



Condensed Consolidated
Interim Financial Information

31 March 2019

RAK Ceramics PJSC and its Subsidiaries

Condensed consolidated interim financial information
31 March 2019

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Report of the Board of Directors

On financial performance during the three month period ending 31 March 2019

01 May 2019

Dear Members,

It is our pleasure to present the business & operations report for the three month period, ending 31 March 2019, along with the condensed consolidated interim financial information for the same period.

Performance in line with expectations

Net profit decreased by 43.6% YoY to AED 36.9 million because Q1 2018 net profit includes gain on sale of contracting assets of AED 18.9 million. Excluding this gain on sale of assets, net profit decreased by 20.7% year on year primarily due to lower tiles revenue from UAE, Saudi Arabia, India and Bangladesh. However, the sanitaryware and tableware businesses performed well, with revenues increasing by 6.3% and 15.1% respectively year on year.

Robust profit margins

Gross profit margins increased by 100 bps to 32.8%. Tiles gross margins increased by 90 bps to 27.8% driven by continued improvements in operations, while sanitaryware margins remain stable at 39.9%. Tableware margins decreased by 8.4% year on year to 51.6% due to changes in the product mix. Despite high energy costs, RAK Ceramics remains profitable and operationally efficient.

Saudi Arabia expansion update

Last quarter RAK Ceramics announced the intention to invest in a state-of-the-art production facility in Saudi Arabia which in the first phase would add approximately 10 million square meters per annum to the company's tile production capacity. Discussions on land and gas allocation are underway.

Financial highlights for the three month period ending 31 March 2019

Particulars	Unit	YTD March 2019	YTD March 2018	Change
Total Revenue	AED Mio	620.3	661.8	-6.3%
Gross Profit	AED Mio	203.6	210.8	-3.4%
GP Margin	%	32.8%	31.8%	100 bps
EBITDA	AED Mio	97.9	107.5	-8.9%
EBITDA Margin	%	15.8%	16.2%	-40 bps
Reported Net Income	AED Mio	36.9	65.4	-43.6%
Reported Net Income margin	%	5.9%	9.9%	-400 bps
Net income before one-off, provisions & strategic gains	AED Mio	38.1	49.9	-23.5%

Particulars	Unit	YTD March 2019	YTD March 2018	Change
Net income margin before one-off, provisions & strategic gains	%	6.1%	7.5%	-140 bps
Reported Profit after NCI (Minority)	AED Mio	29.0	56.0	-48.2%
Reported Earnings per share	AED	0.03	0.06	-
		31 March 2019	31 December 2018	Change
Total Assets	AED Mio	5,409.9	5,497.0	-1.6%
Share Capital	AED Mio	946.4	901.3	5%
Shareholders' Equity	AED Mio	2,313.3	2,501.4	-7.5%
Net Debt	AED Mio	1,530.4	1,428.9	-7.1%
Net Debt / EBITDA	Times	3.54	3.23	0.3
Cost of Debt	%	4.56%	3.98%	58 bps

Corporate Social Responsibility, Exhibitions, Awards & Other Activities

Corporate Social Responsibility

- Participation in Terry Fox Run, RAK
- Participation in Earth Hour
- Participation in 'Beach Clean Up' campaign

Exhibitions

- Participation in ISH 2019 exhibition in Germany

Future Outlook

Looking ahead to the remainder of 2019, we will develop a strategy to further counteract increases in energy costs and improve profitability in Europe and Saudi Arabia. Our business in India is on the right track, and moving forward, we hope to establish it as a hub for exports. RAK Ceramics remains focused on opportunistic acquisitions, as we optimize production and protect our growth in India, Bangladesh and the UAE.

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.

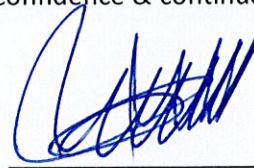
Vote of Thanks

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

01 MAY 2019



Group Chief Executive Officer

R.A.K CERAMICS PJSC AND ITS SUBSIDIARIES

**Review report and condensed consolidated interim
financial information for the three month period
ended 31 March 2019**

R.A.K CERAMICS PJSC AND ITS SUBSIDIARIES

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INDEPENDENT AUDITOR'S REVIEW REPORT

The Board of Directors
R.A.K Ceramics PJSC
Ras Al Khaimah, United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **R.A.K Ceramics PJSC (the "Company") and its subsidiaries (together the "Group")**, Ras Al Khaimah, United Arab Emirates, as at 31 March 2019 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three month period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with International Accounting Standard 34: Interim Financial Reporting as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on these condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with 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 is not prepared, in all material respects, in accordance with International Accounting Standard 34: Interim Financial Reporting as issued by IASB.

Other Matter

The condensed consolidated interim financial information of the Group for the three month ended 31 March 2018 and the annual consolidated financial statements for the year ended 31 December 2018 were reviewed and audited by other auditors, whose review report dated 9 May 2018 and audit report dated 12 February 2019 expressed an unmodified conclusion and opinion respectively.

Deloitte & Touche (M.E.)

Signed by:

Obada Alkowitzly

Registration No. 1056

01 May 2019

Sharjah, United Arab Emirates

Akbar Ahmad (1141), Anis Sadek (521), Cynthia Corby (995), Georges Najem (809), Mohammad Jallad (1164), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem M. Dajani (726), Obada Alkowitzly (1056), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

