

RAK

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Condensed Consolidated Interim Financial Information
30 September 2014

Ras Al Khaimah Ceramics PSC and its Subsidiaries

Condensed Consolidated Interim Financial Information
30 September 2014

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RAK Ceramics PSC

Report of the Board of Directors

On financial performance during the nine months ended on 30 September 2014

12 November 2014

Dear Members,

It is our pleasure to present the business & operations report for the nine month period ending 30 September 2014, along with the Interim Consolidated Financial Information as on 30 September 2014.

Results

During the period, the Company continued executing its re-focused strategy to scale down less profitable Non-Core businesses and focusing on Core operations. While Core ceramic tiles & sanitaryware revenues of AED 2,121 million remained constant as the same period last year, the Group revenues of AED 2,484 million decreased by 6.6% compared to the previous period. Non-Core revenues of AED 363 million decreased by 31.8%*.

The net profit for the period of AED 207.3 million (AED 220.5 million same period of last year) is after recording book loss of AED 46.8 million on account of hyper-inflation accounting in Iran & Sudan (Nil in same period of last year). The adjusted net profit before such losses is AED 254.1 million which is a 15.3% increase over the same period of the last year.

Particulars	Unit	YTD 2014 September 30	YTD 2013 September 30	Change
Core Net Revenue	AED Mio	2,120.9	2,127.5	-
Non-Core Net Revenue	AED Mio	363.5	532.6	(31.8%)
Total Net Revenue	AED Mio	2,484.4	2,660.1	(6.6%)
Gross Profit	AED Mio	678.3	739.6	(8.3%)
GP Margin	%	27.3%	27.8%	(50 bps)
Reported Net Income	AED Mio	207.3	220.5	(6.0%)
Hyper-inflation adjustment	AED Mio	(46.8)	0.0	-
Adjusted Net Income	AED Mio	254.1	220.5	15.3%
Reported Profit after NCI (Minority)	AED Mio	212.3	220.2	(3.6%)
Reported Earnings per share	AED	0.26	0.27	(3.7%)

* Core ceramic tiles & sanitary wares revenue represents consolidated sales from production locations. Non-core revenue represents contracting & other activities.

Particulars	Unit	2014	2013	Change
		September 30	December 31	
Total Assets	AED Mio	6,030.2	5,679.3	6.2%
Share Capital**	AED Mio	817.5	743.2	10.0%
Shareholders' Equity	AED Mio	2,752.6	2,473.5	11.3%

** Share capital increased on account of 10% stock dividend.

CSR & Marketing Activities in the third quarter

- During the Holy month of Ramadan, various donations and social recreational activities were performed including serving Iftar and sponsoring social programmes.
- Health Screening Program was organized for factory employees who work under extreme conditions such as excessive noise, dust and chemical exposure.
- The Company sponsored its Men's Team participation in Ramadan Volleyball Tournament organized by RAK Free Trade Zone; where RAK Ceramics Men's team was 2nd runner up.
- Educational tours were hosted comprising of showroom and industry visit for various local universities and schools, aiming at providing first-hand knowledge about the organizational environment.
- The Company participated in Cersai exhibition in Italy and launched new models such as wood, metallic, cement and stone along with unique large-format Maximus Mega slab of size 1.5m X 3m

Future Outlook


We plan to continue executing the initiatives of our announced strategy and focus in the near future on turning around the sales in Saudi Arabia, scale down non-core operations and execute the expansions in sanitary ware. The sanitaryware expansions in UAE, India & Bangladesh will be operational in 2015, while our direct sales infrastructure in Saudi Arabia will be fully operational in 2015. Strategic outsourcing in India is already in place and the strategy to scale down non-core operations is under execution.

Financial Reporting

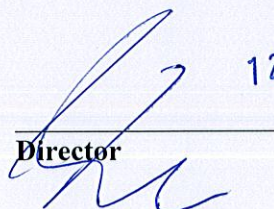
The Interim Consolidated Financial Information of the Company prepared as per the International Financial Reporting Standards (IFRSs), fairly present its financial position, the result of its operation, cash flows and changes in equity. Appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgment. There are no material events observed which reflect company's inability 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 company's objectives. Thank you!



