



Condensed Consolidated
Interim Financial Information

30 June 2021

RAK Ceramics PJSC and its Subsidiaries

Condensed consolidated interim financial information
30 June 2021

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On financial performance during the six month period ending 30 June 2021

03 August 2021

Dear Members,

It is our pleasure to present the business & operations report for the six month period ending 30 June 2021, along with the consolidated interim financial information for the Group as on 30 June 2021.

Snapshots:

- Total revenue in Q2 2021 increased by 70.4% year on year to AED 700.8 million
- Q2 2021 reported net profit stands at AED 94.9 million, compared to a loss of AED -19.8 million in Q2 2020
- Total gross profit margin reached an all-time high in Q2 2021 increasing by 9.6% year on year to 38.1%.
- Q2 2021 total EBITDA is AED 129.9 million, compared to AED 40.5 million in Q2 2020
- Net debt decreased by AED 125 million in Q2 2021 to AED 1.02 billion, and net debt to EBITDA ratio decreased to 2.04x
- The board proposed the distribution of a semi-annual dividend amounting to 10 fils per share for H1 2021, subject to regulatory and statutory approvals

Q2 2021 performance reflects strong growth trajectory

Operations across all of RAK Ceramics' core markets continued to improve, leading to a revenue increase of 70.4% in Q2 2021 to AED 700.8 million when compared to Q2 2020. Total revenue for Q2 2021 surpassed pre-pandemic levels, increasing by 5% when compared to Q2 2019 driven by growth in all core markets. Q2 2021 reported net profit stands at AED 94.9 million after considering a one-time net gain from sale of china assets and after writing off excess rent from a leased hotel. Q2 2021 reported net profit is 29.3% higher than pre-pandemic levels in Q2 2019, indicating steady growth of the business. Operational efficiencies and increased revenue led to higher cash profits, enabling RAK Ceramics to make a significant reduction in net debt during the period. In addition, the Board has proposed a dividend of 10 fils per share for H1 2021. The dividend will be paid subject to regulatory and statutory approvals.

Operational efficiencies yield results leading to an all-time high

In Q2 2021 total gross profit margin reached an all-time high, increasing by +960bps year on year to 38.1% and by +310bps quarter on quarter due to improved efficiencies and reduction in costs across all production plants. In 2020, gross profit margin was impacted due to COVID-19 lockdowns.

Revenue growth in key markets

Q2 2021 revenue grew by 114.2% in Saudi Arabia, 142.6% in India, 214% in Bangladesh, 75.5% in Europe and 3.9% in the UAE, when compared to the same period in 2020, when lockdowns impacted operations. In **Saudi Arabia**, RAK Ceramics has established itself as a premium provider of ceramic products. The Kingdom is now a key market for RAK Ceramics and will continue to play a role in the company's long-term growth strategy. In **India and Bangladesh**, the second wave of COVID-19 induced lockdowns restricted the movement of goods and subsequently impacted revenue growth. In **Europe**, the business continued to grow driven by revenue from the UK and Central Europe, supported by ongoing cost control measures. In the **UAE**, production reached its highest level in 5 years due to increased demand from Saudi Arabia. The company continued to implement operational efficiencies in its UAE production plants, which led to all-time high gross profit margin.

Early signs of recovery in the tableware business

Revenue from the tableware business increased by 160.2% year on year, reflecting early signs of recovery. In 2020, the tableware business was impacted due to decreased demand from the airline and hospitality sector, which have now begun to recover.

Sale of assets in China

RAK Ceramics shut down the production facility in China in 2015. In Q2 2021, the Company sold the remaining assets in China, generating a gain of AED 50.1 million.

Financial highlights for the six month period ending 30 June 2021

Particulars	Unit	Six month period to 30 June 2021	Six month period to 30 June 2020	Change
Total Revenue	AED Mio	1,423.5	1,004.1	41.8%
Gross Profit	AED Mio	520.0	311.0	67.2%
GP Margin	%	36.5%	31.0%	550bps
EBITDA	AED Mio	256.0	135.7	88.6%
EBITDA Margin	%	18.0%	13.5%	450bps
Reported Net Income/ (loss)	AED Mio	157.6	10.5	1401.2%
Reported Net Income/ (loss) margin	%	11.1%	1.0%	1010bps
Net income before one-off, provisions & strategic gains	AED Mio	146.8	22.6	550.1%
Net income margin before one-off, provisions & strategic gains	%	10.3%	2.2%	806bps
Reported Profit/ (loss) after NCI (Minority)	AED Mio	148.5	14.1	952.8%
Reported Earnings/ (loss) per share	AED	0.15	0.01	-
		30 June 2021	31 December 2020	Change
Total Assets	AED Mio	5,179.0	5,247.5	-1.3%
Share Capital	AED Mio	993.7	993.7	0%
Shareholder's Equity	AED Mio	2,229.4	2,143.0	4.0%
Net Debt	AED Mio	1,016.6	1,229.2	-17.3%
Net Debt / EBITDA	Times	2.0	3.5	-
Cost of Debt	%	3.38%	3.70%	-32bps

CSR activities, exhibitions, sponsorships and awards

- While the exhibitions are on hold worldwide owing to the pandemic, we welcomed to our head-quarter, the first delegation from Israel in the history of the UAE, headed by the Ambassador and the Consul General and the Estonian delegation on occasion of the Estonia-RAK digital technology cooperation 2021.
- Sponsorship of banner campaign in European football leagues – La Liga (Spain), Premier League (UK), Serie A (Italy) where in all 11 matches were broadcasted in the UAE & UK.
- RAK Ceramics Marketing delegation met the Italian Minister of Foreign Affairs in Dubai on the occasion of the official presentation of the Italian Pavilion at the Expo 2020 where RAK Ceramics is a supporter-sponsor of the Italian pavilion.
- the Company won Gold Winners SAP Quality Award – MENA 2020.
- Intense TV & social media visibility & the influencer campaigns in the UAE

Future Outlook


RAK Ceramics implemented measures across its core markets to improve brand visibility, customer service and production efficiency, which have increased revenue and profit, setting the stage for long-term growth. While the recovery in 2021 continues, a close watch is on the situation in India and Bangladesh and on monitoring the health and safety of our employees. Looking ahead for the remainder of 2021, the priority will be to protect the market share, continue to improve overall productivity and efficiency, turnaround the performance of the tableware business.

Financial Reporting

The condensed consolidated interim financial information of the Company, prepared in accordance with International Financial Reporting Standards (IFRS), fairly presents 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 & support in achieving the Company's objectives.

