



Condensed consolidated interim financial information
30 September 2016

Ras Al Khaimah Ceramics PJSC and its Subsidiaries

Condensed consolidated interim financial information
30 September 2016

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Report of the Board of Directors

On financial performance during the nine months ended on 30 September 2016

09 November 2016



Dear Members,

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

The third quarter of 2016 was characterized by a decline in volumes, especially in the GCC due to seasonal effects as well as weak business sentiment, in particular in KSA. Volumes to Europe also slowed as we undertook the centralization of our European logistics to our Italian warehouse which caused some shipping delays but this should be made up to some extent in Q4. Partly offsetting these declines were improved results in Bangladesh lead by higher tile volumes and a strong performance in Tableware.

The third quarter of 2016 was also characterized by progress on our value creation plan. In late September, we took the first major step of what will be a multi- year effort to strengthen the RAK Ceramics brand by unveiling of new product collection at the Cersaie tile and Sanitaryware fare in Bologna Italy, supported by new marketing materials, a new company logo and a new product website (www.rakceramics.com). A new advertising campaign supporting the launch is currently in progress in Europe and the GCC. During the quarter, we also made further headway taking control of our global distribution by acquiring the remaining 50% stake in our distribution Joint Venture in Italy and the remaining 5% stake in our Australian distributor.

Results

The consolidated revenue for the nine months period amounted to AED 2,138.0 million which is lower by 8.3% compared to same period last year. Revenues for the Ceramics business for the nine months period amounted to AED 1,740.5 million lower by 6.5% than AED 1,861.9 million during the same period of last year while non core revenues declined further, in part due to asset sales. Gross margin for the nine month period improved by 90 bps to 29.7%. Operating profit is lower by 110 bps to 9.4% to reach AED 200.1 million compared with AED 244.8 million during the last year. Net profit from continuing operations amounted to AED 149.4 million as against AED 230.1 million in same period in last year.

Financial highlights for the nine month period ended 30 September 2016

Particulars	Unit	YTD 30 Sep 2016	YTD 30 Sep 2015	Change
Total Revenue	AED Mio	2,138.0	2,331.0	(8.3%)
Gross Profit	AED Mio	635.4	671.8	(5.4%)
GP Margin	%	29.7%	28.8%	90 bps
EBITDA	AED Mio	382.8	440.1	(13.0%)
EBITDA Margin	%	17.9%	18.9%	(100 bps)
Reported Net Income	AED Mio	149.4	228.8	(34.7%)
Reported Profit after NCI (Minority)	AED Mio	124.1	211.8	(41.4%)
Reported Earnings per share	AED	0.14	0.25	(44.0%)

		30 Sep 2016	31 Dec 2015	Change
Total Assets	AED Mio	5,927.9	5,981.8	(0.9%)
Share Capital	AED Mio	858.4	817.5	5.0%
Shareholders' Equity	AED Mio	2,805.0	2,937.5	(4.5%)
Net Debt	AED Mio	1,730.9	1,609.6	(7.5%)
Net Debt / EBITDA	Times	3.22*	2.71	
Cost of Debt	%	2.63	2.60	

*Net debt/EBITDA is calculated on the basis of actual EBITDA for trailing twelve months.

Corporate Social Responsibility, Exhibitions and Awards during Q3/16

The company continued its commitment to corporate and social responsibility in the following ways:

Corporate Social Responsibility

Students from the Indira Institute of Management, Pune, India visited our showroom and manufacturing plants to gain first-hand knowledge about the RAK Ceramics structure and product manufacturing processes. This experience provided the students with the unique opportunity to bridge the gap between classroom theory and real world manufacturing. Delegates from both the French Embassy and the Thailand Embassy in the UAE visited our headquarters, showroom and plants to learn about our new products and better understand our production facilities in our factories.

Exhibitions

We recently participated in one of the world's most important international ceramics exhibition, Cersaie, Bologna, Italy. At this exhibition we announced the launch of our new corporate brand identity which has been designed to unify all of our global subsidiaries. Our new corporate brand identity was revealed at the RAK Ceramics stand to clearly articulate our new brand proposition, 'Room for Imagination'. We showcased our latest products across tiles and sanitaryware in the exhibition.

Awards

Our Annual Leadership Offsite Event 'Beat As One', received a bronze award for best internal motivational event at the 2016 Stevie Awards International Business Awards as well as at Best in Biz Awards for 2016.

Future Outlook

The prevailing situation in Saudi Arabia and other GCC markets is likely to stay challenging for the foreseeable future and we are in the process of making adjustments to our production capacity to better reflect changing tastes, in line with market demand.

Despite the challenging construction environment in the GCC, we believe strongly in the quality of our products and that further investments in the brand through product design, marketing and advertising will lead to higher revenue and margins in the future. Other initiatives we are currently working on include bringing back online idle capacity in Iran while in India, the company is working on a turnaround of its local manufacturing unit and is making investments to attract the right caliber of talent for the organization.

We continue to strive to transform RAK Ceramics from a production-focused manufacturer of ceramic products sold mainly through distributors to a customer-focused manufacturer of ceramic goods and accessories targeting the project, distributor and retail channels and to balance 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

09 NOV 2016



Director



Chief Executive Officer

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

Condensed consolidated
interim financial information
30 September 2016

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Condensed consolidated interim financial information

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

The Shareholders
Ras Al Khaimah Ceramics PJSC

Introduction

We have reviewed the accompanying 30 September 2016 condensed consolidated interim financial information of Ras Al Khaimah Ceramics PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2016;
- the condensed consolidated statement of profit or loss for the three-month and nine-month periods ended 30 September 2016;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2016;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2016;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 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 PJSC
Independent auditors' report on review of condensed
consolidated interim financial information
30 September 2016

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2016 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, *'Interim Financial Reporting'*.

