



RAK

CERAMICS

Close to you worldwide

Condensed consolidated interim financial information
31 March 2016

Ras Al Khaimah Ceramics PSC and its Subsidiaries

Condensed consolidated interim financial information

31 March 2016

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RAK Ceramics PSC

Report of the Board of Directors

On financial performance during the three months ending 31 March 2016

12 May 2016

Dear Members,

It is our pleasure to present the Business & Operations report for the three month period ending 31 March 2016, along with the Audited Condensed Interim Consolidated Financial Information as on 31 March 2016.

Results

During the period, the Company continued the execution of its Value Creation Plan. While overall revenue of AED 735.7 million (Q1 2015: AED 744.1 million) for the quarter was largely unchanged, revenue from the Ceramic Products segment rose 2.8% to reach AED 607.5 million during the period with the strong performance lead by the tiles segment. The consolidated gross margin was 30.2%, a 170bps improvement year on year. The consolidated net profit reached AED 65.9 million, a 10.8% increase year on year.

During the quarter, the company acquired 50% interests in its distribution joint ventures in Germany and the UK, bringing its interests in both these operations to 100%. The company believes that having full control of these operations will lead to better end market visibility, a more optimal product mix and ultimately improve its European sales performance going forward.

Financial highlights for the three month period ended 31 March 2016

| Particulars | Unit | YTD 2016 March 31 | YTD 2015 March 31 | Change |
|---|---------|--------------------------|-----------------------------|---------------|
| Total Revenue | AED Mio | 735.7 | 744.1 | (1.1%) |
| Gross Profit | AED Mio | 222.4 | 212.4 | 4.7% |
| GP Margin | % | 30.2% | 28.5% | 170 bps |
| EBITDA | AED Mio | 138.3 | 129.6 | 6.7% |
| EBITDA Margin | % | 18.8% | 17.4% | 138 bps |
| Net Income | AED Mio | 65.9 | 60.4 | 9.0% |
| Profit after NCI (Minority) | AED Mio | 57.8 | 57.1 | 1.2% |
| Earnings per share | AED | 0.07 | 0.07 | - |
| Earnings per share from Continuing Operations | AED | 0.07 | 0.07 | - |
| | | 2016 March 31 | 2015 December 31 | Change |
| Total Assets | AED Mio | 5,998.4 | 5,981.8 | 0.28% |

| | | | | |
|----------------------|---------|---------|---------|---------|
| Share Capital | AED Mio | 858.4 | 817.5 | 5.0% |
| Shareholders' Equity | AED Mio | 2,739.1 | 2,937.5 | (6.75%) |
| Net Debt | AED Mio | 1,840.5 | 1,609.6 | 14.35% |
| Net Debt / EBITDA * | Times | 3.05 | 2.71 | 12.55% |
| Cost of Debt | % | 2.6% | 2.6% | - |

* Calculated on 12 month trailing EBITDA

Corporate Social Responsibility & Other Activities during the year

The company continued to re-affirm its commitment towards the protection of environment and socio-economic development in the following ways:

Donations RAK Ceramics donated 90 square meters of tiles to RAK Animal Welfare Centre for the Surgery rooms in their new premises. We are also pleased to support a 96 hour sanitary ware challenge to renovate houses for under-privileged people in Sharjah. We provided 4 full bathroom sets to support the challenge including four WC's with connectors, PVC sets, wash basins and mixers.

Charity Participation RAK Ceramics proudly took part in the 7th annual RAK Terry Fox Run for Cancer Research on Friday, 26th February 2016 at the Al Qawasim Corniche. Over 100 employees participated for the noble cause. Not only does the RAK Terry Fox Run raise much needed funds for one of the world's most prevalent diseases, it allows us to come together for positive change.

Environmental Activities RAK Ceramics employees participated in Can Collection Day organized by Emirates Environmental Group on 25th February 2016 and collected 154kg of waste cans from within the company premises which were then sent for recycling. We also participated in Earth Hour 2016 by switching off the lights in the non-critical production facilities, employee accommodation buildings and offices for one hour in order to spread awareness among the employees on environmental sustainability.

Future Outlook

RAK Ceramics is focused on improving profitability and its sales and distribution strategy. This involves expansion in the Sanitary Ware business, continued disposal of non-core activities and investing in our distribution platform across the globe.

We are progressing on the plans and initiatives taken for enhancing shareholder value.

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

12 MAY 2016



Chief Executive Officer

**Ras Al Khaimah Ceramics PSC
and its subsidiaries**

**Condensed consolidated
interim financial information**

31 March 2016

Ras Al Khaimah Ceramics PSC and its subsidiaries

Condensed consolidated interim financial information

31 March 2016

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

The Shareholders
Ras Al Khaimah Ceramics PSC

Introduction

We have reviewed the accompanying 31 March 2016 condensed consolidated interim financial information of Ras Al Khaimah Ceramics PSC ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2016;
- the condensed consolidated statement of profit or loss for the three month period ended 31 March 2016;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three month period ended 31 March 2016;
- the condensed consolidated statement of changes in equity for the three month period ended 31 March 2016;
- the condensed consolidated statement of cash flows for the three month period ended 31 March 2016; 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 condensed consolidated interim financial information as at 31 March 2016 is not prepared, in all material respects, in accordance with IAS 34, '*Interim Financial Reporting*'.

KPMG Lower Gulf Limited
Muhammad Tariq
Registration No. 793
Dubai, United Arab Emirates
Date