R.A.K CERAMICS PJSC AND ITS SUBSIDIARIES

Condensed consolidated statement of financial position
as at 31 March 2019

	Notes	31 March 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
ASSETS			
Non-current assets			
Right-of-use assets	2.1	92,697	-
Property, plant and equipment	5	1,176,246	1,181,301
Goodwill	6	120,281	120,144
Intangible assets		26,705	27,243
Investment properties	7	1,178,487	1,181,191
Investments in equity accounted investees	8	46,400	42,606
Long term receivables	9 (i)	25,352	33,352
Deferred tax assets		9,879	7,613
Total non-current assets		2,676,047	2,593,450
Current assets			
Inventories	10	1,217,592	1,249,505
Trade and other receivables	9	1,188,876	1,210,788
Contract work-in-progress		1,056	263
Due from related parties	11	98,560	112,630
Derivative financial assets	12	10,961	6,295
Bank balances and cash	13	216,855	324,109
Total current assets		2,733,900	2,903,590
Total assets		5,409,947	5,497,040
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	946,384	901,318
Reserves		1,366,906	1,600,094
Equity attributable to Owners of the Company		2,313,290	2,501,412
Non-controlling interests		217,495	212,697
Total equity		2,530,785	2,714,109
Non-current liabilities			
Islamic bank financing	15 (i)	325,051	354,615
Interest bearing bank financing	15 (ii)	676,346	711,387
Provision for employees' end of service indemnity		84,926	85,464
Lease liabilities	2.1	84,468	-
Deferred tax liabilities		8,581	8,829
Total non-current liabilities		1,179,372	1,160,295
Current liabilities			
Islamic bank financing	15 (i)	282,194	325,020
Interest bearing bank financing	15 (ii)	463,633	361,980
Trade and other payables	16	725,533	720,925
Due to related parties	11	41,807	49,514
Derivative financial liabilities	12	7,373	4,127
Lease liabilities	2.1	16,973	-
Provision for taxation		162,277	161,070
Total current liabilities		1,699,790	1,622,636
Total liabilities		2,879,162	2,782,931
Total equity and liabilities		5,409,947	5,497,040



Chairman

01 MAY 2019



Group Chief Executive Officer

The accompanying notes form an integral part of these condensed consolidated interim financial information.

R.A.K CERAMICS PJSC AND ITS SUBSIDIARIES
**Condensed consolidated statement of profit or loss (unaudited)
for the three month period ended 31 March 2019**

	Notes	Three month period ended 31 March	
		2019 AED'000	2018 AED'000
Revenue	17	620,321	661,843
Cost of sales	18	(416,705)	(451,049)
Gross profit		203,616	210,794
Administrative and general expenses	19	(53,362)	(59,491)
Impairment losses	22	(1,221)	(3,347)
Selling and distribution expenses	20	(104,969)	(106,900)
Other income	23	10,912	43,170
Operating profit		54,976	84,226
Finance costs	21	(23,108)	(18,881)
Finance income	21	2,847	2,161
Share of profit in equity accounted investees	8	3,706	1,980
Profit before tax		38,421	69,486
Tax expense		(1,511)	(4,076)
Profit for the period		36,910	65,410
<i>Profit attributable to:</i>			
Owners of the Company		29,011	56,022
Non-controlling interests		7,899	9,388
Profit for the period		36,910	65,410
Earnings per share – basic and diluted (AED)	24	0.03	0.06

The accompanying notes form an integral part of these condensed consolidated interim financial information.

R.A.K CERAMICS PJSC AND ITS SUBSIDIARIES
**Condensed consolidated statement of comprehensive income (unaudited)
for the three month period ended 31 March 2019**

	Three month period ended 31 March	
	2019	2018
	AED'000	AED'000
Profit for the period	36,910	65,410
Other comprehensive (loss)/income:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign exchange differences on translation of foreign operations	(72,606)	(6,086)
Cash flow hedges – effective portion of changes in fair value (loss)/gain on hedging instruments	(53)	1,383
Total comprehensive (loss)/income for the period	(35,749)	60,707
<i>Total comprehensive (loss)/income attributable to:</i>		
Owners of the Company	(43,021)	51,489
Non-controlling interests	7,272	9,218
Total comprehensive (loss)/income for the period	(35,749)	60,707

The accompanying notes form an integral part of these condensed consolidated interim financial information.

R.A.K CERAMICS PJSC AND ITS SUBSIDIARIES

Condensed consolidated statement of changes in equity (unaudited) for the three month period ended 31 March 2019

	Share capital AED'000	Share premium AED'000	Legal reserve AED'000	Translation reserve AED'000	Hyper-inflation reserve AED'000	Hedging reserve AED'000	General reserve AED'000	Capital reserve AED'000	Retained earnings AED'000	Total reserves AED'000	Attributable to owners of Company AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 31 December 2017 (audited)	858,398	221,667	529,066	(94,594)	(98,955)	7,452	82,805	52,798	1,105,620	1,805,859	2,664,257	186,638	2,850,895
Adjustment on application of IFRS 9	-	-	-	-	-	-	-	-	(72,683)	(72,683)	(72,683)	-	(72,683)
Balance at 1 January 2018 (restated)	858,398	221,667	529,066	(94,594)	(98,955)	7,452	82,805	52,798	1,032,937	1,733,176	2,591,574	186,638	2,778,212
Total comprehensive income for the period (unaudited)	-	-	-	-	-	-	-	-	56,022	56,022	56,022	9,388	65,410
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	(3,017)	(2,899)	1,383	-	-	-	(5,916)	(5,916)	(170)	(6,086)
Foreign currency translation – difference	-	-	-	-	-	-	-	-	-	1,383	1,383	-	1,383
Changes in cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(3,017)	(2,899)	1,383	-	-	56,022	51,489	51,489	9,218	60,707
Other equity movement (unaudited)	-	-	9,435	-	-	-	-	-	(9,435)	-	-	-	-
Transfer to legal reserve	-	-	-	-	-	-	-	-	(3,700)	(3,700)	(3,700)	-	(3,700)
Directors' remuneration	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-	-	-	(214,600)	(214,600)	(214,600)	-	(214,600)
Dividend declared and paid	-	-	-	-	-	-	-	-	(42,920)	(42,920)	(42,920)	-	(42,920)
Bonus shares issued	42,920	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distributed to NCI	-	-	-	-	-	-	-	-	-	-	-	(19,240)	(19,240)
Change in NCI due to acquisition and disposals	-	-	-	-	-	-	-	-	-	-	-	(6,401)	(6,401)
Funds invested by NCI	-	-	-	-	-	-	-	-	-	-	-	4,309	4,309
Balance at 31 March 2018	901,318	221,667	538,501	(97,611)	(101,854)	8,835	82,805	52,798	818,304	1,523,445	2,424,763	174,524	2,599,287

The accompanying notes form an integral part of these condensed consolidated interim financial information.

