



**RAK**

CERAMICS

*Close to you worldwide*

Condensed consolidated interim financial information  
*30 June 2016*

# **Ras Al Khaimah Ceramics PSC and its Subsidiaries**

Condensed consolidated interim financial information

*30 June 2016*

## ***Table of contents***

---

### **Section A:**

1. Report of the Board of Directors

### **Section B:**

1. Independent auditors' report on review of condensed consolidated interim financial information.
2. Condensed consolidated interim financial information.



## RAK Ceramics PSC

### Report of the Board of Directors

On financial performance during the six months ended on 30 June 2016

03 August 2016

**Dear Members,**

It is our pleasure to present the Business & Operations report for the six months period ended on 30 June 2016, along with the Condensed Consolidated Interim Financial Information for the six months ended on 30 June 2016.

We are pleased to announce that Dar Al Sharia Limited, DIFC, have certified that shares of RAK Ceramics PSC are sharia compliant for the purpose of investment and trading.

The expansion in tiles in Bangladesh has been complete with the additional capacity of producing 10,000 m<sup>2</sup> per day.

#### Results

As reported in the first quarter of this year, the group had acquired the stakes held by the other partners in RAK UK & RAK Germany, making these units wholly owned entities of the group, to further strengthen control in European market. The group has also acquired control over its distribution unit in Italy with effect from 01 July 2016.

The consolidated revenue for the six months period amounted to AED 1,492.3 million which is lower by 3.6% compared to same period of the last year. At the same time, despite the challenging environment in Saudi Arabia and other GCC countries as well as increasing volatility of foreign currencies, the revenue of the Core business for the six months period amounted to AED 1,216.8 million in line with AED 1,221.9 million during the same period of last year. Gross margin for six months period is improved by 190 bps at 29.8%. Operating profit also improved by 170 bps to 11.0% to reach AED 163.7 million compared with AED 143.7 million last year. The net profit for the period from the continuing operations amounted to AED 131.2 million as against AED 145.6 million in same period in last year.

#### Financial highlights for the six month period ended 30 June 2016

Particulars	Unit	YTD 30 June 2016	YTD 30 June 2015	Change
Total Revenue	AED Mio	1,492.3	1,548.3	(3.6%)
Gross Profit	AED Mio	445.2	432.0	3.1%
GP Margin	%	29.8%	27.9%	190 bps
EBITDA	AED Mio	282.6	284.8	(0.8%)
EBITDA Margin	%	18.9	18.4	50 bps
Reported Net Income	AED Mio	131.2	145.6	(9.9%)
Reported Profit after NCI (Minority)	AED Mio	112.8	136.3	(17.3%)
Reported Earnings per share	AED	0.13	0.16	(17.9%)

		30 June 2016	31 December 2015	Change
Total Assets	AED Mio	5,959.7	5,981.8	(0.4%)
Share Capital	AED Mio	858.4	817.5	5.0%
Shareholders' Equity	AED Mio	2,784.6	2,937.5	(5.2%)
Net Debt	AED Mio	1,771.6	1,609.6	(10.1%)
Net Debt / EBITDA	Times	2.99	2.71	
Cost of Debt	%	2.56	2.60	

### Corporate Social Responsibility, exhibitions and awards

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

**Visits and Educational Tours** As part of its program of educational tours, in April-16 visit of SP Jain School was hosted. The tour included a visit to our showroom and manufacturing plant and allowed students to gain first-hand knowledge about the organizational structure and manufacturing processes in the ceramics industry, bridging the gap between classroom theory and the real world.

**Environmental Activities** As a responsible citizen, the group organized a tree planting ceremony to commemorate Earth Day 2016 by planting an additional 300 trees around the vicinity of manufacturing plants in the UAE.

**InsideOut Awards** RAK Ceramics was named "Editor's Choice" at The InsideOut Awards 2016, an annual event recognizing manufacturers and suppliers that create inspirational home interiors. The InsideOut 2016 Awards are the UAE's leading interior design magazine showcasing local and international homes and high-end commercial design.

### Future Outlook

While business sentiment in the GCC construction sector remains challenging, especially in ~~KSA~~ Saudi Arabia, we believe that some of the initiatives to private sector development as well as an emphasis on growth in the residential and hotel segments in the Kingdom will benefit us over the medium term, given our strong positioning in entire GCC market. In the interim, we continue to lay our foundation for growth and long term value creation for our shareholders. Current priorities include a rebranding effort to be launched in Q3, growing our manufacturing footprint in Iran and turning around our Indian operations, continued selling non-core and non-strategic assets and improving working capital while balancing the interests of clients, suppliers and shareholders.

### Financial Reporting

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

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

**Vote of Thanks**

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



\_\_\_\_\_  
**Chairman**

03 AUG 2016

\_\_\_\_\_  
**Director**



\_\_\_\_\_  
**Chief Executive Officer**

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

**Condensed consolidated  
interim financial information**

*30 June 2016*

# Ras Al Khaimah Ceramics PSC and its subsidiaries

## Condensed consolidated interim financial information

30 June 2016

<i>Contents</i>	<i>Page</i>
Independent auditors' report on review of condensed consolidated interim financial information	1 - 2
Condensed consolidated statement of profit or loss	3
Condensed consolidated statement of profit or loss and other comprehensive income	4
Condensed consolidated statement of financial position	5
Condensed consolidated statement of cash flows	6 - 7
Condensed consolidated statement of changes in equity	8 - 9
Notes to the condensed consolidated interim financial information	10 - 31



KPMG Lower Gulf Limited  
Level 12, IT Plaza  
P.O.Box 341145  
Dubai Silicon Oasis, Dubai  
United Arab Emirates  
Tel. +971 (4) 356 9500  
Main Fax +971 (4) 326 3788  
Audit Fax +971 (4) 326 3773  
www.ae-kpmg.com

## **Independent auditors' report**

The Shareholders  
Ras Al Khaimah Ceramics PSC

### **Introduction**

We have reviewed the accompanying 30 June 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 30 June 2016;
- the condensed consolidated statement of profit or loss for the three month and six month periods ended 30 June 2016;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three month and six month periods ended 30 June 2016;
- the condensed consolidated statement of changes in equity for the six month period ended 30 June 2016;
- the condensed consolidated statement of cash flows for the six month period ended 30 June 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.