KPMG Lower Gulf Limited
Fawzi AbuRass
Registration No. 968
Dubai, United Arab Emirates

Date: 09 NOV 2016

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Condensed consolidated statement of profit or loss (unaudited)
for the three month and nine month periods ended 30 September 2016

		Nine month period ended 30 September		Three month period ended 30 September	
		2016	2015	2016	2015
	Note	AED'000	AED'000 Restated*	AED'000	AED'000 Restated*
Continuing operations					
Revenue		2,138,017	2,331,029	645,738	782,779
Cost of sales	6	(1,502,581)	(1,659,211)	(455,499)	(542,974)
		-----	-----	-----	-----
Gross profit		635,436	671,818	190,239	239,805
Administrative and general expenses	7	(199,035)	(232,837)	(74,123)	(72,921)
Selling and distribution expenses	8	(273,607)	(252,287)	(88,121)	(88,929)
Other income		37,283	58,081	8,357	23,124
		-----	-----	-----	-----
Operating profit		200,077	244,775	36,352	101,079
Finance costs	9(i)	(53,541)	(64,340)	(16,789)	(21,671)
Finance income	9(ii)	2,298	6,832	787	1,586
Share of profit in equity accounted investees	11	13,794	19,102	1,458	7,243
Gain on disposal of equity accounted investees	11	-	38,480	-	-
Gain/(loss) on disposal of subsidiaries - net	24	-	1,161	-	(1,964)
		-----	-----	-----	-----
Profit before tax from continuing operations		162,628	246,010	21,808	86,273
Tax expense		(13,222)	(15,928)	(3,578)	(3,086)
		-----	-----	-----	-----
Profit from continuing operations		149,406	230,082	18,230	83,187
Discontinued operations					
Loss from discontinued operations	26	-	(1,299)	-	-
		-----	-----	-----	-----
Profit for the period		149,406	228,783	18,230	83,187
		=====	=====	=====	=====
<i>Profit attributable to:</i>					
Owners of the Company		124,139	211,839	11,374	75,519
Non-controlling interests		25,267	16,944	6,856	7,668
		-----	-----	-----	-----
Profit for the period		149,406	228,783	18,230	83,187
		=====	=====	=====	=====
Earnings per share					
- basic and diluted (AED)	20	0.14	0.25	0.01	0.09
		===	===	===	===
Earnings per share – continuing operations					
- basic and diluted (AED)	20	0.14	0.25	0.01	0.09
		===	===	===	===

*Refer note 28.

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 PJSC and its subsidiaries

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

for the three month and nine month periods ended 30 September 2016

	Note	Nine month period ended 30 September		Three month period ended 30 September	
		2016 AED'000	2015 AED'000 Restated*	2016 AED'000	2015 AED'000 Restated*
Profit for the period		149,406	228,783	18,230	83,187
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Foreign currency translation differences		(5,588)	(35,141)	1,641	(14,443)
Hyperinflation effect	23&28	-	16,248	-	-
Cash flow hedges – effective portion of changes in fair value	19	(433)	-	1,259	-
Total comprehensive income for the period		143,385	209,890	21,130	68,744
<i>Total comprehensive income attributable to:</i>					
Owners of the Company		118,027	195,628	14,228	60,966
Non-controlling interests		25,358	14,262	6,902	7,778
Total comprehensive income for the period		143,385	209,890	21,130	68,744

*Refer note 28.

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Ras Al Khaimah Ceramics PJSC and its subsidiaries

Condensed consolidated statement of financial position

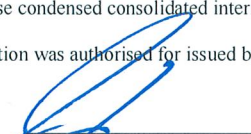
as at 30 September 2016


	Note	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	10	1,155,622	1,065,530
Capital work-in-progress	10	132,822	182,271
Goodwill	24(i)	74,703	50,356
Intangible assets		17,503	18,032
Investment properties		1,165,519	1,158,899
Investments in equity accounted investees	11	131,172	127,563
Long term receivables	13(i) & 17(i)	105,749	127,642
Deferred tax assets		315	298
		<u>2,783,405</u>	<u>2,730,591</u>
Current assets			
Inventories	12	1,244,224	1,141,156
Trade and other receivables	13	1,201,608	1,207,338
Contract work-in-progress		17,595	15,442
Due from related parties	17	342,055	523,778
Cash in hand and at bank	14	339,032	363,470
		<u>3,144,514</u>	<u>3,251,184</u>
Total assets		<u><u>5,927,919</u></u>	<u><u>5,981,775</u></u>
Equity and liabilities			
Equity			
Share capital	15	858,398	817,522
Reserves		1,780,522	1,950,636
Equity attributable to owners of the Company		<u>2,638,920</u>	<u>2,768,158</u>
Non-controlling interests		166,094	169,294
Total equity		<u>2,805,014</u>	<u>2,937,452</u>
Non-current liabilities			
Islamic bank financings	18(a)(ii)	371,942	-
Interest bearing bank financings	18(b)(ii)	871,224	1,309,706
Provision for employees' end-of-service benefits		88,048	78,285
Deferred tax liabilities		9,086	8,323
		<u>1,340,300</u>	<u>1,396,314</u>
Current liabilities			
Islamic bank financings	18(a)(i)	492,504	340,205
Interest bearing bank financings	18(b)(i)	334,295	323,186
Trade and other payables	16	787,028	835,944
Billings in excess of valuation		2,734	2,791
Provision for taxation		132,115	122,606
Due to related parties	17	33,496	23,277
Derivative financial liabilities	19	433	-
		<u>1,782,605</u>	<u>1,648,009</u>
Total liabilities		<u>3,122,905</u>	<u>3,044,323</u>
Total equity and liabilities		<u><u>5,927,919</u></u>	<u><u>5,981,775</u></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 issued by and on behalf of the Board of Directors on


Chairman


Director


Chief Executive Officer

09 NOV 2016

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

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Condensed consolidated statement of cash flows (unaudited)
for the nine month period ended 30 September 2016