R.A.K CERAMICS PJSC AND ITS SUBSIDIARIES

**Condensed consolidated statement of changes in equity (unaudited)
for the three month period ended 31 March 2019 (continued)**

	Share capital AED'000	Share premium AED'000	Legal reserve AED'000	Translation reserve AED'000	Hyper- inflation reserve AED'000	Hedging reserve AED'000	General reserve AED'000	Capital reserve AED'000	Retained earnings AED'000	Total reserves AED'000	Attributable to owners of Company AED'000	Non- controlling interests AED'000	Total equity AED'000
Balance at 31 December 2018 (audited)	901,318	221,667	553,001	(113,688)	(112,009)	1,804	82,805	63,419	903,095	1,600,094	2,501,412	212,697	2,714,109
Adjustment on application of IFRS 16	-	-	-	-	-	-	-	-	(6,203)	(6,203)	(6,203)	(1,240)	(7,443)
Balance at 1 January 2019 (restated)	901,318	221,667	553,001	(113,688)	(112,009)	1,804	82,805	63,419	896,892	1,593,891	2,495,209	211,457	2,706,666
<i>Total comprehensive (loss)/income for the period (unaudited)</i>	-	-	-	-	-	-	-	-	29,011	29,011	29,011	7,899	36,910
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other comprehensive income</i>	-	-	-	719	(72,698)*	(53)	-	-	-	(71,979)	(71,979)	(627)	(72,606)
<i>Foreign currency translation – difference</i>	-	-	-	-	-	-	-	-	-	(53)	(53)	-	(53)
Changes in cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Total comprehensive (loss)/income for the period</i>	-	-	-	719	(72,698)	(53)	-	-	29,011	(43,021)	(43,021)	7,272	(35,749)
<i>Other equity movement (unaudited)</i>	-	-	3,706	-	-	-	-	-	(3,706)	-	-	-	-
Transfer to legal reserve	-	-	3,706	-	-	-	-	-	(3,706)	(3,706)	(3,706)	-	(3,706)
Directors' remuneration	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Transactions with Owners</i>	-	-	-	-	-	-	-	-	(135,198)	(135,198)	(135,198)	-	(135,198)
Dividend declared and paid	-	-	-	-	-	-	-	-	(45,066)	(45,066)	-	-	(45,066)
Bonus shares issued	45,066	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distributed to NCI	-	-	-	-	-	-	-	-	-	-	-	(1,590)	(1,590)
Funds invested by NCI	-	-	-	-	-	-	-	-	-	-	-	356	356
Balance at 31 March 2019	946,384	221,667	556,707	(112,969)	(184,707)	1,751	82,805	63,419	738,233	1,366,906	2,313,290	217,495	2,530,785

* Due to significantly adverse currency exchange rate of Iranian Riyal.

The accompanying notes form an integral part of these condensed consolidated interim financial information.

R.A.K CERAMICS PJSC AND ITS SUBSIDIARIES**Condensed consolidated statement of cash flows (unaudited)
for the three month period ended 31 March 2019**

	Three month period ended 31 March	
	2019	2018
	AED '000	AED '000
Cash flows from operating activities		
Profit for the period before tax	38,421	69,486
Adjustments for:		
Share of profit in equity accounted investees	(3,706)	(1,980)
Interest expense	12,077	11,544
Profit on Islamic financing	5,671	6,041
Interest income	(1,224)	(1,885)
Profit on wakala deposits	(139)	(276)
Gain on sale of property, plant and equipment	(292)	(18,958)
Depreciation of property, plant and equipment	33,226	36,321
Amortisation of intangible assets	1,404	1,556
Depreciation of right-of-use assets	5,230	-
Capital work in progress written off	382	382
Depreciation on investment properties	2,596	2,567
Provision for employees' end-of-service benefits	4,626	4,281
	<hr/>	<hr/>
Operating cash flows before changes in operating assets and liabilities	98,271	109,079
Decrease/(increase) in inventories and contract work in progress	31,120	(23,852)
Decrease in trade and other receivables (including long term)	30,745	2,829
Decrease in due from related parties (including long term)	14,070	9,648
Decrease in assets classified as held for sale	-	1,103
Increase in trade and other payables	4,608	21,038
(Decrease)/increase in due to related parties	(7,707)	4,606
Movement in derivative financial instruments	(1,473)	439
Income tax paid	(3,652)	(4,046)
Employees' end of service indemnity paid	(3,840)	(5,224)
Currency translation adjustments	(33,924)	393
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Net cash generated from operating activities	128,219	116,013
	<hr/>	<hr/>
Cash flows from investing activities		
Additions to property, plant and equipment and capital work in progress	(66,551)	(31,089)
Proceeds from disposal of property, plant and equipment	442	23,479
Additions to intangible assets	(765)	(1,493)
Dividend received from equity accounted investees	99	107
Interest received	1,224	1,885
Profit received on wakala deposits	139	276
Consideration paid for acquisition of a subsidiary	-	(5,882)
Cash acquired as a part of acquisition of a subsidiary	-	1,145
	<hr/>	<hr/>
Net cash used in investing activities	(65,412)	(11,572)
	<hr/>	<hr/>

The accompanying notes form an integral part of these condensed consolidated interim financial information.

R.A.K CERAMICS PJSC AND ITS SUBSIDIARIES**Condensed consolidated statement of cash flows (unaudited)
for the three month period ended 31 March 2019 (continued)**

	Three month period ended 31 March	
	2019	2018
	AED'000	AED'000
Cash flows from financing activities		
Long term bank financing availed	5,706	44,082
Long term bank financing repaid	(33,745)	(98,814)
Long term islamic bank financing availed	91,838	-
Long term islamic bank financing repaid	(152,011)	(27,939)
Repayment of principal of and interest on lease liability	(6,404)	-
Net movement in short term bank financing	69,181	4,819
Net movement in short term Islamic bank financing	(12,217)	-
Interest paid	(12,077)	(11,544)
Profit paid on islamic financing	(5,671)	(6,041)
Funds invested by non-controlling interests	356	4,309
Dividend paid	(135,198)	(214,600)
Dividend paid to non-controlling interests	(1,590)	(19,240)
Remuneration paid to the Board of Directors	(3,700)	(3,700)
	<hr/>	<hr/>
Net cash used in financing activities	(195,532)	(328,668)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents during the period	(132,725)	(224,227)
Cash and cash equivalents at the beginning of the period	320,145	512,135
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Cash and cash equivalents at the end of the period	187,420	287,908
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The accompanying notes form an integral part of these condensed consolidated interim financial information.