12 MAY 2016

Ras Al Khaimah Ceramics PSC and its subsidiaries

Condensed consolidated statement of profit or loss (unaudited)

for the three month period ended 31 March 2016

| | Note | Three month period ended 31 March | |
|---|-------|-----------------------------------|------------------------------|
| | | 2016 AED'000 | 2015 AED'000 Restated* |
| Continuing operations | | | |
| Revenue | | 735,720 | 744,085 |
| Cost of sales | 6 | (513,363) | (531,710) |
| | | ----- | ----- |
| Gross profit | | 222,357 | 212,375 |
| Administrative and general expenses | 7 | (64,794) | (90,726) |
| Selling and distribution expenses | 8 | (95,416) | (84,905) |
| Other income | | 15,465 | 16,905 |
| | | ----- | ----- |
| Operating profit | | 77,612 | 53,649 |
| Finance expense | 9(i) | (14,780) | (33,620) |
| Finance income | 9(ii) | 1,003 | 2,684 |
| Share of profit in equity accounted investees | 11 | 6,188 | 5,701 |
| Gain on disposal of equity accounted investees | 11 | - | 38,480 |
| Gain on disposal of a subsidiary | 25 | - | 561 |
| | | ----- | ----- |
| Profit before tax from continuing operations | | 70,023 | 67,455 |
| Tax expense | | (4,163) | (6,651) |
| | | ----- | ----- |
| Profit from continuing operations | | 65,860 | 60,804 |
| Discontinued operations | | | |
| Loss from discontinued operations | 27 | - | (1,313) |
| | | ----- | ----- |
| Profit for the period | | 65,860 | 59,491 |
| | | ===== | ===== |
| <i>Profit attributable to:</i> | | | |
| Owners of the Company | | 57,802 | 57,125 |
| Non-controlling interests | | 8,058 | 2,366 |
| | | ----- | ----- |
| Profit for the period | | 65,860 | 59,491 |
| | | ===== | ===== |
| Earnings per share | | | |
| - basic and diluted (AED) | 21 | 0.07 | 0.07 |
| | | ==== | ==== |
| Earnings per share – continuing operations | | | |
| - basic and diluted (AED) | 21 | 0.07 | 0.07 |
| | | ==== | ==== |

* Refer note 29.

The notes on pages 9 to 27 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 page 1.

Ras Al Khaimah Ceramics PSC and its subsidiaries

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

for the three month period ended 31 March 2016

| | | Three month period ended 31 March | |
|---|-------------|--|-----------|
| | <i>Note</i> | 2016 | 2015 |
| | | AED'000 | AED'000 |
| | | | Restated* |
| Profit for the period | | 65,860 | 59,491 |
| Other comprehensive income: | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Foreign currency translation differences | | (220) | (7,763) |
| Hyperinflation effect | 24&29 | - | 16,249 |
| | | ----- | ----- |
| Total comprehensive income for the period | | 65,640 | 67,977 |
| | | ===== | ===== |
| <i>Total comprehensive income attributable to:</i> | | | |
| Owners of the Company | | 57,606 | 66,730 |
| Non-controlling interests | | 8,034 | 1,247 |
| | | ----- | ----- |
| Total comprehensive income for the period | | 65,640 | 67,977 |
| | | ===== | ===== |

* Refer note 29.

The notes on pages 9 to 27 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 page 1.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Condensed consolidated statement of financial position as at 31 March 2016

| | Note | 31 March 2016 AED'000 (Unaudited) | 31 December 2015 AED'000 (Audited) |
|---|---------------|--|---|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 1,079,460 | 1,065,530 |
| Capital work-in-progress | 10 | 232,485 | 182,271 |
| Goodwill | 25 | 68,885 | 50,356 |
| Intangible assets | | 18,945 | 18,032 |
| Investment properties | | 1,156,873 | 1,158,899 |
| Investments in equity accounted investees | 11 | 131,965 | 127,563 |
| Long term receivables | 13(i) & 17(i) | 114,835 | 127,642 |
| Deferred tax assets | | 306 | 298 |
| | | <u>2,803,754</u> | <u>2,730,591</u> |
| Current assets | | | |
| Inventories | 12 | 1,196,603 | 1,141,156 |
| Trade and other receivables | 13 | 1,206,315 | 1,207,338 |
| Contract work-in-progress | | 18,907 | 15,442 |
| Due from related parties | 17 | 403,806 | 523,778 |
| Cash in hand and at bank | 14 | 369,044 | 363,470 |
| | | <u>3,194,675</u> | <u>3,251,184</u> |
| Total assets | | <u>5,998,429</u> | <u>5,981,775</u> |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 15 | 858,398 | 817,522 |
| Reserves | | 1,718,409 | 1,950,636 |
| Equity attributable to owners of the Company | | <u>2,576,807</u> | <u>2,768,158</u> |
| Non-controlling interests | | 162,328 | 169,294 |
| Total equity | | <u>2,739,135</u> | <u>2,937,452</u> |
| Non-current liabilities | | | |
| Islamic bank financing | 18(a)(ii) | 413,269 | - |
| Interest bearing bank financing | 18(b)(ii) | 868,600 | 1,309,706 |
| Provision for employees' end-of-service benefits | | 79,346 | 78,285 |
| Deferred tax liabilities | | 7,831 | 8,323 |
| | | <u>1,369,046</u> | <u>1,396,314</u> |
| Current liabilities | | | |
| Islamic bank financing | 18(a)(i) | 645,963 | 340,205 |
| Interest bearing bank financing | 18(b)(i) | 281,709 | 323,186 |
| Trade and other payables | 16 | 793,182 | 835,944 |
| Billing in excess of valuation | | 2,226 | 2,791 |
| Provision for taxation | | 126,720 | 122,606 |
| Due to related parties | 17 | 40,159 | 23,277 |
| Derivative financial liabilities | 19 | 289 | - |
| | | <u>1,890,248</u> | <u>1,648,009</u> |
| Total liabilities | | <u>3,259,294</u> | <u>3,044,323</u> |
| Total equity and liabilities | | <u>5,998,429</u> | <u>5,981,775</u> |

The notes on pages 9 to 27 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

12 MAY 2016

Chief Executive Officer

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

Ras Al Khaimah Ceramics PSC and its subsidiaries

Condensed consolidated statement of cash flows (unaudited)

