

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

Condensed consolidated
interim financial information
30 June 2014

Ras Al Khaimah Ceramics PSC and its subsidiaries

Condensed consolidated interim financial information

30 June 2014

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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 30 June 2014 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 30 June 2014;
- the condensed consolidated income statement for the three-month and six-month periods ended 30 June 2014;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2014;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2014;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2014; 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 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34, *'Interim Financial Reporting'*.

KPMG Lower Gulf Limited
Munther Dajani
Registration No. 268
Abu Dhabi, United Arab Emirates
Date: 10 AUG 2014

Ras Al Khaimah Ceramics PSC and its subsidiaries

Condensed consolidated income statement (unaudited)

for the six month period ended 30 June 2014

	Note	Six month period ended 30 June		Three month period ended 30 June	
		2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000
Revenue		1,661,208	1,737,810	868,463	931,916
Cost of sales	10	(1,204,528)	(1,253,448)	(645,777)	(671,099)
Gross profit		456,680	484,362	222,686	260,817
Administrative and general expenses	6	(165,563)	(141,852)	(90,958)	(80,429)
Selling and distribution expenses	7	(178,350)	(171,276)	(86,778)	(92,011)
Other income		39,185	33,081	18,290	16,625
Results from operating activities		151,952	204,315	63,240	105,002
Finance cost		(58,388)	(79,710)	(19,616)	(26,245)
Finance income		8,322	12,721	3,025	7,546
Share of profit in equity accounted investees	9	19,533	24,225	11,006	14,633
Gain on settlement of related party balances	15(i)	59,082	-	59,082	-
Loss on net monetary position	21	(15,705)	-	(17,113)	-
Profit before tax		164,796	161,551	99,624	100,936
Tax expense		(14,899)	(11,412)	(8,423)	(5,103)
Profit for the period		149,897	150,139	91,201	95,833
<i>Profit attributable to:</i>					
Owners of the Company		151,296	148,213	93,273	97,312
Non-controlling interests		(1,399)	1,926	(2,072)	(1,479)
Profit for the period		149,897	150,139	91,201	95,833
Earnings per share - basic and diluted (AED)	18	0.19	0.18	0.11	0.12

The notes on pages 9 to 22 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 six month period ended 30 June 2014

	Six month period ended 30 June		Three month period ended 30 June	
	2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000
Profit for the period	149,897	150,139	91,201	95,833
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences	(5,337)	(12,153)	5,168	(18,457)
Total comprehensive income for the period	144,560	137,986	96,369	77,376
<i>Total comprehensive income attributable to:</i>				
Owners of the Company	147,087	136,316	98,987	80,411
Non-controlling interests	(2,527)	1,670	(2,618)	(3,035)
Total comprehensive income	144,560	137,986	96,369	77,376

The notes on pages 9 to 22 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 30 June 2014

	Note	30 June 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	8	1,262,240	1,117,412
Capital work-in-progress	8	62,683	51,568
Goodwill		50,356	50,356
Intangible assets		19,571	20,459
Investment properties	15(i)	1,118,320	222,164
Investments in equity accounted investees	9	204,654	214,329
Long term portion of receivable from related parties	15	-	205,162
Deferred tax assets		233	2,678
		<u>2,718,057</u>	<u>1,884,128</u>
Current assets			
Inventories	10	1,194,079	1,115,693
Trade and other receivables	11	1,285,770	1,110,656
Contract work-in-progress		92,595	82,304
Due from related parties	15	336,947	965,420
Cash in hand and at bank	12	345,532	499,518
Assets classified as held for sale		20,312	20,312
Derivative financial assets	17	-	1,265
		<u>3,275,235</u>	<u>3,795,168</u>
Total assets		<u>5,993,292</u>	<u>5,679,296</u>
Equity and liabilities			
Equity			
Share capital	13	817,522	743,202
Reserves		1,896,893	1,730,260
Equity attributable to owners of the Company		<u>2,714,415</u>	<u>2,473,462</u>
Non-controlling interests		165,034	165,973
Total equity		<u>2,879,449</u>	<u>2,639,435</u>
Non-current liabilities			
Long term bank loans	16(ii)	943,022	914,791
Provision for employees' end-of-service benefits		74,965	77,939
Deferred tax liabilities		9,962	7,440
		<u>1,027,949</u>	<u>1,000,170</u>
Current liabilities			
Short-term bank borrowings	16(i)	920,534	909,342
Trade and other payables	14	985,894	980,150
Billings in excess of valuation		4,011	2,330
Provision for taxation		98,829	87,260
Due to related parties	15	75,070	59,109
Liabilities classified as held for sale		1,409	1,500
Derivative financial liabilities	17	147	-
		<u>2,085,894</u>	<u>2,039,691</u>
Total liabilities		<u>3,113,843</u>	<u>3,039,861</u>
Total equity and liabilities		<u>5,993,292</u>	<u>5,679,296</u>