R.A.K CERAMICS PJSC AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2019

1. General information

R.A.K Ceramics PJSC ("the Company") was incorporated under Emiri Decree No. 6/89 dated 26 March 1989 as a limited liability company in the Emirate of Ras Al Khaimah, UAE. Subsequently, under the Emiri Decree No. 9/91 dated 6 July 1991, the legal status of the Company was changed to a Public Shareholding Company. The registered address of the Company is P.O. Box 4714, Al Jazeerah, Al Hamra, Ras Al Khaimah, United Arab Emirates. The Company is listed on the Abu Dhabi Securities Exchange, UAE.

The condensed consolidated interim financial information as at and for the three month period ended 31 March 2019 ("the current period") comprises the Company and its subsidiaries (collectively referred to as "the Group") and the Group's interest in equity accounted investees.

The principal activities of the Group 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 the UAE or globally, that undertake similar or ancillary activities. Accordingly, the Company also acts as a Holding Company of the Group entities. The Group is also engaged in contracting and other industrial manufacturing activities.

2. Application of new and revised International Financial Reporting Standards ("IFRSs")

2.1 New and revised IFRSs applied with material effect on the condensed consolidated interim financial information

The Group has adopted IFRS 16 'Leases' the standard which replaces the existing guidance on leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease" in the current reporting period.

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Group's financial position, unless the term of the lease is less than or equal to 12 months or the lease is for a low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and the balance is amortized over the lease term.

The Group has opted for the modified retrospective application permitted by IFRS 16 on its first time adoption and therefore the comparative information has not been restated. On first time application of IFRS 16, the right to use the leased asset is generally measured at the amount of lease liability, using the interest rate at the time of first time application. IFRS 16 transition disclosures requires the Group to present a reconciliation of the off-balance sheet lease obligations as of 31 December 2018 to the recognized the lease liabilities as of 1 January 2019, which is shown below:

R.A.K CERAMICS PJSC AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2019 (continued)

2. Application of new and revised International Financial Reporting Standards (“IFRSs”) (continued)

2.1 New and revised IFRSs applied with material effect on the condensed consolidated interim financial information (continued)

	Amount (unaudited) AED’000
Operating lease commitments as at 1 January 2019 (unaudited)	126,340
Less: Impact of discounting using incremental borrowing rate	(18,523)
	<hr/>
Lease liability recognised as at 1 January 2019	107,817
	<hr/>
Disclosed as:	
Current lease liabilities	17,552
Non-current lease liabilities	90,265
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There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	31 March 2019 (unaudited) AED’000	1 January 2019 (unaudited) AED’000
Properties	85,386	92,864
Vehicles	7,311	7,510
	<hr/>	<hr/>
Total right-of-use assets	92,697	100,374
	<hr/> <hr/>	<hr/> <hr/>

The net impact on equity as on 1 January 2019 was a decrease:

- in retained earnings	(6,203)
- in non-controlling interests	(1,240)
	<hr/>
	(7,443)
	<hr/> <hr/>

R.A.K CERAMICS PJSC AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2019 (continued)

2. Application of new and revised International Financial Reporting Standards (“IFRSs”) (continued)

2.1 New and revised IFRSs applied with material effect on the condensed consolidated interim financial information (continued)

Impact on segment disclosures

The application of IFRS 16 impacted the segment assets and segment liabilities as at 31 March 2019 (unaudited). Impact on segment assets and segment liabilities as shown below has been included in the segment assets and segment liabilities in Note 28.

	Ceramic products (unaudited) AED’000	Contracting (unaudited) AED’000	Other industrial (unaudited) AED’000	Elimination (unaudited) AED’000	Total (unaudited) AED’000
Segment assets	74,757	765	22,361	(5,186)	92,697
Segment liabilities	80,695	1,028	25,138	(5,420)	101,441

The Group leases various offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods of 2 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 31 December 2018, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets and lease liabilities arising from a lease are initially measured at the present value of agreed future lease rent payments. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

R.A.K CERAMICS PJSC AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2019 (continued)

2. Application of new and revised International Financial Reporting Standards (“IFRSs”) (continued)

2.1 New and revised IFRSs applied with material effect on the condensed consolidated interim financial information (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability at the present value of agreed future lease rent payments
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of, or less than, 12 month.

Practical expedient

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics in the same jurisdiction
- reliance on previous assessments of whether leases are onerous
- the accounting for operating leases with a remaining lease term of 12 month or fewer month as at 1 January 2019 as short-term leases and leases for low-value assets
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 “Determining whether an Arrangement contains a Lease”.

2.2 New and revised IFRSs applied with no material effect on the condensed consolidated interim financial information Effective for annual periods beginning on or after 1 January 2019

- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures.
- Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*
- Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

R.A.K CERAMICS PJSC AND ITS SUBSIDIARIES**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2019 (continued)****2. Application of new and revised International Financial Reporting Standards (“IFRSs”)
(continued)****2.3 New and revised IFRS standards and interpretations but not yet effective**

Effective for annual periods beginning after 1 January 2020 and beyond

IFRS 17: *Insurance Contracts* relating to providing a more uniform measurement and presentation approach for all insurance contracts.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

3 Summary of significant accounting policies**Basis of preparation**

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard (IAS) No. 34 “Interim Financial Reporting”.

The condensed consolidated interim financial information is presented in U.A.E. Dirham (AED) since that is the currency in which the majority of the Group’s transactions are denominated and all values are rounded to the nearest thousand (AED ‘000) except when otherwise indicated.