Chairman



Director

12 NOV 2014



Chief Executive Officer

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

Condensed consolidated
interim financial information
30 September 2014

Ras Al Khaimah Ceramics PSC and its subsidiaries

Condensed consolidated interim financial information

30 September 2014

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KPMG Lower Gulf Limited
P.O.Box 341145
Level 12, IT Plaza Tower
Dubai Silicon Oasis
Dubai
United Arab Emirates

Telephone +971 (4) 356 9500
Main Fax +971 (4) 326 3788
Audit Fax +971 (4) 326 3773
Website: www.ae-kpmg.com

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

KPMG Lower Gulf Limited
Muhammad Tariq
Registration No. 793
Dubai, United Arab Emirates
Date: 12 NOV 2014

Ras Al Khaimah Ceramics PSC and its subsidiaries

Condensed consolidated income statement (unaudited)

for the nine month period ended 30 September 2014

	Note	Nine month period ended 30 September		Three month period ended 30 September	
		2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000
Revenue		2,484,420	2,660,114	823,212	922,304
Cost of sales	10	(1,806,098)	(1,920,505)	(601,570)	(667,057)
Gross profit		678,322	739,609	221,642	255,247
Administrative and general expenses	6	(229,213)	(231,645)	(63,647)	(89,793)
Selling and distribution expenses	7	(261,795)	(261,583)	(83,445)	(90,307)
Other income		49,838	43,650	10,653	15,382
Results from operating activities		237,152	290,031	85,203	90,529
Finance cost		(96,036)	(111,255)	(37,648)	(31,545)
Finance income		14,883	25,065	6,560	7,531
Share of profit in equity accounted investees	9	31,590	31,822	12,056	7,598
Gain on settlement of related party balances	15(i)	59,082	-	-	-
Loss on net monetary position	21	(21,084)	-	(5,380)	-
Profit before tax		225,587	235,663	60,791	74,113
Tax expense		(18,277)	(15,188)	(3,378)	(3,809)
Profit for the period		207,310	220,475	57,413	70,304
<i>Profit attributable to:</i>					
Owners of the Company		212,314	220,183	61,018	71,971
Non-controlling interests		(5,004)	292	(3,605)	(1,667)
		207,310	220,475	57,413	70,304
Earnings per share - basic and diluted (AED)	18	0.26	0.27	0.07	0.09

The notes on pages 9 to 23 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 nine month period ended 30 September 2014

	Nine month period ended 30 September		Three month period ended 30 September	
	2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000
Profit for the period	207,310	220,475	57,413	70,304
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences	(28,848)	(14,471)	(23,510)	(2,318)
Total comprehensive income for the period	178,462	206,004	33,903	67,986
<i>Total comprehensive income attributable to:</i>				
Owners of the Company	186,660	206,230	39,575	69,917
Non-controlling interests	(8,198)	(226)	(5,672)	(1,931)
Total comprehensive income	178,462	206,004	33,903	67,986

The notes on pages 9 to 23 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 September 2014

