



Condensed Consolidated
Interim Financial Information

30 June 2019

RAK Ceramics PJSC and its Subsidiaries

Condensed consolidated interim financial information
30 June 2019

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Report of the Board of Directors

on financial performance during the six month period ending 30 June 2019

06 August 2019

Dear Members,

It is our pleasure to present the business & operations report for the six month period, ending 30 June 2019, along with the condensed consolidated interim financial information for the same period.

Total revenue for the period reached AED 1.29 billion, lower by 6.8% compared to same period of last year. However, total revenue increased by 7.6% quarter on quarter. Sanitaryware revenue increased by 6.7% year on year driven by sales in Saudi Arabia, India and Europe. Tableware revenue increased by 3.8% driven by growth in US and GCC markets. Total gross profit margin increased by 100bps year on year to 34.2%, driven by an increase in tiles gross profit margins by 130bps to 29.9%. EBITDA increased by 8% year on year to AED 239.8 million. Reported net profit decreased by 8.5% year on year to AED 110.3 million, at a margin of 8.6%. However, net profit increased by 98.8% quarter on quarter to AED 73.4 million owing to the reversal of a receivables provision amounting to AED 22.1million.

Robust profitability

In the first half of 2019, RAK Ceramics has continued to implement initiatives that have made the business more agile, operationally efficient and profitable, despite increasing energy costs. Gross profit margins increased by 100bps year on year to 34.2%. Tiles margins increased by 130bps year on year to 29.9% driven by continued improvements in operations, while sanitaryware margins remained stable at 38.4%. Tableware margins decreased by 3.3% year on year to 54.8%, due to changes in the product mix.

Performance in line with expectations

Tiles revenues were lower year on year per management expectations, owing to difficult MENA market conditions and demand seasonality given the Eid period. The sanitaryware and tableware businesses continued to perform well, with revenues increasing by 6.7% and 3.8% respectively year on year. Reported net profit grew by 33.1% year on year in Q2 2019 to AED 73.4 million. This was driven by improved gross margins and the reversal of an AED 22.1mn receivable provision created in 2017, which has now been received.

Saudi Arabia expansion update

RAK Ceramics' continues to evaluate strategic options for adding a secondary manufacturing facility in Saudi Arabia, which will enable it to produce at low cost and supply the growing local market as well as key export markets in Europe.

India turnaround on track

The greenfield production facility in Morbi, Gujarat began commercial production of RAK Ceramic's mega slab tiles in early 2019 and has reached 70% production utilisation. A second Morbi plant producing ceramic tiles has achieved a production utilisation of 92%. The contribution of India to RAK Ceramics' total exports increased from 3.5% of total revenue in H1 2018, to 15.5% of total revenue in H1 2019.

Financial highlights for the six month period ending 30 June 2019

Particulars	Unit	YTD June 2019	YTD June 2018	Change
Total Revenue	AED Mio	1,287.7	1,381.0	-6.8%
Gross Profit	AED Mio	440.3	457.9	-3.8%
GP Margin	%	34.2%	33.2%	100 bps
EBITDA	AED Mio	239.8	222.1	8.0%
EBITDA Margin	%	18.6%	16.1%	250 bps
Reported Net Income	AED Mio	110.3	120.5	-8.5%
Reported Net Income margin	%	8.6%	8.7%	-10 bps
Net income before one-off, provisions & strategic gains	AED Mio	90.4	108.3	-16.5%
Net income margin before one-off, provisions & strategic gains	%	7.0%	7.8%	-80 bps
Reported Profit after NCI (Minority)	AED Mio	90.2	100.8	-10.6%
Reported Earnings per share	AED	0.10	0.11	
		30 June 2019	31 December 2018	Change
Total Assets	AED Mio	5,577.4	5,497.0	1.5%
Share Capital	AED Mio	946.4	901.3	5%
Shareholders' Equity	AED Mio	2,356.7	2,501.4	-5.8%
Net Debt	AED Mio	1,432.5	1,428.9	0.3%
Net Debt / EBITDA	Times	3.11	3.23	0.1
Cost of Debt	%	4.47%	3.98%	49 bps

Corporate Social Responsibility, Exhibitions, Awards & Other Activities

Corporate Social Responsibility

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

Exhibitions

- Participation in ISH 2019 exhibition in Germany

Awards

- World Leaders in Ceramics Production 2019 from Global Excellence Awards of Acquisition Int'l Magazine
- CEO of the Year 2019 from CEO Monthly Magazine for United Arab Emirates
- Best Tiling Brand 2019 from BKU Awards received consecutively for second year

Future Outlook

Looking ahead to the remainder of 2019, we will continue focus on mitigating energy costs and improving profitability in Europe and Saudi Arabia. Our business in India is on the right track and we hope to establish it as a hub moving forward. RAK Ceramics is also always on the lookout for opportunistic acquisitions, as we optimise 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

06 AUG 2019



Group Chief Executive Officer

R.A.K Ceramics PJSC and its subsidiaries
Condensed consolidated interim financial information
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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 30 June 2019 and the related condensed consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity for the six month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this 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 this 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 six month ended 30 June 2018 and the annual consolidated financial statements for the year ended 31 December 2018 were reviewed and audited by another auditor, whose review report dated 1 August 2018 and audit report dated 12 February 2019 expressed an unmodified conclusion and opinion, respectively.

Deloitte & Touche (M.E.)