This condensed consolidated interim financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The accounting policies, presentation and methods in this condensed consolidated interim financial information are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2018, except for adoption of IFRS 16 as stated in Note 2.1.

This condensed consolidated interim financial information does not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group’s audited annual consolidated financial statements as at and for the year ended 31 December 2018. In addition, results for the three month period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

R.A.K CERAMICS PJSC AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2019 (continued)

4. Changes in judgements and estimation uncertainty

The critical judgements and estimates used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018 except for the changes highlighted below:

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

Discounting of lease payments

The agreed lease payments over the tenor of the lease are discounted using the incremental borrowing rates ("IBR") applicable to the jurisdiction of the lessees. Management has applied judgments and estimates to determine the IBR at the commencement of leases.

5. Property, plant and equipment

Additions, disposal and depreciation (unaudited)

During the three month period ended 31 March 2019, the Group has acquired property, plant and equipment and made additions to capital work in progress amounting to AED 66.55 million (three month period ended 31 March 2018: AED 31.09 million and assets acquired through a business combination with a net book value of AED 3.91 million).

Property, plant and equipment with carrying amount of AED 0.15 million were disposed of during the current period (three month period ended 31 March 2018: AED 11.52 million) resulting in a gain on disposal of AED 0.29 million (three month period ended 31 March 2018: gain of AED 18.96 million) which is included in other income in the condensed consolidated statement of profit or loss. The depreciation charge for property, plant and equipment for the current period amounted to AED 33.23 million (three month period ended 31 March 2018: AED 36.32 million). Below is the breakdown of property, plant and equipment inside and outside the UAE:

	31 March 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Inside U.A.E.	723,222	714,459
Outside U.A.E.	453,024	466,842
	<hr/> 1,176,246 <hr/>	<hr/> 1,181,301 <hr/>

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2019 (continued)

6. Goodwill

	31 March 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Balance as at 1 January	120,144	89,001
Add: Acquisition through business combination (Note 27)	-	31,486
	<u>120,144</u>	<u>120,487</u>
Add / (Deduct): Effect of movements in exchange rates	137	(343)
	<u>120,281</u>	<u>120,144</u>

Goodwill comprises AED 50.36 million, AED 5.61 million, AED 5.82 million, AED 27 million and AED 31.49 million recognized on the acquisition of Ceramin FZ LLC, RAK Ceramics UK Limited, RAK Distribution Europe S.A.R.L, ARK International Trading Company Limited and RAK Saudi LLC respectively. Goodwill arising from a business combination is tested annually for impairment.

7. Investment properties

	31 March 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Inside U.A.E.	1,137,205	1,139,687
Outside U.A.E.	41,282	41,504
	<u>1,178,487</u>	<u>1,181,191</u>

Investment properties comprise of land and buildings and are located in the United Arab Emirates and Bangladesh.

The fair value of the Group's investment properties as at 31 December 2018 (audited) amounted to AED 1,332.70 million and was arrived at on the basis of valuations carried out by external valuers who have appropriate market experience in the valuation of properties. Management estimates that there has been no change in the fair value of investment properties during the three month period ended 31 March 2019.

Investment properties are classified as Level 3 in the fair value hierarchy as at 31 March 2019 (31 December 2018: Level 3).

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2019 (continued)

8. Investments in equity accounted investees

During the three month period ended 31 March 2018, the Group acquired a further 30% equity interest of its previously equity accounted investee, RAK Saudi LLC, at a total consideration of AED 5.89 million. (Refer note 27).

The Group's share of profit in equity accounted investees for the three month period ended 31 March 2019 amounted to AED 3.71 million (unaudited) (three month period ended 31 March 2018 (unaudited): AED 1.98 million). The Group has received AED 0.099 million (unaudited) as dividends during the current period from its equity accounted investee (three month period ended 31 March 2018 (unaudited): AED 0.11 million).

9. Trade and other receivables

	31 March 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Trade receivables	1,041,454	1,076,506
Less: Allowance for impairment loss	(244,484)	(252,438)
	<hr/> 796,970	<hr/> 824,068
Advances and prepayments	171,300	178,284
Deposits	26,315	23,278
Other receivables	194,291	185,158
	<hr/> 1,188,876	<hr/> 1,210,788

(i) Other receivables

	31 March 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Total amount receivable	112,339	128,840
Less: allowance for impairment loss	(26,375)	(26,375)
	<hr/> 85,964	<hr/> 102,465
Less: current portion included in other receivables	(60,612)	(69,113)
	<hr/> 25,352	<hr/> 33,352

The above receivables include amounts receivable on disposal of a subsidiary which carries interest at normal commercial rates and is partially secured by post-dated cheques.

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2019 (continued)

10. Inventories

	31 March 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Finished goods (after net realizable value adjustment)	930,924	940,905
Less: Allowance for slow moving and obsolete inventories	(132,573)	(130,504)
	<hr/>	<hr/>
Subtotal (A)	798,351	810,401
	<hr/>	<hr/>
Raw materials	228,500	230,449
Stores and spares	191,732	185,210
	<hr/>	<hr/>
	420,232	415,659
Less: Allowance for slow-moving inventories	(68,737)	(67,679)
	<hr/>	<hr/>
Subtotal (B)	351,495	347,980
	<hr/>	<hr/>
Goods-in-transit (C)	49,349	73,097
Work-in-progress (D)	18,397	18,027
	<hr/>	<hr/>
Total (A+B+C+D)	1,217,592	1,249,505

At 31 March 2019, the Group has recognised a cumulative loss due to write-down of finished goods inventories of AED 93.04 million against the cost of AED 363.15 million (31 December 2018 (audited): AED 92.54 million against the cost of AED 274.21 million) to bring them to their net realisable value which was lower than its cost. The difference in write down of AED 0.50 million during the current period (three month period ended 31 March 2018 (unaudited): AED 14.3 million) is included in cost of sales in the condensed consolidated statement of profit or loss.

Certain inventories are subject to a charge in favour of banks against facilities obtained by the Group.