for the three month period ended 31 March 2016

| | Three month period ended 31 March | |
|---|--|-----------|
| | 2016 | 2015 |
| | AED'000 | AED'000 |
| | | Restated* |
| Operating activities | | |
| Profit for the period before tax | 70,023 | 66,142 |
| <i>Adjustments for:</i> | | |
| Share of profit in equity accounted investees | (6,188) | (5,701) |
| Loss on net monetary position | - | 2,321 |
| Interest expense | 10,526 | 11,600 |
| Profit on Islamic financing | 2,764 | - |
| Interest income | (848) | (2,684) |
| Gain on disposal of property, plant and equipment | (767) | (2,567) |
| Gain on disposal of subsidiary | - | (561) |
| Gain on disposal of equity accounted investees | - | (38,480) |
| Depreciation on property, plant and equipment | 43,633 | 51,798 |
| Amortisation of intangible assets | 957 | 955 |
| Capital work in progress written off | 430 | 412 |
| Depreciation on investment property | 2,171 | 1,789 |
| Provision for employees' end-of-service benefits | 3,838 | 6,933 |
| | ----- | ----- |
| | 126,539 | 91,957 |
| Change in: | | |
| - inventories (including contract work in progress) | (3,345) | 15,757 |
| - trade and other receivables (including long term) | 65,094 | (20,895) |
| - due from related parties (including long term) | 9,341 | (17,374) |
| - asset classified as held for sale | - | 41,568 |
| - trade and other payables (including billings in excess of valuation) | (63,478) | (35,897) |
| - due to related parties | 16,882 | 4,951 |
| - liabilities classified as held for sale | - | 1,294 |
| - derivative financial assets | - | 29 |
| - derivative financial liabilities | 289 | 42 |
| - deferred tax assets | - | 16 |
| - deferred tax liabilities | (884) | (17) |
| Income tax paid | (110) | (794) |
| Employees' end-of-service benefits paid | (2,890) | (5,306) |
| Currency translation adjustment | 147 | 6,669 |
| | ----- | ----- |
| Net cash generated from operating activities | 147,585 | 82,000 |
| | ----- | ----- |
| Investing activities | | |
| Acquisition of property, plant and equipment and capital work in progress | (100,082) | (49,356) |
| Proceeds from disposal of property, plant and equipment | 1,261 | 2,796 |
| Acquisition of intangible assets | (917) | (221) |
| Change in bank deposits | (54) | (20,664) |
| Dividend received from equity accounted investees | - | 11,265 |
| Interest income received | 848 | 2,684 |
| Consideration paid for acquisition of subsidiaries | (7,491) | - |
| Cash acquired as a part of acquisition of subsidiaries | 5,173 | - |
| | ----- | ----- |
| Net cash used in from investing activities | (101,262) | (53,496) |
| | ----- | ----- |

Ras Al Khaimah Ceramics PSC and its subsidiaries

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

for the three month period ended 31 March 2016

| | Three month period ended 31 March | |
|---|--------------------------------------|------------------------------|
| | 2016 AED'000 | 2015 AED'000 Restated* |
| Financing activities | | |
| Long term bank financing availed | 26,239 | 122,618 |
| Long term Islamic financing availed | 495,923 | - |
| Long term bank financing repaid | (497,106) | (89,624) |
| Net movement in short term financing | 190,432 | 74,342 |
| Interest paid | (10,526) | (11,600) |
| Profit on Islamic financing paid | (2,764) | - |
| Dividend paid | (260,257) | (20,000) |
| Remuneration paid to the Board of Directors | (3,700) | (1,178) |
| | ----- | ----- |
| Net cash (used in) / generated from financing activities | (61,759) | 74,558 |
| | ----- | ----- |
| Net (decrease)/increase in cash and cash equivalents | (15,436) | 103,062 |
| Cash and cash equivalents at the beginning of the period | 332,976 | 321,373 |
| | ----- | ----- |
| Cash and cash equivalents at the end of the period | 317,540 | 424,435 |
| | ===== | ===== |
| Represented by: | | |
| Cash in hand and at bank (net of bank deposits on lien) | 347,140 | 589,168 |
| Bank overdraft | (29,600) | (164,733) |
| | ----- | ----- |
| | 317,540 | 424,435 |
| | ===== | ===== |

* Refer note 29.

The notes on pages 9 to 27 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 page 1.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Condensed consolidated statement of changes in equity

for the three month period ended 31 March 2015

| | -----Attributable to owners of the Company----- | | | | | | | | | | Non- controlling interests (NCI) | Total equity |
|--|---|------------------|------------------|-------------------------|-------------------------------|---------------------|---------------------|----------------------|-------------------|-----------|---|-----------------|
| | Share capital | Share premium | Legal reserve | Translation reserves | Hyper inflation reserve | General reserves | Capital reserves | Retained earnings | Total reserves | Total | | |
| | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | | |
| Balance at 1 January 2015 (audited) | 817,522 | 221,667 | 396,260 | (79,324) | (79,681) | 82,805 | 55,044 | 1,394,015 | 1,990,786 | 2,808,308 | 226,505 | 3,034,813 |
| Total comprehensive income for the period (unaudited)(restated) | | | | | | | | | | | | |
| Profit for the period (restated) (refer note 29) | - | - | - | - | - | - | - | 57,125 | 57,125 | 57,125 | 2,366 | 59,491 |
| <i>Other comprehensive income</i> | | | | | | | | | | | | |
| Foreign currency translation differences (restated) | - | - | - | (84) | (6,560) | - | - | - | (6,644) | (6,644) | (1,119) | (7,763) |
| Hyperinflation adjustment (restated) (refer notes 24 & 29) | - | - | - | - | 16,249 | - | - | - | 16,249 | 16,249 | - | 16,249 |
| Total comprehensive income for the period (restated) | - | - | - | (84) | 9,689 | - | - | 57,125 | 66,730 | 66,730 | 1,247 | 67,977 |
| <i>Other equity movements (unaudited)</i> | | | | | | | | | | | | |
| Director's fees of a subsidiary | - | - | - | - | - | - | - | (589) | (589) | (589) | (589) | (1,178) |
| Transfer to legal reserve | - | - | 13,152 | - | - | - | - | (13,152) | - | - | - | - |
| <i>Transactions with owners of the Company directly recorded in equity (unaudited)</i> | | | | | | | | | | | | |
| Dividend distributed to NCI | - | - | - | - | - | - | - | - | - | - | (20,000) | (20,000) |
| <i>Changes in ownership interests in subsidiary</i> | | | | | | | | | | | | |
| Increase in NCI due to disposal of a subsidiary (refer note 25) | - | - | - | - | - | - | - | - | - | - | 9,206 | 9,206 |
| At 31 March 2015 (unaudited) (restated) | 817,522 | 221,667 | 409,412 | (79,408) | (69,992) | 82,805 | 55,044 | 1,437,399 | 2,056,927 | 2,874,449 | 216,369 | 3,090,818 |