The notes on pages 9 to 22 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

10 AUG 2014


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 interim statement of cash flows (unaudited)
for the six month period ended 30 June 2014

	Six month period ended 30 June	
	2014	2013
	AED'000	AED'000
Operating activities		
Profit for the period before tax	164,796	161,551
<i>Adjustments for:</i>		
Share of profit in equity accounted investees	(19,533)	(24,225)
Loss on net monetary position	15,705	-
Gain on settlement of related party balances (net)	(48,144)	-
Finance expense	26,783	41,250
Finance income	(8,322)	(12,721)
Gain on disposal of property, plant and equipment	(2,453)	(576)
Depreciation on property, plant and equipment	85,841	60,307
Amortization of intangible assets	1,337	1,534
Capital work in progress written off	3,353	1,375
Depreciation on investment property	3,609	3,580
Provision for employees' end-of-service benefits	2,662	17,258
	-----	-----
	225,634	249,333
Change in:		
- inventories (including contract work in progress)	(13,744)	(84,719)
- trade and other receivables	(198,493)	61,636
- due from related parties (including long term)	20,753	(375)
- asset classified as held for sale	-	2,371
- trade and other payables (including billing-in-excess of valuation)	(9,105)	82,287
- due to related parties	1,496	(49,227)
- liabilities classified as held for sale	-	46
- derivative financial liabilities	1,412	(1,349)
- deferred tax assets	2,445	(754)
- deferred tax liabilities	2,523	(10)
Income tax refund / (paid)	15,759	(1,567)
Employees' end-of-service benefits paid	(5,847)	(6,353)
Directors' fees	(2,400)	(2,400)
Currency translation adjustment	(6,715)	3,508
	-----	-----
Net cash from operating activities	33,718	252,427
	-----	-----
Investing activities		
Acquisition of property, plant and equipment and capital work in progress	(118,410)	(46,892)
Change in bank deposits	5,781	50,118
Additions to investment property	(19)	-
Proceeds from disposal of property, plant and equipment	2,888	918
Acquisition of intangible assets	(503)	(1,653)
Cash acquired as part of acquisition of subsidiary	-	8,051
Investment in equity accounted investees	-	(1,723)
Dividend received from equity accounted investees	28,362	24,525
Finance income received	5,314	12,721
	-----	-----
Net cash (used in) / from investing activities	(76,587)	46,065
	-----	-----

Ras Al Khaimah Ceramics PSC and its subsidiaries

Condensed consolidated interim statement of cash flows (unaudited) (continued)
for the six month period ended 30 June 2014

	Six month period ended 30 June	
	2014 AED'000	2013 AED'000
Financing activities		
Long term bank loans availed	167,924	1,167,146
Long term bank loans repaid	(135,716)	(892,508)
Net movement in short term bank borrowings (net)	(80,356)	4,569
Finance expense paid	(26,783)	(41,250)
Dividend paid	(111,480)	(148,640)
Dividend paid to non-controlling interests	(7,246)	(6,319)
Funds invested by non-controlling interests	752	-
	-----	-----
Net cash (used in) / from financing activities	(192,905)	82,998
	-----	-----
Net (decrease) / increase in cash and cash equivalents	(235,774)	381,490
Cash and cash equivalents at the beginning of the period	436,004	289,024
	-----	-----
Cash and cash equivalents at the end of the period	200,230	670,514
	=====	=====
Represented by:		
Cash in hand and at bank (net of bank deposit on lien)	314,797	828,793
Bank overdraft	(114,567)	(158,279)
	-----	-----
	200,230	670,514
	=====	=====