Signed by:

Mohammad Khamees Al Tah

Registration No. 717

6 August 2019

Sharjah, United Arab Emirates

R.A.K Ceramics PJSC and its subsidiaries

Condensed consolidated statement of profit or loss (unaudited) for the six month and three month periods ended 30 June 2019

	Notes	Six month period ended 30 June		Three month period ended 30 June	
		2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
Revenue	5	1,287,714	1,381,025	667,393	719,182
Cost of sales	6	(847,374)	(923,156)	(430,669)	(472,107)
Gross profit		440,340	457,869	236,724	247,075
Administrative and general expenses	7	(109,140)	(114,135)	(55,778)	(54,644)
Impairment reversal/(loss) on trade receivables and due from related parties	7(i)	19,835	(6,701)	21,056	(3,354)
Selling and distribution expenses	8	(224,425)	(227,626)	(119,456)	(120,726)
Other income	9	23,535	57,645	12,623	14,475
Operating profit		150,145	167,052	95,169	82,826
Finance costs	10(i)	(43,763)	(50,735)	(23,910)	(32,293)
Finance income	10(ii)	2,835	7,527	3,243	5,805
Share of profit in equity accounted investees	11	6,457	4,959	2,751	2,979
Profit before tax		115,674	128,803	77,253	59,317
Tax expense		(5,407)	(8,291)	(3,896)	(4,215)
Profit for the period		110,267	120,512	73,357	55,102
<i>Profit attributable to:</i>					
Owners of the Company		90,171	100,846	61,160	44,824
Non-controlling interests		20,096	19,666	12,197	10,278
Profit for the period		110,267	120,512	73,357	55,102
Earnings per share					
- basic and diluted (AED)	12	0.10	0.11	0.06	0.05

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

R.A.K Ceramics PJSC and its subsidiaries

Condensed consolidated statement of comprehensive income (unaudited)

for the six month and three month periods ended 30 June 2019

	Six month period ended 30 June		Three month period ended 30 June	
	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
Profit for the period	110,267	120,512	73,357	55,102
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Foreign exchange differences on translation of foreign operations	(75,915)	(26,144)	(3,309)	(20,058)
Cash flow hedges – effective portion of changes in fair value (loss)/gain on hedging instruments	(15,337)	2,232	(15,284)	849
	-----	-----	-----	-----
Total comprehensive income for the period	19,015	96,600	54,764	35,893
	=====	=====	=====	=====
<i>Total comprehensive income attributable to:</i>				
Owners of the Company	407	78,960	43,428	27,471
Non-controlling interests	18,608	17,640	11,336	8,422
	-----	-----	-----	-----
Total comprehensive income for the period	19,015	96,600	54,764	35,893
	=====	=====	=====	=====

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

R.A.K Ceramics PJSC and its subsidiaries
Condensed consolidated statement of financial position
as at 30 June 2019

	Notes	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	13	1,178,233	1,181,301
Goodwill	14	120,122	120,144
Right-of-use assets	2.1	87,429	-
Intangible assets		26,998	27,243
Investment properties	15	1,176,002	1,181,191
Investments in equity accounted investees	11	40,711	42,606
Long term receivables	16(i)	25,352	33,352
Deferred tax assets		13,709	7,613
Total non-current assets		2,668,556	2,593,450
Current assets			
Inventories	17	1,248,284	1,249,505
Trade and other receivables	16	1,216,227	1,211,051
Due from related parties	18	46,102	112,630
Derivative financial assets	19(i)	6,017	6,295
Bank balances and cash	20	392,197	324,109
Total current assets		2,908,827	2,903,590
Total assets		5,577,383	5,497,040
Equity and liabilities			
Capital and reserves			
Share capital	21	946,384	901,318
Reserves		1,410,334	1,600,094
Equity attributable to owners of the Company		2,356,718	2,501,412
Non-controlling interests		218,891	212,697
Total equity		2,575,609	2,714,109
Non-current liabilities			
Islamic bank financing	22(a)(ii)	565,035	354,615
Interest bearing bank financing	22(b)(ii)	600,928	711,387
Provision for employees' end of service benefits		85,935	85,464
Lease liabilities	2.1	77,764	-
Deferred tax liabilities		8,428	8,829
Total non-current liabilities		1,338,090	1,160,295
Current Liabilities			
Islamic bank financing	22(a)(i)	228,734	325,020
Interest bearing bank financing	22(b)(i)	429,997	361,980
Trade and other payables	23	756,210	720,925
Due to related parties	18	44,760	49,514
Derivative financial liabilities	19(ii)	21,652	4,127
Lease liabilities	2.1	18,538	-
Provision for taxation		163,793	161,070
Total current liabilities		1,663,684	1,622,636
Total liabilities		3,001,774	2,782,931
Total equity and liabilities		5,577,383	5,497,040

Chairman

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

06 AUG 2019

Chief Executive Officer

R.A.K Ceramics PJSC and its subsidiaries
Condensed consolidated statement of cash flows (unaudited)
for the six month period ended 30 June 2019