DocuSigned by:

BF39DDA5BA19454
Chairman

03 AUG 2021


Group Chief Executive Officer

**R.A.K. Ceramics P.J.S.C.
and its subsidiaries**

Condensed consolidated interim financial information
for the six months period ended 30 June 2021

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Condensed consolidated interim financial information
30 June 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT

**The Board of Directors
R.A.K. Ceramics P.J.S.C.
Ras Al Khaimah
United Arab Emirates**

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **R. A. K. Ceramics P.J.S.C. (the "Company") and its subsidiaries (together the "Group")**, Ras Al Khaimah, United Arab Emirates, as at 30 June 2021 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, cash flows and changes in equity for the six months 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.

Deloitte & Touche (M.E.)



Signed by:
Mohammad Khamees Al Tah
Registration No. 717
03 August 2021
Sharjah, United Arab Emirates

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Condensed consolidated statement of profit or loss (unaudited)
for the six months and three months period ended 30 June 2021

	Notes	Six months period ended 30 June		Three months period ended 30 June	
		2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Revenue	5	1,423,541	1,004,071	700,770	411,312
Cost of sales	6	(903,511)	(693,052)	(433,918)	(294,020)
Gross profit		520,030	311,019	266,852	117,292
Administrative and general expenses	7	(103,733)	(95,548)	(54,163)	(43,446)
Selling and distribution expenses	8	(261,065)	(191,689)	(135,449)	(87,565)
Other income	26	48,205	27,422	37,756	10,569
Finance costs	9	(45,953)	(48,425)	(18,447)	(23,224)
Finance income	9	11,667	14,373	1,573	6,966
Loss on net monetary position	25	(1,059)	-	(541)	-
Share of profit in equity accounted investees	10	7,705	7,070	4,250	4,154
Profit/(loss) before impairment losses		175,797	24,222	101,831	(15,254)
Impairment loss on trade receivables and due from related parties	7(i)	(10,404)	(12,089)	(4,743)	(6,033)
Profit/(loss) before tax		165,393	12,133	97,088	(21,287)
Tax (expense)/reversal		(7,838)	(1,638)	(2,208)	1,535
Profit/(loss) for the period		157,555	10,495	94,880	(19,752)
<i>Profit/(loss) attributable to:</i>					
Owners of the Company		148,491	14,104	87,817	(11,590)
Non-controlling interests		9,064	(3,609)	7,063	(8,162)
Profit/(loss) for the period		157,555	10,495	94,880	(19,752)
Earnings/(loss) per share					
- basic and diluted (AED)	11	0.15	0.01	0.09	(0.01)

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

R.A.K. Ceramics P.J.S.C. and its subsidiaries

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

for the six months and three months period ended 30 June 2021

	Six months period ended 30 June		Three months period ended 30 June	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Profit/(loss) for the period	157,555	10,495	94,880	(19,752)
Other comprehensive income/(loss)				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Foreign exchange differences on translation of foreign operations	(3,814)	(14,795)	(2,408)	(466)
Cash flow hedges – effective portion of changes in fair value gain/(loss) on hedging instruments	14,035	(39,232)	2,896	5,663
Effects of application of hyperinflation accounting (Note 25)	3,180	-	1,617	-
Total comprehensive income/(loss) for the period	170,956	(43,532)	96,985	(14,555)
<i>Total comprehensive income/(loss) attributable to:</i>				
Owners of the Company	162,786	(38,946)	90,632	(6,390)
Non-controlling interests	8,170	(4,586)	6,353	(8,165)
Total comprehensive income/(loss) for the period	170,956	(43,532)	96,985	(14,555)

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

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Condensed consolidated statement of financial position as at 30 June 2021

	Notes	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Assets			
Non-current assets			
Property, plant and equipment	12	1,097,543	1,152,280
Goodwill	13	120,634	120,561
Right-of-use assets		79,838	77,349
Intangible assets		23,760	27,402
Investment properties	14	922,311	926,159
Investments in equity accounted investees	10	57,809	50,596
Long-term receivables	15(i)	16,454	31,125
Derivative financial assets	18	6,387	4,793
Deferred tax assets		3,790	4,066
Total non-current assets		2,328,526	2,394,331
Current assets			
Inventories	16	1,048,051	1,075,898
Trade and other receivables	15	1,167,712	1,133,900
Due from related parties	17	34,622	29,895
Derivative financial assets	18	1,834	-
Bank deposits with an original maturity of more than three months	19	167,315	143,671
Cash and cash equivalents	19	430,989	469,793
Total current assets		2,850,523	2,853,157
Total assets		5,179,049	5,247,488
Equity and liabilities			
Capital and reserves			
Share capital	20	993,703	993,703
Reserves		1,235,702	1,149,294
Equity attributable to owners of the Company		2,229,405	2,142,997
Non-controlling interests		204,887	206,902
Total equity		2,434,292	2,349,899
Non-current liabilities			
Islamic bank financing	21a(ii)	354,458	415,709
Interest bearing bank financing	21b(ii)	421,012	353,081
Provision for employees' end of service benefits		83,125	78,123
Lease liabilities		54,609	58,913
Derivative financial liabilities	18	8,898	16,118
Deferred tax liabilities		9,039	10,697
Total non-current liabilities		931,141	932,641
Current liabilities			
Islamic bank financing	21a(i)	269,739	402,482
Interest bearing bank financing	21b(i)	569,692	671,350
Trade and other payables	22	700,639	633,877
Due to related parties	17	53,329	35,836
Derivative financial liabilities	18	10,881	22,720
Lease liabilities		26,812	22,737
Provision for taxation		182,524	175,946
Total current liabilities		1,813,616	1,964,948
Total liabilities		2,744,757	2,897,589
Total equity and liabilities		5,179,049	5,247,488

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed consolidated interim financial information presents fairly in all material respects the consolidated financial position, financial performance and cash flows of the Group.