	Nine month period ended 30 September	
	2016	2015
	AED'000	AED'000
		Restated*
Operating activities		
Profit for the period before tax	162,628	244,711**
<i>Adjustments for:</i>		
Share in profit in equity accounted investees	(13,794)	(19,102)
Loss on net monetary position	-	2,306
Interest expense	27,078	31,515
Profit expense on Islamic financings	15,967	2,066
Interest income	(1,731)	(5,499)
Profit on Wakala deposits	(58)	-
Gain on disposal of property, plant and equipment	(189)	(7,711)
Gain on disposal of investment properties	-	(2,038)
Gain on sale of subsidiaries	-	(1,161)
Gain on sale of equity accounted investees	-	(38,480)
Depreciation on property, plant and equipment and investment properties	140,630	152,421
Amortisation of intangible assets	3,223	2,635
Capital work-in-progress written off	1,796	1,412
Intangibles written off	693	-
Provision for impairment loss on equity accounted investees	3,490	-
Provision for employees' end-of-service benefits	15,742	9,843
	-----	-----
	355,475	372,918
Change in:		
- inventories (including contract work-in-progress)	(37,426)	(255)
- trade and other receivables (including long term)	84,876	3,098
- due from related parties (including long term)	47,001	(193,946)
- assets classified as held for sale	-	66,679
- trade and other payables (including billings-in-excess of valuation)	(75,110)	65,222
- due to related parties	10,219	42,445
- liabilities classified as held for sale	-	1,285
- derivative financial assets	-	3,522
- deferred tax assets	(17)	42
- deferred tax liabilities	763	(1,017)
Income tax paid	(3,774)	(5,091)
Employees' end-of-service benefits paid	(7,778)	(11,059)
Currency translation adjustment	(1,592)	(6,612)
	-----	-----
Net cash generated from operating activities	372,637	337,231
	-----	-----

** This includes loss from discontinued operations.

Ras Al Khaimah Ceramics PJSC and its subsidiaries

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

	Nine month period ended 30 September	
	2016	2015
	AED'000	AED'000
		Restated*
Investing activities		
Acquisition of property, plant and equipment and capital work-in-progress	(186,994)	(205,480)
Acquisition of intangible assets	(2,280)	(244)
Proceeds from disposal of property, plant and equipment	5,845	28,075
Proceeds from disposal of subsidiaries	-	17,044
Proceed from sale of equity accounted investee	-	49,031
Change in bank deposits	1,062	(19,321)
Dividend received from equity accounted investees	5,163	15,570
Interest income received	1,731	5,499
Profit on Wakala deposits received	58	-
Consideration paid for acquisition of subsidiaries	(8,176)	(33,818)
Cash acquired as a part of acquisition of subsidiaries	8,893	-
	-----	-----
Net cash used in investing activities	(174,698)	(143,644)
	-----	-----
Financing activities		
Long term bank financing availed	119,142	1,466,230
Long term bank financing repaid	(567,812)	(1,091,388)
Long term Islamic bank financing availed	495,923	-
Long term Islamic bank financing repaid	(41,327)	-
Net movement in short term bank financing	41,472	(142,109)
Interest paid	(27,078)	(31,515)
Profit expense on Islamic financing paid	(15,967)	(2,066)
Dividend paid to non-controlling interests	(26,181)	(33,032)
Dividend paid	(245,257)	(286,133)
Remuneration paid to Board of Directors	(3,700)	(4,228)
	-----	-----
Net cash used in financing activities	(270,785)	(124,241)
	-----	-----
Net (decrease) / increase in cash and cash equivalents	(72,846)	69,346
Cash and cash equivalents at the beginning of the period	332,976	331,452
	-----	-----
Cash and cash equivalents at the end of the period	260,130	400,798
	=====	=====
Represented by:		
Cash in hand and at bank (net of bank deposits on lien)	318,244	522,095
Bank overdraft	(58,114)	(121,297)
	-----	-----
	260,130	400,798
	=====	=====

* Refer note 28.

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 PJSC and its subsidiaries

Condensed consolidated statement of changes in equity

for the nine month period ended 30 September 2016

	-----Attributable to owners of the Company-----											Non-controlling interests (NCI) AED '000	Total equity AED '000
	-----Reserves-----							Retained earnings AED '000	Total reserves AED '000	Total parent equity AED '000			
Share capital AED '000	Share premium AED '000	Legal reserve AED '000	Translation Reserve AED '000	Hyper inflation reserve AED '000	General reserve AED '000	Capital reserve AED'000							
Balance at 1 January 2015 (audited)	817,522	221,667	396,260	(79,324)	(79,681)	82,805	55,044	1,394,014	1,990,785	2,808,307	226,505	3,034,812	
Total comprehensive income for the period (unaudited) (restated)													
Profit for the period (restated) (refer note 28)	-	-	-	-	-	-	-	211,839	211,839	211,839	16,944	228,783	
<i>Other comprehensive income for the period (restated)</i>													
Foreign currency translation reserve (refer note 28)	-	-	-	(15,742)	(16,717)	-	-	-	(32,459)	(32,459)	(2,682)	(35,141)	
Hyperinflation effect (refer notes 23 and 28)	-	-	-	-	16,248	-	-	-	16,248	16,248	-	16,248	
Total comprehensive income for the period (restated)	-	-	-	(15,742)	(469)	-	-	211,839	195,628	195,628	14,262	209,890	
Other equity movements (unaudited)													
Transfer to legal reserve	-	-	48,049	-	-	-	-	(48,049)	-	-	-	-	
Dividend distributed to NCI	-	-	-	-	-	-	-	-	-	-	(33,032)	(33,032)	
Directors' fees	-	-	-	-	-	-	-	(3,639)	(3,639)	(3,639)	(589)	(4,228)	
Transactions with owners recorded directly in equity (unaudited)													
Dividend declared	-	-	-	-	-	-	-	(286,133)	(286,133)	(286,133)	-	(286,133)	
Changes in ownership interests in subsidiaries (unaudited)													
Decrease in NCI – net (note 24(a) and (b)(i)(iii)(iv))	-	-	-	(2,140)	34,418	-	(140)	(28,384)	3,754	3,754	(30,118)	(26,364)	
At 30 September 2015 (unaudited) (restated)	817,522	221,667	444,309	(97,206)	(45,732)	82,805	54,904	1,239,648	1,900,395	2,717,917	177,028	2,894,945	