	Note	30 September 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	8	1,289,560	1,117,412
Capital work-in-progress	8	91,838	51,568
Goodwill		50,356	50,356
Intangible assets		18,778	20,459
Investment properties	15(i)	1,116,058	222,164
Investments in equity accounted investees	9	212,440	214,329
Long term portion of receivable from related parties	15	-	205,162
Deferred tax assets		218	2,678
		<u>2,779,248</u>	<u>1,884,128</u>
Current assets			
Inventories	10	1,236,179	1,115,693
Trade and other receivables	11	1,255,713	1,110,656
Contract work-in-progress		50,098	82,304
Due from related parties	15	349,200	965,420
Cash in hand and at bank	12	339,433	499,518
Assets classified as held for sale		20,312	20,312
Derivative financial assets	17	40	1,265
		<u>3,250,975</u>	<u>3,795,168</u>
Total assets		<u>6,030,223</u>	<u>5,679,296</u>
Equity and liabilities			
Equity			
Share capital	13	817,522	743,202
Reserves		1,935,103	1,730,260
Equity attributable to owners of the Company		<u>2,752,625</u>	<u>2,473,462</u>
Non-controlling interests		159,052	165,973
Total equity		<u>2,911,677</u>	<u>2,639,435</u>
Non-current liabilities			
Long term bank loans	16(ii)	863,098	914,791
Provision for employees' end-of-service benefits		75,735	77,939
Deferred tax liabilities		7,525	7,440
		<u>946,358</u>	<u>1,000,170</u>
Current liabilities			
Short-term bank borrowings	16(i)	1,051,693	909,342
Trade and other payables	14	955,174	980,150
Billings in excess of valuation		3,715	2,330
Provision for taxation		103,162	87,260
Due to related parties	15	56,939	59,109
Liabilities classified as held for sale		1,505	1,500
		<u>2,172,188</u>	<u>2,039,691</u>
Total liabilities		<u>3,118,546</u>	<u>3,039,861</u>
Total equity and liabilities		<u>6,030,223</u>	<u>5,679,296</u>

The notes on pages 9 to 23 are an integral part of these condensed consolidated interim financial information

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


Chairman


Director


CEO

12 NOV 2014

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

Ras Al Khaimah Ceramics PSC and its subsidiaries

Condensed consolidated statement of cash flows (unaudited)

for the nine month period ended 30 September 2014

	Nine month period ended 30 September	
	2014 AED'000	2013 AED'000
Operating activities		
Profit for the period before tax	225,587	235,663
<i>Adjustments for:</i>		
Share in profit of equity accounted investees	(31,590)	(31,822)
Loss on net monetary position	21,084	-
Gain on settlement of related party balances	(59,082)	-
Interest expense	44,490	62,433
Interest income	(14,883)	(25,065)
Gain on disposal of property, plant and equipment	(2,453)	(1,155)
Depreciation on property, plant and equipment	137,507	91,345
Amortization of intangible assets	2,038	2,095
Capital work-in-progress written off	5,032	1,905
Depreciation on investment property	5,443	5,396
Provision for employees' end-of-service benefits	17,625	30,736
	-----	-----
	350,798	371,531
 Change in:		
- inventories (including contract work-in-progress)	(21,982)	(163,984)
- trade and other receivables	(168,436)	45,139
- due from related parties (including long term)	8,485	36,826
- assets classified as held for sale	-	7,660
- trade and other payables (including billings-in-excess of valuation)	(29,184)	153,821
- due to related parties	(16,620)	(80,774)
- liabilities classified as held for sale	1,225	47
- derivative financial liabilities	-	(7,278)
- deferred tax assets	2,460	(419)
- deferred tax liabilities	85	(372)
Income tax refund / (paid)	16,715	(1,569)
Employees' end-of-service benefits paid	(20,489)	(7,013)
Directors' fees	(2,400)	(2,400)
Currency translation adjustment	(16,642)	4,200
	-----	-----
Net cash from operating activities	104,015	355,415
	-----	-----
Investing activities		
Acquisition of property, plant and equipment and capital work-in-progress	(238,953)	(64,395)
Acquisition of investment property	(19)	-
Change in bank deposits	11,492	53,485
Proceeds from disposal of property, plant and equipment	2,888	1,796
Acquisition of intangible assets	(491)	(2,229)
Cash acquired as part of acquisition of subsidiary	-	8,051
Investment in equity accounted investees	-	(1,723)
Dividend received from equity accounted investees	32,408	24,723
Interest income received	11,875	17,846
	-----	-----
Net cash (used in) / from investing activities	(180,800)	37,554
	-----	-----

Ras Al Khaimah Ceramics PSC and its subsidiaries

Condensed consolidated statement of cash flows (unaudited) (continued)
for the nine month period ended 30 September 2014