**Ras Al Khaimah Ceramics PSC**  
Independent auditors' report on review of condensed  
consolidated interim financial information  
30 June 2016

### **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 2016 is not prepared, in all material respects, in accordance with IAS 34, *'Interim Financial Reporting'*.

KPMG Lower Gulf Limited  
Vijendra Nath Malhotra  
Registration No. 48  
Dubai, United Arab Emirates  
Date:

03 AUG 2016

# Ras Al Khaimah Ceramics PSC and its subsidiaries

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

for the three month and six month periods ended 30 June 2016

	Note	Six month period ended 30 June		Three month period ended 30 June	
		2016 AED'000	2015 AED'000 Restated*	2016 AED'000	2015 AED'000 Restated*
<b>Continuing operations</b>					
Revenue		<b>1,492,279</b>	1,548,250	<b>756,558</b>	804,165
Cost of sales	6	<b>(1,047,082)</b>	(1,116,237)	<b>(533,719)</b>	(584,527)
		-----	-----	-----	-----
<b>Gross profit</b>		<b>445,197</b>	432,013	<b>222,839</b>	219,638
Administrative and general expenses	7	<b>(124,912)</b>	(159,916)	<b>(60,118)</b>	(69,190)
Selling and distribution expenses	8	<b>(185,486)</b>	(163,358)	<b>(90,070)</b>	(78,453)
Other income		<b>28,926</b>	34,957	<b>13,463</b>	18,052
		-----	-----	-----	-----
<b>Operating profit</b>		<b>163,725</b>	143,696	<b>86,114</b>	90,047
Finance cost	9(i)	<b>(36,752)</b>	(42,669)	<b>(21,972)</b>	(14,480)
Finance income	9(ii)	<b>1,511</b>	5,246	<b>508</b>	7,993
Share of profit in equity accounted investees	11	<b>12,336</b>	11,859	<b>6,147</b>	6,158
Gain on disposal of equity accounted investees	11	-	38,480	-	-
Gain on disposal of a subsidiary	25	-	3,125	-	2,564
		-----	-----	-----	-----
<b>Profit before tax from continuing operations</b>		<b>140,820</b>	159,737	<b>70,797</b>	92,282
Tax expense		<b>(9,644)</b>	(12,842)	<b>(5,481)</b>	(6,191)
		-----	-----	-----	-----
<b>Profit from continuing operations</b>		<b>131,176</b>	146,895	<b>65,316</b>	86,091
<b>Discontinued operations</b>					
(Loss) / profit from discontinued operations	27	-	(1,299)	-	14
		-----	-----	-----	-----
<b>Profit for the period</b>		<b>131,176</b>	145,596	<b>65,316</b>	86,105
		=====	=====	=====	=====
<i>Profit attributable to:</i>					
Owners of the Company		<b>112,765</b>	136,320	<b>54,963</b>	79,195
Non-controlling interests		<b>18,411</b>	9,276	<b>10,353</b>	6,910
		-----	-----	-----	-----
<b>Profit for the period</b>		<b>131,176</b>	145,596	<b>65,316</b>	86,105
		=====	=====	=====	=====
<b>Earnings per share</b>					
- basic and diluted (AED)	21	<b>0.13</b>	0.16	<b>0.06</b>	0.09
		===	===	===	===
<b>Earnings per share – continuing operations</b>					
- basic and diluted (AED)	21	<b>0.13</b>	0.16	<b>0.06</b>	0.09
		===	===	===	===

\* Refer note 29.

The notes on pages 10 to 31 are an integral part of these condensed consolidated interim financial information.

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

# Ras Al Khaimah Ceramics PSC and its subsidiaries

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

for the three month and six month periods ended 30 June 2016

	Note	Six month period ended 30 June		Three month period ended 30 June	
		2016 AED'000	2015 AED'000 Restated*	2016 AED'000	2015 AED'000 Restated*
<b>Profit for the period</b>		<b>131,176</b>	145,596	<b>65,316</b>	86,105
<b>Other comprehensive income:</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Foreign currency translation differences		<b>(7,229)</b>	(20,698)	<b>(7,009)</b>	(12,935)
Hyperinflation effect		-	16,248	-	-
Cash flow hedges – effective portion of changes in fair value	19	<b>(1,692)</b>	-	<b>(1,692)</b>	-
<b>Total comprehensive income for the period</b>		<b>122,255</b>	141,146	<b>56,615</b>	73,170
<i>Total comprehensive income attributable to:</i>					
Owners of the Company		<b>103,799</b>	134,662	<b>46,193</b>	67,932
Non-controlling interests		<b>18,456</b>	6,484	<b>10,422</b>	5,238
<b>Total comprehensive income for the period</b>		<b>122,255</b>	141,146	<b>56,615</b>	73,170

\* Refer note 29.

The notes on pages 10 to 31 are an integral part of these condensed consolidated interim financial information.

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

# Ras Al Khaimah Ceramics PSC and its subsidiaries

## Condensed consolidated statement of financial position

as at 30 June 2016

	Note	30 June 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	1,142,293	1,065,530
Capital work-in-progress	10	163,504	182,271
Goodwill	25	68,885	50,356
Intangible assets		18,138	18,032
Investment properties		1,154,558	1,158,899
Investments in equity accounted investees	11	134,161	127,563
Long term receivables	13(i) & 17(i)	111,160	127,642
Deferred tax assets		298	298
		<u>2,792,997</u>	<u>2,730,591</u>
<b>Current assets</b>			
Inventories	12	1,206,133	1,141,156
Trade and other receivables	13	1,215,543	1,207,338
Contract work-in-progress		31,184	15,442
Due from related parties	17	388,305	523,778
Cash in hand and at bank	14	325,538	363,470
		<u>3,166,703</u>	<u>3,251,184</u>
<b>Total assets</b>		<u>5,959,700</u>	<u>5,981,775</u>
<b>Equity</b>			
Share capital	15	858,398	817,522
Reserves		1,764,602	1,950,636
<b>Equity attributable to owners of the Company</b>		<u>2,623,000</u>	<u>2,768,158</u>
Non-controlling interests		161,569	169,294
<b>Total equity</b>		<u>2,784,569</u>	<u>2,937,452</u>
<b>Non-current liabilities</b>			
Islamic bank financings	18(a)(ii)	392,605	-
Interest bearing bank financings	18(b)(ii)	797,631	1,309,706
Provision for employees' end-of-service benefits		84,638	78,285
Deferred tax liabilities		8,595	8,323
		<u>1,283,469</u>	<u>1,396,314</u>
<b>Current liabilities</b>			
Islamic bank financings	18(a)(i)	583,899	340,205
Interest bearing bank financings	18(b)(i)	322,998	323,186
Trade and other payables	16	817,736	835,944
Billing in excess of valuation		2,053	2,791
Provision for taxation		129,382	122,606
Due to related parties	17	33,902	23,277
Derivative financial liabilities	19	1,692	-
		<u>1,891,662</u>	<u>1,648,009</u>
<b>Total liabilities</b>		<u>3,175,131</u>	<u>3,044,323</u>
<b>Total equity and liabilities</b>		<u>5,959,700</u>	<u>5,981,775</u>