Ras Al Khaimah Ceramics PSC and its subsidiaries

Condensed consolidated statement of changes in equity (continued)

for the three month period ended 31 March 2016

| | -----Attributable to owners of the Company----- | | | | | | | | | | Non- controlling interests (NCI) | Total equity |
|--|---|------------------|------------------|-------------------------|-------------------------------|---------------------|---------------------|----------------------|-------------------|-----------|---|-----------------|
| | Share capital | Share premium | Legal reserve | Translation reserves | Hyper inflation reserve | General reserves | Capital reserves | Retained earnings | Total reserves | Total | | |
| | 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 |
| Total comprehensive income for the period (unaudited) | | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | - | 57,802 | 57,802 | 57,802 | 8,058 | 65,860 |
| <i>Other comprehensive income</i> | | | | | | | | | | | | |
| Foreign currency translation differences (refer note 24) | - | - | - | 454 | (650) | - | - | - | (196) | (196) | (24) | (220) |
| Total comprehensive income for the period | - | - | - | 454 | (650) | - | - | 57,802 | 57,606 | 57,606 | 8,034 | 65,640 |
| Other equity movements (unaudited) | | | | | | | | | | | | |
| Director's fees (refer note 20) | - | - | - | - | - | - | - | (3,700) | (3,700) | (3,700) | - | (3,700) |
| Transfer to legal reserve | - | - | 9,085 | - | - | - | - | (9,085) | - | - | - | - |
| Bonus share issued (refer note 20) | 40,876 | - | - | - | - | - | - | (40,876) | (40,876) | - | - | - |
| Transactions with owners of the Company directly recorded in equity (unaudited) | | | | | | | | | | | | |
| Dividend declared (refer note 20) | - | - | - | - | - | - | - | (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 |

The notes on pages 9 to 27 are an integral part of these condensed consolidated interim financial information.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2016 (unaudited)

1 Reporting entity

Ras Al Khaimah Ceramics PSC ("the Company" or "the Holding 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 Jazeera, 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 2016 ("the current period") comprise the Company and its subsidiaries (collectively referred to as "the Group") and the Group's interest in associates and jointly controlled entities.

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 have 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 2015.

UAE Federal Law No (2) of 2015 being the Commercial Companies Law ("UAE Companies Law of 2015") was issued on 1 April 2015 and has come into force on 1 July 2015. Companies are allowed to ensure compliance with the new UAE Companies Law of 2015 by 30 June 2016 as per the transitional provisions contained therein.

Accounting estimates and judgements

In preparing these 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 2015.

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 2015.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the three month period ended 31 March 2016 (*unaudited*)

4 New standards, interpretations and amendments

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and that are available for early adoption in annual periods beginning on 1 January 2016. 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 (2016)*

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 2015.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the three month period ended 31 March 2016 (*unaudited*)

6 Cost of sales

| | Three month period ended 31 March | |
|-------------------------------|--------------------------------------|---|
| | 2016 AED'000 (Unaudited) | 2015 AED'000 (Unaudited) Restated* |
| Raw materials consumed | 219,459 | 225,863 |
| Direct labour | 68,265 | 64,746 |
| Power and fuel | 48,596 | 52,760 |
| LPG and natural gas | 60,334 | 58,522 |
| Depreciation | 38,506 | 40,631 |
| Repairs and maintenance | 35,132 | 30,544 |
| Packing material expenses | 27,576 | 26,435 |
| Provision against inventories | 2,022 | 12,242 |
| Sub-contractors' fee | 591 | 7,009 |
| Others | 12,882 | 12,958 |
| | ----- | ----- |
| | 513,363 | 531,710 |
| | ===== | ===== |

* Refer note 29.

7 Administrative and general expenses

| | Three month period ended 31 March | |
|--|--------------------------------------|---|
| | 2016 AED'000 (Unaudited) | 2015 AED'000 (Unaudited) Restated* |
| Staff costs | 27,722 | 27,873 |
| Depreciation | 4,809 | 5,119 |
| Depreciation on investment properties | 2,171 | 1,789 |
| Telephone, postal and office supplies | 2,158 | 2,246 |
| Repairs and maintenance | 1,813 | 1,715 |
| Legal and professional fee | 2,649 | 2,738 |
| Rental expenses | 250 | 410 |
| Utility expenses | 1,391 | 953 |
| Security charges | 588 | 471 |
| Insurance | 2,838 | 4,273 |
| Amortisation of intangible assets | 957 | 955 |
| Provision for / (reversal of) impairment loss on trade receivables - net | 8,733 | (10,336) |
| Impairment loss on assets classified as held for sale (refer note (i) below) | - | 48,400 |
| Others | 8,715 | 4,120 |
| | ----- | ----- |
| | 64,794 | 90,726 |
| | ===== | ===== |

- (i) During the period ended 31 March 2015, the Group had recognised a provision of AED 48.4 million for the fair value loss on the measurement of assets classified as held for sale.

* Refer note 29.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the three month period ended 31 March 2016 *(unaudited)*

8 Selling and distribution expenses

| | Three month period ended 31 March | |
|------------------------------|--------------------------------------|--------------------------------|
| | 2016 AED'000 (Unaudited) | 2015 AED'000 (Unaudited) |
| Staff costs | 26,853 | 17,548 |
| Freight and transportation | 30,451 | 32,288 |
| Performance rebates | 14,900 | 18,329 |
| Advertisement and promotions | 11,856 | 9,762 |
| Rental charges | 4,665 | 2,571 |
| Travel and entertainment | 501 | 132 |
| Depreciation | 318 | 256 |
| Others | 5,872 | 4,019 |
| | ----- | ----- |
| | 95,416 | 84,905 |
| | ===== | ===== |