The notes on pages 9 to 22 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 six month period ended 30 June 2014

	-----Attributable to equity holders of the Company-----									Non- controlling interests	Total equity
	Share capital	Share premium	Legal reserve	Translation reserves	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		
Balance at 1 January 2013 (audited)	743,202	221,667	287,922	(418,893)	82,805	55,044	1,138,400	1,366,945	2,110,147	147,818	2,257,965
Total comprehensive income for the period (unaudited)											
Profit for the period	-	-	-	-	-	-	148,213	148,213	148,213	1,926	150,139
Other comprehensive income	-	-	-	(11,897)	-	-	-	(11,897)	(11,897)	(256)	(12,153)
Total comprehensive income	-	-	-	(11,897)	-	-	148,213	136,316	136,316	1,670	137,986
Transactions with owners recorded directly in equity (unaudited)											
<i>Other equity movements</i>											
Transfer to legal reserve	-	-	21,346	-	-	-	(21,346)	-	-	-	-
Allocation of legal reserve on acquisition of subsidiary (refer note 22)	-	-	27,688	-	-	-	(27,688)	-	-	-	-
Directors' fees	-	-	-	-	-	-	(2,400)	(2,400)	(2,400)	-	(2,400)
<i>Contribution by and distribution to owners of the Company</i>											
Acquisition of subsidiary under common control (refer note 22)	-	-	-	-	-	-	141,876	141,876	141,876	-	141,876
Dividend declared	-	-	-	-	-	-	(148,640)	(148,640)	(148,640)	(6,319)	(154,959)
At 30 June 2013 (unaudited)	<u>743,202</u>	<u>221,667</u>	<u>336,956</u>	<u>(430,790)</u>	<u>82,805</u>	<u>55,044</u>	<u>1,228,415</u>	<u>1,494,097</u>	<u>2,237,299</u>	<u>143,169</u>	<u>2,380,468</u>

Ras Al Khaimah Ceramics PSC and its subsidiaries

Condensed consolidated statement of changes in equity (continued)

for the six month period ended 30 June 2014

	-----Attributable to equity holders of the Company-----								Non-controlling interests	Total equity	
	Share capital	Share premium	Legal reserve	Translation reserves	General reserves	Capital reserves	Retained earnings	Total reserves			
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000			AED '000
Balance at 1 January 2014 (audited)	743,202	221,667	353,855	(464,576)	82,805	55,044	1,481,465	1,730,260	2,473,462	165,973	2,639,435
Total comprehensive income for the period (unaudited)											
Profit for the period	-	-	-	-	-	-	151,296	151,296	151,296	(1,399)	149,897
Other comprehensive income	-	-	-	(4,209)	-	-	-	(4,209)	(4,209)	(1,128)	(5,337)
Total comprehensive income	-	-	-	(4,209)	-	-	151,296	147,087	147,087	(2,527)	144,560
Transactions with owners recorded directly in equity (unaudited)											
<i>Other equity movements</i>											
Transfer to legal reserve			21,074				(21,074)	-	-	-	-
Hyperinflationary effect (refer note 21)	-	-	-	-	-	-	207,746	207,746	207,746	8,082	215,828
Bonus shares issued	74,320	-	-	-	-	-	(74,320)	(74,320)	-	-	-
<i>Contribution by and distribution to owners of the Company</i>											
Directors' fees	-	-	-	-	-	-	(2,400)	(2,400)	(2,400)	-	(2,400)
Dividend declared	-	-	-	-	-	-	(111,480)	(111,480)	(111,480)	(7,246)	(118,726)
<i>Changes in ownership interests in subsidiaries</i>											
Funds invested by non-controlling interests	-	-	-	-	-	-	-	-	-	752	752
At 30 June 2014 (unaudited)	817,522	221,667	374,929	(468,785)	82,805	55,044	1,631,233	1,896,893	2,714,415	165,034	2,879,449

The notes on pages 9 to 22 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 six month period ended 30 June 2014 (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 under the UAE Federal Law No. 8 of 1984 (as amended). Subsequently, under the Emiri Decree No. 9/91 dated 6 July 1991, the legal status of the Company was changed to 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.