	Six month period ended 30 June	
	2019	2018
	AED'000	AED'000
Operating activities		
Profit for the period before tax	115,674	128,803
<i>Adjustments for:</i>		
Share of profit in equity accounted investees	(6,457)	(4,959)
Interest expense	25,295	24,323
Profit expense on Islamic financing	11,689	12,000
Interest income	(2,321)	(2,876)
Profit on wakala deposits	(171)	(305)
Unwinding interest on lease liabilities	2,846	-
Gain on disposal of property, plant and equipment	(448)	(20,085)
Gain on disposal of assets held for sale	-	(3,997)
Depreciation on property, plant and equipment	67,555	69,743
Depreciation on investment properties	5,213	5,156
Amortisation of intangible assets	2,999	3,191
Amortisation of right-of-use assets	10,673	-
Capital work in progress written off	764	764
Provision for employees' end-of-service benefits	9,673	8,718
Allowance for slow moving and obsolete inventories	13,127	5,873
Allowance /(reversal) for impairment loss on trade receivables and due from related parties	(19,835)	6,701
	-----	-----
	236,276	233,050
Change in:		
- inventories	(11,906)	(70,325)
- trade and other receivables (including long term portion)	(482)	(33,170)
- due from related parties (including long term portion)	92,678	32,266
- assets classified as held for sale	-	2,356
- trade and other payables	35,285	66,398
- due to related parties	(4,754)	7,570
- derivative financial instruments	2,466	(4,346)
Income tax paid	(9,190)	(8,290)
Employees' end-of-service benefits paid	(7,920)	(7,370)
Currency translation adjustment	(34,438)	1,526
	-----	-----
Net cash generated from operating activities	298,015	219,665
	-----	-----
Investing activities		
Additions to property, plant and equipment	(106,630)	(84,554)
Proceeds from disposal of property, plant and equipment	625	29,898
Additions to intangible assets	(1,566)	(3,997)
Additions to investment property	(271)	-
Dividend received from equity accounted investees	5,352	214
Profit received on wakala deposits	171	305
Interest received	2,321	2,876
Consideration paid for acquisition of a subsidiary	-	(5,882)
Cash acquired as part of acquisition of subsidiaries	-	1,145
	-----	-----
Net cash used in investing activities	(99,998)	(59,995)
	-----	-----

R.A.K Ceramics PJSC and its subsidiaries

Condensed consolidated statement of cash flows (unaudited) (continued) for the six month period ended 30 June 2019

	Six month period ended 30 June	
	2019 AED'000	2018 AED'000
Financing activities		
Long term bank financing availed	8,460	66,122
Long term bank financing repaid	(109,020)	(161,345)
Long term Islamic bank financing availed	383,203	-
Long term Islamic bank financing repaid	(171,541)	(55,893)
Repayment of principal and interest on lease liability	(14,565)	-
Net movement in short term bank financing	22,729	65,408
Net movement in short term Islamic bank financing	(97,528)	(83,777)
Interest paid	(25,295)	(24,323)
Profit paid on Islamic bank financing	(11,689)	(12,000)
Dividend paid	(135,198)	(214,600)
Dividend paid to non-controlling interests	(11,854)	(24,208)
Remuneration paid to the Board of Directors	(3,700)	(3,700)
Funds invested by non-controlling interests	680	10,817
	-----	-----
Net cash used in financing activities	(165,318)	(437,499)
	-----	-----
Net increase/(decrease) in cash and cash equivalents	32,699	(277,829)
Cash and cash equivalents at the beginning of the period	320,517	512,505
	-----	-----
Cash and cash equivalents at the end of the period	353,216	234,676
	=====	=====
Represented by:		
Cash in hand and at bank (excluding allowance for impairment loss)	392,880	255,194
Bank overdrafts	(39,664)	(20,518)
	-----	-----
	353,216	234,676
	=====	=====

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

R.A.K Ceramics PJSC and its subsidiaries

Condensed consolidated statement of changes in equity

for the six month period ended 30 June 2019

	Attributable to owners of the Company											Non-controlling interests (NCI)	Total equity
	Reserves												
	Share capital	Share premium	Legal reserve	Translation reserve	Hyper inflation reserve*	Hedging reserve	General 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 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
Adjustments on application of IFRS 16 (Refer note 2.1)	-	-	-	-	-	-	-	-	(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
Total comprehensive income for the period (unaudited)	-	-	-	(2,390)	(72,037)*	(15,337)	-	-	90,171	407	407	18,608	19,015
Other equity movements (unaudited)													
Transfer to legal reserve	-	-	11,777	-	-	-	-	-	(11,777)	-	-	-	-
Directors' remuneration (refer note 24(ii))	-	-	-	-	-	-	-	-	(3,700)	(3,700)	(3,700)	-	(3,700)
Transactions with owners (unaudited)													
Dividend declared (refer note 24(i))	-	-	-	-	-	-	-	-	(135,198)	(135,198)	(135,198)	-	(135,198)
Bonus shares issued	45,066	-	-	-	-	-	-	-	(45,066)	(45,066)	-	-	-
Dividend distributed to NCI	-	-	-	-	-	-	-	-	-	-	-	(11,854)	(11,854)
Capitalisation of retained earnings	-	-	-	-	-	-	-	11,621	(11,621)	-	-	-	-
Funds invested by NCI	-	-	-	-	-	-	-	-	-	-	-	680	680
At 30 June 2019 (unaudited)	946,384	221,667	564,778	(116,078)	(184,046)	(13,533)	82,805	75,040	779,701	1,410,334	2,356,718	218,891	2,575,609

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

The hyperinflation reserve comprises of foreign currency differences arising from the translation of the financial statements of RAK Ceramics (PJSC) Limited, Iran and the effect of translating their financial statements at the corresponding inflation index when it was operating in a hyperinflationary economy, in accordance with IAS 29: *Financial Reporting in Hyperinflationary Economies*.