9 Net finance expense / (income)

| | Three month period ended 31 March | |
|--|--------------------------------------|--------------------------------|
| | 2016 AED'000 (Unaudited) | 2015 AED'000 (Unaudited) |
| (i) Finance expense | | |
| Interest on bank borrowings | 10,497 | 10,613 |
| Profit on Islamic financing | 2,764 | 408 |
| Interest on amounts due to related parties (refer note 17) | 29 | - |
| Net change in the fair value of derivatives (refer note 19) | 289 | - |
| Bank charges | 918 | 1,403 |
| Net foreign exchange loss | 283 | 21,196 |
| | ----- | ----- |
| Total (A) | 14,780 | 33,620 |
| | ===== | ===== |
| (ii) Finance income | | |
| Interest on fixed deposits | 833 | 1,127 |
| Interest on amounts due from related parties (refer note 17) | 15 | 878 |
| Others | 155 | 679 |
| | ----- | ----- |
| Total (B) | 1,003 | 2,684 |
| | ===== | ===== |
| Net finance expense recognised in profit or loss (A-B) | 13,777 | 30,936 |
| | ===== | ===== |

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2016 (unaudited)

10 Property, plant and equipment and capital work in progress

Additions, disposal and depreciation (unaudited)

During the three month period ended 31 March 2016, the Group acquired property, plant and equipment and made additions to capital work in progress amounting to AED 100.08 million (*three month period ended 31 March 2015: AED 49.36 million*). This amount excludes the assets acquired through a business combination with a net book value of AED 8.87 million (*three month period ended 31 March 2015: nil*) (refer note 25).

Property, plant and equipment with net book value of AED 0.49 million were disposed during the current period (*three month period ended 31 March 2015: AED 11.46 million*) resulting in a gain on disposal of AED 0.77 million (*three month period ended 31 March 2015: gain of AED 2.57 million*) which is included in other income in the condensed consolidated statement of profit or loss.

Depreciation charge on property, plant and equipment for the current period amounted to AED 43.63 million (*three month period ended 31 March 2015: AED 46.01 million*).

11 Equity accounted investees

During the three month period ended 31 March 2016, the Group has acquired 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. The provisional fair value of the identifiable assets and liabilities of the 50% equity interests held on acquisition date was AED 1.78 million. Also refer note 25.

The Group's share of profit in equity accounted investees for the three month period ended 31 March 2016 amounted to AED 6.2 million (*three month period ended 31 March 2015: AED 5.7 million*).

The Group has not received any dividend during the current period from its equity accounted investees (*three month period ended 31 March 2015: AED 11.27 million*).

During the three month period ended 31 March 2015 (the previous period), the Group had disposed its entire 51% and 20% equity interests in jointly controlled entities "Laticrete RAK LLC" and "RAK Moshfly (Bangladesh) Private Limited" at a consideration of AED 48.12 million and AED 0.91 million respectively and recognised a total gain of AED 38.48 million.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2016 (unaudited)

12 Inventories

| | 31 March 2016 AED'000 (Unaudited) | 31 December 2015 AED'000 (Audited) |
|--|--|---|
| Finished goods (net of net realisable value write down) | 752,309 | 697,388 |
| Less: provision for slow moving and obsolete inventories | (68,251) | (66,192) |
| | ----- | ----- |
| | 684,058 | 631,196 |
| Raw materials | 288,590 | 276,574 |
| Goods-in-transit | 42,435 | 57,771 |
| Work-in-progress | 24,349 | 21,520 |
| Stores and spares | 210,925 | 209,921 |
| | ----- | ----- |
| | 1,250,357 | 1,196,982 |
| Less: provision for slow moving raw materials and stores and spares | (53,754) | (55,826) |
| | ----- | ----- |
| | 1,196,603 | 1,141,156 |
| | ===== | ===== |

At 31 March 2016, the Group has a cumulative loss due to write-down of finished goods inventories of AED 40.21 million against the cost of AED 248.62 million (31 December 2015: AED 46.3 million against the cost of AED 321.1 million) to bring them to their net realisable value which were lower than their costs. The difference in write down is included in cost of sales in the condensed consolidated statement of profit or loss.

13 Trade and other receivables

| | 31 March 2016 AED'000 (Unaudited) | 31 December 2015 AED'000 (Audited) |
|--|--|---|
| Trade receivables | 1,068,106 | 1,067,622 |
| Less: allowance for impairment loss | (158,715) | (155,992) |
| | ----- | ----- |
| | 909,391 | 911,630 |
| Advances and prepayments | 154,139 | 145,294 |
| Deposits | 10,544 | 9,978 |
| Other receivables (refer note (i) below) | 132,241 | 140,436 |
| | ----- | ----- |
| | 1,206,315 | 1,207,338 |
| | ===== | ===== |

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2016 (unaudited)

13 Trade receivables and other receivables (continued)

(i) Long term other receivables

| | 31 March 2016 AED'000 (Unaudited) | 31 December 2015 AED'000 (Audited) |
|-------------------------|--|---|
| Total amount receivable | 153,714 | 164,734 |
| Less: current portion | (44,082) | (44,082) |
| Long term portion | 109,632 | 120,652 |

The above long term other receivable represents amounts receivable against disposal of a subsidiary and carry interest at normal commercial rates.

14 Cash in hand and at bank

| | 31 March 2016 AED'000 (Unaudited) | 31 December 2015 AED'000 (Audited) |
|-----------------------|--|---|
| Cash in hand | 1,801 | 1,391 |
| Cash at bank | | |
| - in fixed deposits | 88,364 | 80,825 |
| - in current accounts | 251,242 | 260,983 |
| - in margin deposits | 2,401 | 3,758 |
| - in call accounts | 25,236 | 16,513 |
| | 369,044 | 363,470 |

Cash in hand and cash at bank includes AED 0.29 million (31 December 2015: AED 0.35 million) and AED 86.99 million (31 December 2015: AED 68.27 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 21.9 million (31 December 2015: AED 21.86 million) which are held by banks under lien against bank facilities availed by the Group.

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

15 Share capital

| | 31 March 2016 AED'000 (Unaudited) | 31 December 2015 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 (2015: 647,522,200 shares of AED 1 each issued as bonus shares) | 688,398 | 647,522 |
| | 858,398 | 817,522 |

Also refer note 20.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2016 (unaudited)

16 Trade and other payables

| | 31 March 2016 AED'000 (Unaudited) | 31 December 2015 AED'000 (Audited) |
|----------------------------------|--|---|
| Trade payables | 455,827 | 496,768 |
| Accrued and other expenses | 195,688 | 198,430 |
| Advances from customers | 46,943 | 57,784 |
| Commissions and rebates payables | 48,986 | 53,250 |
| Others payables | 45,738 | 29,712 |
| | ----- | ----- |
| | 793,182 | 835,944 |
| | ===== | ===== |

17 Related party transactions

The Group in the ordinary course of business, enters into transaction with other business enterprises that fall within the definition of a related party as contained in International Accounting Standard 24. Related parties of the Group primarily comprise associates, joint ventures, major shareholders and key management personnel. Pricing policies and terms of transactions with related parties are mutually agreed.