The condensed consolidated interim financial information as at and for the six month period ended 30 June 2014 ("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 exercise 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.

On 15 June 2014, one of the major shareholders of the Company has sold 250 million shares to a third party representing 30.58% of the share capital after taking into account 10% bonus shares as approved by the shareholders at the General Assembly on 17 April 2014.

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 2013.

Accounting estimates and judgements

The preparation of condensed consolidated interim financial information requires management to make 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.

In preparing these condensed consolidated interim financial information, 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 2013.

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 2013 except for new standards, interpretations and amendments adopted by the Group as explained in note 4.

For the purpose of clarification in relation to the accounting policy of investment property, the following paragraph should be referred to in addition to the policy applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2013:

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2014 *(Unaudited)*

3 Significant accounting policies (continued)

Investment property

The cost of investment property acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets; comprises the fair value of the asset received or asset given up. If the fair value of the asset received and asset given up can be measured reliably, the fair value of the asset given up is used to measure cost, unless the fair value of the asset received is more clearly evident.

4 New standards, interpretations and amendments adopted by the Group

Effective 1 January 2014, following new / amended International Financial Reporting Standards (IFRSs) have become effective and have been applied in preparing the condensed consolidated interim financial information:

- Improvement / amendments to IFRSs:
 - IFRS 10: Consolidated financial statements, IFRS 12: Disclosure of Interests in Other Entities and IAS 27: Separate Financial Statements.
 - IAS 32: Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities.
 - IAS 36: Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets.
 - IAS 39: Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting.

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 2013.

6 Administrative and general expenses

	Six month period ended 30 June		Three month period ended 30 June	
	2014	2013	2014	2013
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>These include:</i>				
Staff costs	56,866	53,394	28,920	24,167
Depreciation	15,012	10,527	9,309	4,204
Telephone, postal and office supplies	4,824	5,061	2,603	2,564
Repairs and maintenance	8,720	7,069	7,360	3,775
Legal and professional fee	18,011	3,311	15,150	1,888
Amortization of intangible assets	1,337	1,404	835	418
(Reversal) / impairment loss on trade and other receivables	(11,419)	28,140	(29,204)	15,671
Impairment loss on amounts due from related parties	31,174	4,500	34,961	-
	=====	=====	=====	=====

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the six month period ended 30 June 2014 (*Unaudited*)

7 Selling and distribution expenses

	Six month period ended 30 June		Three month period ended 30 June	
	2014 AED'000 (Unaudited)	2013 AED'000 (Unaudited)	2014 AED'000 (Unaudited)	2013 AED'000 (Unaudited)
<i>These include:</i>				
Staff costs	34,935	34,605	17,524	16,144
Freight and transport	62,892	66,334	25,251	36,372
Performance rebates	47,404	43,475	22,622	24,980
Advertisement and promotions	20,114	19,212	12,334	9,826
Travel and entertainment	1,138	1,155	528	569
Depreciation	618	1,456	82	776
	=====	=====	=====	=====

8 Property, plant and equipment and capital work in progress

Additions, disposals and depreciation (unaudited)

During the six month period ended 30 June 2014, the Group acquired property, plant and equipment and made additions to capital work in progress amounting to AED 118.4 million (*six month period ended 30 June 2013: AED 46.9 million*).

Property, plant and equipment with net book value of AED 0.4 million were disposed during the current period (*six month period ended 30 June 2013: AED 0.3 million*) resulting in a gain on disposal of AED 2.5 million (*six month period ended 30 June 2013: AED 0.6 million*) which is included in other income in the condensed consolidated income statement.