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Condensed consolidated statement of changes in equity (continued)

for the nine month period ended 30 September 2016

	-----Attributable to owners of the Company-----											Non- controlling interests (NCI)	Total equity	
	-----Reserves-----													
	Share capital	Share premium	Legal reserve	Translation reserves	Hyper inflation reserve	Hedging reserve	General reserves	Capital reserves	Retained earnings	Total reserves	Total			
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	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	
<i>Total comprehensive income for the period (unaudited)</i>														
Profit for the period	-	-	-	-	-	-	-	-	124,139	124,139	124,139	25,267	149,406	
<i>Other comprehensive income</i>														
Foreign currency translation differences	-	-	-	774	(6,453)	-	-	-	-	(5,679)	(5,679)	91	(5,588)	
Changes in cash flow hedges (refer note 19)	-	-	-	-	-	(433)	-	-	-	(433)	(433)	-	(433)	
Total comprehensive income for the period	-	-	-	774	(6,453)	(433)	-	-	124,139	118,027	118,027	25,358	143,385	
<i>Other equity movements (unaudited)</i>														
Directors' fees (refer note 15(ii))	-	-	-	-	-	-	-	-	(3,700)	(3,700)	(3,700)	-	(3,700)	
Transfer to legal reserve	-	-	24,524	-	-	-	-	-	(24,524)	-	-	-	-	
Dividend distributed to NCI	-	-	-	-	-	-	-	-	-	-	-	(26,181)	(26,181)	
<i>Transactions with owners of the Company directly recorded in equity (unaudited)</i>														
Dividend declared (refer note 15(i))	-	-	-	-	-	-	-	-	(245,257)	(245,257)	(245,257)	-	(245,257)	
Bonus shares issued (refer note 15(i))	40,876	-	-	-	-	-	-	-	(40,876)	(40,876)	-	-	-	
<i>Changes in ownership interests in a subsidiary (unaudited)</i>														
Decrease in NCI (refer note 24(a)(ii))	-	-	-	(431)	-	-	-	-	2,123	1,692	1,692	(2,377)	(685)	
At 30 September 2016 (unaudited)	858,398	221,667	486,875	(94,405)	(89,129)	(433)	82,805	53,866	1,119,276	1,780,522	2,638,920	166,094	2,805,014	

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

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2016 (unaudited)

1 Reporting entity

Ras Al Khaimah Ceramics PJSC ("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 Public Shareholding Company. The registered address of the Company is P.O. Box 4714 Al Jazeera, Al Hamra, Ras Al Khaimah, United Arab Emirates. The Company is listed on the Abu Dhabi Securities Exchange, UAE.

The condensed consolidated interim financial information as at and for the nine month period ended 30 September 2016 ("the current period") comprise the Company and its subsidiaries (collectively referred to as "the Group") and the Group's interest in associates and jointly controlled entities.

The principal activities of the Company are manufacturing and sale of a variety of ceramic products including tiles, bathroom sets and sanitary wares. The Company and certain entities in the Group are also engaged in investing in other entities, in UAE or globally, that carry out similar or ancillary activities. Accordingly, the Company also acts as a Holding Company of the Group entities. The Group is also engaged in contracting and other industrial manufacturing activities.

2 Basis of preparation

Statement of compliance

The condensed consolidated interim financial information has been prepared in accordance with the International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. The condensed consolidated interim financial information does not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2015. In relation to the compliance with the relevant articles of the Company and the UAE Federal Law No. (2) of 2015, the following note should also be referred.

UAE Federal Law No. (2) of 2015 being the Commercial Companies Law ("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 PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the nine month period ended 30 September 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 condensed consolidated statement of profit and loss and 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 the condensed consolidated statement of profit or loss.

The amount accumulated in equity is retained in OCI and reclassified to the profit or loss in the same period or periods during which the hedged forecast cash flows affects the profit or loss or the hedged item affects the 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 the 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 are available for early adoption in annual periods beginning on 1 January 2016. However, the Group does not plan to adopt these standards early.

IFRS 9 *Financial Instruments*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 “*Financial Instruments: Recognition and Measurement*”. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition 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 PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the nine month period ended 30 September 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 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 testing. 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 interim financial information resulting from the application of the 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

	Nine month period ended 30 September		Three month period ended 30 September	
	2016 AED'000 (Unaudited)	2015 AED'000 (Unaudited) Restated*	2016 AED'000 (Unaudited)	2015 AED'000 (Unaudited) Restated*
Raw materials consumed	613,861	734,990	159,675	234,094
Direct labour	213,526	204,903	71,170	72,252
Power and fuel	145,842	150,408	46,609	47,689
LPG and natural gas	168,626	182,692	52,203	62,612
Depreciation on property, plant and equipment	119,087	123,608	40,999	41,272
Repairs and maintenance	104,781	100,296	35,338	33,621
Packing material expenses	84,216	82,917	27,521	29,390
Provision against inventories	7,290	27,266	3,940	14,036
Sub-contractors' fee	2,773	12,672	1,776	3,352
Others	42,579	39,459	16,268	4,656
	<u>1,502,581</u>	<u>1,659,211</u>	<u>455,499</u>	<u>542,974</u>

* Refer note 28.