	Nine month period ended 30 September	
	2014	2013
	AED'000	AED'000
Financing activities		
Long term bank loans availed	168,025	1,174,947
Long term bank loans repaid	(219,301)	(1,048,898)
Net movement in short term bank borrowings	10,470	(106,116)
Interest expense paid	(44,490)	(62,433)
Dividend paid to non-controlling interests	(7,246)	(6,319)
Dividend paid	(111,480)	(148,640)
Funds invested by non-controlling interests	752	1,058
	-----	-----
<i>Net cash used in financing activities</i>	(203,270)	(196,401)
	-----	-----
Net (decrease) / increase in cash and cash equivalents	(280,055)	196,568
Cash and cash equivalents at the beginning of the period	436,004	289,024
	-----	-----
Cash and cash equivalents at the end of the period	155,949	485,592
	=====	=====
<i>Represented by:</i>		
Cash in hand and at bank	314,409	553,262
Bank overdraft	(158,460)	(67,670)
	-----	-----
	155,949	485,592
	=====	=====

The notes on pages 9 to 23 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 nine month period ended 30 September 2014

	-----Attributable to equity holders of the Company-----									Non- controlling interests AED '000	Total equity AED '000
	Share capital AED '000	Share premium reserve AED '000	Legal reserve AED '000	Currency translation reserve AED '000	General reserve AED '000	Capital reserve AED'000	Retained earnings AED '000	Total reserves AED '000	Total 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
<i>Total comprehensive income for the period (unaudited)</i>											
Profit for the period							220,183	220,183	220,183	292	220,475
Other comprehensive income	-	-	-	(13,953)	-	-	-	(13,953)	(13,953)	(518)	(14,471)
Total comprehensive income	-	-	-	(13,953)	-	-	220,183	206,230	206,230	(226)	206,004
Transactions with owners recorded directly in equity (unaudited)											
<i>Other equity movements</i>											
Transfer to legal reserve	-	-	27,522	-	-	-	(27,522)	-	-	-	-
Allocation of legal reserve on acquisition of a subsidiary (refer note 22)	-	-	27,688	-	-	-	(27,688)	-	-	-	-
<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)
Directors' fees	-	-	-	-	-	-	(2,400)	(2,400)	(2,400)	-	(2,400)
<i>Changes in ownership interests in subsidiaries</i>											
Funds invested by non-controlling interests	-	-	-	-	-	-	-	-	-	1,058	1,058
At 30 September 2013 (unaudited)	743,202	221,667	343,132	(432,846)	82,805	55,044	1,294,209	1,564,011	2,307,213	142,331	2,449,544

Ras Al Khaimah Ceramics PSC and its subsidiaries

Condensed consolidated statement of changes in equity (continued)

for the nine month period ended 30 September 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 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	-	-	-	-	-	-	212,314	212,314	212,314	(5,004)	207,310
Other comprehensive income	-	-	-	(25,654)	-	-	-	(25,654)	(25,654)	(3,194)	(28,848)
Total comprehensive income	-	-	-	(25,654)	-	-	212,314	186,660	186,660	(8,198)	178,462
Transactions with owners recorded directly in equity (unaudited)											
<i>Other equity movements</i>											
Transfer to legal reserve			30,609		-		(30,609)	-	-	-	-
Hyperinflationary effect (refer note 21)	-	-	-	-	-	-	206,383	206,383	206,383	7,771	214,154
<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)
Bonus shares issued	74,320	-	-	-	-	-	(74,320)	(74,320)	-	-	-
Funds invested by non-controlling interests	-	-	-	-	-	-	-	-	-	752	752
At 30 September 2014 (unaudited)	817,522	221,667	384,464	(490,230)	82,805	55,044	1,681,353	1,935,103	2,752,625	159,052	2,911,677

In accordance with the Ministry of Economy interpretation of Article 118 of the UAE Federal Law No. 8 of 1984 (as amended), Directors' fees have been treated as an appropriation from equity.

The notes on pages 9 to 23 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 nine month period ended 30 September 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 nine month period ended 30 September 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 Annual General Meeting 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 nine month period ended 30 September 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.