Depreciation charge on property, plant and equipment for the current period amounted to AED 85.8 million (*six month period ended 30 June 2013: AED 60.3 million*).

During the previous period (effective 1 January 2013), the management of a subsidiary carried out a review of the useful lives of property, plant and equipment and revised the useful life of plant and equipment from 10 years to 15 years. The revision in estimated useful life was treated as a change in accounting estimate in accordance with International Accounting Standard (“IAS”) 8, ‘Accounting policies, changes in accounting estimates and errors’ and was applied prospectively from the beginning of the period as required by IAS 34. Had there been no such change in estimate of useful life, the depreciation charge for the three months and six months ended 30 June 2013 would have been higher by AED 1.8 million and AED 3.6 million respectively and the profit for the periods would have been lower by an equivalent amount.

Also refer note 21 for movement in property, plant and equipment due to hyperinflationary accounting.

9 Investments in equity accounted investees

During the six month period ended 30 June 2014, the Group has made no further investments (*six month period ended 30 June 2013: AED 1.7 million*).

The Group’s share of profit in equity accounted investees for the six month period ended 30 June 2014 amounted to AED 19.5 million (*six month period ended 30 June 2013: AED 24.2 million*).

The Group has received a dividend of AED 28.4 million during the current period from equity accounted investees (*six month period ended 30 June 2013: AED 24.5 million*).

In the previous period ended 30 June 2013, the Group derecognised equity accounted investment amounting to AED 141.9 million, upon acquisition of full control in a jointly controlled entity (refer note 22).

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the six month period ended 30 June 2014 (*Unaudited*)

10 Inventories

	30 June 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
Finished goods (net of net realisable value write down)	641,303	603,885
Less: Provision for slow moving and obsolete inventories	(37,443)	(27,114)
	-----	-----
(A)	603,860	576,771
	-----	-----
Raw material	304,665	306,042
Goods-in-transit	58,431	39,499
Work-in-progress	20,319	22,239
Stores and spares	245,156	208,655
	-----	-----
	628,571	576,435
Less: Provision for slow moving raw materials and stores and spares	(38,352)	(37,513)
	-----	-----
(B)	590,219	538,922
	-----	-----
Total (A+B)	1,194,079	1,115,693
	=====	=====

At 30 June 2014, the Group has recognised a cumulative loss due to write-down of finished goods inventories of AED 30.5 million against the cost of AED 211.8 million (*31 December 2013: AED 32.5 million against the cost of AED 210.3 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 income statement.

Also refer note 21.

11 Trade and other receivables

	30 June 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
Trade receivables	1,235,795	1,073,704
Less: Allowance for impairment loss	(170,436)	(181,855)
	-----	-----
	1,065,359	891,849
Advances	117,283	95,951
Deposits	13,555	13,097
Other receivables	89,573	109,759
	-----	-----
	1,285,770	1,110,656
	=====	=====

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2014 *(Unaudited)*

12 Cash in hand and at bank

	30 June 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
Cash in hand	1,715	1,785
Cash at bank		
- in fixed deposits	93,557	104,553
- in current accounts	228,760	325,327
- in call accounts	19,108	24,484
- in margin deposits	2,392	43,369
	-----	-----
	345,532	499,518
	=====	=====

Cash in hand and cash at bank includes AED 0.47 million (31 December 2013: AED 0.42 million) and AED 115.1 million (31 December 2013: AED 110.1 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 30.73 million (31 December 2013: AED 36.5 million) which are held by banks under lien against bank facilities availed by the Group.

13 Share capital

	30 June 2014 AED'000 (Unaudited)	31 December 2013 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
647,522,200 shares of AED 1 each issued as bonus shares (31 December 2013: 573,202,000 shares of AED 1 each)	647,522	573,202
	-----	-----
	817,522	743,202
	=====	=====

On 17 April 2014, the shareholders of the Company in their Annual General Meeting approved the issue of bonus shares to the extent of 10% of the share capital of the Company (refer note 23).

