b>	<b>-----</b>
	<b>314,910</b>	301,274
	<b>=====</b>	<b>=====</b>

### **Due to related parties**

Other related parties	<b>56,756</b>	49,451
Equity accounted investees	<b>3,825</b>	-
	<b>-----</b>	<b>-----</b>
	<b>60,581</b>	49,451
	<b>=====</b>	<b>=====</b>

## (i) Long term receivables

Total amount receivable	<b>122,361</b>	6,892
Less: current portion	<b>(63,000)</b>	(3,446)
	<b>-----</b>	<b>-----</b>
Long term portion	<b>59,361</b>	3,446
	<b>=====</b>	<b>=====</b>

# R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*  
for the nine month period ended 30 September 2017 *(unaudited)*

## 20 Bank financing arrangements

### (a) Islamic bank financings

	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
<b>i) Short term</b>		
Mudaraba facilities (A)	45,000	137,955
Commodity Murabaha facilities (B)	267,121	85,000
Ijarah facilities (C)	-	154,288
Current portion of long term financing (refer note below)	105,904	93,302
	-----	-----
	418,025	470,545
	=====	=====
<b>ii) Long term - Commodity Murabaha facilities</b>		
Balance as at 1 January	508,932	-
Availed during the period/year	44,083	570,923
Less: repayments made during the period/year	(69,064)	(61,991)
	-----	-----
Closing balance	483,951	508,932
Less: current portion (refer above)	(105,904)	(93,302)
	-----	-----
Long term portion	378,047	415,630
	=====	=====

Long term Commodity Murabaha facilities availed during the period have a maturity profile till 2022 and carries a profit rate of 3 months LIBOR plus 1.75% per annum. 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 funds 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 it 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

	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
<b>i) Short term</b>		
Bank overdrafts	16,067	8,734
Short-term loans	114,246	99,253
Current portion of long-term bank loans (refer note below)	221,497	197,708
	-----	-----
	351,810	305,695
	=====	=====

# R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*  
for the nine month period ended 30 September 2017 *(unaudited)*

## 20 Bank financing arrangements (continued)

	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
<b>ii) Long term bank loans</b>		
Opening balance	1,090,007	1,500,686
Add: availed during the period/year	139,417	220,243
Less: repayments made during the period/year	(117,530)	(630,922)
	-----	-----
Closing balance	1,111,894	1,090,007
Less: current portion (refer above)	(221,497)	(197,708)
	-----	-----
Long term portion	890,397	892,299
	=====	=====

The details of the long term bank loans, including terms of repayment, interest rate and security provided are set out in the consolidated financial statements of the Group for the year ended 31 December 2016. The new long-term bank loan availed during the current period has maturity till 2022 and bears interest at 1.6% plus 3 months LIBOR per annum.

## 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
<b>30 September 2017 (Unaudited)</b>					
Interest rate swaps used for hedging*	6,216	374,613	74,133	275,874	24,606
Forward exchange contracts	(173)	11,318	11,318	-	-
Other interest rate swaps	(2,115)	194,082	8,816	185,266	-
	-----	-----	-----	-----	-----
	3,928	580,013	94,267	461,140	24,606
	=====	=====	=====	=====	=====
<b>31 December 2016 (Audited)</b>					
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 nine month period ended 30 September 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 30 September 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
<b>30 September 2017 (Unaudited)</b>			
<i>Financial assets- net</i>			
Interest rate swaps used for hedging	-	6,216	-
Forward exchange contracts	-	(173)	-
Other interest rate swaps	-	(2,115)	-
	---	-----	---
	-	3,928	-
	==	=====	==
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
<b>31 December 2016 (Audited)</b>			
<i>Financial assets</i>			
Derivative financial assets	-	5,944	-
	---	-----	---
	-	5,944	-
	==	=====	==

During the nine month period ended 30 September 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. When 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 nine month period ended 30 September 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: *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 30 September 2017, calculated as follows:

	Nine month period ended 30 September 2017 AED'000 (Unaudited)		Three month period ended 30 September 2017 AED'000 (Unaudited)	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Earnings per share</b>				
Net profit attributable to owners of the Company (AED'000)	<b>230,349</b>	124,139	<b>74,295</b>	11,374
	=====	=====	=====	=====
Weighted average number of outstanding ('000s)	<b>858,398</b>	858,398	<b>858,398</b>	858,398
	=====	=====	=====	=====
Earnings per share (AED)	<b>0.27</b>	0.14	<b>0.09</b>	0.01
	=====	=====	=====	=====

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 jointly controlled entities.