Ras Al Khaimah Ceramics PSC and its subsidiaries

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

6 Administrative and general expenses

	Nine month period ended 30 September		Three month period ended 30 September	
	2014	2013	2014	2013
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>These include:</i>				
Staff costs	77,610	75,377	20,744	21,983
Depreciation	18,995	17,896	3,983	7,369
Telephone, postal and office supplies	6,994	7,920	2,170	2,859
Repairs and maintenance	9,866	8,511	1,146	1,665
Legal and professional fee	20,056	6,193	2,045	2,882
Amortization of intangible assets	2,038	1,972	701	567
Impairment loss on trade and other receivables	598	25,430	12,018	3,367
Impairment loss / (reversal) on amounts due from related parties	28,156	6,750	(3,018)	2,250
	=====	=====	=====	=====

7 Selling and distribution expenses

	Nine month period ended 30 September		Three month period ended 30 September	
	2014	2013	2014	2013
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>These include:</i>				
Staff costs	53,206	51,912	18,271	17,307
Freight and transport	89,412	99,967	26,514	33,634
Performance rebates	68,312	66,897	20,908	23,422
Advertisement and promotions	29,284	30,573	9,169	11,362
Travel and entertainment	1,713	1,837	575	683
Depreciation	794	2,264	275	808
	=====	=====	=====	=====

8 Property, plant and equipment and capital work-in-progress

Additions, disposals and depreciation (unaudited)

During the nine month period ended 30 September 2014, the Group acquired property, plant and equipment and made additions to capital work-in-progress amounting to AED 238.95 million *(nine month period ended 30 September 2013: AED 64.40 million)*.

Property, plant and equipment with net book value of AED 0.4 million were disposed during the current period *(nine month period ended 30 September 2013: AED 0.64 million)* resulting in a gain on disposal of AED 2.5 million *(nine month period ended 30 September 2013: AED 1.16 million)* which is included in other income in the condensed consolidated income statement.

Depreciation charge for the current period amounted to AED 137.51 million *(nine month period ended 30 September 2013: AED 91.35 million)*.

Ras Al Khaimah Ceramics PSC and its subsidiaries

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

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

During the previous period (effective 1 January 2013), the management of a subsidiary had 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 has been 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 month and nine month periods ended 30 September 2013 would have been higher by AED 1.8 million and AED 5.4 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 nine month period ended 30 September 2014, the Group has made no further investments *(investment made during nine month period ended 30 September 2013: AED 1.72 million)*.

The Group’s share of profit in equity accounted investees for the nine month period ended 30 September 2014 amounted to AED 31.59 million *(nine month period ended 30 September 2013: AED 31.82 million)*.

The Group has received a dividend of AED 32.41 million during the current period from equity accounted investees *(nine month period ended 30 September 2013: AED 24.72 million)*.

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

10 Inventories

	30 September 2014 AED’000 (Unaudited)	31 December 2013 AED’000 (Audited)
Finished goods (net of NRV write down – refer note below)	658,588	603,885
Less: Provision for slow moving and obsolete inventories	(37,671)	(27,114)
	-----	-----
(A)	620,917	576,771
	-----	-----
Raw material	324,197	306,042
Goods-in-transit	40,797	39,499
Work-in-progress	17,495	22,239
Stores and spares	271,954	208,655
	-----	-----
	654,443	576,435
Less: Provision for slow moving raw materials and stores and spares	(39,181)	(37,513)
	-----	-----
(B)	615,262	538,922
	-----	-----
Total (A+B)	1,236,179	1,115,693
	=====	=====

Ras Al Khaimah Ceramics PSC and its subsidiaries

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

10 Inventories (continued)

At 30 September 2014, the Group has recognised a cumulative loss due to write-down of finished goods inventories of AED 35.2 million against the cost of AED 203.6 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 September 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
Trade receivables	1,186,342	1,073,704
Less: Allowance for impairment loss	(182,453)	(181,855)
	-----	-----
	1,003,889	891,849
Advances	124,268	95,951
Deposits	13,381	13,097
Other receivables	114,175	109,759
	-----	-----
	1,255,713	1,110,656
	=====	=====