14 Trade and other payables

	30 June 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
Trade payables	628,046	656,732
Accrued and other expenses	251,807	225,455
Advances from customers	30,391	38,043
Other payables	75,650	59,920
	-----	-----
	985,894	980,150
	=====	=====

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the six month period ended 30 June 2014 (*Unaudited*)

15 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, jointly controlled entities, 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 those already disclosed elsewhere in these consolidated condensed financial information, are as follows:

	Six month period ended 30 June	
	2014 (Unaudited) AED'000	2013 (Unaudited) AED'000
Sales	146,216	258,849
Purchases	71,003	2,239
	=====	=====
Compensation to key management personnel:		
Salaries and benefits	9,496	9,179
End of service benefits	220	314
	-----	-----
	9,716	9,493
	=====	=====
	30 June 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
Due from related parties*:		
Equity accounted investees	426,637	514,860
Other related parties	14,449	523,525
Less: Allowance for impairment loss	(104,139)	(72,965)
	-----	-----
	336,947	965,420
	=====	=====
Long term receivables from related parties*:		
Long term amount receivables from related parties	-	303,400
Less: Discounting of long term receivables	-	(46,093)
	----	-----
	-	257,307
Less: current portion	-	(52,145)
	----	-----
Long term portion	-	205,162
	==	=====

Details of long term receivables from related parties, including terms of repayment are mentioned in the consolidated financial statements of the Group for the year ended 31 December 2013.

* Refer note 15(i).

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the six month period ended 30 June 2014 (*Unaudited*)

15 Related party transactions (continued)

	30 June 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
Due to related parties:		
Equity accounted investees	10,666	45,475
Others related parties	64,404	13,634
	-----	-----
	75,070	59,109
	=====	=====

(i) Settlement of certain related party receivable balances

During the current period, the ultimate beneficial owner of certain related parties has settled balances payable by these related parties to the Group having a carrying value of AED 839.3 million (net) in the form of a plot of land on behalf of these related parties. Accordingly, the Group has received a plot of land in consideration of the settlement of these related party balances. The legal formalities in relation to the transfer of the land have been completed subsequent to the period end.

When received, the land has been fair valued by an independent valuer, in accordance with the requirements of IFRS 13: *Fair value measurement*, at AED 899.3 million which has been recognised as an investment property and a gain of AED 59.1 million (net of transaction costs) on the settlement of the above mentioned related party balances. The cost of investment property acquired in exchange for the related party receivables (monetary assets) has been determined at the fair value of the investment property received. The gain on this transaction has been recognised as explained below.

	30 June 2014 AED'000
Fair value of investment property	899,319
Less: due from related parties derecognised (net)	(839,268)

	60,051
Less: cost incurred on transaction	(969)

Gain recognised in income statement	59,082
	=====

16 Bank borrowings

	30 June 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
i) Short term		
Bank overdrafts	114,567	26,997
Short-term loans	443,742	501,215
Trust receipts	25,979	48,861
Current portion of long-term bank loans (refer note (ii) below)	336,246	332,269
	-----	-----
	920,534	909,342
	=====	=====

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2014 *(Unaudited)*

16 Bank borrowings *(continued)*

	Six month period ended 30 June 2014 AED'000 (Unaudited)	Year ended 31 December 2013 AED'000 (Audited)
ii) Long term bank loans		
Opening balance	1,247,060	1,148,644
Add: Availed during the period / year	167,924	1,192,627
Less: Repayments made during the period / year	(135,716)	(1,094,211)
	-----	-----
Closing balance	1,279,268	1,247,060
Less: Current portion of term loans (refer note (i) above)	(336,246)	(332,269)
	-----	-----
Long-term portion of term loans	943,022	914,791
	=====	=====

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 2013. The new long term bank loans availed during the current period are against bank securities and terms which are similar with those mentioned in the Group's 2013 consolidated financial statements.