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the nine month period ended 30 September 2016 (*unaudited*)

7 Administrative and general expenses

	Nine month period ended 30 September		Three month period ended 30 September	
	2016 AED'000 (Unaudited)	2015 AED'000 (Unaudited) Restated*	2016 AED'000 (Unaudited)	2015 AED'000 (Unaudited) Restated*
Staff costs	83,799	81,612	29,637	26,034
Depreciation on property, plant and equipment	14,049	15,285	4,728	4,841
Depreciation on investment properties	6,532	6,944	2,189	3,458
Telephone, postal and office supplies	4,620	6,703	1,194	1,898
Repairs and maintenance	6,185	6,798	2,440	2,794
Legal and professional fee	7,432	6,959	1,318	2,499
Rental expenses	910	1,872	573	822
Utility expenses	5,167	3,780	1,852	1,451
Security charges	2,245	1,891	667	1,014
Insurance expense	6,890	9,466	2,449	1,940
Amortization of intangible assets	3,223	2,477	1,258	618
Provision for impairment loss on trade receivables - net	17,980	6,761	9,149	12,077
Provision for impairment loss on equity accounted investee (refer note 11)	3,490	-	-	-
Impairment loss on assets classified as held for sale (refer note (i) below)	-	48,400	-	-
Others	36,513	33,889	16,669	13,475
	<u>199,035</u>	<u>232,837</u>	<u>74,123</u>	<u>72,921</u>

(i) During the period ended 30 September 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 28.

8 Selling and distribution expenses

	Nine month period ended 30 September		Three month period ended 30 September	
	2016 AED'000 (Unaudited)	2015 AED'000 (Unaudited)	2016 AED'000 (Unaudited)	2015 AED'000 (Unaudited)
Staff costs	80,582	52,445	26,553	17,478
Freight and transportation	84,787	83,724	23,433	35,310
Performance rebates	45,999	56,031	16,635	18,762
Advertisement and promotions	31,942	40,341	9,432	11,596
Rental expenses	13,737	6,423	6,097	2,217
Travel and entertainment	2,041	1,320	757	1,089
Depreciation on property, plant and equipment	962	830	323	271
Others	13,557	11,173	4,891	2,206
	<u>273,607</u>	<u>252,287</u>	<u>88,121</u>	<u>88,929</u>

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the nine month period ended 30 September 2016 (*unaudited*)

9 Finance costs and income

	Nine month period ended 30 September		Three month period ended 30 September	
	2016 AED'000 (Unaudited)	2015 AED'000 (Unaudited)	2016 AED'000 (Unaudited)	2015 AED'000 (Unaudited)
(i) Finance costs				
Interest on bank borrowings	27,078	31,475	8,469	12,232
Profit on Islamic financing	15,967	2,066	6,530	698
Net change in fair value of derivatives	-	3,493	-	368
Bank charges	3,852	6,121	1,495	2,953
Net foreign exchange loss	6,644	21,185	295	5,420
Total (A)	53,541	64,340	16,789	21,671
(ii) Finance income				
Interest on fixed deposits	1,586	2,653	468	702
Interest on amounts due from related parties (refer note 17)	145	2,846	116	884
Profit on Wakala deposits	58	-	58	-
Others	509	1,333	145	-
Total (B)	2,298	6,832	787	1,586
Net finance expense recognised in profit or loss (A-B)	51,243	57,508	16,002	20,085

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

Additions, disposals and depreciation

During the nine month period ended 30 September 2016, the Group acquired property, plant and equipment and made additions to capital work-in-progress amounting to AED 190.05 million (*nine month period ended 30 September 2015: AED 205.48 million*). This amount excludes the assets acquired through a business combination with a net book value of AED 9.66 million (*nine month period ended 30 September 2015: nil*) (refer note 24).

Property, plant and equipment with net book value of AED 5.66 million were disposed during the current period (*nine-month period ended 30 September 2015: AED 2.49 million*) resulting in a gain on disposal of AED 0.19 million (*nine month period ended 30 September 2015: gain of AED 7.71 million*) which is included in other income in the condensed consolidated statement of profit or loss.

Depreciation charged on property, plant and equipment for the current period amounted to AED 134.10 million (*nine month period ended 30 September 2015: AED 139.72 million*). Also refer note 28.

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the nine month period ended 30 September 2016 *(unaudited)*

11 Investments in equity accounted investees

During the nine month period ended 30 September 2016, the Group has acquired the remaining 50% equity interests of its three equity accounted investees namely, RAK Ceramics UK Limited - UK, RAK Ceramics GmbH - Germany and RAK Distribution Europe SARL - Italy 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 24.

The Group's share of profit in equity accounted investees for the nine month period ended 30 September 2016 amounted to AED 13.79 million *(nine month period ended 30 September 2015: AED 19.10 million)*.

The Group has received a dividend of AED 5.16 million during the current nine month period from equity accounted investees *(nine month period ended 30 September 2015: AED 15.57 million)*.

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

During the nine month period ended 30 September 2015, the Group had disposed of 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.

12 Inventories

	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Finished goods (net of net realisable value write down)	800,678	697,388
Less: provision for slow moving and obsolete inventories	(64,920)	(66,192)
	-----	-----
	735,758	631,196
Raw materials	260,079	276,574
Goods-in-transit	63,717	57,771
Work-in-progress	22,686	21,520
Stores and spares	221,782	209,921
	-----	-----
	1,304,022	1,196,982
Less: provision for slow moving raw materials and stores and spares	(59,798)	(55,826)
	-----	-----
	1,244,224	1,141,156
	=====	=====

At 30 September 2016, the Group has recognised a cumulative loss due to write-down of finished goods inventories of AED 44.42 million against the cost of AED 323.55 million *(31 December 2015: AED 46.30 million against the cost of AED 321.10 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 PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the nine month period ended 30 September 2016 *(unaudited)*

13 Trade and other receivables

	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Trade receivables	1,085,705	1,063,025
Less: allowance for impairment loss	(177,150)	(155,992)
	-----	-----
	908,555	907,033
Advances and prepayments	147,739	145,294
Deposits	15,873	14,575
Other receivables (refer note (i) below)	129,441	140,436
	-----	-----
	1,201,608	1,207,338
	=====	=====

(i) Long term other receivables

	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Total amount receivable	146,365	164,734
Less: current portion (included in other receivables above)	(44,082)	(44,082)
	-----	-----
Long term portion	102,283	120,652
	=====	=====

The above long term other receivable represents amounts receivable on disposal of a subsidiary and carries interest at normal commercial rates and is partially secured by post dated cheques. The Group's management is of the view that this amount is fully recoverable.