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

R.A.K Ceramics PJSC and its subsidiaries

Condensed consolidated statement of changes in equity (continued)

for the six month period ended 30 June 2019

	Attributable to owners of the Company											Non-controlling interests (NCI)	Total equity
	Share capital	Share premium	Legal reserve	Translation reserve	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
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)	-	-	-	(14,708)	(9,410)	2,232	-	-	100,846	78,960	78,960	17,640	96,600
<i>Other equity movements (unaudited)</i>													
Transfer to legal reserve	-	-	15,168	-	-	-	-	-	(15,168)	-	-	-	-
Directors' remuneration (refer note 24(ii))	-	-	-	-	-	-	-	-	(3,700)	(3,700)	(3,700)	-	(3,700)
<i>Transactions with owners (unaudited)</i>													
Dividend declared (refer note 24(i))	-	-	-	-	-	-	-	-	(214,600)	(214,600)	(214,600)	-	(214,600)
Bonus shares issued	42,920	-	-	-	-	-	-	-	(42,920)	(42,920)	-	-	-
Dividend distributed to NCI	-	-	-	-	-	-	-	-	-	-	-	(24,208)	(24,208)
Change in NCI due to acquisition and disposal	-	-	-	-	-	-	-	-	-	-	-	(6,401)	(6,401)
Capitalisation of retained earnings	-	-	-	-	-	-	-	10,621	(10,621)	-	-	-	-
Funds invested by NCI	-	-	-	-	-	-	-	-	-	-	-	10,817	10,817
At 30 June 2018 (unaudited)	901,318	221,667	544,234	(109,302)	(108,365)	9,684	82,805	63,419	846,774	1,550,916	2,452,234	184,486	2,636,720

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

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2019 (unaudited)

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 City, Ras Al Khaimah, United Arab Emirates. The Company is listed on the Abu Dhabi Securities Exchange, UAE.

The condensed consolidated interim financial information as at and for the six month period ended 30 June 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 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 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

IFRS 16 Leases

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 month 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 assets is generally measured at the amount of lease liability, using the interest rate at the time of first time application. IFRS 16 transition disclosures require the Group to present a reconciliation of the off-balance sheet lease obligations as of 31 December 2018 to the recognized 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 (continued)
for the six month period ended 30 June 2019 (unaudited)

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)

IFRS 16 Leases (continued)

	Amount AED’000 (Unaudited)
Operating lease commitments as at 1 January 2019 (unaudited)	126,340
Less: Impact of discounting using incremental borrowing rate	(18,523)

Lease liability recognized as at 1 January 2019	107,817
	=====
Disclosed as:	
Current lease liabilities	17,552
Non-current lease liabilities	90,265
	=====

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 recognized right-of-use assets relate to the following type of assets:

	30 June 2019 AED’000 (Unaudited)	1 January 2019 AED’000 (Unaudited)
Properties	82,010	92,864
Vehicles	5,419	7,510
	-----	-----
Total right-of-use assets	87,429	100,374
	=====	=====

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

- in retained earnings	6,203
- in non-controlling interest	1,240

	7,443
	=====

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the six month period ended 30 June 2019 (unaudited)

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)

IFRS 16 Leases (continued)

Impact on segment disclosures

The application of IFRS 16 impacted the segment assets and segment liabilities as at 30 June 2019 (unaudited) and the impact shown below has been included in the segment assets and segment liabilities in Note 27.

	Ceramic Products AED’000 (Unaudited)	Contracting AED’000 (Unaudited)	Other Industrial AED’000 (Unaudited)	Others AED’000 (Unaudited)	Elimination AED’000 (Unaudited)	Total AED’000 (Unaudited)
Segment assets	69,455	683	22,088	-	(4,797)	87,429
Segment liabilities	75,490	924	24,644	-	(4,756)	96,302

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, the Group recognizes leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period 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.

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.

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the six month period ended 30 June 2019 (unaudited)

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)

IFRS 16 Leases (continued)

Impact on segment disclosures (continued)

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 recognized 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 months.

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 months or fewer months 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 (continued)
for the six month period ended 30 June 2019 (unaudited)

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.
- Annual Improvements to IFRSs 2018 Cycle Amendments to IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 6 Exploration for and Evaluation of Mineral Resources, IFRS 14 Regulatory Deferral Accounts, IAS 1 Presentation of Financial Statements, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, IAS 34 Interim Financial Reporting, IAS 38 Intangible Assets, IFRIC 12 Service Concession Arrangements, IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, IFRIC 22 Foreign Currency Transactions and Advance Consideration and SIC-32 Intangible Assets—Web Site Costs.