Chairman

BF39DDA6BA19454

03 AUG 2021

Chief Executive Officer

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

R.A.K. Ceramics P.J.S.C. and its subsidiaries
Condensed consolidated statement of cash flows (unaudited)
for the six months period ended 30 June 2021

	Six months period ended 30 June	
	2021	2020
	AED'000	AED'000
Operating activities		
Profit for the period before tax	165,393	12,133
<i>Adjustments for:</i>		
Share of profit in equity accounted investees	(7,705)	(7,070)
Interest expense	23,564	24,750
Profit expense on Islamic bank financing	6,517	10,875
Interest income	(3,148)	(3,864)
Profit on wakala deposits	(67)	(160)
Interest expense on lease liabilities	2,388	2,808
Net change in fair value of derivative financial instruments	(8,452)	8,451
Gain on disposal of property, plant and equipment	(201)	(67)
Gain on acquisition of shares in equity accounted investee	-	(103)
Gain on disposal of assets classified as held for sale	(50,118)	-
Loss on de-recognition of excess lease rent recognized in earlier years	27,184	-
Depreciation of property, plant and equipment	63,675	67,111
Depreciation of investment properties	5,108	5,463
Amortisation of intangible assets	3,741	3,454
Depreciation of right-of-use assets	11,960	13,210
Provision for employees' end-of-service benefits	10,088	7,731
Loss on net monetary position	1,059	-
Allowance for slow moving and obsolete inventories	20,913	12,360
Write-down of cost of finished goods	8,955	14,580
Impairment loss on trade receivables	13,095	12,005
Impairment (reversal)/loss on due from related parties	(2,691)	84
	291,258	183,751
Changes in:		
- inventories	(2,021)	(45,071)
- trade and other receivables (including long-term portion)	(56,367)	55,275
- due from related parties	(2,036)	15,022
- trade and other payables	66,762	4,446
- due to related parties	17,493	(11,678)
Income tax paid	(5,695)	(5,362)
Employees' end-of-service benefits paid	(4,968)	(5,706)
Currency translation adjustments	1,504	1,194
Net cash generated from operating activities	305,930	191,871

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

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Condensed consolidated statement of cash flows (unaudited) (continued)

for the six months period ended 30 June 2021

	Six months period ended 30 June	
	2021	2020
	AED'000	AED'000
Investing activities		
Additions to property, plant and equipment	(33,778)	(47,840)
Proceeds from disposal of property, plant and equipment	1,518	153
Additions to intangible assets	(160)	(3,432)
Additions to investment properties	-	(38)
Dividend received from equity accounted investees	214	136
Interest received	3,148	3,864
Profit received on Wakala deposits	67	160
Acquisition of shares in equity accounted investee	-	(604)
Proceeds from disposal of assets held for sale	69,648	-
(Deposits made)/proceeds on maturity of bank deposits with an original maturity of more than three months	(23,644)	33,059
Net cash generated from/(used in) investing activities	17,013	(14,542)
Financing activities		
Bank financing availed	184,155	-
Bank financing repaid	(126,296)	(119,071)
Islamic bank financing repaid	(97,798)	(71,086)
Repayment of lease liabilities	(17,382)	(21,550)
Short-term bank financing availed	361,057	373,882
Short-term bank financing repaid	(406,479)	(227,931)
Short-term Islamic bank financing availed	189,981	480,999
Short-term Islamic bank financing repaid	(286,177)	(246,067)
Interest paid	(23,564)	(24,750)
Profit paid on Islamic bank financing	(6,517)	(10,875)
Remuneration paid to Board of Directors	(1,850)	(3,700)
Dividend paid	(74,528)	(141,958)
Dividend paid to non-controlling interests	(10,185)	(35,283)
Net cash used in financing activities	(315,583)	(47,390)
Net increase in cash and cash equivalents	7,360	129,939
Cash and cash equivalents at the beginning of the period	366,078	172,295
Net cash and cash equivalents at the end of the period	373,438	302,234
Represented by:		
Cash and cash equivalents	430,989	438,955
Bank overdraft	(57,551)	(136,721)
	373,438	302,234

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

R.A.K. Ceramics P.J.S.C. and its subsidiaries
Condensed consolidated statement of changes in equity (unaudited)
for the six months period ended 30 June 2021

	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 reserve	Capital reserve	Retained earnings	Total reserves			Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2021	993,703	221,667	568,020	(116,913)	(175,012)	(33,814)	82,805	75,040	527,501	1,149,294	2,142,997	206,902	2,349,899
Total comprehensive income/(loss) for the period (unaudited)													
Profit for the period	-	-	-	-	-	-	-	-	148,491	148,491	148,491	9,064	157,555
Other comprehensive income/(loss)													
Foreign exchange differences on translation of foreign operations	-	-	-	(3,512)	592	-	-	-	-	(2,920)	(2,920)	(894)	(3,814)
Changes in cash flow hedges	-	-	-	-	-	14,035	-	-	-	14,035	14,035	-	14,035
Effects of application of IAS 29 (refer Note 25)	-	-	-	-	3,180	-	-	-	-	3,180	3,180	-	3,180
Total comprehensive income/(loss) for the period	-	-	-	(3,512)	3,772	14,035	-	-	148,491	162,786	162,786	8,170	170,956
Other equity movements (unaudited)													
Directors' annual remuneration (refer Note 23(ii))	-	-	-	-	-	-	-	-	(1,850)	(1,850)	(1,850)	-	(1,850)
Transaction with owners (unaudited)													
Dividend paid (refer Note 23(i))	-	-	-	-	-	-	-	-	(74,528)	(74,528)	(74,528)	-	(74,528)
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	-	(10,185)	(10,185)
Balance at 30 June 2021 (unaudited)	993,703	221,667	568,020	(120,425)	(171,240)	(19,779)	82,805	75,040	599,614	1,235,702	2,229,405	204,887	2,434,292

* 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 the financial statements at the corresponding inflation index 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 P.J.S.C. and its subsidiaries

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

for the six months period ended 30 June 2021

	Attributable to owners of the Company										Non-controlling interests (NCI)	Total equity	
	Share capital	Share premium	Legal reserve	Translation reserve	Hyper-inflation reserve	Reserves				Total reserves			Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2020	946,384	221,667	567,053	(120,389)	(183,848)	(14,344)	82,805	75,040	851,949	1,479,933	2,426,317	238,255	2,664,572
Total comprehensive income/(loss) for the period (unaudited)													
Profit/(loss) for the period	-	-	-	-	-	-	-	-	14,104	14,104	14,104	(3,609)	10,495
Other comprehensive income/(loss)													
Foreign exchange differences on translation of foreign operations	-	-	-	(5,716)	(8,102)	-	-	-	-	(13,818)	(13,818)	(977)	(14,795)
Changes in cash flow hedges	-	-	-	-	-	(39,232)	-	-	-	(39,232)	(39,232)	-	(39,232)
Total comprehensive income/(loss) for the period	-	-	-	(5,716)	(8,102)	(39,232)	-	-	14,104	(38,946)	(38,946)	(4,586)	(43,532)
Other equity movements (unaudited)													
Directors' annual remuneration (refer Note 23(ii))	-	-	-	-	-	-	-	-	(3,700)	(3,700)	(3,700)	-	(3,700)
Transaction with owners (unaudited)													
Dividend paid (refer Note 23(i))	-	-	-	-	-	-	-	-	(141,958)	(141,958)	(141,958)	-	(141,958)
Bonus shares issued (refer Note 23(i))	47,319	-	-	-	-	-	-	-	(47,319)	(47,319)	-	-	-
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	-	(35,283)	(35,283)
Balance at 30 June 2020 (unaudited)	993,703	221,667	567,053	(126,105)	(191,950)	(53,576)	82,805	75,040	673,076	1,248,010	2,241,713	198,386	2,440,099

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

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information

for the six months period ended 30 June 2021

1. General information

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

The condensed consolidated interim financial information as at and for the six months period ended 30 June 2021 comprises the financial information of the Company and its subsidiaries (collectively referred to as "Group" and individually as "Group entities") 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, sanitary wares and table wares. The Company and certain Group entities are 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")

The accounting policies 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 2020, and the notes attached thereto, except for the adoption of certain new and revised standards, that became effective in the current period as set out below.