## 25 Operating lease

*As lessor:*

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

	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Less than one year	<b>26,707</b>	30,884
Between two and five years	<b>36,372</b>	67,226
More than five years	<b>84,109</b>	95,000
	-----	-----
	<b>147,188</b>	193,110
	=====	=====

# R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*  
for the nine month period ended 30 September 2017 *(unaudited)*

## 26 Acquisition and disposal of subsidiaries and non-controlling interests

### (a) Acquisition of subsidiaries in 2017

- i) 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 the investee, acquisition accounting has been based on book values at the date when the Group acquired control. Restofair RAK LLC is engaged mainly in 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:

	<b>AED'000</b>
Property, plant and equipment	<b>663</b>
Inventories	<b>7,056</b>
Trade and other receivables	<b>12,817</b>
Cash in hand and at bank	<b>12,701</b>
	<b>-----</b>
Total assets	<b>33,237</b>
Less: total liabilities	<b>(11,369)</b>
	<b>-----</b>
Net assets acquired	<b>21,868</b>
	<b>=====</b>
Fair value of pre-existing interest in Restofair RAK LLC (refer note 13(i))	<b>10,278</b>
	<b>=====</b>
Increase in non-controlling interests	<b>11,590</b>
	<b>=====</b>

In the period from acquisition of controlling interests in Restofair RAK LLC up to 30 September 2017, the newly acquired subsidiary contributed revenue of AED 49.06 million and profit of AED 9.61 million to the Group's result.

- ii) On 31 July 2017, one of the Group's subsidiaries, "RAK Ceramics India (Pvt) Limited" has invested an amount of AED 4.9 million acquiring control in "GRIS Ceramic Limited Liability Partnership". As a result of this investment, the Group now owns 51% share holding in the operations and accordingly NCI has also increased by AED 4.7 million. The details of the fair value of the net assets at the date of contribution are as follows:

# R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)  
for the nine month period ended 30 September 2017 (*unaudited*)

## 26 Acquisition and disposal of subsidiaries and non-controlling interests (continued)

### a) (ii) Acquisition of subsidiaries in 2017 (continued)

	AED'000
<b>Assets</b>	
Property, plant and equipment	13,652
Other non-current assets	631
Inventories	1,444
Trade and other receivables	1,823
Other current assets	1,476
Cash in hand and at bank	5,028
	-----
	24,054
<b>Liabilities</b>	
Long term borrowings	(4,577)
Trade payables	(7,496)
Other current liabilities	(2,359)
	-----
<b>Net assets</b>	9,622
	-----
Net assets attributable to non-controlling interests	4,715
Net assets attributable to the Group	4,907
	=====

### (b) Acquisition of subsidiaries in 2016

- (i) During the previous period, the Group had acquired the remaining 50% equity interest in its previously equity accounted investees namely, RAK Ceramics UK Limited, RAK Ceramics GmbH and RAK Distribution Europe SARL and converted them into wholly owned subsidiaries. Also refer note 13.

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

	RAK Ceramics UK Limited AED'000	RAK Ceramics GmbH AED'000	RAK Distribution Europe AED'000	Total AED'000
Total assets	21,905	80,240	45,938	148,083
Less: total liabilities	(18,337)	(93,062)	(51,756)	(163,155)
	-----	-----	-----	-----
Net assets / (liabilities)	3,568	(12,822)	(5,818)	(15,072)
Less: fair value of pre-existing interests	(1,784)	-	-	(1,784)
	-----	-----	-----	-----
Net assets acquired / (liabilities) assumed	1,784	(12,822)	(5,818)	(16,856)
Less: consideration	(7,390)	(101)	-	(7,491)
	-----	-----	-----	-----
<b>(Goodwill)</b>	<b>(5,606)</b>	<b>(12,923)</b>	<b>(5,818)</b>	<b>(24,347)</b>
	=====	=====	=====	=====

# R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)  
for the nine month period ended 30 September 2017 (*unaudited*)