12 Cash in hand and at bank

	30 September 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
Cash in hand	2,080	1,785
Cash at bank		
- in fixed deposits	104,066	104,553
- in current accounts	215,072	325,327
- in margin deposits	2,432	24,484
- in call accounts	15,783	43,369
	-----	-----
	339,433	499,518
	=====	=====

Cash in hand and cash at bank includes AED 0.52 million (*31 December 2013: AED 0.42 million*) and AED 116.55 million (*31 December 2013: AED 110.1 million*) respectively, held outside UAE.

Fixed deposits are placed with banks for an original maturity period ranging between 1-12 months and carry interest at normal commercial rates and include AED 25.02 million (*31 December 2013: AED 36.5 million*) which are held by banks under lien against bank facilities availed by the Group.

Ras Al Khaimah Ceramics PSC and its subsidiaries

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

13 Share capital

	30 September 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 <i>(31 December 2013: 573,202,000 shares of AED 1 each)</i>	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 September 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
Trade payables	553,588	656,732
Accrued and other expenses	244,279	225,455
Advances from customers	78,517	38,043
Other payables	78,790	59,920
	955,174	980,150

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 than those already disclosed elsewhere in these consolidated condensed interim financial information, are as follows:

	Nine month period ended 30 September	
	2014 AED'000 (Unaudited)	2013 AED'000 (Unaudited)
Sales	217,176	258,849
Purchases	109,644	2,513
<i>Compensation to key management personnel:</i>		
Salaries and benefits	12,481	11,874
End of service benefits	496	361
	12,977	12,235

Ras Al Khaimah Ceramics PSC and its subsidiaries

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

15 Related party transactions (continued)

	30 September 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
Due from related parties:		
Equity accounted investees	426,100	514,860
Other related parties	24,221	523,525
	-----	-----
	450,321	1,038,385
Less: Allowance for impairment loss	(101,121)	(72,965)
	-----	-----
	<u>349,200</u>	<u>965,420</u>
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. Also refer note (i) below.

Due to related parties:

	30 September 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
Equity accounted investees	11,106	45,475
Others related parties	45,833	13,634
	-----	-----
	<u>56,939</u>	<u>59,109</u>
	=====	=====

(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.

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 resultant gain of AED 59.1 million (net of transaction costs) is recognised 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.

Ras Al Khaimah Ceramics PSC and its subsidiaries

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

15 Related party transactions (continued)

	30 September 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 September 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
i) Short term		
Bank overdrafts	158,460	26,997
Short-term loans	470,715	501,215
Trust receipts	89,832	48,861
Current portion of long-term bank loans (refer note (ii) below)	332,686	332,269
	-----	-----
	1,051,693	909,342
	=====	=====
ii) Long term bank loans		
Opening balance	1,247,060	1,148,644
Add: Availed during the period/year	168,025	1,192,627
Less: Repayments made during the period/year	(219,301)	(1,094,211)
	-----	-----
Closing balance	1,195,784	1,247,060
Less: Current portion of term loans	(332,686)	(332,269)
	-----	-----
Long-term portion of term loans	863,098	914,791
	=====	=====

Ras Al Khaimah Ceramics PSC and its subsidiaries

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

16 Bank borrowings (continued)

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 September 2014					
Interest rate swaps	-	18	20,664	20,664	-
Currency swaps	58	-	9,804	9,804	-
	---	---	-----	-----	---
	58	18	30,468	30,468	-
	==	==	=====	=====	==
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	-
	=====	====	=====	=====	==

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.

Ras Al Khaimah Ceramics PSC and its subsidiaries

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

17 Derivative financial instruments (continued)

As at 30 September 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 September 2014			
<i>Financial assets</i>			
Derivative financial assets (net)	-	40	-
	---	---	---
	-	40	-
	===	===	===
	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 nine month period ended 30 September 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 assets

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

18 Earnings per share

	Nine month period ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
Net profit attributable to owners of the Company (AED'000)	212,314	220,183
	=====	=====
Weighted average number of shares outstanding ('000)	817,522	817,522
	=====	=====
Earnings per share (AED) – basic and diluted	0.26	0.27
	===	===

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.