The notes on pages 10 to 31 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

03 AUG 2016

Chief Executive Officer

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

# Ras Al Khaimah Ceramics PSC and its subsidiaries

## Condensed consolidated statement of cash flows (unaudited)

for the six month period ended 30 June 2016

	<b>Six month period ended 30 June</b>	
	<b>2016</b>	2015
	<b>AED'000</b>	AED'000
		Restated*
<b>Operating activities</b>		
Profit for the period before tax	<b>140,820</b>	158,438**
<i>Adjustments for:</i>		
Share of profit in equity accounted investees	<b>(12,336)</b>	(11,859)
Loss on net monetary position	-	2,306
Interest expense	<b>18,609</b>	19,243
Profit expense on Islamic financing	<b>9,437</b>	1,368
Interest income	<b>(1,511)</b>	(5,246)
Gain on disposal of property, plant and equipment	<b>(1,141)</b>	(3,554)
Gain on disposal of investment property	-	(1,619)
Gain on disposal of subsidiary	-	(3,125)
Gain on disposal of equity accounted investees	-	(38,480)
Depreciation on property, plant and equipment	<b>88,048</b>	99,083
Amortisation of intangible assets	<b>1,965</b>	1,966
Capital work in progress written off	<b>1,220</b>	951
Depreciation on investment property	<b>4,343</b>	3,486
Provision for impairment loss on equity accounted investee	<b>3,490</b>	-
Provision for employees' end-of-service benefits	<b>11,182</b>	6,761
	<b>-----</b>	-----
	<b>264,126</b>	229,719
Change in:		
- inventories (including contract work in progress)	<b>(25,152)</b>	7,796
- trade and other receivables (including long term)	<b>59,541</b>	(22,475)
- due from related parties (including long term)	<b>24,842</b>	(123,929)
- asset classified as held for sale	-	83,459
- trade and other payables (including billings in excess of valuation)	<b>(39,015)</b>	49,570
- due to related parties	<b>10,625</b>	34,958
- liabilities classified as held for sale	-	(15,285)
- derivative financial liabilities	-	3,154
- deferred tax assets	-	23
- deferred tax liabilities	<b>(8)</b>	(5)
Income tax paid	<b>(2,928)</b>	(3,817)
Employees' end-of-service benefits paid	<b>(4,898)</b>	(8,135)
Currency translation adjustment	<b>168</b>	3,035
	<b>-----</b>	-----
<b>Net cash generated from operating activities</b>	<b>287,301</b>	238,068
	<b>-----</b>	-----
<b>Investing activities</b>		
Acquisition of property, plant and equipment and capital work in progress	<b>(147,671)</b>	(99,348)
Proceeds from disposal of property, plant and equipment	<b>3,322</b>	3,817
Proceeds from sale of investment properties	-	17,250
Proceeds from disposal of subsidiaries	-	17,044
Acquisition of intangible assets	<b>(1,132)</b>	(163)
Change in bank deposits	<b>1,061</b>	(16,025)
Dividend received from equity accounted investees	<b>203</b>	11,392
Interest income received	<b>1,511</b>	5,246
Consideration paid for acquisition of subsidiaries	<b>(7,491)</b>	-
Cash acquired as a part of acquisition of subsidiaries	<b>5,173</b>	-
	<b>-----</b>	-----
<b>Net cash used in investing activities</b>	<b>(145,024)</b>	(60,787)
	<b>-----</b>	-----

# Ras Al Khaimah Ceramics PSC and its subsidiaries

Condensed consolidated statement of cash flows (unaudited) (continued)  
for the six month period ended 30 June 2016

	Six month period ended 30 June	
	2016 AED'000	2015 AED'000 Restated*
<b>Financing activities</b>		
Long term bank financing availed	26,934	990,173
Long term bank financing repaid	(540,262)	(627,264)
Long term Islamic bank financing availed	495,923	-
Long term Islamic bank financing repaid	(20,664)	-
Net movement in short term financing	125,409	(61,797)
Interest paid	(18,609)	(19,243)
Profit expense on Islamic financing paid	(9,437)	(1,368)
Dividend paid	(245,257)	(286,133)
Remuneration paid to the Board of Directors	(3,700)	(4,228)
Dividend paid to non-controlling interests	(26,181)	(33,032)
	-----	-----
<b>Net cash used in financing activities</b>	<b>(215,844)</b>	<b>(42,892)</b>
	-----	-----
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(73,567)</b>	<b>134,389</b>
Cash and cash equivalents at the beginning of the period	332,976	331,381
	-----	-----
<b>Cash and cash equivalents at the end of the period</b>	<b>259,409</b>	<b>465,770</b>
	=====	=====
<b>Represented by:</b>		
Cash in hand and at bank (net of bank deposits on lien)	304,749	644,614
Bank overdraft	(45,340)	(178,844)
	-----	-----
	<b>259,409</b>	<b>465,770</b>
	=====	=====

\* Refer note 29.

\*\* This includes loss from discontinued operations.

The notes on pages 10 to 31 are an integral part of these condensed consolidated interim financial information.