## 26 Acquisition and disposal of subsidiaries and non-controlling interests (continued)

### (b) Acquisition of subsidiaries in 2016(continued)

- (ii) During the previous period, the Group acquired the remaining 5% shareholding in Prestige Tiles Pty Ltd. at a consideration of AED 0.69 million resulting a decrease in NCI of AED 2.38 million

### (c) Disposals of subsidiaries interests in 2017

- i) During the current period, the Group has disposed 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
<b>Assets</b>	
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
<b>Liabilities</b>	
Borrowings	(2,984)
Trade and other payables	(72,527)
	-----
<b>Net assets</b>	69,349
Less: net assets attributable to non-controlling interests	(28,295)
	-----
Net assets attributable to parent (A)	41,054
Consideration (B)	45,000
	-----
<b>Gain on disposal (B-A)</b>	3,946
Less: foreign currency translation loss reclassified to the profit or loss	(128)
	-----
<b>Gain on disposal – net</b>	3,818
	=====

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

- ii) During the current period, the Group sold 12.5 million number of shares out of a total 354 million issued and paid up shares of RAK Ceramics (Bangladesh) Limited. Shares were sold through the automated trading system of Dhaka Stock Exchange Limited. Accordingly, the Group's shareholding has decreased from 71.67 % to 68.13%, resulting in an increase in non-controlling interests of AED 9.5 million.

### (d) Disposals of subsidiaries interests in 2016

There was no disposal of any subsidiary during the nine-month period ended 30 September 2016.



# R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)  
for the nine month period ended 30 September 2017 (*unaudited*)

## 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.

	<b>Ceramic products</b> AED'000	<b>Contracting</b> AED'000	<b>Other industrial</b> AED'000	<b>Others</b> AED'000	<b>Elimination</b> AED'000	<b>Total</b> AED'000
<i>Nine month period ended 30 September 2017</i> (Unaudited)						
External revenue	1,755,571	74,494	261,468	15,907	-	2,107,440
Inter segment revenue	199,815	1,152	197,527	1,540	(400,034)	-
	-----	-----	-----	-----	-----	-----
Total revenue	1,955,386	75,646	458,995	17,447	(400,034)	2,107,440
	=====	=====	=====	=====	=====	=====
Segment profit for the period	273,678	22,343	67,868	(1,849)	(99,692)	262,348

*As at 30 September 2017*  
(Unaudited)

Total assets	6,538,961	254,213	544,760	285,452	(1,737,747)	5,885,639
	=====	=====	=====	=====	=====	=====
Total liabilities	3,319,562	74,791	138,621	102,521	(545,204)	3,090,291
	=====	=====	=====	=====	=====	=====

# R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*  
for the nine month period ended 30 September 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>Nine month period ended 30 September 2016</i>						
<i>(Unaudited)</i>						
External revenue	1,740,535	181,093	189,353	27,036	-	2,138,017
Inter segment revenue	211,262	6,409	158,546	12,160	(388,377)	-
	-----	-----	-----	-----	-----	-----
Total revenue	1,951,797	187,502	347,899	39,196	(388,377)	2,138,017
	=====	=====	=====	=====	=====	=====
Segment profit for the period	113,126	34,229	56,779	13,180	(67,908)	149,406
	=====	=====	=====	=====	=====	=====
<i>As at 31 December 2016</i>						
<i>(Audited)</i>						
Total assets	6,225,732	405,025	519,017	373,858	(1,767,378)	5,756,254
	=====	=====	=====	=====	=====	=====
Total liabilities	3,217,834	173,546	127,722	129,593	(572,521)	3,076,174
	=====	=====	=====	=====	=====	=====

### Reconciliation of reportable segment profit or loss

	30 September 2017 AED'000 (Unaudited)	30 September 2016 AED'000 (Unaudited)
Total profit or loss for reportable segments after tax	350,042	203,520
Elimination of inter-segment profits	(99,692)	(67,908)
Share of profit of equity accounted investees	11,998	13,794
	-----	-----
	262,348	149,406
	=====	=====

## 28 Subsequent events

Subsequent to the period end, the Group acquired an additional shareholding of 50% in its equity accounted investee – ARK International Trading Company LLC, Saudi Arabia. With this acquisition, ARK International Trading Company LLC will become a wholly owned subsidiary of the Group.