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 first time 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 six month period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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:

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the six month period ended 30 June 2019 (unaudited)

4 Changes in judgements and estimation uncertainty (continued)

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 Revenue

	Six month period ended 30 June		Three month period ended 30 June	
	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)
Sale of goods	1,276,827	1,363,307	663,918	711,957
Rendering of services	6,012	6,776	2,827	2,268
Construction contract revenue	4,875	10,942	648	4,957
	-----	-----	-----	-----
	1,287,714	1,381,025	667,393	719,182
	=====	=====	=====	=====

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the six month period ended 30 June 2019 (unaudited)

6 Cost of sales

	Six month period ended 30 June		Three month period ended 30 June	
	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)
Raw materials consumed	361,452	503,003	181,480	218,778
Change in inventory of finished goods	23,946	(92,353)	12,511	(5,277)
Allowance for slow moving and obsolete inventory – net	13,127	5,873	6,594	322
Direct labor	111,705	119,633	57,261	62,847
Power and fuel	62,773	79,914	32,851	42,197
LPG and natural gas	96,967	116,726	50,490	57,614
Depreciation on property, plant and equipment	54,527	56,037	27,557	27,781
Depreciation of right-of-use assets	75	-	44	-
Repairs and maintenance expense	47,783	56,469	24,461	29,017
Packing material expenses	51,074	52,125	26,651	25,909
Others	23,945	25,729	10,769	12,919
	-----	-----	-----	-----
	847,374	923,156	430,669	472,107
	=====	=====	=====	=====

7 Administrative and general expenses

	Six month period ended 30 June		Three month period ended 30 June	
	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)
Staff and other associated costs	49,825	54,556	24,211	27,599
Depreciation on property, plant and equipment	9,531	11,581	4,778	4,550
Depreciation on investment properties	5,213	5,156	2,617	2,589
Telephone, postal and office supplies	2,963	3,141	1,675	1,519
Repairs and maintenance expense	3,398	3,265	2,129	1,763
Legal and professional fee	5,299	5,250	2,687	2,729
Depreciation of right-of-use assets	1,034	-	519	-
Utility expense	2,149	3,109	1,280	1,634
Security charges	934	836	463	570
Amortization of intangible assets	2,999	3,191	1,595	1,635
Information technology licenses and consultancy expenses	5,782	5,250	2,944	2,741
Expenses on investment properties	3,855	3,992	1,937	2,352
Others	16,158	14,808	8,943	4,963
	-----	-----	-----	-----
	109,140	114,135	55,778	54,644
	=====	=====	=====	=====

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the six month period ended 30 June 2019 (unaudited)

7 Administrative and general expenses (continued)

7(i) Impairment (reversal)/loss on trade receivables and due from related Parties

	Six month period ended 30 June		Three month period ended 30 June	
	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)
Impairment (reversal)/ loss on trade receivables and due from related parties*	(19,835) =====	6,701 =====	(21,056) =====	3,354 =====

*Included in the provision for impairment- net is the reversal of a provision made in 2017 for contracting receivables, which were received in cash in the quarter ended 30 June 2019.

8 Selling and distribution expenses

	Six month period ended 30 June		Three month period ended 30 June	
	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)
Staff and other associated costs	72,383	69,677	37,511	35,257
Freight and transportation	62,879	59,553	34,242	31,328
Performance rebates	39,086	43,108	20,422	25,412
Advertisement and promotions expenses	24,728	26,170	14,311	12,275
Rental expenses	2,220	15,876	1,131	8,913
Travel and entertainment expenses	2,567	2,592	1,411	1,159
Depreciation on property, plant and equipment	3,497	2,125	1,994	1,091
Depreciation of right-of-use assets	9,564	-	4,880	-
Others	7,501	8,525	3,554	5,291
	224,425 =====	227,626 =====	119,456 =====	120,726 =====

9 Other income

Other income for the six month period ended 30 June 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 (continued)
for the six month period ended 30 June 2019 (unaudited)

10 Finance costs and income

	Six month period ended 30 June		Three month period ended 30 June	
	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)
(i) Finance costs				
Interest on bank financing	25,282	24,270	13,212	12,757
Profit expense on Islamic financing	11,689	12,000	6,018	5,959
Interest on amount due to related parties	13	53	6	22
Net change in the fair value of derivatives	2,466	-	2,466	-
Bank charges	1,467	1,658	767	916
Unwinding interest on lease liabilities	2,846	-	1,441	-
Net foreign exchange loss	-	12,754	-	12,639
	-----	-----	-----	-----
Total (A)	43,763	50,735	23,910	32,293
	=====	=====	=====	=====
(ii) Finance income				
Interest on fixed deposits	2,075	2,704	939	892
Profit on wakala deposits	171	305	32	29
Net change in the fair value of derivatives	-	4,346	-	4,785
Net foreign exchange gain	343	-	2,114	-
Other	246	172	158	99
	-----	-----	-----	-----
Total (B)	2,835	7,527	3,243	5,805
	=====	=====	=====	=====
Net finance costs (A-B)	40,928	43,208	20,667	26,488
	=====	=====	=====	=====

11 Investments in equity accounted investees

The Group's share of profit in equity accounted investees for the six month period ended 30 June 2019 amounted to AED 6.46 million (unaudited) (six month period ended 30 June 2018 (unaudited): AED 4.96 million).

The Group has received AED 5.35 million (unaudited) as dividends during the current period from its equity accounted investees (six month period ended 30 June 2018 (unaudited): AED 0.21 million).

During the six month period ended 30 June 2018, the Group acquired a further 30% equity interest of its previously equity accounted investee, RAK Saudi LLC, at a total consideration of AED 5.88 million (refer note 26).

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the six month period ended 30 June 2019 (unaudited)

12 Earnings per share

	Six month period ended 30 June		Three month period ended 30 June	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings per share				
Profit attributable to owners of the Company (AED'000)	90,171	100,846	61,160	44,824
	=====	=====	=====	=====
Weighted average number of Outstanding shares ('000s)	946,384	946,384	946,384	946,384
	=====	=====	=====	=====
Earnings per share (AED) – basic and diluted	0.10	0.11	0.06	0.05
	=====	=====	=====	=====

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.