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

# Ras Al Khaimah Ceramics PSC and its subsidiaries

## Condensed consolidated statement of changes in equity

for the six month period ended 30 June 2016

	-----Attributable to owners of the Company-----										Non- controlling interests (NCI)	Total equity
	-----Reserves-----											
	Share capital	Share premium	Legal reserve	Translation reserve	Hyper inflation reserve	General reserve	Capital reserve	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	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
<b>Total comprehensive income for the period (unaudited)(restated)</b>												
Profit for the period (restated) (refer note 29)	-	-	-	-	-	-	-	136,320	136,320	136,320	9,276	145,596
<i>Other comprehensive income</i>												
Foreign currency translation differences (restated) (refer note 29)	-	-	-	(3,846)	(14,060)	-	-	-	(17,906)	(17,906)	(2,792)	(20,698)
Hyperinflation adjustment (restated) (refer notes 24 & 29)	-	-	-	-	16,248	-	-	-	16,248	16,248	-	16,248
<b>Total comprehensive income for the period (restated)</b>	-	-	-	(3,846)	2,188	-	-	136,320	134,662	134,662	6,484	141,146
<i>Other equity movements (unaudited)</i>												
Director's fees of a subsidiary	-	-	-	-	-	-	-	(3,639)	(3,639)	(3,639)	(589)	(4,228)
Transfer to legal reserve	-	-	41,193	-	-	-	-	(41,193)	-	-	-	-
Dividend distributed to NCI	-	-	-	-	-	-	-	-	-	-	(33,032)	(33,032)
<i>Transactions with owners of the Company directly recorded in equity (unaudited)</i>												
Cash dividend paid	-	-	-	-	-	-	-	(286,133)	(286,133)	(286,133)	-	(286,133)
<i>Changes in ownership interests in subsidiary (unaudited)</i>												
Increase in NCI due to disposal of a subsidiary (refer note 25)	-	-	-	-	-	-	-	-	-	-	7,454	7,454
At 30 June 2015 (unaudited) (restated)	817,522	221,667	437,453	(83,170)	(77,493)	82,805	55,044	1,199,370	1,835,676	2,653,198	206,822	2,860,020

# Ras Al Khaimah Ceramics PSC and its subsidiaries

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

for the six month period ended 30 June 2016

	-----Attributable to owners of the Company-----												Non-controlling interests (NCI)	Total equity
	-----Reserves-----													
	Share capital	Share premium	Legal reserve	Translation reserve	Hyper inflation reserve	Hedging reserve	General reserve	Capital reserve	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	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	
<b>Total comprehensive income for the period (unaudited)</b>														
Profit for the period	-	-	-	-	-	-	-	-	112,765	112,765	112,765	18,411	131,176	
<i>Other comprehensive income</i>														
Foreign currency translation differences (refer note 24)	-	-	-	(4,404)	(2,870)	-	-	-	-	(7,274)	(7,274)	45	(7,229)	
Cash flow hedges (refer note 19)	-	-	-	-	-	(1,692)	-	-	-	(1,692)	(1,692)	-	(1,692)	
<b>Total comprehensive income for the period (unaudited)</b>	-	-	-	(4,404)	(2,870)	(1,692)	-	-	112,765	103,799	103,799	18,456	122,255	
<i>Other equity movements (unaudited)</i>														
Director's fees (refer note 20)	-	-	-	-	-	-	-	-	(3,700)	(3,700)	(3,700)	-	(3,700)	
Transfer to legal reserve	-	-	20,495	-	-	-	-	-	(20,495)	-	-	-	-	
Dividend distributed to NCI	-	-	-	-	-	-	-	-	-	-	-	(26,181)	(26,181)	
<i>Transactions with owners of the Company directly recorded in equity (unaudited)</i>														
Dividend declared (refer note 20)	-	-	-	-	-	-	-	-	(245,257)	(245,257)	(245,257)	-	(245,257)	
Bonus share issued (refer note 20)	40,876	-	-	-	-	-	-	-	(40,876)	(40,876)	-	-	-	
At 30 June 2016 (unaudited)	858,398	221,667	482,846	(99,152)	(85,546)	(1,692)	82,805	53,866	1,109,808	1,764,602	2,623,000	161,569	2,784,569	

The notes on pages 10 to 31 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 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 Jazeerah, Al Hamra City, Ras Al Khaimah, United Arab Emirates. The Company is listed on the Abu Dhabi Securities Exchange, UAE.

The condensed consolidated interim financial information as at and for the six month period ended 30 June 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, sanitary wares and table ware. 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 ("the UAE Companies Law of 2015") was issued on 1 April 2015 to come into force on 1 July 2015 repealing the old UAE Federal Law No. 8 of 1984 (as amended). Companies are mandated to comply with the UAE Companies Law of 2015 by 30 June 2017.

#### *Accounting estimates and 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 six month period ended 30 June 2016 (*unaudited*)

## 3 Significant accounting policies (*continued*)

In relation to the accounting policy of derivative financial instruments and hedge accounting, the following additional note on cash flow hedges 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 2015:

### Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in consolidated statement of other comprehensive income (OCI) and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged forecast cash flows affects profit or loss or the hedged item affects profit or loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

## 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.

# 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 2016 *(unaudited)*

## 4 New standards, interpretations and amendments (continued)

### IFRS 16 Leases

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

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted provided IFRS 15 *Revenue from Contract with Customers* is also applied by the Group.

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

## 5 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2015.

## 6 Cost of sales

	Six month period ended 30 June		Three month period ended 30 June	
	2016 AED'000 (Unaudited)	2015 AED'000 (Unaudited) Restated*	2016 AED'000 (Unaudited)	2015 AED'000 (Unaudited) Restated*
Raw materials consumed	<b>454,186</b>	500,896	<b>234,727</b>	275,033
Direct labour	<b>142,356</b>	132,651	<b>74,091</b>	67,905
Power and fuel	<b>99,233</b>	102,719	<b>50,637</b>	49,959
LPG and natural gas	<b>116,423</b>	120,080	<b>56,089</b>	61,558
Depreciation on property, plant and equipment	<b>78,088</b>	82,336	<b>39,582</b>	41,705
Repairs and maintenance	<b>69,443</b>	66,675	<b>34,311</b>	36,131
Packing material expenses	<b>56,695</b>	53,527	<b>29,119</b>	27,092
Provision against inventories	<b>3,350</b>	13,230	<b>1,328</b>	988
Sub-contractors' fee	<b>997</b>	9,320	<b>406</b>	2,311
Others	<b>26,311</b>	34,803	<b>13,429</b>	21,845
	<b>1,047,082</b>	1,116,237	<b>533,719</b>	584,527

\* Refer note 29.