Significant transactions carried out with related parties during the period, other than those disclosed elsewhere in the condensed consolidated interim financial information, are as follows:

| | Three month period ended | |
|---|--|---|
| | 31 March 2016 AED'000 (Unaudited) | 31 March 2015 AED'000 (Unaudited) |
| Sale of goods and services and construction contracts | 56,764 | 68,391 |
| Purchase of goods and rendering of services | 66,573 | 53,258 |
| Interest income | 15 | 878 |
| Interest expense | 29 | - |
| | ===== | ===== |
| Compensation to key management personnel: | | |
| Short-term benefits | 5,454 | 6,421 |
| Staff terminal benefits | 60 | 224 |
| Board of Directors' remuneration | 3,700 | 1,178 |
| | ===== | ===== |
| Due from related parties | | |
| | 31 March 2016 AED'000 (Unaudited) | 31 December 2015 AED'000 (Audited) |
| Equity accounted investees | 405,371 | 582,783 |
| Other related parties | 78,107 | 90,155 |
| | ----- | ----- |
| | 483,478 | 672,938 |
| Less: allowance for impairment loss | (74,469) | (142,170) |
| Less: long term receivables (refer note 17(i)) | (5,203) | (6,990) |
| | ----- | ----- |
| | 403,806 | 523,778 |
| | ===== | ===== |

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2016 (unaudited)

17 Related party transactions (continued)

Due to related parties

| | 31 March 2016 AED'000 (Unaudited) | 31 December 2015 AED'000 (Audited) |
|----------------------------------|--|---|
| Other related parties | 40,159 ===== | 23,277 ===== |
| (i) Long term receivables | | |
| | 31 March 2016 AED'000 (Unaudited) | 31 December 2015 AED'000 (Audited) |
| Total amount receivable | 10,406 | 10,485 |
| Less: current portion | (5,203) | (3,495) |
| | ----- | ----- |
| Long term portion | 5,203 ===== | 6,990 ===== |

18 Bank financing arrangements

(a) Islamic bank financings

| | 31 March 2016 AED'000 (Unaudited) | 31 December 2015 AED'000 (Audited) |
|---|--|---|
| (i) Short term | | |
| Mudaraba facilities (A) | 214,022 | 224,287 |
| Commodity murabaha facilities (B) | 195,000 | 115,918 |
| Ijarah facilities (C) | 154,287 | - |
| Current portion of long term financing (refer below) | 82,654 | - |
| | ----- | ----- |
| | 645,963 ===== | 340,205 ===== |
| | 31 March 2016 AED'000 (Unaudited) | 31 December 2015 AED'000 (Audited) |
| (ii) Long term - Commodity Murabaha facilities | | |
| Availed during the period/year | 495,923 | - |
| | ----- | --- |
| Closing balance | 495,923 | - |
| Less: current portion (refer above) | (82,654) | - |
| | ----- | --- |
| Long term portion | 413,269 ===== | - == |

Long term - Commodity Murabaha facilities availed during the current period has a maturity profile till 2022 and carries profit rate of 2.6 % 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 2015.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2016 (unaudited)

18 Bank financing arrangements (continued)

(a) Islamic bank financings (continued)

- (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 2016 AED'000 (Unaudited) | 31 December 2015 AED'000 (Audited) |
|---|--|---|
| (i) Short term | | |
| Bank overdrafts | 29,600 | 8,644 |
| Short term loans | 90,890 | 123,562 |
| Current portion of long-term bank loans (refer below) | 161,219 | 190,980 |
| | ----- | ----- |
| | 281,709 | 323,186 |
| | ===== | ===== |
| | 31 March 2016 AED'000 (Unaudited) | 31 December 2015 AED'000 (Audited) |
| (ii) Long term bank loans | | |
| Opening balance | 1,500,686 | 1,116,384 |
| Add: availed during the period/year | 26,239 | 1,480,074 |
| Less: repayments made during the period/year | (497,106) | (1,095,772) |
| | ----- | ----- |
| Closing balance | 1,029,819 | 1,500,686 |
| Less: current portion (refer above) | (161,219) | (190,980) |
| | ----- | ----- |
| Long term portion | 868,600 | 1,309,706 |
| | ===== | ===== |

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 2015. The new long term bank loan availed during the current period has maturity till 2020 and interest rates of 3.6% per annum.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2016 (unaudited)

19 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 fair value AED'000 | Negative fair value AED'000 | Notional amount AED'000 | Maturity date Within 1 year AED'000 |
|---------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|---|
| 31 March 2016 (Unaudited) | | | | |
| Currency swaps | 30 | 319 | 76,425 | 76,425 |
| | --- | ---- | ----- | ----- |
| | 30 | 319 | 76,425 | 76,425 |
| | == | === | ===== | ===== |
| 31 December 2015 (audited) | | | | |
| Currency swaps | - | - | - | - |
| | -- | --- | --- | --- |
| | - | - | - | - |
| | = | = | = | = |

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 2016, the Group held the following classes of financial instruments measured at fair value:

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2016 (unaudited)

19 Derivative financial instruments (continued)

| | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 |
|---|--------------------|--------------------|--------------------|
| 31 March 2016 (unaudited) | | | |
| <i>Financial liabilities</i> | | | |
| Derivative financial liabilities - net | 289 | - | - |
| | ----- | --- | -- |
| | 289 | - | - |
| | ==== | == | == |
| | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 |
| 31 December 2015 (audited) | | | |
| <i>Financial liabilities</i> | | | |
| Derivative financial liabilities - net | - | - | - |
| | -- | --- | -- |
| | - | - | - |
| | = | == | == |

During the three month period ended 31 March 2016, 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 cross currency swap are based on quotation / rates provided by the counterparty banks and financial institutions.

Other financial assets and liabilities

The Group does not disclose 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.