14 Cash in hand and at bank

	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Cash in hand	2,122	1,391
Cash at bank		
- in fixed deposits	72,089	80,825
- in current accounts	250,509	260,983
- in margin deposits	1,010	3,758
- in call accounts	13,302	16,513
	-----	-----
	339,032	363,470
	=====	=====

Cash in hand and cash at bank includes AED 0.65 million (31 December 2015: AED 0.35 million) and AED 52.66 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 20.78 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.

Wakala deposits matured during the current period (31 December 2015: nil).

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the nine month period ended 30 September 2016 (*unaudited*)

15 Share capital

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

- (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.

16 Trade and other payables

	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Trade payables	388,352	473,790
Accrued and other expenses	252,476	221,408
Advances from customers	38,906	57,784
Commission and rebates payables	57,712	53,250
Other payables	49,582	29,712
	787,028	835,944

17 Related party transactions

The Group in the ordinary course of business enters into transaction with other business enterprises that fall within the definition of a related party as contained in IAS 24 'Related Party Transactions'. Related parties of the Group primarily comprise associates, 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	
	2016 AED'000 (Unaudited)	2015 AED'000 (Unaudited)
Sale of goods and services and construction contracts	250,454	370,015
Purchase of goods and rendering of services	186,154	155,648
Interest income (refer note 9(ii))	145	2,846
Consideration - for purchase of shares (refer note 24)	8,176	35,295
Consideration - on sale of shares (refer notes 11 and 24)	-	5,155

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the nine month period ended 30 September 2016 (*unaudited*)

17 Related party transactions (continued)

	Nine month period ended 30 September	
	2016	2015
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Compensation to key management personnel:		
Salaries and benefits	12,556	12,525
End of service benefits	179	363
Board of Directors' remuneration	3,700	4,228
	=====	=====
	30 September	31 December
	2016	2015
	AED'000	AED'000
	(Unaudited)	(Audited)
Due from related parties		
Equity accounted investees	337,039	563,162
Other related parties	73,366	109,776
	-----	-----
	410,405	672,938
Less: allowance for impairment loss	(64,884)	(142,170)
Less: long term receivables (refer note 17(i))	(3,466)	(6,990)
	-----	-----
	342,055	523,778
	=====	=====
Due to related parties		
	30 September	31 December
	2016	2015
	AED'000	AED'000
	(Unaudited)	(Audited)
Other related parties	33,496	23,277
	=====	=====
(i) Long term receivables		
	30 September	31 December
	2016	2015
	AED'000	AED'000
	(Unaudited)	(Audited)
Total amount receivable	8,664	10,485
Less: current portion (refer above)	(5,198)	(3,495)
	-----	-----
Long term portion	3,466	6,990
	=====	=====

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the nine month period ended 30 September 2016 *(unaudited)*

18 Bank financing arrangements

(a) Islamic bank financings

	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
i) Short term		
Mudaraba facilities (A)	205,563	224,287
Commodity Murabaha facilities (B)	50,000	115,918
Ijarah facilities (C)	154,287	-
Current portion of long term financing (refer note (ii) below)	82,654	-
	-----	-----
	492,504	340,205
	=====	=====

	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
ii) Long term - Commodity Murabaha facilities		
Availed during the period/year	495,923	-
Less: repayments made during the period/year	(41,327)	-
	-----	---
Closing balance	454,595	-
Less: current portion (refer above)	(82,654)	-
	-----	---
Long term portion	371,942	-
	=====	==

Long term - Commodity Murabaha facilities availed during the current period has a maturity profile till 2022 and carries a profit rate of 2.64% 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 funds to another party (the Group) who then invest in an activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit.
- (B) In Murabaha Islamic financing, a contract is entered into between two parties whereby one party (Bank) purchases an asset and sells it to another party (the Group), on a deferred payment basis at a pre-agreed profit.
- (C) Ijarah is another mode of Islamic financing where a contract is entered into between two parties whereby one party (Bank) purchases/acquires an asset, either from a third party or from the Group, and leases it to the Group against certain rental payments and for a specific lease period.

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the nine month period ended 30 September 2016 *(unaudited)*

18 Bank financing arrangements (continued)

(b) Interest bearing bank financings

	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
i) Short term		
Bank overdrafts	58,114	8,644
Short-term loans	95,389	123,562
Current portion of long-term bank loans (refer note (ii) below)	180,792	190,980
	-----	-----
	334,295	323,186
	=====	=====
	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
ii) Long term bank loans		
Opening balance	1,500,686	1,116,384
Add: availed during the period/year	119,142	1,480,074
Less: repayments made during the period/year	(567,812)	(1,095,772)
	-----	-----
Closing balance	1,052,016	1,500,686
Less: current portion (refer above)	(180,792)	(190,980)
	-----	-----
Long term portion	871,224	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 2024 and interest rates of 2.3% per annum.

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the nine month period ended 30 September 2016 (*unaudited*)

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 recognised immediately in the profit or loss.

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
30 September 2016 (unaudited)					
Interest rate swaps used for hedging	433	411,681	37,067	296,537	78,077
	----	-----	-----	-----	-----
	433	411,681	37,067	296,537	78,077
	===	=====	=====	=====	=====

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

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the nine month period ended 30 September 2016 (*unaudited*)

19 Derivative financial instruments (continued)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
30 September 2016 (unaudited)			
Derivative financial liability			
Interest rate swaps used for hedging	-	433	-
	---	----	---
	-	433	-
	==	===	==
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
31 December 2015 (audited)			
Derivative financial liability			
Interest rate swaps used for hedging	-	-	-
	---	---	---
	-	-	-
	==	==	==

During the current period, 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

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. When they are non-current in nature, the fair value is estimated based on the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the nine month period ended 30 September 2016 *(unaudited)*

20 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding as at 30 September 2016, calculated as follows:

Nine month period ended 30 September *(unaudited)*

	2016	2015 Restated*	2016	2015	2016	2015 Restated*
	Continuing operations		Discontinued operations		Total	
Earnings per share						
Net profit / (loss) attributable to owners of the Company (AED'000)	124,139	213,138	-	(1,299)	124,139	211,839
Weighted average number of shares outstanding ('000s)	858,398	858,398	858,398	858,398	858,398	858,398
Earnings per share (AED)	0.14	0.25	-	0.00	0.14	0.25

Three month period ended 30 September *(unaudited)*

	2016	2015 Restated*	2016	2015	2016	2015 Restated*
	Continuing operations		Discontinued operations		Total	
Earnings per share						
Net profit attributable to owners of the Company (AED'000)	11,374	75,519	-	-	11,374	75,519
Weighted average number of shares outstanding ('000s)	858,398	858,398	858,398	858,398	858,398	858,398
Earnings per share (AED)	0.01	0.09	-	-	0.01	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 28.

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the nine month period ended 30 September 2016 (*unaudited*)

21 Contingent liabilities and commitments

The Company has issued corporate guarantees for loans and advances from commercial banks obtained by related parties including subsidiaries and jointly controlled entities.

22 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 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Less than one year	32,787	28,303
Between two and five years	70,976	67,226
More than five years	101,667	116,667
	----- 205,430 =====	----- 212,196 =====

23 Hyperinflationary accounting

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

In 2015, the economy of the Islamic Republic of Iran ceased to meet the criteria of hyperinflationary economy. Accordingly, beginning 1 January 2015, the Group ceased to apply IAS 29 on a prospective basis. As a result of this change, the carrying amounts of non-monetary assets 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 26) is as follows:

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the nine month period ended 30 September 2016 (*unaudited*)

23 Hyperinflationary accounting (continued)

Ceramic Ras Al Khaimah Sudanese Investment Company (Sudan)

30 September 2015
AED'000
(Unaudited)

Impact on statement of financial position

Increase in property plant and equipment

3,555

Increase in inventories

5,865

Increase in net book value

9,420

=====

Allocated to:

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

=====

The net impact of hyperinflationary accounting in Sudan on net monetary position amounts to a loss of AED 2.31 million. Refer note 26. The entity in Sudan was disposed of in December 2015, and accordingly no impact of hyperinflation is noted in subsequent periods.

24 Acquisition and disposal of subsidiaries and non-controlling interests

(a) Acquisition of subsidiaries / non-controlling interests in 2016

During the current period, the Group has acquired the remaining 50% equity interest in its previously equity accounted investees namely, RAK Ceramics UK Limited, RAK Ceramics GmbH and RAK Distribution Europe SARL and converted them into wholly owned subsidiaries. Also refer note 11.

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the nine month period ended 30 September 2016 (*unaudited*)

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

(a) Acquisition of subsidiaries / non-controlling interests in 2016 (continued)

- (i) The provisional fair value of the identifiable assets and liabilities of RAK Ceramics UK Limited, RAK Ceramics GmbH and RAK Distribution Europe SARL acquired by the Group were as follows:

	RAK Ceramics UK Limited AED'000	RAK Ceramics GmbH AED'000	RAK Distribution Europe SARL AED'000	Total AED'000
Property, plant and equipment	2,894	5,974	792	9,660
Intangible assets	-	928	137	1065
Inventories	7,931	47,636	12,228	67,795
Trade and other receivables	10,374	21,235	29,061	60,670
Cash and bank balance	706	4,467	3,720	8,893
	-----	-----	-----	-----
Total assets	21,905	80,240	45,938	148,083
Less: total liabilities	(18,337)	(93,062)	(51,756)	(163,155)
	-----	-----	-----	-----
Net assets / (liabilities)	3,568	(12,822)	(5,818)	(15,072)
Less: fair value of pre-existing interests (refer note 11)	(1,784)	-	-	(1,784)
	-----	-----	-----	-----
Net assets acquired / (liabilities) assumed	1,784	(12,822)	(5,818)	(16,856)
Less: consideration	(7,390)	(101)	-	(7,491)
	-----	-----	-----	-----
(Goodwill)	(5,606)	(12,923)	(5,818)	(24,347)
	=====	=====	=====	=====
(Goodwill) at 31 December 2015				(50,356)

(Goodwill) at 30 September 2016				(74,703)
				=====

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 equity accounted investees up to 30 September 2016, the investees contributed total revenue of AED 135.46 million and a net loss of AED 19.46 million to the Group's profit for the period.

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

Acquisition of non-controlling interests in 2015

During the period ended 30 September 2015, the Group acquired remaining non-controlling interests of 20% and 10% in RAK Ceramics PJSC Limited ("RAK Iran") and RAK Ceramics India Private Limited ("RAK India") for AED 14.69 million and AED 20.60 million respectively, resulted in a decrease in non-controlling interests by AED 34.34 million.

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the nine month period ended 30 September 2016 (*unaudited*)

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

(b) Disposals of subsidiaries / non-controlling interests in 2015

- (i) During the period ended 30 September 2015, the Group sold 297,394 shares out of a total of 243,910,021 issued and paid up shares of RAK Ceramics (Bangladesh) Limited. The shares were sold through the automated trading system of Dhaka Stock Exchange Limited. Accordingly, the Group's shareholding had decreased from 72.41% to 71.57%, resulted in an increase in non-controlling interests by AED 2.6 million.
- (ii) During the period ended 30 September 2015, the Group disposed of its entire 100% holding in subsidiaries namely "Al Hamra Aluminium and Glass Industries LLC" and "RAK Gypsum and Decoration LLC" and recognised a cumulative loss of AED 1.96 million.
- (iii) During the period ended 30 September 2015, 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 0.55 million and AED 0.29 million respectively. Furthermore, the disposals resulted in net increase in non-controlling interests of AED 7.96 million.
- (iv) On 1 April 2015, the Group disposed of its 39% holding in a subsidiary namely "RAK Watertech LLC" at a consideration of AED 4.25 million which resulted in a gain of AED 2.28 million on disposal and an increase in non-controlling interests by AED 0.78 million. The remaining investment of 51% was recognised at fair value as an equity accounted investee.