13 Property, plant and equipment

Additions, disposals and depreciation (unaudited)

During the six month period ended 30 June 2019, the Group has acquired property, plant and equipment and made additions to capital work in progress amounting to AED 106.63 million (*six month period ended 30 June 2018: AED 84.55 million* and assets acquired through a business combination with a net book value of *AED 3.91 million* (refer note 26)).

Property, plant and equipment with a carrying amount of AED 0.18 million were disposed of during the current period (*six month period ended 30 June 2018: AED 11.82 million*) resulting in a gain on disposal of AED 0.45 million (*six month period ended 30 June 2018: gain of AED 20.09 million*) which is included in other income in the condensed consolidated statement of profit or loss.

Depreciation of property, plant and equipment for the current period amounted to AED 67.56 million (*six month period ended 30 June 2018: AED 69.74 million*). Below is the breakdown of property, plant and equipment inside and outside the U.A.E:

	30 June 2019	31 December 2018
	AED'000	AED'000
	(Unaudited)	(Audited)
Inside U.A.E.	731,117	714,459
Outside U.A.E.	447,116	466,842
	-----	-----
	1,178,233	1,181,301
	=====	=====

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the six month period ended 30 June 2019 (unaudited)

14 Goodwill

	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Balance as at 1 January	120,144	89,001
Add: acquisition through business combination (refer note 26)	-	31,486
Less: effect of movements in exchange rate	(22)	(343)
	-----	-----
Balance as at 30 June / 31 December	120,122 =====	120,144 =====

Goodwill represents an amount of AED 50.4 million, AED 5.5 million, AED 5.7 million, AED 27 million and AED 31.5 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 any impairment.

15 Investment properties

	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Inside U.A.E.	1,135,217	1,139,687
Outside U.A.E	40,785	41,504
	-----	-----
	1,176,002 =====	1,181,191 =====

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

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 six month period ended 30 June 2019.

Investment properties are classified as Level 3 in the fair value hierarchy as at 30 June 2019 (31 December 2018: Level 3).

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the six month period ended 30 June 2019 (unaudited)

16 Trade and other receivables

	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Trade receivables	1,078,336	1,076,506
Less: Allowance for impairment loss	(244,774)	(252,438)
	-----	-----
	833,562	824,068
Advances and prepayments	183,243	178,284
Deposits	26,413	23,278
Other receivables	173,009	185,421
	-----	-----
	1,216,227	1,211,051
	=====	=====

(i) Long term other receivables

	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Total amount receivable	112,339	128,840
Less: Allowance for impairment loss	(26,375)	(26,375)
	-----	-----
	85,964	102,465
Less: current portion included in other receivables	(60,612)	(69,113)
	-----	-----
	25,352	33,352
	=====	=====

The above long term other receivable includes amounts receivable on disposal of a subsidiary and is partially secured by post-dated cheques.

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the six month period ended 30 June 2019 (unaudited)

17 Inventories

	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Finished goods (net of net realisable value adjustments)	941,970	940,905
Less: Allowance for slow moving and obsolete inventories	(134,922)	(130,504)
	-----	-----
Subtotal (A)	807,048	810,401
	=====	=====
Raw materials	226,982	230,449
Stores and spares	194,833	185,210
	-----	-----
	421,815	415,659
Less : Allowance for slow-moving inventories	(72,231)	(67,679)
	-----	-----
Subtotal (B)	349,584	347,980
	=====	=====
Goods-in-transit (C)	68,784	73,097
Work-in-progress (D)	22,868	18,027
	-----	-----
Total (A+B+C+D)	1,248,284	1,249,505
	=====	=====

At 30 June 2019, the Group has a cumulative loss due to write-down of finished goods inventories of AED 101.01 million against the cost of AED 344.11 million (unaudited) (31 December 2018 (audited): AED 92.54 million against the cost of AED 274.21 million) to bring them to its net realisable value which was lower than its cost. The difference in write down of AED 8.47 million (unaudited) (six month period ended 30 June 2018 (unaudited): AED 15.17 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 (continued)
for the six month period ended 30 June 2019 (unaudited)

18 Related party balances and transactions

The Group, in the ordinary course of business, enters into transactions with other business enterprises that fall within the definition of related parties as contained in International Accounting Standard 24 "Related Party Disclosures". Management approves prices and terms of payment for these transactions and these are carried out at mutually agreed rates. The significant transactions entered into by the Group with related parties during the period, other than those disclosed elsewhere in this condensed consolidated interim financial information are as follows:

Equity accounted investees and companies under common management:

	Six month period ended 30 June		Three month period ended 30 June	
	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)
Sale of goods and services and construction contracts	49,502	53,673	25,101	24,774
Purchase of goods and rendering of services	130,331	159,318	70,074	85,410
Interest expenses	13	53	6	22

Compensation to key management personnel:

	Six month period ended 30 June		Three month period ended 30 June	
	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)
Short term benefits	5,131	5,867	2,566	2,933
Staff terminal benefits	271	116	217	52
Board of Directors' remuneration	3,700	3,700	-	-

At 30 June 2019, amounts due from related parties are as follows:

Due from related parties

	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Equity accounted investees	40,525	96,731
Other related parties	55,894	90,449
	-----	-----
	96,419	187,180
Less: Allowance for impairment loss	(50,317)	(74,550)
	-----	-----
	46,102	112,630
	=====	=====

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the six month period ended 30 June 2019 (unaudited)

18 Related party balances and transactions (continued)

At 30 June 2019, amounts due to related parties are as follows:

Due to related parties	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Equity accounted investees	5,443	5,084
Other related parties	39,317	44,430
	-----	-----
	44,760	49,514
	=====	=====

19 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.