20 Dividend and Directors' fee

- (i) At the Annual General Meeting (AGM) held on 16 March 2016, the shareholders approved a cash dividend of 30% and a stock dividend of 5% which was proposed by the Board of Directors.
- (ii) At the Annual General Meeting (AGM) held on 16 March 2016, the shareholders approved the proposed Directors' fees amounting to AED 3.7 million for the year ended 31 December 2015.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2016 (unaudited)

21 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 2016, calculated as follows:

| Three month period ended 31 March (Unaudited) | Restated* | | | | Restated* | |
|---|--------------------------|---------|----------------------------|---------|----------------|---------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | Continuing operations | | Discontinued operations | | Total | |
| Earnings per share | | | | | | |
| Net profit/(loss) attributable to owners of the Company (AED'000) | 57,802 | 58,438 | - | (1,313) | 57,802 | 57,125 |
| Weighted average number of shares outstanding ('000s) | 858,398 | 858,398 | 858,398 | 858,398 | 858,398 | 858,398 |
| Earnings per share (AED) | 0.07 | 0.07 | - | - | 0.07 | 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.

During the current period, the number of authorised and issued share capital increased due to the capitalisation of shares i.e issue of bonus shares. As a result of issue, the calculation of basic and diluted earnings per share for the comparative period has been adjusted accordingly and the earnings per share is calculated using the revised number of shares.

* Refer note 29.

22 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.

23 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 2016 AED'000 (Unaudited) | 31 December 2015 AED'000 (Audited) |
|----------------------------|--|---|
| Less than one year | 32,571 | 28,303 |
| Between two and five years | 68,476 | 67,226 |
| More than five years | 111,667 | 116,667 |
| | 212,714 | 212,196 |

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2016 (unaudited)

24 Hyperinflationary accounting

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the statement of financial position date and that corresponding figures for previous periods be stated in the same terms to the latest statement of financial position date. This had been applied in RAK Ceramics PJSC Limited, a subsidiary in Iran (from 2013), and in Ceramic Ras Al Khaimah Sudanese Investment Company, a subsidiary in Sudan (from 2014) and hence the impact had been calculated by means of conversion factors derived from the Consumer Price Index (CPI).

In 2015, the economy of the Islamic Republic of Iran ceased to meet the criteria of hyperinflationary economy. Accordingly, beginning 1 January 2015, the Group ceased to apply IAS 29 on a prospective basis. As a result of this change, the carrying amounts of non-monetary assets are expressed at 31 December 2014 formed the basis for the respective assets at 1 January 2015. However, the foreign currency translation differences that arose on the RAK Ceramics PJSC Limited operations (subsidiary in Iran) continue to be classified under hyperinflation reserve in the equity.

The application of the IAS 29 restatement procedures has the effect of amending certain accounting policies at the subsidiary's level which are used in the preparation of the financial statements under the historical cost conversion. The impact of hyperinflationary accounting on the condensed consolidated interim financial information of Sudan is as follows:

| Ceramic Ras Al Khaimah Sudanese Investment Company (Sudan) | 31 March 2015 |
|--|------------------------|
| <i>Impact on statement of financial position</i> | AED'000 (unaudited) |
| Increase in property plant and equipment | 3,555 |
| Increase in inventories | 5,865 |
| Increase in net book value | 9,420 |
| | ===== |
| <i>Allocated to:</i> | |
| Increase in opening equity due to cumulative hyperinflation since 31 December 2014 | 16,249 |
| Foreign currency translation reserve | 43 |
| Impact on profit or loss during the current period | (6,872) |
| | 9,420 |
| | ===== |

The net impact of hyperinflationary accounting in Sudan on net monetary position amounts to a loss of AED 2.32 million. Refer note 27. Considering the entity in Sudan was disposed of in December 2015, no impact of hyperinflation is noted in the current period.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2016 (unaudited)

25 Acquisition and disposal of subsidiary and non-controlling interests

Acquisition of subsidiaries in 2016

Effective 1 January 2016, the Group has acquired 50% of the remaining equity interest in its equity accounted investees namely, RAK Ceramics UK Limited and RAK Ceramics GmbH and converted them into wholly owned subsidiaries. Also refer note 11.

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

| | RAK Ceramics UK Limited AED'000 | RAK Ceramics GmbH AED'000 | Total AED'000 |
|---|---------------------------------------|---------------------------------|------------------|
| Property, plant and equipment | 2,894 | 5,974 | 8,868 |
| Intangible assets | - | 928 | 928 |
| Inventories | 7,931 | 47,636 | 55,567 |
| Trade and other receivables | 10,374 | 21,235 | 31,609 |
| Cash and bank balance | 706 | 4,467 | 5,173 |
| | ----- | ----- | ----- |
| 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 (refer note 11) | (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) |
| | ===== | ===== | ===== |
| Goodwill at 31 December 2015 | | | (50,356) |
| | | | ----- |
| Goodwill at 31 March 2016 | | | (68,885) |
| | | | ===== |

The above fair values and goodwill of acquisitions in 2016 have been determined on a provisional basis. If new information is obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

In the period from acquisition of controlling interests in RAK Ceramics UK and RAK Ceramics GmbH up to 31 March 2016, the investees contributed total revenue of AED 40.83 million and net loss of AED 2.38 million to the Group's profit for the period.

Disposal of a subsidiary in 2015

During the period ended 31 March 2015, the Group disposed of its entire 55% shareholding in one of its subsidiaries "RAK Pharmaceutical Private Limited" and recognised a net gain of AED 0.56 million on disposal. The disposal resulted in increase in non-controlling interests of AED 9.21 million.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2016 (unaudited)

26 Assets and liabilities of disposal group held for sale

During the year ended 31 December 2015, assets and liabilities held for sale in “RAK Pharmaceuticals Private Limited” and “Ceramics Ras Al Khaima Sudanese Investment Company” had been disposed of. Furthermore, the Group had a subsidiary involved in boat manufacturing which had been classified as a disposal group held for sale in previous years. During the year ended 31 December 2015, management’s plan to sell the disposal group had changed and efforts for the sale were discontinued. Accordingly, assets of AED 20.31 million and liabilities of AED 1.5 million which were previously classified as held for sale until were reclassified to assets and liabilities as at 31 December 2015.