2.1 New and revised IFRSs adopted by the Group

In the current period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2021. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current period but may affect the accounting for the Group's future transactions or arrangements.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to 'Interest Rate Benchmark Reform — Phase 2', that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.

The Group is exposed to the USD LIBOR (1-month & 3-month settings) and GBP LIBOR (3-month settings) [collectively 'IBORs'] interest rate benchmarks within its hedge accounting relationships, which are subject to interest rate benchmark reform. The Group has been closely monitoring the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the IBOR regulators. The regulators have made clear that all LIBOR settings for all currencies will either cease or no longer be representative immediately after the following dates:

- 31 December 2021, for GBP, Euro, Swiss Franc and Japanese Yen LIBOR settings in all tenors, and US Dollar LIBOR 1-week and 2-month settings; and
- 30 June 2023, for US Dollar Overnight, 1-month, 3-month, 6-month and 12-month settings.

None of the Group's USD LIBOR or GBP LIBOR legacy contracts include adequate and robust fallback clauses for a cessation of the referenced benchmark interest rate. Different working groups in the industry are working on fallback language for different instruments and different IBORs, which the Group is monitoring closely and it will look to implement these when appropriate.

For the Group's derivatives, the International Swaps and Derivatives Association's (ISDA) fall-back clauses were made available at the end of 2020 and the Group is in the process of implementing this language into its ISDA agreements.

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

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

2.1 New and revised IFRSs adopted by the Group (continued)

For the Group’s floating rate debt, the Group has started discussions with Banks to change benchmark reference rates and aims to finalize these amendments for GBP contracts during the course of the year and for USD contracts in 2022.

The Group will continue to apply the amendments to IFRS 9 until the end of the uncertainty arising from the interest rate benchmark reforms to which the Group is exposed with respect to the timing and the amount of the underlying cash flows. The Group has assumed that this uncertainty will not end until the Group’s contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. This will, in part, be dependent on the introduction of fallback clauses which have yet to be added to the Group’s contracts and negotiations with lenders.

Below are details of the hedging instruments and the related hedged items that have been or will be subject to transition to alternative benchmark rates, by hedge type. The terms including the maturity and nominal amount of the hedged items listed below match with those of the corresponding hedging instruments.

Instrument type	Maturing in	Nominal amount in original currency (million)	Nominal amount in AED (million)	Hedged item	Transition progress
Cash flow hedges					
Receive 1-month USD LIBOR, pay US dollar fixed interest rates swap	2026-27	USD 65.53	240.74	Bank borrowing in USD	Expected in 2022.
Receive 3-month USD LIBOR, pay US dollar fixed interest rates swap	2022-29	USD 157.40	578.20	Bank borrowing in USD	Expected in 2022.
Receive 3-month GBP LIBOR, pay US dollar fixed interest rates swap	2025	GBP 20.65	104.89	Bank borrowing in GBP	Expected in 2021.
Fair value hedges					
Receive 3-month USD LIBOR, pay EUR fixed interest rates swap	2022	USD 5.40	19.84	Bank borrowing in USD	Expected in 2022.
Total			943.67		

In the case of derivatives, transition is expected following International Swaps and Derivatives Association protocols.

- Amendments to IFRS 16 to extend the exemption from assessing whether a COVID-19 related rent concession is a lease modification.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on 1 January 2021.

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

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

2.2 New and revised IFRS standards and interpretations but not yet effective

Management do not expect that the adoption of the below standards will have material impact on the condensed consolidated interim financial information.

- IFRS 17 ‘*Insurance Contracts*’ relating to providing a more uniform measurement and presentation approach for all insurance contracts (effective for annual periods beginning after 1 January 2023).
- 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 (effective date deferred indefinitely, early adoption permitted).
- IAS 1 ‘*Presentation of Financial Statements*’ – Amendments on Classifications. Effective for annual period beginning on or after 1 January 2023.
- Amendments relating IAS 16, IAS 37, IFRS 3 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective for annual periods beginning on or after 1 January 2022).
- IFRS 4 relating to amendments regarding the expiry date of the deferral approach. The fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 is now 1 January 2023.
- Amendments to IFRS 9 that clarifies that for the purpose of performing the “10 per cent test” for derecognition of financial liabilities in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. The amendments are effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.
- Amendments regarding Disclosure of Accounting policies (IAS 1 and IFRS practice statement 2), amendments regarding Definition of Accounting estimates IAS 8 and amendments to IAS 12 (effective for annual periods beginning on or after 1 January 2023).

3 Summary of significant accounting policies

Basis of preparation

The 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. Dirhams (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.

The 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 the condensed consolidated interim financial information are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2020.

The condensed consolidated interim financial information does not include all the information required for 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 2020. In addition, results for the six months period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

COVID-19 impact

With the rapid development of the COVID-19 outbreak, the world economy entered an unprecedented public health crisis which has caused considerable global disruption in business activities and everyday life. Many countries adopted extraordinary containment measures with complete or partial lock-downs including restrictions on day to day activities. The Group was proactive in implementing a raft of measures designed to mitigate the impact of Covid-19 and to fully implement governmental regulations and recommendations to ensure the safety and security of staff and provide, to the extent possible, uninterrupted service to its customers.

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

3 Summary of significant accounting policies (continued)

COVID-19 impact (continued)

The Group continues to monitor closely the situation through its crisis management processes and a COVID 19 Command Center, with representation of heads of all departments, and take timely decisions as appropriate.

Management has considered the unique circumstances of the global pandemic that could have a material impact on the business operations, assets and liabilities of the Group and has concluded that the main impact on the Group's profitability/ liquidity position could arise from the following possible risks:

- interruption of production,
- supply chain disruptions,
- unavailability of personnel,
- reduction in sales due to closure of projects sites,
- increase in expected credit losses from trade receivables, and
- impairment of non-financial assets (including goodwill).

Management remains wholly satisfied that it is appropriate for the condensed consolidated interim financial information to be prepared on a going concern basis. In some cases, in particular in relation to the carrying values of non-financial assets, which normally require considerable judgement, it is challenging to reliably assess the possible impact during the initial phases of the crisis and whether any potential changes in certain key assumptions are a temporary (in-year) reaction to the consequences of the initial relevant responses to the situation. Accordingly, management will continue to monitor and evaluate the validity of such assumptions at each reporting date and take appropriate actions.