# 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 2016 (unaudited)

## 7 Administrative and general expenses

	Six month period ended 30 June		Three month period ended 30 June	
	2016 AED'000 (Unaudited)	2015 AED'000 (Unaudited) Restated*	2016 AED'000 (Unaudited)	2015 AED'000 (Unaudited) Restated*
Staff costs	54,162	55,578	26,440	27,705
Depreciation on property, plant and equipment	9,321	10,444	4,512	5,325
Depreciation on investment properties	4,343	3,486	2,172	1,697
Telephone, postal and office supplies	3,426	4,805	1,268	2,559
Repairs and maintenance	3,745	4,004	1,932	2,289
Legal and professional fee	6,114	4,460	3,465	1,722
Rental expenses	337	1,050	87	640
Utility expenses	3,315	2,329	1,924	1,376
Security charges	1,578	877	990	406
Insurance	4,441	7,526	1,603	3,253
Amortisation of intangible assets	1,965	1,859	1,008	904
Provision for / (reversal of) impairment loss on trade receivables – net	8,831	(5,316)	98	5,020
Impairment loss on assets classified as held for sale (refer note (i) below)	-	48,400	-	-
Provision for impairment loss on equity accounted investee (refer note 11)	3,490	-	3,490	-
Others	19,844	20,414	11,129	16,294
	-----	-----	-----	-----
	<b>124,912</b>	<b>159,916</b>	<b>60,118</b>	<b>69,190</b>
	=====	=====	=====	=====

- (i) During the period ended 30 June 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.

## 8 Selling and distribution expenses

	Six month period ended 30 June		Three month period ended 30 June	
	2016 AED'000 (Unaudited)	2015 AED'000 (Unaudited)	2016 AED'000 (Unaudited)	2015 AED'000 (Unaudited)
Staff costs	54,029	34,967	27,176	17,419
Freight and transportation	61,354	48,414	30,903	16,126
Performance rebates	29,364	37,269	14,464	18,940
Advertisement and promotions	22,510	28,745	10,654	18,983
Rental charges	7,640	4,206	2,975	1,635
Travel and entertainment	1,284	231	783	99
Depreciation	639	559	321	303
Others	8,666	8,967	2,794	4,948
	-----	-----	-----	-----
	<b>185,486</b>	<b>163,358</b>	<b>90,070</b>	<b>78,453</b>
	=====	=====	=====	=====

# 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 2016 (unaudited)

## 9 Finance cost / income

	Six month period ended 30 June		Three month period ended 30 June	
	2016 AED'000 (Unaudited)	2015 AED'000 (Unaudited)	2016 AED'000 (Unaudited)	2015 AED'000 (Unaudited)
<b>(i) Finance cost</b>				
Interest on bank borrowings	<b>18,609</b>	19,243	<b>7,889</b>	8,630
Profit on Islamic financing	<b>9,437</b>	1,368	<b>6,897</b>	960
Bank charges	<b>2,357</b>	3,168	<b>1,409</b>	1,765
Net foreign exchange loss	<b>6,349</b>	15,765	<b>5,777</b>	-
Net change in fair value of derivatives	-	3,125	-	3,125
	-----	-----	-----	-----
Total (A)	<b>36,752</b>	42,669	<b>21,972</b>	14,480
	=====	=====	=====	=====
<b>(ii) Finance income</b>				
Interest on fixed deposits	<b>1,118</b>	1,951	<b>285</b>	824
Interest on amounts due to related parties (refer note 17)	<b>29</b>	1,962	<b>14</b>	1,084
Net foreign exchange gain	-	-	-	5,431
Others	<b>364</b>	1,333	<b>209</b>	654
	-----	-----	-----	-----
Total (B)	<b>1,511</b>	5,246	<b>508</b>	7,993
	=====	=====	=====	=====
Net finance expense recognised in profit or loss (A-B)	<b>35,241</b>	37,423	<b>21,464</b>	6,487
	=====	=====	=====	=====

## 10 Property, plant and equipment and capital work in progress

### *Additions, disposal and depreciation*

During the six month period ended 30 June 2016, the Group acquired property, plant and equipment and made additions to capital work in progress amounting to AED 147.67 million (*six month period ended 30 June 2015: AED 99.35 million*). This amount excludes the assets acquired through a business combination with a net book value of AED 8.87 million (*six month period ended 30 June 2015: nil*) (refer note 25).

Property, plant and equipment with net book value of AED 2.18 million were disposed during the current period (*six month period ended 30 June 2015: AED 0.19 million*) resulting in a gain on disposal of AED 1.14 million (*six month period ended 30 June 2015: gain of AED 3.54 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 88.05 million (*six month period ended 30 June 2015: AED 94.21 million*). Also refer note 29.

# 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 2016 *(unaudited)*

## 11 Equity accounted investees

During the six month period ended 30 June 2016, the Group has acquired the remaining 50% equity interests of its two equity accounted investees namely, RAK Ceramics UK Limited, UK and RAK Ceramics GmbH, Germany 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 six month period ended 30 June 2016 amounted to AED 12.34 million *(six month period ended 30 June 2015: AED 11.86 million)*.

The Group has received AED 0.2 million as dividend during the current period from its equity accounted investees *(six month period ended 30 June 2015: AED 11.39 million)*.

During the six month period ended 30 June 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.

During the current period ended 30 June 2016, the Group has recognised a provision for impairment loss on its investment amounting to AED 3.49 million *(six month period ended 30 June 2015: Nil)*. Refer note 7.

## 12 Inventories

	<b>30 June 2016 AED'000 (Unaudited)</b>	31 December 2015 AED'000 (Audited)
Finished goods (net of net realisable value write down)	<b>742,838</b>	697,388
Less: provision for slow moving and obsolete inventories	<b>(66,929)</b>	(66,192)
	-----	-----
	<b>675,909</b>	631,196
Raw materials	<b>279,920</b>	276,574
Goods-in-transit	<b>62,585</b>	57,771
Work-in-progress	<b>23,457</b>	21,520
Stores and spares	<b>218,595</b>	209,921
	-----	-----
	<b>1,260,466</b>	1,196,982
Less: provision for slow moving raw materials and stores and spares	<b>(54,333)</b>	(55,826)
	-----	-----
	<b>1,206,133</b>	1,141,156
	=====	=====

At 30 June 2016, the Group has a cumulative loss due to write-down of finished goods inventories of AED 42.72 million against the cost of AED 288.46 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 was lower than their cost. The difference in write down is included in cost of sales in the condensed consolidated statement of profit or loss.