Ras Al Khaimah Ceramics PSC and its subsidiaries

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

19 Contingent liabilities and commitments

The Company has issued corporate guarantees for loans and advances from commercial banks obtained by related parties 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 September 2014 (Unaudited)	31 December 2013 (Audited)
Less than one year	26,163	21,753
Between two and five years	46,918	58,160
More than five years	151,901	163,649
	-----	-----
	224,982	243,562
	=====	=====

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 September 2014	577	1.180	521	1.14
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	-

Ras Al Khaimah Ceramics PSC and its subsidiaries

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

21 Hyperinflationary accounting (continued)

The above mentioned restatement is affected as follows:

- i. 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;
- ii. 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;
- iii. Comparative financial statements are restated using general inflation indices in terms of the measuring unit current at the statement of financial position date;
- iv. All items in the income statement are restated by applying the relevant quarterly average or year-end conversion factors; and
- v. 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 September 2014 (Unaudited) AED'000
<i>Impact on statement of financial position</i>	
Increase in property plant and equipment	80,398
Increase in capital work in progress	660
Increase in inventories	63,793
Increase in net book value	<u>144,851</u>
<i>Allocated to:</i>	
Increase in opening equity due to cumulative hyperinflation since incorporation	175,299
Foreign currency translation reserve	(5,812)
Impact on profit or loss during the current period	<u>(24,636)</u>
	<u>144,851</u>

Ras Al Khaimah Ceramics PSC and its subsidiaries

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

21 Hyperinflationary accounting (continued)

b) RAK Ceramics PJSC Limited (Iran)

	30 September 2014 (Unaudited) AED'000
<i>Impact on statement of financial position</i>	
Increase in property plant and equipment	12,237
Increase in intangible assets	(66)
Increase in inventories	2,504

Increase in net book value	14,675
	=====
<i>Allocated to:</i>	
Increase in opening equity and non controlling interest due to hyperinflation since December 2013	38,855
Foreign currency translation reserve	(1,975)
Impact on profit or loss during the current period	(22,205)

	14,675
	=====

The net impact of hyperinflationary accounting in Sudan and Iran during the current period on net monetary position amounts to a loss of AED 21.08 million *(nine month period ended 30 September 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 nine month period ended 30 September 2014 (*Unaudited*)

23 Dividend declared 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 nine month period ended 30 September 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>Nine month period ended 30 September 2014</i>						
External revenue	2,120,941	181,650	99,368	82,461	-	2,484,420
Inter segment revenue	150,446	33,635	123,098	83,288	(390,467)	-
Total revenue	2,271,387	215,285	222,466	165,749	(390,467)	2,484,420
Segment profit / (loss) for the period	221,574	(9,195)	26,385	13,173	(44,627)	207,310
<i>As at 30 September 2014</i>						
Total assets	6,848,944	976,537	391,202	361,914	(2,548,374)	6,030,223
Total liabilities	3,597,726	557,589	142,056	154,610	(1,333,435)	3,118,546
<i>Nine month period ended 30 September 2013</i>						
External revenue	2,127,512	369,070	78,837	84,695	-	2,660,114
Inter segment revenue	282,643	34,361	123,328	113,903	(554,235)	-
Total revenue	2,410,155	403,431	202,165	198,598	(554,235)	2,660,114
Segment profit / (loss) for the period	232,071	(5,018)	24,117	18,115	(48,810)	220,475
<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 September 2014 AED'000 (Unaudited)	30 September 2013 AED'000 (Unaudited)
Total profit or loss for reportable segments after tax	131,093	237,463
Elimination of inter-segment profits	44,627	(48,810)
Share of profit of equity accounted investees	31,590	31,822
	207,310	220,475