	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
(i) Derivative financial assets		
Interest rate swaps used for hedging	3,017	5,505
Commodity derivative used for hedging	1,826	-
Forward exchange contracts	6	-
Other currency and interest rate swaps	1,168	790
	-----	-----
	6,017	6,295
	=====	=====
(ii) Derivative financial liabilities		
Commodity derivative used for hedging	-	3,701
Interest rate swaps used for hedging	14,407	-
Forward exchange contracts	455	426
Other currency and interest rate swaps	6,790	-
	-----	-----
	21,652	4,127
	=====	=====

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the six month period ended 30 June 2019 (unaudited)

20 Bank balances and cash

	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Cash in hand	1,875	1,669
Cash at bank		
- in fixed deposits	185,339	119,166
- in wakala deposits	3,800	19,800
- in current accounts	188,776	168,799
- in margin deposits	3,467	817
- in call accounts	9,623	14,541
	-----	-----
	392,880	324,792
Less: Allowance for impairment loss	(683)	(683)
	-----	-----
	392,197	324,109
	=====	=====

Cash in hand and cash at bank includes AED 0.77 million (31 December 2018 (audited): AED 0.52 million) and AED 56.05 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 months and carry interest at normal commercial rates and include AED 1.62million (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 months.

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

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the six month period ended 30 June 2019 (unaudited)

21 Share capital

	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Authorised, issued and paid up		
170,000,000 shares of AED 1 each paid up in cash	170,000	170,000
776,384,722 shares of AED 1 each issued as bonus shares (2018: 731,318,783 shares of AED 1 each issued as bonus shares)	776,384	731,318
	-----	-----
	946,384	901,318
	=====	=====

22 Bank borrowings

(a) Islamic bank financing

	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
(i) Short term		
Mudaraba facilities (A)	52,000	70,000
Commodity murabaha facilities (B)	63,247	142,775
Current portion of long term financing (refer below)	113,487	112,245
	-----	-----
	228,734	325,020
	=====	=====

(ii) Long term – Islamic bank financing

	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Commodity murabaha facilities (B)	384,642	375,023
Ijarah facilities (C)	293,880	91,837
Less: current portion of long term financing	(113,487)	(112,245)
	-----	-----
	565,035	354,615
	=====	=====

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the six month period ended 30 June 2019 (unaudited)

22 Bank borrowings (continued)

(a) Islamic bank financing (continued)

(ii) Long term – Islamic bank financing (continued)

	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Movement:		
Balance as at 1 January	466,860	486,896
Availed during the period/year	383,203	91,837
Less: repaid during the period/year	(171,541)	(111,873)
	-----	-----
Balance as at end of the period/year	678,522	466,860
Less: current portion included in short term (refer 22 (a) (i))	(113,487)	(112,245)
	-----	-----
	565,035	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 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 contact is entered into between two parties whereby one party (Bank) purchases/acquires an asset, either from a third party or from the Group, and leases it to the Group against certain rental payments and for a specific lease period.

(b) Interest bearing bank financing

	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
(i) Short term		
Bank overdrafts	39,664	4,275
Short term loan	153,676	130,947
Current portion of long term financing	236,657	226,758
	-----	-----
	429,997	361,980
	=====	=====

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the six month period ended 30 June 2019 (unaudited)

22 Bank borrowings (continued)

(b) Interest bearing bank financing (continued)

(ii) Long term bank loans

	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Balance as at 1 January	938,145	1,094,192
Availed during the period/year	8,460	109,556
Less: repaid during the period/year	(109,020)	(265,603)
	-----	-----
Balance as at end of the period/year	837,585	938,145
Less: current portion (refer 22 (b) (i))	(236,657)	(226,758)
	-----	-----
	600,928	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.

23 Trade and other payables

	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Trade payables	411,205	377,091
Accrued and other expenses	202,884	206,804
Advance from customers	35,456	39,718
Commission and rebates payable	64,457	60,109
Other payables	42,208	37,203
	-----	-----
	756,210	720,925
	=====	=====

24 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 135,198 thousand and a stock dividend of 5% amounting to AED 45,066 thousand, 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).

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the six month period ended 30 June 2019 (unaudited)

25 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 30 June 2019 (unaudited) amounted to AED 6.2 million (31 December 2018 (audited) : AED 32.9 million).

26 Acquisition of subsidiaries

Acquisition of a subsidiary in 2018

During the period ended 30 June 2018, the Group has acquired a further 30% equity interest in its previously equity accounted investee, RAK Saudi LLC thereby increasing shareholding of the Group to 80% stake. After acquisition of 30% equity interest, the Group can now 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 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

Total assets	47,317
Less: total liabilities	(79,322)

Net liabilities	(32,005)
Add: non-controlling interests	6,401

Net liabilities assumed	(25,604)
Less: consideration	(5,882)

Goodwill	31,486
	=====

27 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 the operations in each of the Group's reportable segments:

<i>Ceramic products</i>	includes manufacture and sale of ceramic wall and floor tiles, gres porcellanato and 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, material movement and real estate.