# 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 2016 *(unaudited)*

## 13 Trade and other receivables

	<b>30 June 2016 AED'000 (Unaudited)</b>	31 December 2015 AED'000 (Audited)
Trade receivables	<b>1,099,327</b>	1,063,025
Less: allowance for impairment loss	<b>(165,510)</b>	(155,992)
	-----	-----
	<b>933,817</b>	907,033
Advances and prepayments	<b>146,148</b>	145,294
Deposits	<b>15,120</b>	14,575
Other receivables (refer note (i) below)	<b>120,458</b>	140,436
	-----	-----
	<b>1,215,543</b>	1,207,338
	=====	=====

### (i) Long term other receivables

	<b>30 June 2016 AED'000 (Unaudited)</b>	31 December 2015 AED'000 (Audited)
Total amount receivable	<b>150,039</b>	164,734
Less: current portion	<b>(44,082)</b>	(44,082)
	-----	-----
Long term portion	<b>105,957</b>	120,652
	=====	=====

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

## 14 Cash in hand and at bank

	<b>30 June 2016 AED'000 (Unaudited)</b>	31 December 2015 AED'000 (Audited)
Cash in hand	<b>1,490</b>	1,391
Cash at bank		
- in fixed deposits	<b>95,091</b>	80,825
- in current accounts	<b>206,543</b>	260,983
- in margin deposits	<b>2,401</b>	3,758
- in call accounts	<b>20,013</b>	16,513
	-----	-----
	<b>325,538</b>	363,470
	=====	=====

Cash in hand and cash at bank includes AED 0.43 million *(31 December 2015: AED 0.35 million)* and AED 48.50 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 20.79 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.

# 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 2016 *(unaudited)*

## 15 Share capital

	<b>30 June 2016 AED'000 (Unaudited)</b>	31 December 2015 AED'000 (Audited)
Authorised, issued and paid up		
170,000,000 shares of AED 1 each paid up in cash	<b>170,000</b>	170,000
688,398,310 shares of AED 1 each issued as bonus shares <i>(2015: 647,522,200 shares of AED 1 each issued as bonus shares)</i>	<b>688,398</b>	647,522
	<b>858,398</b>	817,522

Also refer note 20.

## 16 Trade and other payables

	<b>30 June 2016 AED'000 (Unaudited)</b>	31 December 2015 AED'000 (Audited)
Trade payables	<b>466,761</b>	496,768
Accrued and other expenses	<b>210,363</b>	198,430
Advances from customers	<b>41,664</b>	57,784
Commissions and rebates payables	<b>51,934</b>	53,250
Others payables	<b>47,014</b>	29,712
	<b>817,736</b>	835,944

## 17 Related party transactions

The Group in the ordinary course of business, enters into transactions 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:

	<b>Six month period ended 2016 AED'000 (Unaudited)</b>	2015 AED'000 (Unaudited)
Sale of goods and services and construction contracts	<b>190,708</b>	201,131
Purchase of goods and rendering of services	<b>134,373</b>	102,690
Interest income	<b>29</b>	1,962
Compensation to key management personnel:		
Short-term benefits	<b>9,209</b>	9,498
Staff terminal benefits	<b>119</b>	303
Board of Directors' remuneration	<b>3,700</b>	4,228



# 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 2016 *(unaudited)*

## 17 Related party transactions (continued)

### Due from related parties

	<b>30 June 2016 AED'000 (Unaudited)</b>	31 December 2015 AED'000 (Audited)
Equity accounted investees	<b>386,370</b>	563,162
Other related parties	<b>74,776</b>	109,776
	-----	-----
	<b>461,146</b>	672,938
Less: allowance for impairment loss	<b>(67,638)</b>	(142,170)
Less: long term receivables (refer note 17(i))	<b>(5,203)</b>	(6,990)
	-----	-----
	<b>388,305</b>	523,778
	=====	=====

### Due to related parties

	<b>30 June 2016 AED'000 (Unaudited)</b>	31 December 2015 AED'000 (Audited)
Other related parties	<b>33,902</b>	23,277
	=====	=====

### (i) Long term receivables

	<b>30 June 2016 AED'000 (Unaudited)</b>	31 December 2015 AED'000 (Audited)
Total amount receivable	<b>8,672</b>	10,485
Less: current portion	<b>(3,469)</b>	(3,495)
	-----	-----
Long term portion	<b>5,203</b>	6,990
	=====	=====

## 18 Bank financing arrangements

### (a) Islamic bank financings

	<b>30 June 2016 AED'000 (Unaudited)</b>	31 December 2015 AED'000 (Audited)
(i) <b>Short term</b>		
Mudaraba facilities (A)	<b>221,958</b>	224,287
Commodity murabaha facilities (B)	<b>125,000</b>	115,918
Ijarah facilities (C)	<b>154,287</b>	-
Current portion of long term financing (refer below)	<b>82,654</b>	-
	-----	-----
	<b>583,899</b>	340,205
	=====	=====

# 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 2016 *(unaudited)*

## 18 Bank financing arrangements (continued)

### (a) Islamic bank financings (continued)

	<b>30 June 2016 AED'000 (Unaudited)</b>	31 December 2015 AED'000 (Audited)
<b>(ii) Long term - Commodity Murabaha facilities</b>		
Availed during the period/year	495,923	-
Less: repayments made during the period/year	(20,664)	-
	-----	---
Closing balance	475,259	-
Less: current portion (refer above)	(82,654)	-
	-----	---
Long term portion	<u>392,605</u>	-
	=====	==

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.

- (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

	<b>30 June 2016 AED'000 (Unaudited)</b>	31 December 2015 AED'000 (Audited)
<b>(i) Short term</b>		
Bank overdrafts	45,340	8,644
Short term loans	87,931	123,562
Current portion of long-term bank loans (refer below)	189,727	190,980
	-----	-----
	<u>322,998</u>	323,186
	=====	=====

# 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 2016 *(unaudited)*

## 18 Bank financing arrangements (continued)

### (b) Interest bearing bank financings (continued)

	<b>30 June 2016 AED'000 (Unaudited)</b>	31 December 2015 AED'000 (Audited)
<b>(ii) Long term bank loans</b>		
Opening balance	<b>1,500,686</b>	1,116,384
Add: availed during the period/year	<b>26,934</b>	1,480,074
Less: repayments made during the period/year	<b>(540,262)</b>	(1,095,772)
	-----	-----
Closing balance	<b>987,358</b>	1,500,686
Less: current portion (refer above)	<b>(189,727)</b>	(190,980)
	-----	-----
Long term portion	<b>797,631</b>	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.