In relation to the six months period ended 30 June 2021, management has concluded that at the date of the approval of the condensed consolidated interim financial information there is no significant impact on the Group's financial position or performance, except for its tableware division where the relevant market recovery is gradual and may take some more time. There were partial lock-downs in India and Bangladesh during the period, when the production lines needed to be shut-down intermittently. However, this did not have a significant impact in those markets.

In relation to the six months period ended 30 June 2020, the construction industry in the UAE continued to operate and the Group's production lines in the UAE were running throughout the period as they were not subject to many of the restrictions. During that period the shutdown of production in India and Bangladesh only started in the last week of the March 2020 following government regulation and it resumed by the first week of June 2020. Accordingly, management considered the potential impact of the crisis on the Group's condensed consolidated statement of financial position at 30 June 2020.

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 audited annual consolidated financial statements for the year ended 31 December 2020.

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

5. Revenue

	Six months period ended 30 June		Three months period ended 30 June	
	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)
Sale of goods	1,420,092	994,494	699,265	409,071
Others	3,449	9,577	1,505	2,241
	1,423,541	1,004,071	700,770	411,312

The Group derives its revenue from contracts with customers for transfer of goods at a point in time.

6. Cost of sales

	Six months period ended 30 June		Three months period ended 30 June	
	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)
Raw materials consumed	403,305	298,726	196,820	120,202
Change in inventory of finished goods	48,482	9,912	11,005	13,794
Allowance for slow moving inventories	20,913	12,360	3,706	7,840
Direct labor	102,067	92,542	53,852	41,248
Power and fuel	65,766	51,545	34,154	18,236
LPG and natural gas	90,605	73,235	46,838	25,169
Depreciation of property, plant and equipment	53,467	55,310	26,338	27,908
Depreciation of right-of-use assets	25	87	12	50
Repairs and maintenance expense	49,482	37,413	25,075	15,357
Packing material expenses	51,466	36,969	25,949	13,068
Others	17,933	24,953	10,169	11,148
	903,511	693,052	433,918	294,020

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

7. Administrative and general expenses

	Six months period ended 30 June		Three months period ended 30 June	
	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)
Staff salaries and other associated costs	47,636	42,578	24,477	19,887
Depreciation of property, plant and equipment	6,223	8,139	3,026	3,602
Depreciation of investment properties	5,108	5,463	2,589	2,725
Depreciation of right-of-use assets	357	938	187	470
Amortization of intangible assets	3,741	3,454	1,871	1,683
Telephone, postal and office supplies	2,532	2,193	1,462	1,079
Repairs and maintenance expenses	2,485	2,087	1,199	898
Legal and professional fees	6,410	7,515	3,965	1,835
Utility expenses	2,048	1,876	1,148	938
Security charges	1,244	1,020	905	639
Information technology licenses and consultancy expenses	6,288	4,598	2,399	2,085
Expenses on investment properties	3,699	4,136	2,126	2,044
Others	15,962	11,551	8,809	5,561
	103,733	95,548	54,163	43,446

7(i) Impairment loss on trade receivables and due from related parties

	Six months period ended 30 June		Three months period ended 30 June	
	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)
Impairment loss on trade receivables	13,095	12,005	7,449	5,974
Impairment (reversal)/loss on due from related parties	(2,691)	84	(2,706)	59
	10,404	12,089	4,743	6,033

8. Selling and distribution expenses

	Six months period ended 30 June		Three months period ended 30 June	
	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)
Staff salaries and other associated costs	65,223	60,726	33,460	26,488
Freight and transportation	135,765	66,374	73,000	34,261
Agents' commission	15,781	13,546	8,635	7,306
Advertisement and promotions expense	16,927	23,726	6,939	6,352
Rental expenses	1,768	1,864	825	803
Travel and entertainment expenses	700	1,552	357	318
Depreciation of property, plant and equipment	3,985	3,662	2,020	2,141
Depreciation of right-of-use assets	11,578	12,185	5,991	5,864
Others	9,338	8,054	4,222	4,032
	261,065	191,689	135,449	87,565

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

9. Finance costs and income

	Six months period ended 30 June		Three months period ended 30 June	
	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)
Finance costs				
Interest on bank financing	23,538	24,750	11,408	13,185
Profit expense on Islamic bank financing	6,517	10,875	2,936	5,016
Interest on amount due to related parties	26	-	12	8
Interest expense on lease liabilities	2,388	2,808	1,188	1,604
Net change in the fair value of derivatives	-	8,451	1,591	2,804
Bank charges	1,653	1,541	961	607
Net foreign exchange loss	11,831	-	351	-
Total (A)	45,953	48,425	18,447	23,224
Finance income				
Interest on bank deposits	3,148	3,864	1,550	1,924
Profit on wakala deposits	67	160	23	52
Net change in the fair value of derivatives	8,452	-	-	-
Net foreign exchange gain	-	10,349	-	4,990
Total (B)	11,667	14,373	1,573	6,966
Net finance costs (A-B)	34,286	34,052	16,874	16,258

10. Investments in equity accounted investees

The Group's share of profit in equity accounted investees for the six months period ended 30 June 2021 amounted to AED 7.71 million (unaudited) (six months period ended 30 June 2020 (unaudited): AED 7.07 million).

The Group has received AED 0.21 million (unaudited) as dividends during the current period from its equity accounted investee (six months period ended 30 June 2020 (unaudited): AED 0.14 million).

During the period ended 30 June 2020, the Group acquired a 25% equity interest in Naranjee Hirjee Hotel Supplies LLC (Oman), at a total consideration of AED 0.60 million resulting in the gain on acquisition amounting to AED 0.10 million.

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

11. Earnings/(loss) per share

	Six months period ended 30 June		Three months period ended 30 June	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Profit/(loss) attributable to the owners of the Company (AED'000)	148,491	14,104	87,817	(11,590)
Weighted average number of ordinary shares ('000s)	993,703	993,703	993,703	993,703
Basic and diluted earnings/(loss) per share (AED)	0.15	0.01	0.09	(0.01)

There was no dilution effect on the basic earnings/(loss) per share as the Company does not have any such outstanding share commitments as at the reporting date.

12. Property, plant and equipment

Additions, disposals and depreciation (unaudited)

During the six months period ended 30 June 2021, the Group has acquired property, plant and equipment and made additions to capital work in progress amounting to AED 33.78 million (six months period ended 30 June 2020: AED 47.84 million).