17 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	Between 1 - 5 years AED'000
30 June 2014					
Interest rate swaps	-	115	120,919	120,919	-
Currency swaps	-	32	2,243	2,243	-
	----	----	-----	-----	----
	-	147	123,162	123,162	-
	==	===	=====	=====	==
31 December 2013					
Interest rate swaps	-	471	251,635	251,635	-
Currency swaps	1,736	-	7,322	7,322	-
	-----	-----	-----	-----	----
	1,736	471	258,957	258,957	-
	=====	===	=====	=====	==

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the six month period ended 30 June 2014 (*Unaudited*)

17 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 June 2014, 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
30 June 2014			
<i>Financial liabilities</i>			
Derivative financial liabilities - net	-	147	-
	----	----	----
	-	147	-
	==	==	==
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
31 December 2013			
<i>Financial assets</i>			
Derivative financial assets - net	-	1,265	-
	----	-----	----
	-	1,265	-
	==	=====	==

During the six month period ended 30 June 2014, 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 liabilities

The fair values of interest rate swap and cross currency swap are based on quotation / rates provided by the counterparty banks and financial institutions.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the six month period ended 30 June 2014 (*Unaudited*)

18 Earnings per share

	Six month period ended	
	30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Net profit attributable to owners of the Company (AED'000)	151,296	148,213
	=====	=====
Weighted average number of shares outstanding ('000)	817,522	817,522
	=====	=====
Earnings per share (AED) – basic and diluted	0.19	0.18
	===	===

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.

19 Contingent liabilities and commitments

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

20 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 June	31 December
	2014	2013
	AED'000	AED'000
	(Unaudited)	(Audited)
Less than one year	27,803	21,753
Between two and five years	49,020	58,160
More than five years	163,649	163,649
	-----	-----
	240,472	243,562
	=====	=====

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the six month period ended 30 June 2014 (*Unaudited*)

21 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 has been applied in RAK Ceramics PJSC Limited, a subsidiary in Iran, and in Ceramic Ras Al Khaimah Sudanese Investment Company, a subsidiary in Sudan and hence the impact has been calculated by means of conversion factors derived from the Consumer Price Index (CPI). The conversion factors used to restate the financial statements of the subsidiaries are as follows:

	-----Iran-----		-----Sudan-----	
	Index	Conversion factor	Index	Conversion factor
30 June 2014	548	1.120	498	1.090
31 December 2013	489	1.315	457	1.419
31 December 2012	372	1.383	322	1.460
31 December 2011	269	1.224	220	1.212
31 December 2005	104	-	100	1.06
31 December 2004	-	-	94	-

The above mentioned restatement is affected as follows:

- Financial statements prepared in the currency of a hyperinflationary economy are stated after applying the measuring unit current at statement of financial position date and corresponding figures for the previous period are stated on the same basis. Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the statement of financial position date. Monetary items are money held and items to be recovered or paid in money;
- Non-monetary assets and liabilities that are not carried at amounts current at the statement of financial position date and components of shareholders' equity are restated by applying the relevant conversion factors;
- Comparative financial statements are restated using general inflation indices in terms of the measuring unit current at the statement of financial position date;
- All items in the income statement are restated by applying the relevant quarterly average or year-end conversion factors; and
- The effect on the net monetary position of the Group is included in the consolidated statement of profit or loss as a monetary loss from hyperinflation.

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 consolidated financial statements of Sudan and Iran subsidiaries are as follows:

a) Ceramic Ras Al Khaimah Sudanese Investment Company (Sudan)

	30 June 2014 AED'000
<i>Impact on statement of financial position</i>	
Increase in property plant and equipment	91,198
Increase in capital work in progress	696
Increase in inventories	73,447
	<u>165,341</u>
Increase in net book value	<u>165,341</u>
<i>Allocated to:</i>	
Increase in opening equity due to cumulative hyperinflation since incorporation	175,419
Foreign currency translation reserve	907
Impact on profit or loss during the current period	<u>(10,985)</u>
	<u>165,341</u>

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2014 *(Unaudited)*

21 Hyperinflationary accounting (continued)

b) RAK Ceramics PJSC Limited (Iran)