## 19 Derivative financial instruments

The Group uses derivative financial instruments for risk management purposes. During the current period, the Group has classified interest rate swaps derivatives as cash flow hedges in accordance with the recognition criteria of IAS 39, "*Financial instruments: Recognition and measurement*", as it is mitigating the risk of cash flow variations due to movements in interest rates.

Hedging instruments are measured at their fair value at the reporting date and the effective portion of the changes in their fair value is recognised in consolidated statement of other comprehensive income, as part of the cash flow hedge reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

# 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 2016 (unaudited)

## 19 Derivative financial instruments (continued)

The table below shows the 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.

	Negative fair value AED'000	Notional amount AED'000	Maturity within 1 year AED'000	Maturity within 2- 5 years AED'000	Maturity more than 5 years AED'000
<b>30 June 2016 (unaudited)</b>					
<b>Interest rate swaps used for hedging</b>	<b>1,692</b>	<b>411,681</b>	<b>18,534</b>	<b>296,537</b>	<b>96,610</b>
	-----	-----	-----	-----	-----
	<b>1,692</b>	<b>411,681</b>	<b>18,534</b>	<b>296,537</b>	<b>96,610</b>
	=====	=====	=====	=====	=====
 31 December 2015 (audited)					
Interest rate swaps used for hedging	-	-	-	-	-
	---	---	---	---	---
	-	-	-	-	-
	==	==	==	==	==

### 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 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 six month period ended 30 June 2016 (*unaudited*)

## 19 Derivative financial instruments (continued)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
<b>30 June 2016 (unaudited)</b>			
<i>Derivative financial liabilities</i>			
Interest rate swaps used for hedging	-	1,692	-
	---	-----	---
	-	1,692	-
	==	=====	==
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
<b>31 December 2015 (audited)</b>			
<i>Derivative financial liabilities</i>			
Interest rate swaps used for hedging	-	-	-
	---	---	---
	-	-	-
	==	==	==

During the six month period ended 30 June 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 instruments*

Fair value is calculated based on quoted prices or rates available in an active market for the instrument, where there is no active market available to draw quoted prices, a valuation technique is used which includes:

- recent market prices or rates, where available, adjusted for relevant subsequent events;
- reference to the current fair value of another instrument that is substantially the same;
- discounted cash flow analysis;
- option pricing models; and
- standard industry valuation technique that demonstrates to provide reliable estimate of prices obtained in actual market transactions.

The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.

#### *Financial assets and liabilities other than derivative financial instruments*

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 six month period ended 30 June 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 30 June 2016, calculated as follows:

Six month period ended 30 June ( <i>unaudited</i> )	2016	2015	2016	2015	2016	2015
	Restated*				Restated*	
	Continuing operations		Discontinued operations		Total	
<b>Earnings per share</b>						
Net profit / (loss) attributable to owners of the Company (AED'000)	<b>112,765</b>	137,619	-	(1,299)	<b>112,765</b>	136,320
Weighted average number of shares outstanding ('000s)	<b>858,398</b>	858,398	<b>858,398</b>	858,398	<b>858,398</b>	858,398
Earnings per share (AED)	<b>0.13</b>	0.16	-	0.00	<b>0.13</b>	0.16
<b>Three month period ended</b>						
<b>30 June (<i>unaudited</i>)</b>						
	2016	2015	2016	2015	2016	2015
	Restated*				Restated*	
	Continuing operations		Discontinued operations		Total	
<b>Earnings per share</b>						
Net profit attributable to owners of the Company (AED'000)	<b>54,963</b>	79,181	-	14	<b>54,963</b>	79,195
Weighted average number of shares outstanding ('000s)	<b>858,398</b>	858,398	<b>858,398</b>	858,398	<b>858,398</b>	858,398
Earnings per share (AED)	<b>0.06</b>	0.09	-	0.00	<b>0.06</b>	0.09

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.

# 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 2016 *(unaudited)*

## 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.

	<b>30 June 2016 AED'000 (Unaudited)</b>	31 December 2015 AED'000 (Audited)
Less than one year	<b>32,955</b>	28,303
Between two and five years	<b>69,726</b>	67,226
More than five years	<b>106,667</b>	116,667
	-----	-----
	<b>209,348</b>	212,196
	=====	=====

## 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 as 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 until its assets were classified as held for sale (refer note 27) is as follows:

Ceramic Ras Al Khaimah Sudanese Investment Company (Sudan)	30 June 2015 AED'000 (unaudited)
<i>Impact on statement of financial position</i>	
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	16,248
Foreign currency translation reserve	44
Impact on profit or loss during the current period	(6,872)
	-----
	9,420
	=====

# 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 2016 *(unaudited)*

## 24 Hyperinflationary accounting (continued)

The net impact of hyperinflationary accounting in Sudan on net monetary position amounts to a loss of AED 2.31 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.

## 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)
	-----	-----	-----
<b>(Goodwill)</b>	<b>(5,606)</b>	<b>(12,923)</b>	<b>(18,529)</b>
	=====	=====	=====
Goodwill at 31 December 2015			(50,356)
			-----
<b>Goodwill at 30 June 2016</b>			<b>(68,885)</b>
			=====

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 requires 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 30 June 2016, the investees contributed total revenue of AED 87.79 million and a net loss of AED 7.75 million to the Group's profit for the period.



# 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 2016 *(unaudited)*

## 25 Acquisition and disposal of subsidiary and non-controlling interests *(continued)*

### *Disposal of a subsidiary in 2015*

- (i) During the period ended 30 June 2015 (the previous period), the Group disposed its entire 55% and 75.71% shareholdings in "RAK Pharmaceutical Private Limited" and "RAK Piling LLC" and recognised a net gain of AED 0.56 million and AED 0.29 million respectively. Furthermore, the disposals resulted in net increase in non-controlling interests of AED 7.96 million.
- (ii) Effective 1st April 2015, the Group had disposed its 39% holding in a subsidiary namely "RAK Watertech LLC" and had recognised the remaining investment of 51% at fair value as an equity accounted investee.