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2019 (continued)

11. Related party transactions

Related parties, as defined in International Accounting Standard 24: Related Party Disclosures, include associate companies, major shareholders, directors and other key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

During the period, the Company entered into the following transactions with related parties:

	Three month period ended 31 March	
	2019	2018
	(unaudited)	(unaudited)
	AED'000	AED'000
Sale of goods, services and construction contracts	24,401	28,899
Purchase of goods and rendering of services	60,257	73,908
Interest expense	7	31

Compensation of key management staff and Board of Directors

	Three month period ended 31 March	
	2019	2018
	(unaudited)	(unaudited)
	AED'000	AED'000
Short term benefits	2,565	2,934
Staff terminal benefits	54	64
Board of Directors' remuneration	3,700	3,700

Related party balances

	31 March	31 December
	2019	2018
	(unaudited)	(audited)
	AED'000	AED'000
Due from related parties		
Equity accounted investees	95,061	96,731
Other related parties	78,054	90,449
	<u>173,115</u>	<u>187,180</u>
Less: Allowance for impairment loss	(74,555)	(74,550)
	<u>98,560</u>	<u>112,630</u>
Due to related parties		
Equity accounted investees	6,283	5,084
Other related parties	35,524	44,430
	<u>41,807</u>	<u>49,514</u>

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2019 (continued)

12. Derivative financial instruments

The Group uses derivative financial instruments for risk management purposes. The Group classified interest rate swaps and commodity derivatives as cash flow hedges in accordance with the recognition criteria of IFRS 9, as it is mitigating the risk of cash flow variations due to movements in interest rates and commodity prices.

The table below shows the fair values of derivative financial instruments, which are equivalent to the market values.

	31 March 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Derivative financial assets		
Interest rate swaps used for hedging	5,845	5,505
Commodity derivative used for hedging	2,879	-
Forward exchange contracts	733	-
Other currency and interest rate swaps	1,504	790
	<u>10,961</u>	<u>6,295</u>
Derivative financial liabilities		
Commodity derivative used for hedging	-	3,701
Interest rate swaps used for hedging	6,973	-
Forward exchange contracts	177	426
Other currency and interest rate swaps	223	-
	<u>7,373</u>	<u>4,127</u>
13. Bank balances and cash		
	31 March 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Cash on hand	2,223	1,669
Bank balances:		
- Fixed deposits	39,315	119,166
- Wakala deposits	3,800	19,800
- Current accounts	169,501	168,799
- Margin deposits	631	817
- Call accounts	2,068	14,541
Less: allowance for impairment loss	(683)	(683)
	<u>216,855</u>	<u>324,109</u>

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2019 (continued)

13. Bank balances and cash (continued)

Cash on hand and cash at bank includes AED 0.65 million (31 December 2018 (audited): AED 0.52 million) and AED 80.09 million (31 December 2018 (audited): AED 86.04 million) respectively, held outside UAE.

Fixed deposits are placed with banks for an original maturity period of less than three month and carry interest at normal commercial rates and include AED 0.37 million (31 December 2018 (audited): AED 0.37 million) which are held by banks under lien against bank facilities availed by the Group. Wakala deposits carry profit at rates agreed with the Islamic banks and were placed with banks for an original maturity period of less than three month.

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

14. Share capital

	31 March 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Issued and fully paid:		
170,000,000 ordinary shares of AED 1 each	170,000	170,000
776,384,722 shares of AED 1 each issued as bonus shares (31 December 2018 (audited): 731,318,783 shares of AED 1 each)	776,384	731,318
	<u>946,384</u>	<u>901,318</u>

15. Bank borrowings

(i) Islamic bank financing

	31 March 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Short term		
Mudaraba facilities (A)	87,000	70,000
Commodity Mudaraba facilities (B)	113,558	142,775
Current portion of long term financing	81,636	112,245
	<u>282,194</u>	<u>325,020</u>

R.A.K Ceramics PJSC and its subsidiaries
**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2019 (continued)**
15. Bank borrowings (continued)
(i) Islamic bank financing (continued)

	31 March 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Long term – Islamic bank financing		
Commodity Mudaraba facilities (B)	259,747	375,023
Ijarah Facilities (C)	146,940	91,837
	<hr/> 406,687 <hr/>	<hr/> 466,860 <hr/>
Movement:		
Balance as at 1 January	466,860	486,896
Availed during the period/year	91,838	91,837
Less: repaid during the period/year	(152,011)	(111,873)
	<hr/> 406,687 <hr/>	<hr/> 466,860 <hr/>
Less: current portion included in short term above	(81,636)	(112,245)
	<hr/> 325,051 <hr/>	<hr/> 354,615 <hr/>
Long term portion	<hr/> <hr/> 325,051	<hr/> <hr/> 354,615

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 2018.

- 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 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.

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2019 (continued)

15. Bank borrowings (continued)

(ii) Interest bearing bank financing

	31 March 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Short term		
Bank overdrafts	29,746	4,275
Short term loan	200,127	130,947
Current portion of long term financing	233,760	226,758
	<u>463,633</u>	<u>361,980</u>
Long term bank loans		
Balance as at 1 January	938,145	1,094,192
Availed during the period/year	5,706	109,556
Less: repaid during the period/year	(33,745)	(265,603)
	<u>910,106</u>	<u>938,145</u>
Balance as at end of the period/year	910,106	938,145
Less: current portion	(233,760)	(226,758)
	<u>676,346</u>	<u>711,387</u>
Long term portion	676,346	711,387

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 2018.