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)
for the six month period ended 30 June 2019 (unaudited)

27 Segment reporting (continued)

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
Six month period ended 30 June 2019 (unaudited)						
External revenue	1,094,222	4,875	182,605	6,012	-	1,287,714
Intersegment revenue	164,514	-	88,344	1,392	(254,250)	-
Total Revenue	1,258,736	4,875	270,949	7,404	(254,250)	1,287,714
Segment profit/(loss) for the period	90,517	2,028	44,366	(496)	(26,148)	110,267
As at 30 June 2019 (unaudited)						
Total assets	6,643,522	230,387	630,946	233,906	(2,161,378)	5,577,383
Total liabilities	3,675,698	23,448	164,505	85,564	(947,441)	3,001,774
	Ceramic products AED'000	Contracting AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
Six month period ended 30 June 2018 (unaudited)						
External revenue	1,175,732	10,942	187,575	6,776	-	1,381,025
Intersegment revenue	195,120	-	106,456	2,283	(303,859)	-
Total revenue	1,370,852	10,942	294,031	9,059	(303,859)	1,381,025
Segment profit/(loss) for the period	89,698	21,565	41,108	331	(32,190)	120,512
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 (continued)
for the six month period ended 30 June 2019 (unaudited)

27 Segment reporting (continued)

Reconciliation of reportable segment profit or loss

	Six month period ended 30 June	
	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)
Total profit or loss for reportable segments after tax	129,958	147,743
Elimination of inter-segment profits	(26,148)	(32,190)
Share of profit of equity accounted investees	6,457	4,959
	-----	-----
Reported profit	110,267	120,512
	=====	=====

28 Financial instruments

Fair value hierarchy

All financial instruments for which fair value is recognized 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 recognized 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 (continued)

for the six month period ended 30 June 2019 (unaudited)

28 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
30 June 2019 (Unaudited)									
Financial assets measured at fair value									
Interest rate swaps used for hedging	3,017	-	-	-	3,017	-	3,017	-	3,017
Commodity derivatives used for hedging	1,826	-	-	-	1,826	-	1,826	-	1,826
Forward exchange contracts	-	6	-	-	6	-	6	-	6
Other currency and interest rate swaps	-	1,168	-	-	1,168	-	1,168	-	1,168
	<u>4,843</u>	<u>1,174</u>	<u>-</u>	<u>-</u>	<u>6,017</u>	<u>-</u>	<u>6,017</u>	<u>-</u>	<u>6,017</u>
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Financial assets not measured at fair value									
Long term receivables	-	-	25,352	-	25,352	-	-	-	-
Trade and other receivables	-	-	1,032,984	-	1,032,984	-	-	-	-
Due from related parties	-	-	46,102	-	46,102	-	-	-	-
Bank balances and cash	-	-	392,197	-	392,197	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,496,635</u>	<u>-</u>	<u>1,496,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Financial liabilities measured at fair value									
Interest rate swaps used for hedge	14,407	-	-	-	14,407	-	14,407	-	14,407
Other currency and interest swaps	3,969	2,821	-	-	6,790	-	6,790	-	6,790
Forward exchange contracts	-	455	-	-	455	-	455	-	455
	<u>18,376</u>	<u>3,276</u>	<u>-</u>	<u>-</u>	<u>21,652</u>	<u>-</u>	<u>21,652</u>	<u>-</u>	<u>21,652</u>
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Financial liabilities not measured at fair value									
Islamic bank financing	-	-	-	793,769	793,769	-	-	-	-
Interest bearing bank financing	-	-	-	1,030,925	1,030,925	-	-	-	-
Trade and other payables	-	-	-	720,754	720,754	-	-	-	-
Due to related parties	-	-	-	44,760	44,760	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,590,208</u>	<u>2,590,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====	=====	=====	=====	=====	=====

*FVTPL : Fair value through profit or loss

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six month period ended 30 June 2019 (unaudited)

28 Financial instruments (continued)

Accounting classifications and fair values (continued)

	-----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 swaps used for hedging	5,505	-	-	-	5,505	-	5,505	-	5,505
Other currency and interest rate swaps	-	790	-	-	790	-	790	-	790
	<u>5,505</u>	<u>790</u>	<u>-</u>	<u>-</u>	<u>6,295</u>	<u>-</u>	<u>6,295</u>	<u>-</u>	<u>6,295</u>
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Financial assets not measured at fair value									
Long term receivables	-	-	33,352	-	33,352	-	-	-	-
Trade and other receivables	-	-	1,032,767	-	1,032,767	-	-	-	-
Due from related parties	-	-	112,630	-	112,630	-	-	-	-
Bank balances and cash	-	-	324,109	-	324,109	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,502,858</u>	<u>-</u>	<u>1,502,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Financial liabilities measured at fair value									
Commodity derivatives used for hedging	3,701	-	-	-	3,701	-	3,701	-	3,701
Forward exchange contracts	-	426	-	-	426	-	426	-	426
	<u>3,701</u>	<u>426</u>	<u>-</u>	<u>-</u>	<u>4,127</u>	<u>-</u>	<u>4,127</u>	<u>-</u>	<u>4,127</u>
	=====	=====	=====	=====	=====	=====	=====	=====	=====
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	-	-	-	681,207	681,207	-	-	-	-
Due to related parties	-	-	-	49,514	49,514	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,483,723</u>	<u>2,483,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====	=====	=====	=====	=====	=====

R.A.K Ceramics PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six month period ended 30 June 2019 (unaudited)

29 Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated statement of profit or loss for the six months period ended 30 June 2019 and 2018.

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 6 August 2019.