27 Discontinued operations

In the previous year, the Group committed to a plan to sell its subsidiaries namely “RAK Pharmaceuticals Private Limited” and “Ceramics Ras Al Khaima Sudanese Investment Company Limited” and accordingly, these entities were presented as disposal group held for sale. During the three month period ended 31 March 2015, the Group sold its investment in RAK Pharmaceuticals Private Limited at a consideration of AED 17.04 million and recognised a gain of AED 0.56 million and operations of RAK Sudan continued to be presented as discontinued.

| | Ceramics Ras Al Khaima Sudanese Investment Co. Limited 31 March 2015 AED’000 (unaudited) |
|---|--|
| Revenue | 29,913 |
| Expense | (28,905) |
| Loss on net monetary position (refer note 24) | (2,321) |
| | ----- |
| Loss for the year | (1,313) |
| | ===== |
| Loss from discontinued operations | |
| | 2015 AED’000 |
| Attributable to the owners of the Company | 1,313 |
| | ----- |
| Total | 1,313 |
| | ===== |

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2016 (unaudited)

28 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, civil works and contracting for the supply, installation, execution and maintenance of electrical and mechanical works. |
| <i>Other industrial</i> | includes manufacturing and distribution of pharmacy, power, table ware, paints, plastic and gypsum and decorations, glue, chemicals, mines and faucets. |
| <i>Others</i> | other operations include food and beverages, trading, travel, logistics, real estate and warehousing. |

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 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 | 682,071 | 65,488 | 104,296 | 12,565 | (128,700) | 735,720 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| Segment profit for the period | 51,286 | 11,572 | 20,990 | 4,768 | (22,756) | 65,860 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| <i>As at 31 March 2016 (unaudited)</i> | | | | | | |
| Total assets | 6,414,178 | 458,608 | 482,342 | 369,591 | (1,726,290) | 5,998,429 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| Total liabilities | 3,374,745 | 198,968 | 122,023 | 130,492 | (566,934) | 3,259,294 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2016 (unaudited)

28 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 2015 (unaudited)</i> | | | | | | |
| External revenue | 591,013 | 68,676 | 62,301 | 22,095 | - | 744,085 |
| Inter segment revenue | 40,830 | 1,734 | 25,105 | 20,834 | (88,503) | - |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total revenue | 631,843 | 70,410 | 87,406 | 42,929 | (88,503) | 744,085 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| Segment profit for the period (restated) (refer note 29) | 67,364 | 8,207 | 13,690 | 2,108 | (30,565) | 60,804 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| <i>As at 31 December 2015 (audited)</i> | | | | | | |
| Total assets | 6,285,616 | 485,081 | 494,031 | 357,961 | (1,640,914) | 5,981,775 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| Total liabilities | 3,050,492 | 246,083 | 113,622 | 119,949 | (485,823) | 3,044,323 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

Reconciliation of reportable segment profit or loss

| | 31 March 2016 AED'000 (Unaudited) | 31 March 2015 AED'000 (Unaudited) Restated* |
|--|--|---|
| Total profit or loss for reportable segments after tax | 82,428 | 80,668 |
| Elimination of inter-segment profits | (22,756) | (30,565) |
| Share of profit of equity accounted investees | 6,188 | 5,701 |
| Loss on discontinued operations | - | (1,313) |
| | ----- | ----- |
| | 65,860 | 59,491 |
| | ===== | ===== |

* Refer note 29.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the three month period ended 31 March 2016 (unaudited)

29 Restatement

In 2015, the economy of the Islamic Republic of Iran ceased to meet the criteria of hyperinflationary economy. This information was available with the Group only in the last quarter of 2015 in the view of the more recent economic information available. Until then (i.e. for the three quarters of 2015), the Group considered Iran to be a hyperinflationary economy and appropriate accounting was done. Based on the updated information available, beginning 1 January 2015, the Group had ceased to apply IAS 29 on a prospective basis. As a result of this change, the carrying amounts of non-monetary assets are expressed at 31 December 2014 formed the basis for the respective assets at 1 January 2015 and hyperinflation accounting done in the previous year until 31 March 2015 is restated.

Accordingly, the Group had made the following restatements to the previously hyper inflated values:

Statement of financial position – 31 March 2015

| | As previously stated AED' 000 (Unaudited) | Adjustments AED' 000 (Unaudited) | As restated AED' 000 (Unaudited) |
|-------------------------------|---|--|--|
| Property, plant and equipment | 1,166,884 | (6,410) | 1,160,474 |
| Intangible assets | 18,762 | (9) | 18,753 |
| Inventories | 1,113,861 | (3,002) | 1,110,859 |
| Others | 3,870,287 | - | 3,870,287 |
| | ----- | ----- | ----- |
| Total assets | 6,169,794 | (9,421) | 6,160,373 |
| | ===== | ===== | ===== |
| | ----- | --- | ----- |
| Total liabilities | 3,069,555 | - | 3,069,555 |
| | ===== | == | ===== |
| Retained earnings | 1,438,146 | (749) | 1,437,397 |
| Hyperinflation reserve | (63,204) | (6,788) | (69,992) |
| Non-controlling interests | 218,254 | (1,884) | 216,370 |
| Others | 1,507,043 | - | 1,507,043 |
| | ----- | ----- | ----- |
| Total equity | 3,100,239 | (9,421) | 3,090,818 |
| | ===== | ===== | ===== |

Statement of profit or loss and other comprehensive income – 31 March 2015

| | As previously stated AED' 000 (Unaudited) | Adjustments AED' 000 (Unaudited) | As restated AED' 000 (Unaudited) |
|--|---|--|--|
| Loss on net monetary position | (1,631) | 1,631 | - |
| Cost of sales | (528,981) | (2,729) | (531,710) |
| Administrative and general expenses | (90,818) | 92 | (90,726) |
| Other income | 16,835 | 70 | 16,905 |
| Others | 665,022 | - | 665,022 |
| | ----- | ----- | ----- |
| Profit for the period | 60,427 | (936) | 59,491 |
| Foreign currency translation differences | (8,076) | 313 | (7,763) |
| Hyperinflation effect | 25,047 | (8,798) | 16,249 |
| | ----- | ----- | ----- |
| Total comprehensive income | 77,398 | (9,421) | 67,977 |
| | ===== | ===== | ===== |