16. Trade and other payables

	31 March 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Trade payables	394,399	377,091
Accrued and other expenses	193,199	206,804
Advance from customers	38,891	39,718
Commissions and rebates payables	59,585	60,109
Other payables	39,459	37,203
	<u>725,533</u>	<u>720,925</u>

R.A.K Ceramics PJSC and its subsidiaries
**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2019 (continued)**
17. Revenue

An analysis of the Group's revenue is as follows:

	Three month period ended 31 March	
	2019	2018
	(unaudited)	(unaudited)
	AED'000	AED'000
Sale of goods	612,909	651,350
Rendering of services	3,185	4,508
Construction contract revenue	4,227	5,985
	<u>620,321</u>	<u>661,843</u>

18. Cost of sales

	Three month period ended 31 March	
	2019	2018
	(unaudited)	(unaudited)
	AED'000	AED'000
Raw materials consumed	179,972	284,225
Change in inventory of finished goods	11,435	(87,076)
Provision for slow moving and obsolete inventories – net	6,533	5,551
Direct labour	54,444	56,786
Power and fuel	29,922	37,717
LPG and natural gas	46,477	59,112
Depreciation on property, plant and equipment	26,970	28,256
Depreciation on right-of-use assets	31	-
Repairs and maintenance	23,322	27,452
Packing material expenses	24,423	26,216
Other	13,176	12,810
	<u>416,705</u>	<u>451,049</u>

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2019 (continued)

19. Administrative and general expenses

	Three month period ended 31 March	
	2019 (unaudited) AED'000	2018 (unaudited) AED'000
Staff and other associated costs	25,614	26,957
Depreciation on property, plant and equipment	4,753	7,031
Depreciation on investment properties	2,596	2,567
Telephone, postal and office supplies	1,288	1,622
Repairs and maintenance	1,269	1,502
Legal and professional fee	2,612	2,521
Rental expenses	135	814
Depreciation of right-of-use assets	515	-
Utility expenses	869	1,475
Security charges	471	266
Amortisation of intangible assets	1,404	1,556
Other	11,836	13,180
	53,362	59,491
	53,362	59,491

20. Selling and distribution expenses

	Three month period ended 31 March	
	2019 (unaudited) AED'000	2018 (unaudited) AED'000
Staff and other associated costs	34,872	34,420
Freight and transportation	28,637	28,225
Performance rebates	18,664	17,696
Advertisement and promotions expenses	10,417	13,895
Rental expenses	1,089	6,963
Travel and entertainment expenses	1,156	1,433
Depreciation on property, plant and equipment	1,503	1,034
Depreciation of right-of-use assets	4,684	-
Other	3,947	3,234
	104,969	106,900
	104,969	106,900

R.A.K Ceramics PJSC and its subsidiaries
**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2019 (continued)**
21. Finance costs and income

	Three month period ended 31 March	
	2019	2018
	(unaudited)	(unaudited)
	AED'000	AED'000
Finance costs		
Interest on bank financings	12,070	11,513
Profit expense on islamic financings	5,671	6,041
Interest on amount due to related parties	7	31
Unwinding interest on lease liabilities	1,405	-
Net change in fair value of derivatives	-	439
Net foreign exchange loss	3,255	115
Bank charges	700	742
	<u>23,108</u>	<u>18,881</u>
Finance income		
Interest on fixed deposits	1,136	1,812
Profit on wakala deposits	139	276
Net change in the fair value of derivatives	1,484	-
Other	88	73
	<u>2,847</u>	<u>2,161</u>
Net finance costs	<u>20,261</u>	<u>16,720</u>

22. Impairment losses

	Three month period ended 31 March	
	2019	2018
	(unaudited)	(unaudited)
	AED'000	AED'000
Impairment loss on trade receivables and due from related parties		
Provision for impairment loss – net	1,221	3,347
	<u>1,221</u>	<u>3,347</u>

23. Other income

Other income for the three month period ended 31 March 2018 (unaudited) includes a gain on sale of contracting assets of AED 18.96 million.

R.A.K Ceramics PJSC and its subsidiaries**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2019 (continued)****24. Earnings per share – basic and diluted**

	Three month period ended 31 March	
	2019	2018
	(unaudited)	(unaudited)
	AED'000	AED'000
Profit for the period attributable to Owners of the Company	29,011	56,022
Weighted average number of shares ('000)	946,384	946,384
Earnings per share – basic and diluted (AED)	0.03	0.06

The basic and diluted earnings per share are the same for the three month period ended 31 March 2019 and the comparative period ended 31 March 2018. Earnings per share - basic and diluted is calculated by dividing profit for the period attributable to Owners of the Company by weighted average number of shares outstanding during the period.

25. Dividend and Directors' fee

- (i) At the Annual General Meeting (AGM) held on 11 March 2019, the shareholders approved a cash dividend of 15 % amounting to AED'000 135,198 and a stock dividend of 5% amounting to AED'000 45,066, which was proposed by the Board of Directors.
- (ii) At the Annual General Meeting (AGM) held on 11 March 2019, the shareholders approved the Directors' remuneration amounting to AED 3.7 million for the year ended 31 December 2018 (for the year ended 31 December 2017: AED 3.7 million).

26. Contingent liabilities and commitments

The Group has issued corporate guarantees for loans, advances and letters of credit from commercial banks obtained by related parties including subsidiaries and joint ventures. Capital commitments as at 31 March 2019 (unaudited) amounted to AED 31.9 million (31 December 2018 (audited): AED 32.9 million).

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2019 (continued)

27. Acquisition of subsidiaries

Acquisition of subsidiary in 2018

During the period ended 31 March 2018, the Group acquired a further 30% equity interest in its previously equity accounted investee, RAK Saudi LLC, Saudi Arabia, thereby increasing the shareholding of the Group to 80%. After the acquisition of this 30% equity interest, the Group was able to exercise control over the financial and operating policies of the investee. The remaining 20% interest was acquired by the Group in July 2018.

The identifiable assets and liabilities of RAK Saudi LLC were as follows:

	2018 (audited) AED'000
Property, plant and equipment	3,912
Inventories	29,699
Trade and other receivables	12,561
Cash in hand and at bank	1,145
	<hr/>
Total assets	47,317
Less: Total liabilities	(79,322)
	<hr/>
Net liabilities	(32,005)
Add: non-controlling interests	6,401
	<hr/>
Net liabilities assumed	(25,604)
Less: consideration	(5,882)
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Goodwill	31,486
	<hr/> <hr/>

28. Segment reporting

The Group has four 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 each of the Group's reportable segments:

<i>Ceramic products</i>	includes manufacture and sale of ceramic wall and floor tiles porcellanato and bath ware products.
<i>Contracting</i>	includes construction projects and civil works.
<i>Other industrial</i>	includes manufacturing and distribution of power, table ware, paints, plastic, mines and faucets.
<i>Others</i>	includes security services, materials movement and real estate.