25 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" were disposed of.

Furthermore, the Group had subsidiaries namely "RAK Luminar LLC" and "RAK Global Logistics LLC" 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 1.50 million which were previously classified as held for sale until then were reclassified to assets and liabilities as at 31 December 2015.

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the nine month period ended 30 September 2016 *(unaudited)*

26 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 nine month period ended 30 September 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 September 2015
AED'000
(Unaudited)

Revenue	29,722
Expense	(28,715)
Loss on net monetary position (refer note 23)	(2,306)

(Loss) for the year	(1,299)
	=====

(Loss) from discontinued operations

30 September 2015
AED'000

Attributable to the owners of the Company	(1,299)

Total	(1,299)
	=====

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the nine month period ended 30 September 2016 (*unaudited*)

27 Segment reporting

The Group has broadly three reportable segments as described below, which are the Group's strategic business units. The strategic business units operate in different sectors and are managed separately because they require different strategies. The following summary describes the operation in each of the Group's reportable segments:

Ceramic products includes manufacture and sale of ceramic wall and floor tiles, Gres Porcellanato and bathware products.

Contracting includes construction projects, civil works and contracting for the supply, installation, execution and maintenance of electrical and mechanical works.

Other industrial includes manufacturing and distribution of power, table ware, paints, glue, chemicals, mines and faucets.

Others other operations include trading, travel and real estate.

Information regarding the operations of each separate segment is included below. Performance is measured based on segment profit as management believes that profit is the most relevant factor in evaluating the results of certain segments relative to other entities that operate within these industries. There are regular transactions between the segments and any such transaction is priced on mutually agreed terms.

	Ceramic products AED'000	Contracting AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
<i>Nine month period ended 30 September 2016 (unaudited)</i>						
External revenue	1,740,535	181,093	189,353	27,036	-	2,138,017
Inter segment revenue	211,262	6,409	158,546	12,160	(388,377)	-
	-----	-----	-----	-----	-----	-----
Total revenue	1,951,797	187,502	347,899	39,196	(388,377)	2,138,017
	=====	=====	=====	=====	=====	=====
Segment profit / (loss) for the period	113,126	34,229	56,779	13,180	(67,908)	149,406
	=====	=====	=====	=====	=====	=====
<i>As at 30 September 2016 (unaudited)</i>						
Total assets	6,371,288	460,413	509,840	366,922	(1,780,544)	5,927,919
Total liabilities	3,311,435	135,052	178,014	126,664	(628,260)	3,122,905
	=====	=====	=====	=====	=====	=====

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the nine month period ended 30 September 2016 *(unaudited)*

27 Segment reporting (continued)

	Ceramic products AED'000	Contracting AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
<i>Nine month period ended 30 September 2015 (unaudited)</i>						
External revenue	1,861,883	228,417	173,420	67,309	-	2,331,029
Inter segment revenue	146,387	11,500	120,162	85,917	(363,966)	-
Total revenue	<u>2,008,270</u>	<u>239,917</u>	<u>293,582</u>	<u>153,226</u>	<u>(363,966)</u>	<u>2,331,029</u>
Segment profit / (loss) for the period (restated)	<u>379,292</u>	<u>51,651</u>	<u>44,979</u>	<u>27,497</u>	<u>(274,636)</u>	<u>228,783</u>
<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	<u>3,050,492</u>	<u>246,083</u>	<u>113,622</u>	<u>119,949</u>	<u>(485,823)</u>	<u>3,044,323</u>

Reconciliation of reportable segment profit or loss

	30 September 2016 AED'000 (Unaudited)	30 September 2015 AED'000 (Unaudited) Restated*
Total profit or loss for reportable segments after tax	203,520	484,317
Elimination of inter-segment profits	(67,908)	(274,636)
Share of profit of equity accounted investees	13,794	19,102
	<u>149,406</u>	<u>228,783</u>

* Refer note 28.

Ras Al Khaimah Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the nine month period ended 30 September 2016 (*unaudited*)

28 Restatement

In 2015, the economy of the Islamic Republic of Iran ceased to meet the criteria of hyperinflationary economy. This information was available to 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 September 2015 was restated. Accordingly, the Group had made the following restatements to the previously hyperinflated value.

Statement of financial position – 30 September 2015

	As previously stated AED' 000 (Unaudited)	Hyperinflation adjustments AED' 000 (Unaudited)	As restated AED' 000 (Unaudited)
Property, plant and equipment	1,074,333	(12,043)	1,062,290
Intangible assets	17,283	-	17,283
Inventories	1,146,654	(5,678)	1,140,976
Others	3,966,927	-	3,966,927
	-----	-----	-----
Total assets	6,205,197	(17,721)	6,187,476
	=====	=====	=====
	-----	---	-----
Total liabilities	3,292,531	-	3,292,531
	=====	==	=====
Retained earnings	1,239,379	269	1,239,648
Hyperinflation reserve	(31,286)	(14,446)	(45,732)
Non-controlling interests	180,572	(3,544)	177,028
Others	1,524,001	-	1,524,001
	-----	-----	-----
Total equity	2,912,666	(17,721)	2,894,945
	=====	=====	=====

Statement of profit or loss and other comprehensive income – 30 September 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	(4,224)	4,224	-	-
Cost of sales	(1,652,780)	(4,609)	(1,822)	(1,659,211)
Administrative and general expenses	(231,018)	304	(2,123)	(232,837)
Other income	48,964	418	4,771	54,153
Others	2,067,504	-	(826)	2,066,678
	-----	-----	-----	-----
Profit for the period	228,446	337	-	228,783
Foreign currency translation differences	(36,998)	1,857	-	(35,141)
Hyperinflation effect	36,163	(19,915)	-	16,248
	-----	-----	---	-----
Total comprehensive income	227,611	(17,721)	-	209,890
	=====	=====	==	=====