The fair value which represents the book values of the identifiable assets and liabilities of RAK Watertech LLC at the disposal date were as follows:

	AED'000
Total assets	48,042
Less total liabilities	(42,984)
	-----
Net assets	5,058
Less: carrying value of non-controlling interests	(506)
Less: fair value of residual interest retained	(2,580)
Less: sale consideration	(4,247)
	-----
(Gain) on disposal	(2,275)
	=====

# 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 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 then 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 six month period ended 30 June 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 were presented as discontinued.

	Ceramics Ras Al Khaima Sudanese Investment Co. Limited 30 June 2015 AED’000 (unaudited)
Revenue	29,722
Expense	(28,715)
Loss on net monetary position (refer note 24)	(2,306)
	-----
(Loss) for the year	(1,299)
	=====
<b>(Loss) from discontinued operations</b>	
	30 June 2015 AED’000
Attributable to the owners of the Company	(1,299)
	-----
Total	(1,299)
	=====

# 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 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 power, table ware, paints, plastic and chemicals, mines and faucets.
<i>Others</i>	other operations include trading, travel 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.

	<b>Ceramic products AED'000</b>	<b>Contracting AED'000</b>	<b>Other industrial AED'000</b>	<b>Others AED'000</b>	<b>Elimination AED'000</b>	<b>Total AED'000</b>
<i>Six month period ended 30 June 2016 (unaudited)</i>						
External revenue	1,216,766	126,006	130,860	18,647	-	1,492,279
Inter segment revenue	126,784	4,752	104,906	7,327	(243,769)	-
<b>Total revenue</b>	<b>1,343,550</b>	<b>130,758</b>	<b>235,766</b>	<b>25,974</b>	<b>(243,769)</b>	<b>1,492,279</b>
<b>Segment profit for the period</b>	<b>114,977</b>	<b>23,949</b>	<b>45,569</b>	<b>9,609</b>	<b>(62,928)</b>	<b>131,176</b>
<i>As at 30 June 2016 (unaudited)</i>						
<b>Total assets</b>	<b>6,376,379</b>	<b>466,902</b>	<b>489,275</b>	<b>363,075</b>	<b>(1,735,931)</b>	<b>5,959,700</b>
<b>Total liabilities</b>	<b>3,317,333</b>	<b>194,754</b>	<b>120,903</b>	<b>126,484</b>	<b>(584,343)</b>	<b>3,175,131</b>

# 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 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>Six month period ended 30 June 2015 (unaudited)</i>						
External revenue	1,221,859	149,615	125,820	50,956	-	1,548,250
Inter segment revenue	89,580	6,902	67,187	43,666	(207,335)	-
Total revenue	1,311,439	156,517	193,007	94,622	(207,335)	1,548,250
Segment profit for the period (restated)	347,076	17,741	30,692	5,199	(255,112)	145,596
<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

	<b>30 June 2016 AED'000 (unaudited)</b>	30 June 2015 AED'000 (unaudited) Restated*
Total profit or loss for reportable segments after tax	<b>181,768</b>	388,849
Elimination of inter-segment profits	<b>(62,928)</b>	(255,112)
Share of profit of equity accounted investees	<b>12,336</b>	11,859
	<b>131,176</b>	145,596

\* Refer note 29.

# 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 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 expressed at 31 December 2014, formed the basis for the respective assets at 1 January 2015 and hyperinflation accounting in the period to 30 June 2015 was restated. Accordingly, the Group had made the following restatements to the previously hyper inflated values:

### Statement of financial position – 30 June 2015

	As previously stated AED' 000 (Unaudited)	Hyperinflation adjustments AED' 000 (Unaudited)	As restated AED' 000 (Unaudited)
Property, plant and equipment	1,166,936	(11,214)	1,155,722
Intangible assets	18,079	(9)	18,070
Inventories	1,138,290	(5,309)	1,132,981
Others	3,949,530	-	3,949,530
	-----	-----	-----
<b>Total assets</b>	<b>6,272,835</b>	<b>(16,532)</b>	<b>6,256,303</b>
	=====	=====	=====
	-----	---	-----
<b>Total liabilities</b>	<b>3,396,283</b>	<b>-</b>	<b>3,396,283</b>
	=====	==	=====
Retained earnings	1,199,978	(608)	1,199,370
Hyperinflation reserve	(64,875)	(12,618)	(77,493)
Non-controlling interests	210,128	(3,306)	206,822
Others	1,531,321	-	1,531,321
	-----	-----	-----
<b>Total equity</b>	<b>2,876,552</b>	<b>(16,532)</b>	<b>2,860,020</b>
	=====	=====	=====

### Statement of profit or loss and other comprehensive income – 30 June 2015

	As previously stated AED' 000 (Unaudited)	Hyperinflation adjustments AED' 000 (Unaudited)	Other adjustments AED' 000 (Unaudited)	As restated AED' 000 (Unaudited)
Loss on net monetary position	(2,855)	2,855	-	-
Cost of sales	(1,110,282)	(4,102)	(1,853)	(1,116,237)
Administrative and general expenses	(157,727)	201	(2,390)	(159,916)
Other income	33,556	286	1,115	34,957
Others	1,383,664	-	3,128	1,386,792
	-----	-----	-----	-----
Profit for the period	146,356	(760)	-	145,596
Foreign currency translation differences	(21,996)	1,298	-	(20,698)
Hyperinflation effect	33,318	(17,070)	-	16,248
	-----	-----	---	-----
<b>Total comprehensive income</b>	<b>157,678</b>	<b>(16,532)</b>	<b>-</b>	<b>141,146</b>
	=====	=====	==	=====

# 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 2016 (unaudited)*

## **30 Subsequent events**

Effective from 1 July 2016, the other shareholder of RAK Ceramics Distribution Europe, equity accounted investee as at the reporting date, has provided an undertaking that the remaining 50% of the shares are held by them beneficially on behalf of one of the wholly owned subsidiaries of the Group “RAK Ceramics UK”. Accordingly, subsequent to the reporting date the Group holds, directly and indirectly, 100% shares of this entity.