Property, plant and equipment with a carrying amount of AED 1.32 million were disposed of during the current period (six months period ended 30 June 2020: AED 0.09 million) resulting in a gain on disposal of AED 0.2 million (gain on disposal, six months period ended 30 June 2020: AED 67 thousand) 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 63.68 million (six months period ended 30 June 2020: AED 67.11 million). Below is the breakdown of property, plant and equipment inside and outside the U.A.E:

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Inside U.A.E	722,727	737,309
Outside U.A.E	374,816	414,971
	1,097,543	1,152,280

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

13. Goodwill

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Opening balance	120,561	120,378
Effects of movements in exchange rate	73	183
Closing balance	120,634	120,561

Goodwill comprises AED 50.4 million, AED 5.5 million, AED 6.2 million, and AED 58.5 million recognized on acquisition, respectively of Ceramin FZ LLC, RAK Ceramics UK Limited, RAK Distribution Europe S.A.R.L, and the entities in Saudi Arabia namely ARK International Trading Company Limited (AED 27.0 million), and RAK Saudi LLC (AED 31.5 million).

During the period, Management has performed an analysis of the sensitivity of the impairment test to changes in key assumptions used to determine the recoverable amount of each cash generating unit to which goodwill is allocated and concluded that no indicators of impairment have been identified.

14. Investment properties

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Inside U.A.E	879,811	884,408
Outside U.A.E	42,500	41,751
	922,311	926,159

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

The fair value of the Group's investment properties as at 31 December 2020 (audited) amounted to AED 1,049.96 million and was arrived at on the basis of valuations carried out by external valuers who had appropriate market experience in the valuation of properties. Management estimates that the changes in the fair value of investment properties, if any will still not result in an impairment of the carrying amount as at 30 June 2021.

Investment properties are classified as Level 3 in the fair value hierarchy as at 30 June 2021 (31 December 2020: Level 3).

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

15. Trade and other receivables

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Trade receivables	1,028,949	1,029,676
Less: Allowance for expected credit loss	(224,096)	(226,655)
Subtotal (A)	804,853	803,021
Other receivables	146,495	123,833
Less: Allowance for expected credit loss	(8,866)	(8,866)
Subtotal (B)	137,629	114,967
Advances and prepayments (C)	195,751	186,427
Deposits (D)	29,479	29,485
Total (A+B+C+D)	1,167,712	1,133,900

(i) Long-term receivables

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Trade receivables	3,456	3,805
Less: Allowance for expected credit loss	(310)	(452)
	3,146	3,353
Less : current portion included in trade receivables	(466)	(583)
Long-term trade receivables (A)	2,680	2,770
Other receivables	108,109	107,995
Less : Allowance for expected credit loss	(26,375)	(26,375)
	81,734	81,620
Less: current portion included in other receivables	(67,960)	(53,265)
Long-term other receivables (B)	13,774	28,355
Long-term receivables (A+B)	16,454	31,125

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

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

16. Inventories

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Finished goods (net of net realizable value adjustments)	836,870	882,886
Less : Allowance for slow moving inventories	(132,000)	(124,139)
Subtotal (A)	704,870	758,747
Raw materials	167,526	174,640
Stores and spares	187,824	192,847
	355,350	367,487
Less : Allowance for slow-moving inventories	(72,688)	(88,033)
Subtotal (B)	282,662	279,454
Goods-in-transit (C)	39,615	20,416
Work-in-progress (D)	20,904	17,281
Total (A+B+C+D)	1,048,051	1,075,898

At 30 June 2021, the Group has recognized a cumulative loss due to write-down of finished goods inventories of AED 159.98 million against cost of AED 422.91 million (31 December 2020 (audited): AED 151.30 million against cost of AED 366.80 million) to bring it to its net realizable value which was lower than the cost. The difference in the write down of AED 8.95 million (unaudited) (six months period ended 30 June 2020 (unaudited): AED 14.58 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.

17. Related party balances and transactions

The transactions of the Group with its related parties are at arm's length. 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 months period ended 30 June		Three months period ended 30 June	
	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)
Sale of goods and services and construction contracts	54,108	36,097	24,626	7,145
Purchase of goods and rendering of services	137,735	109,265	80,420	48,080
Interest expense (refer note 9)	26	-	12	8

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

17. Related party balances and transactions (continued)

Key management personnel compensation

The remuneration of Directors and other key management personnel of the Group during the period were as follows:

	Six months period ended 30 June		Three months period ended 30 June	
	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)
Short-term benefits	4,869	4,673	2,472	2,159
Staff terminal benefits	129	127	71	64
Board of Directors' remuneration	1,850	3,700	-	-

Due from related parties

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Equity accounted investees	44,062	43,530
Other related parties	30,852	32,164
	74,914	75,694
Less : Allowance for expected credit loss	(40,292)	(45,799)
	34,622	29,895

Due to related parties

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Equity accounted investees	7,036	4,905
Other related parties	46,293	30,931
	53,329	35,836

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

18. 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 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Non-current		
Derivative financial assets		
Other currency and interest rate swaps	6,387	4,793
	6,387	4,793
Non-current		
Derivative financial liabilities		
Interest rate swaps used for hedging	8,898	16,118
	8,898	16,118
Current		
Derivative financial assets		
Forward exchange contracts	1,834	-
	1,834	-
Current		
Derivative financial liabilities		
Interest rate swaps used for hedging	10,881	16,305
Commodity derivative used for hedging	-	1,391
Forward exchange contracts	-	5,024
	10,881	22,720

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

19. Bank balances and cash

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Cash in hand	2,089	1,687
Cash at bank		
- in bank deposits with an original maturity of less than three months	39,563	89,576
- in Wakala deposits with an original maturity of less than three months	25,000	45,000
- in current accounts	340,204	313,727
- in margin deposits	4,793	11,409
- in call accounts	19,523	8,577
Cash and cash equivalents	431,172	469,976
Less : Allowance for expected credit loss	(183)	(183)
Cash and cash equivalents (A)	430,989	469,793
Bank deposits with an original maturity of more than three months (B)	167,315	143,671
Bank balances and cash (A+B)	598,304	613,464

Cash in hand and cash at bank includes AED 0.6 million (31 December 2020 (audited): AED 0.63 million) and AED 199.73 million (31 December 2020 (audited): AED 145.67 million) respectively, held outside the UAE.

All bank deposits carry interest at normal commercial rates and include AED 0.71 million (31 December 2020 (audited): AED 1.63 million) which are held by bank under lien against bank facilities availed by the Group. Wakala deposits carry profit at rates agreed with Islamic banks and placed with the banks for an original maturity period of less than three months.

Current accounts and margin deposits are non-interest bearing accounts.