	30 June 2014 AED'000
<i>Impact on statement of financial position</i>	
Increase in property plant and equipment	21,452
Increase in intangible assets	3
Increase in inventories	1,485

Increase in net book value	22,940
	=====
<i>Allocated to:</i>	
Increase in opening equity and non controlling interest due to hyperinflation since December 2013	40,409
Foreign currency translation reserve	(1,103)
Impact on profit or loss during the current period	(16,366)

	22,940
	=====

The net impact of hyperinflationary accounting in Sudan and Iran during the current period on net monetary position amounts to a loss of AED 15.7 million *(six month period ended June 2013: Nil)*.

22 Acquisition of subsidiary under common control

Acquisition of a subsidiary in 2013

In 2013, the Company obtained control of Al Hamra Construction Company LLC (a jointly controlled entity until 31 December 2012) by transfer of 50 percent of the shares and voting rights in that entity from a related party at a nominal consideration of AED 100, thereby increasing its shareholding to 100%. Considering that the investee was under common control of the majority shareholders of the Company, the acquisition accounting had been done based on book values at the date of acquisition. Al Hamra Construction Company LLC is engaged mainly in the construction of commercial and residential properties.

The book values of the identifiable assets and liabilities of Al Hamra Construction LLC acquired by the Company were as follows:

	Book value AED'000
Total assets acquired	530,612
	=====
Total liabilities acquired	246,860
	=====
Net assets acquired	283,752
	=====
Consideration paid	-
Book value of pre-existing interest in Al Hamra Construction Company LLC	(141,876)
	=====
Gain on acquisition recognised in equity	141,876
	=====

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the six month period ended 30 June 2014 (*Unaudited*)

23 Declared dividend and directors' fee

- (i) At the Annual General Meeting (AGM) held on 17th April 2014, the shareholders approved 15% cash dividend (AED 0.15 per share) and 10% stock dividend which was proposed by the Board of Directors. The cash dividend and stock dividend have been distributed during the current period.
- (ii) At the Annual General Meeting (AGM) held on 17th April 2014, the shareholders approved the proposed Directors' fees amounting to AED 2.4 million for the year ended 31 December 2013 which has been paid during the current period.

24 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.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the six month period ended 30 June 2014 (*Unaudited*)

24 Segment reporting (continued)

	Ceramic products AED'000	Contracting AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
<i>Six month period ended 30 June 2014</i>						
External revenue	1,433,671	105,659	62,229	59,649	-	1,661,208
Inter segment revenue	96,258	27,918	78,346	58,026	(260,548)	-
Total revenue	1,529,929	133,577	140,575	117,675	(260,548)	1,661,208
Segment profit / (loss) for the period	172,874	(5,748)	14,555	9,100	(40,884)	149,897
<i>As at 30 June 2014</i>						
Total assets	6,830,442	855,380	373,208	371,734	(2,437,472)	5,993,292
Total liabilities	3,600,057	432,223	131,050	169,330	(1,218,817)	3,113,843
<i>Six month period ended 30 June 2013</i>						
External revenue	1,395,755	218,958	66,198	56,899	-	1,737,810
Inter segment revenue	193,374	25,586	70,216	74,966	(364,142)	-
Total revenue	1,589,129	244,544	136,414	131,865	(364,142)	1,737,810
Segment profit / (loss) for the period	171,584	(3,072)	14,489	15,018	(47,880)	150,139
<i>As at 31 December 2013</i>						
Total assets	6,479,801	925,561	384,394	394,374	(2,504,834)	5,679,296
Total liabilities	3,481,618	495,691	128,368	200,000	(1,265,816)	3,039,861

Reconciliation of reportable segment profit or loss

	30 June 2014 AED'000 (Unaudited)	30 June 2013 AED'000 (Unaudited)
Total profit or loss for reportable segments after tax	171,248	173,794
Elimination of inter-segment profits	(40,884)	(47,880)
Share of profit in equity accounted investees	19,533	24,225
	149,897	150,139