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2019 (continued)

28. Segment reporting (continued)

Information regarding the operations of each separate segment is included below. Performance is measured based on segment profit or loss as management believes that profit or loss 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
Three month period ended 31 March 2019 (unaudited)						
External revenue	529,145	4,227	83,764	3,185	-	620,321
Inter segment revenue	69,455	-	36,103	813	(106,371)	-
Total revenue	598,600	4,227	119,867	3,998	(106,371)	620,321
Segment profit/(loss) for the period	19,855	1,050	16,024	(25)	6	36,910
As at 31 March 2019 (unaudited)						
Total assets	6,435,460	230,983	618,332	235,808	(2,110,636)	5,409,947
Total liabilities	3,506,332	25,022	157,656	86,749	(896,597)	2,879,162
	Ceramic products AED'000	Contracting AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
Three month period ended 31 March 2018 (unaudited)						
External revenue	574,442	5,985	76,908	4,508	-	661,843
Inter segment revenue	78,505	-	45,054	81	(123,640)	-
Total revenue	652,947	5,985	121,962	4,589	(123,640)	661,843
Segment profit for the period	46,784	18,566	19,522	230	(19,692)	65,410
As at 31 December 2018 (audited)						
Total assets	6,573,710	226,024	581,941	245,460	(2,130,095)	5,497,040
Total liabilities	3,446,758	20,828	132,437	96,477	(913,569)	2,782,931

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2019 (continued)

28. Segment reporting (continued)

Reconciliation of reportable segment profit or loss

	Three month period ended 31 March	
	2019	2018
	(unaudited)	(unaudited)
	AED'000	AED'000
Total profit or loss for reportable segments after tax	33,198	83,122
Elimination of inter-segment (profits)/ losses	6	(19,692)
Share of profit in equity accounted investees	3,706	1,980
	<u>36,910</u>	<u>65,410</u>

29. Financial instruments

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described below, 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 their 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.

R.A.K Ceramics PJSC and its subsidiaries
**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2019 (continued)**
**29. Financial instruments (continued)
Accounting classifications and fair values**

	Carrying value			Fair value					
	Fair value hedging instruments AED'000	Mandatory at FVTPL- others AED'000	Financial assets at amortized cost AED'000	Other financial liabilities AED'000	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 March 2019 (unaudited)									
Financial assets measured at fair value									
Interest rate swap used for hedging	5,845	-	-	-	5,845	-	5,845	-	5,845
Commodity derivative used for hedging	2,879	-	-	-	2,879	-	2,879	-	2,879
Forward exchange contracts	-	733	-	-	733	-	733	-	733
Other currency and interest rate swap	-	1,504	-	-	1,504	-	1,504	-	1,504
	8,724	2,237	-	-	10,961	-	10,961	-	10,961
Financial assets not measured at fair value									
Long term receivables	-	-	25,352	-	25,352	-	-	-	-
Trade and other receivables	-	-	1,017,576	-	1,017,576	-	-	-	-
Due from related parties	-	-	98,560	-	98,560	-	-	-	-
Bank balances and cash	-	-	216,855	-	216,855	-	-	-	-
	-	-	1,358,343	-	1,358,343	-	-	-	-
Financial liabilities measured at fair value									
Commodity derivative used for hedging	6,973	-	-	-	6,973	-	6,973	-	6,973
Interest rate swap used for hedge	-	223	-	-	223	-	223	-	223
Other currency and interest swaps	-	177	-	-	177	-	177	-	177
Forward exchange contract	-	-	-	-	-	-	-	-	-
	6,973	400	-	-	7,373	-	7,373	-	7,373
Financial liabilities not measured at fair value									
Islamic bank financing	-	-	-	607,245	607,245	-	-	-	-
Interest bearing bank financing	-	-	-	1,139,979	1,139,979	-	-	-	-
Trade and other payables	-	-	-	725,533	725,533	-	-	-	-
Due to related parties	-	-	-	41,807	41,807	-	-	-	-
	-	-	-	2,514,564	2,514,564	-	-	-	-

R.A.K Ceramics PJSC and its subsidiaries
**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2019 (continued)**
29. Financial instruments (continued)
Accounting classifications and fair values

	Carrying value				Fair value				
	Fair value hedging instruments AED'000	Mandatory at FVTPL- others AED'000	Financial assets at amortized cost AED'000	Other financial liabilities AED'000	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2018 (audited)									
Financial assets measured at fair value									
Interest rate swap used for hedging	5,505	-	-	-	5,505	-	5,505	-	5,505
Other currency and interest rate swap	-	790	-	-	790	-	790	-	790
	5,505	790	-	-	6,295	-	6,295	-	6,295
Financial assets not measured at fair value									
Long term receivables	-	-	33,352	-	33,352	-	-	-	-
Trade and other receivables	-	-	1,032,504	-	1,032,504	-	-	-	-
Due from related parties	-	-	112,630	-	112,630	-	-	-	-
Bank balances and cash	-	-	324,109	-	324,109	-	-	-	-
	-	-	1,502,595	-	1,502,595	-	-	-	-
Financial liabilities measured at fair value									
Commodity derivative used for hedging	3,701	-	-	-	3,701	-	3,701	-	3,701
Forward exchange contract	-	426	-	-	426	-	426	-	426
	3,701	426	-	-	4,127	-	4,127	-	4,127
Financial liabilities not measured at fair value									
Islamic bank financing	-	-	-	679,635	679,635	-	-	-	-
Interest bearing bank financing	-	-	-	1,073,367	1,073,367	-	-	-	-
Trade and other payables	-	-	-	720,925	720,925	-	-	-	-
Due to related parties	-	-	-	49,514	49,514	-	-	-	-
	-	-	-	2,523,441	2,523,441	-	-	-	-
	-	-	-	2,523,441	2,523,441	-	-	-	-

R.A.K Ceramics PJSC and its subsidiaries**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2019 (continued)****30. Approval of condensed consolidated interim financial information**

The condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on 1 May 2019.