20. Share capital

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Authorised, issued and paid up		
170,000,000 shares of AED 1 each paid up in cash	170,000	170,000
823,703,958 shares of AED 1 each issued as bonus shares	823,703	823,703
	993,703	993,703

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

21. Bank financing arrangements

(a) Islamic bank financing

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
(i) Short-term		
Mudaraba facilities (A)	25,000	75,000
Commodity Murabaha facilities (B)	140,857	187,053
Current portion of long-term financing (refer note (ii) below)	103,882	140,429
	269,739	402,482

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
(ii) Long-term – Islamic bank financing		
Commodity Murabaha facilities (B)	217,595	294,401
Ijarah facilities (C)	240,745	261,737
Less : current portion of long-term financing	(103,882)	(140,429)
	354,458	415,709

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Movement:		
Balance as at 1 January	556,138	633,355
Availed during the period/ year	-	75,000
Repaid during the period/ year	(97,798)	(152,217)
Balance as at end of the period/ year	458,340	556,138
Less : current portion included in short-term (refer 21 (a)(i))	(103,882)	(140,429)
	354,458	415,709

The securities provided against these facilities are same as those mentioned in the consolidated financial statements of the Group for the year ended 31 December 2020.

- (A) Mudaraba is a mode of Islamic financing where a contract is entered into by two parties whereby one party (Bank) provides funds to the other party (the Group) who then invest in an activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit.
- (B) In Murabaha Islamic financing, a contract is entered into between two parties whereby one party (Bank) purchases an asset and sells it to another party (the Group), on a deferred payment basis at a pre-agreed profit.
- (C) Ijarah is another mode of Islamic financing where a contract is entered into between two parties whereby one party (Bank) purchases/acquires an asset, either from a third party or from the Group, and leases it to the Group against certain rental payments and for a specific lease period.

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

21. Bank financing arrangements (continued)

(b) Interest bearing bank financing

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
(i) Short-term		
Bank overdraft	57,551	103,715
Short-term loan	284,068	329,490
Current portion of long-term financing (refer note (ii) below)	228,073	238,145
	569,692	671,350
(ii) Long-term bank loans		
Balance as at 1 January	591,226	719,404
Availed during the period/ year	184,155	104,630
Repaid during the period/ year	(126,296)	(232,808)
Balance as at end of the period/ year	649,085	591,226
Less : current portion of long-term financing (refer 21 (b)(i))	(228,073)	(238,145)
	421,012	353,081

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 2020.

22. Trade and other payables

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Trade payables	315,005	283,312
Accrued and other expenses	194,277	175,184
Advance from customers	60,296	53,995
Commission and rebates payable	73,470	65,308
Other payables	57,591	56,078
	700,639	633,877

23. Dividend and Directors' fee

- (i) At the Annual General Meeting (AGM) held on 30 March 2021, the shareholders approved a cash dividend of 7.5 % amounting to AED 74,528 thousand (2020: cash dividend of 15% amounting to AED 141,958 thousand and stock dividend of 5% amounting to AED 47,319 thousand).
- (ii) At the Annual General Meeting (AGM) held on 30 March 2021, the shareholders approved the Directors' remuneration amounting to AED 1,850 thousand for the year ended 31 December 2020 (for the year ended 31 December 2019: AED 3,700 thousand).
- (iii) The Board proposed to distribute semi-annual cash dividend of 10 fils per share for first half of the year 2021 (AED 99,370 thousand), subject to the necessary regulatory and statutory approvals.

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

24. Contingent liabilities and commitments

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Contingent liabilities		
Letters of guarantee	14,076	13,752
Letters of credit	81,909	46,521
Value added tax and other tax contingencies	90,995	94,136
Commitments		
Capital commitments	21,643	20,266

25. Hyperinflationary economy

The Group has a subsidiary in the Islamic Republic of Iran, which did not have material operations during the year ended 31 December 2020 or during the six month period ended 30 June 2021. The total assets of the Iranian subsidiary were 0.59% of the Group's consolidated total assets as at 30 June 2021.

The hyperinflation impact has been calculated by means of conversion factors derived from the Consumer Price Index (CPI). The conversion factors used to restate the financial statements of the subsidiary are as follows:

	Index	Conversion factor
30 June 2021	316.20	1.1269
31 December 2020	280.60	1.4479
31 December 2019	193.80	1.2775
31 December 2018	151.70	1.3558
31 December 2017	111.90	

The above mentioned restatement is affected as follows:

- Hyperinflation accounting was applied as of 1 January 2020;
- The condensed consolidated statement of profit or loss is adjusted at the end of each reporting period using the change in the general price index and is converted at the closing exchange rate of each period (rather than the year to date average rate for non-hyperinflationary economies), thereby restating the year to date condensed consolidated statement of profit or loss accounts both for inflation index and currency conversion;
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the date of the condensed consolidated statement of financial position. Monetary items are money held and items to be recovered or paid in money; and
- Non-monetary assets and liabilities are stated at historical cost (e.g. property plant and equipment, investment properties etc.) and equity of the subsidiary is restated using an inflation index. The hyperinflation impacts resulting from changes in the general purchasing power until 31 December 2020 were reported in Hyperinflation reserve directly as a component of equity and the impacts of changes in the general purchasing power from 1 January 2021 are reported through the condensed consolidated statement of profit or loss in a separate line mentioned as a loss on net monetary position, besides having the impact on depreciation charge for the period.
- The Group has opted not to restate the condensed consolidated statement of profit or loss items published for the first and second quarters of 2020, as permitted by the Standard, and has recognized the effects of restatement for those two quarters, along with the third quarter effect, in full in the 2020 third quarter's condensed consolidated interim financial information.

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

25. Hyperinflationary economy (continued)

The impact of hyperinflationary accounting on the condensed consolidated interim financial information relating to the subsidiary in Iran is as follows:

	1 January 2021 AED'000 (unaudited)	
Impact on condensed consolidated statement of financial position		
Increase in property, plant and equipment		929
Increase in investment properties		1,121
Increase in other assets		1,130
		<hr/> 3,180
<i>Allocated to:</i>		
Increase in opening equity due to cumulative hyperinflation		3,180
		<hr/>
	Six month period ended 30 June 2021 AED'000 (unaudited)	Three month period ended 31 March 2021 AED'000 (unaudited)
Impact on condensed consolidated statement of profit or loss		
Increase in depreciation charge for the period	666	365
Loss on net monetary position	1,059	541
	<hr/> 1,725	<hr/> 906

26. Other income

Other income for the six months period includes

- (i) In March 2021, management entered into agreements to sell the property, plant and equipment including the land use rights of its subsidiary in China and had classified these assets as "Assets held for sale". These assets with a carrying amount of AED 19.53 million have been disposed of during the period ended 30 June 2021 resulting in a gain of AED 50.12 million.
- (ii) During the quarter ended 30 June 2021, the long term operating lease of an investment property leased to a hotel operator was cancelled midway through the lease term. In accordance with the requirements of IFRS, a loss of AED 27.18 million, being the excess of cumulative lease rent recognized as compared to the lease rent due as per the lease agreement, has been recognized for this quarter.

27. Segment reporting

Basis for segmentation

An operating segment is a component of the Group which engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Segment results which are reported to the Company's CEO (chief operating decision maker) include items directly attributable to a segment as well as those which can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

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

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

27. Segment reporting (continued)

<i>Ceramics products</i>	includes manufacture and sale of ceramic wall and floor tiles, gres porcellanato, bath-ware and table ware products.
<i>Other industrial</i>	includes manufacturing and distribution of power, paints, plastics, mines, chemicals, and faucets.
<i>Others</i>	includes security services, material movement, real estate, construction projects and civil works.

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	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
Six months period ended 30 June 2021 (unaudited)					
External revenue	1,367,599	52,493	3,449	-	1,423,541
Intersegment revenue	395,407	59,350	805	(455,562)	-
Segment revenue	1,763,006	111,843	4,254	(455,562)	1,423,541
Segment profit	192,767	10,540	(25,715)	(20,037)	157,555
Segment EBITDA	260,304	13,188	4,214	(21,710)	255,996
As at 30 June 2021 (unaudited)					
Segment assets	6,996,729	190,880	274,134	(2,282,694)	5,179,049
Segment liabilities	3,604,606	73,510	98,725	(1,032,084)	2,744,757
<hr/>					
	Ceramic products AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
Six months period ended 30 June 2020 (unaudited)					
External revenue	950,583	43,911	9,577	-	1,004,071
Intersegment revenue	224,776	37,147	811	(262,734)	-
Segment revenue	1,175,359	81,058	10,388	(262,734)	1,004,071
Segment profit	44,809	9,515	4,976	(48,805)	10,495
Segment EBITDA	167,588	11,697	6,834	(50,406)	135,713
As at 31 December 2020 (audited)					
Segment assets	6,991,837	182,139	311,576	(2,238,064)	5,247,488
Segment liabilities	3,704,481	73,633	110,363	(990,888)	2,897,589

EBITDA is earnings for the period before net interest expense, net profit expense on Islamic financing, income tax expense, depreciation, amortization, gain or loss on sale of assets, loss on de-recognition of excess lease rent recognized in earlier years and impairment loss of investment properties, if any.

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

27. Segment reporting (continued)

Reconciliation of reportable segments

	Six months period ended 30 June	
	2021	2020
	AED'000	AED'000
	(unaudited)	(unaudited)
Total profit for reportable segments	169,887	52,230
Elimination of inter-segment profits	(20,037)	(48,805)
Share of profit of equity accounted investees	7,705	7,070
Reported profit	157,555	10,495

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

28. Financial instruments

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	-----Carrying value-----				-----Fair value-----				
	Fair value hedging instruments AED'000	Mandatory at FVTPL* AED'000	Financial assets at amortised cost AED'000	Financial liabilities at amortised cost AED'000	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
30 June 2021 (unaudited)									
Financial assets measured at fair value									
Other currency and interest rate swaps	-	6,387	-	-	6,387	-	6,387	-	6,387
Forward exchange contracts	-	1,834	-	-	1,834	-	1,834	-	1,834
	-	8,221	-	-	8,221	-	8,221	-	8,221
Financial assets measured at amortised cost									
Long-term receivables	-	-	16,454	-	16,454	-	-	-	-
Trade and other receivables	-	-	971,961	-	971,961	-	-	-	-
Due from related parties	-	-	34,622	-	34,622	-	-	-	-
Bank balances and cash	-	-	598,304	-	598,304	-	-	-	-
	-	-	1,621,341	-	1,621,341	-	-	-	-
Financial liabilities measured at fair value									
Interest rate swaps used for hedging	19,779	-	-	-	19,779	-	19,779	-	19,779
	19,779	-	-	-	19,779	-	19,779	-	19,779
Financial liabilities measured at amortised cost									
Islamic bank financing	-	-	-	624,197	624,197	-	-	-	-
Interest bearing bank financing	-	-	-	990,704	990,704	-	-	-	-
Trade and other payables	-	-	-	640,343	640,343	-	-	-	-
Due to related parties	-	-	-	53,329	53,329	-	-	-	-
Lease Liabilities	-	-	-	81,421	81,421	-	-	-	-
	-	-	-	2,389,994	2,389,994	-	-	-	-

*FVTPL: fair value through profit or loss

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

28. Financial instruments (continued)

Accounting classifications and fair values (continued)

	-----Carrying value-----					-----Fair value-----			
	Fair value hedging instruments AED'000	Mandatory at FVTPL* AED'000	Financial assets at amortised cost AED'000	Financial liabilities at amortised cost AED'000	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2020 (audited)									
Financial assets measured at fair value									
Other currency and interest swaps	-	4,793	-	-	4,793	-	4,793	-	4,793
	-	4,793	-	-	4,793	-	4,793	-	4,793
Financial assets measured at amortised cost									
Long-term receivables	-	-	31,125	-	31,125	-	-	-	-
Trade and other receivables	-	-	947,473	-	947,473	-	-	-	-
Due from related parties	-	-	29,895	-	29,895	-	-	-	-
Bank balances and cash	-	-	613,464	-	613,464	-	-	-	-
	-	-	1,621,957	-	1,621,957	-	-	-	-
Financial liabilities measured at fair value									
Commodity derivatives used for hedging	1,391	-	-	-	1,391	-	1,391	-	1,391
Interest rate swaps used for hedging	32,423	-	-	-	32,423	-	32,423	-	32,423
Forward exchange contracts	-	5,024	-	-	5,024	-	5,024	-	5,024
	33,814	5,024	-	-	38,838	-	38,838	-	38,838
Financial liabilities measured at amortised cost									
Islamic bank financing	-	-	-	818,191	818,191	-	-	-	-
Interest bearing bank financing	-	-	-	1,024,431	1,024,431	-	-	-	-
Trade and other payables	-	-	-	579,882	579,882	-	-	-	-
Due to related parties	-	-	-	35,836	35,836	-	-	-	-
Lease liabilities	-	-	-	81,650	81,650	-	-	-	-
	-	-	-	2,539,990	2,539,990	-	-	-	-

R.A.K. Ceramics P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2021

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 2021 and 2020. The impact of the Covid-19 pandemic is described in Note 3.

30. Approval of the condensed consolidated interim financial information

This condensed consolidated interim financial information was approved by the Board of Directors and authorized for issue on 03 August 2021.