



Condensed Consolidated
Interim Financial Information

30 June 2020

RAK Ceramics PJSC and its Subsidiaries

Condensed consolidated interim financial information
30 June 2020

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on financial performance during the six months period ending 30 June 2020
10 August 2020

Dear Members,

It is our pleasure to present the business & operations report for the six months period ending 30 June 2020, along with the condensed consolidated interim financial information for the same period.

Amid COVID 19 pandemic, the total revenue decreased by 20.6% year on year to AED 1,004.1 million due to national lockdowns in India, Bangladesh and Europe. The decrease in revenue and the shutdown costs impacted gross profit margins and the bottom line to remain positive at AED 10.5 million. Total EBITDA remained positive at AED 135.7 million.

COVID-19 impact on revenue

RAK Ceramics' revenue in all markets except Saudi Arabia was negatively impacted due to COVID-19 in the second quarter of 2020. There was a decrease in revenue in April and May as the business began to feel the impact of lockdowns and reduced demand in the construction, hospitality and airline industries. The decrease in revenue had an impact on the bottom line and there is reported net loss of AED 11.6 million, after minority, for the second quarter of 2020. The decrease in revenue also had an impact on gross profit margins, due to AED 25 million of unabsorbed fixed costs driven by the temporary shutdown of production plants. However, as economies began to reopen in June, revenues have started to recover and the company saw a surge in demand from Saudi Arabia and Bangladesh.

Early signs of recovery across global operations

RAK Ceramics' implementation of operational measures to mitigate the impact of COVID-19 has resulted in early signs of recovery from June 2020 onwards across the business. Production has restarted in Bangladesh and India in June and July in phases; however, the tableware business has been severely impacted due to the slowdown in the hospitality and airline industries and is currently operating at 65% capacity. In the UAE, production lines were optimised to meet demand. From July, UAE production began running at optimal capacity due to an increase in demand from Saudi Arabia.

Growth in Saudi Arabia

The imposition of anti-dumping duties on tiles imported from India and China and the reopening of Saudi borders in June supported increased demand for RAK Ceramics products. The company was able to successfully meet demand by scaling up the production in the UAE and transporting products across the borders.

Financial highlights for the six months period ending 30 June 2020

Particulars	Unit	30 June 2020	30 June 2019	Change
Total Revenue	AED Mio	1,004.1	1,265.3	-20.6%
Gross Profit	AED Mio	311.0	417.9	-25.6%
GP Margin	%	31.0%	33.0%	-200bps
EBITDA	AED Mio	135.7	239.7	-43.4%
EBITDA Margin	%	13.5%	18.9%	-540bps
Reported Net Income	AED Mio	10.5	110.3	-90.5%
Reported Net Income margin	%	1.0%	8.7%	-770bps
Net income before one-off, provisions & strategic gains	AED Mio	22.6	90.4	-75%
Net income margin before one-off, provisions & strategic gains	%	2.2%	7.1%	-490bps
Reported Profit after NCI (Minority)	AED Mio	14.1	90.2	-84.4%
Reported Earnings per share	AED	0.01	0.09	-
		as at 30 June 2020	as at 31 December 2019	Change
Total Assets	AED Mio	5,558.9	5,486.8	1.3%
Share Capital	AED Mio	993.7	946.4	5%
Shareholder's Equity	AED Mio	2,241.7	2,426.3	-7.6%
Net Debt	AED Mio	1,468.1	1,374.3	6.8%
Net Debt / EBITDA	Times	3.9	2.9	-
Cost of Debt	%	3.3%	4.2%	-90bps

CSR activities, exhibitions, sponsorships and awards

During the six month period, the Company participated in KBB exhibition in the UK and Revestir exhibition in Brazil and exhibited its latest range of products and innovations.

Future Outlook

In the month of June 2020, we began to see signs of recovery in revenue as borders opened and economies restarted. The business in Saudi Arabia contributed to overall revenue recovery, as the implementation of anti-dumping duties on tiles from India and China led to an increase in demand for our products. In Europe, revenue improved month by month despite continued lockdowns in the UK and Italy. Looking ahead, the priority will be to continue to manage the impact of COVID-19 by protecting the market share in the UAE, Bangladesh and in India, driving growth in Saudi Arabia, and investing in the brand.

New members on the Board of Directors

Members of the Board welcome Mr. Yousef Ali and Mr. Khalid Al Eisiri who have been appointed as members of the board effective till February 2021. They will replace Sheikh Ahmed Bin Humaid Al Qassimi and Mr. Khalid Al Yahmadi following their resignation from their positions as members of the board.

Financial Reporting

The condensed consolidated financial information of the Company, prepared in accordance with International Financial Reporting Standards (IFRSs), 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.



Chairman

10 AUG 2020



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 2020*

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

Condensed consolidated interim financial information
30 June 2020

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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 P.J.S.C. (the "Company") and its subsidiaries (together the "Group")**, Ras Al Khaimah, United Arab Emirates, as at 30 June 2020 and the related condensed consolidated statements of profit or loss, profit or loss and 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
10 August 2020
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 2020

	Notes	Six months period ended 30 June		Three months period ended 30 June	
		2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
Revenue	5	1,004,071	1,265,310	411,312	656,074
Cost of sales	6	(693,052)	(847,374)	(294,020)	(430,669)
Gross profit		311,019	417,936	117,292	225,405
Administrative and general expenses	7	(95,548)	(109,140)	(43,446)	(55,778)
Impairment (loss)/reversal on trade receivables and due from related parties	7(i)	(12,089)	19,835	(6,033)	21,056
Selling and distribution expenses	8	(191,689)	(202,021)	(87,565)	(108,137)
Other income		27,422	23,535	10,569	12,623
Operating profit/(loss)		39,115	150,145	(9,183)	95,169
Finance costs	9	(48,425)	(43,763)	(23,224)	(23,910)
Finance income	9	14,373	2,835	6,966	3,243
Share of profit in equity accounted investees	10	7,070	6,457	4,154	2,751
Profit/(loss) before tax		12,133	115,674	(21,287)	77,253
Income Tax		(1,638)	(5,407)	1,535	(3,896)
Profit/(loss) for the period		10,495	110,267	(19,752)	73,357
<i>Profit/(loss) attributable to:</i>					
Owners of the Company		14,104	90,171	(11,590)	61,160
Non-controlling interests		(3,609)	20,096	(8,162)	12,197
Profit/(loss) for the period		10,495	110,267	(19,752)	73,357
Earnings/(loss) per share					
- basic and diluted (AED)	11	0.01	0.09	(0.01)	0.06

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 profit or loss and other comprehensive income (unaudited)

for the six months and three months period ended 30 June 2020

	Six months period ended 30 June		Three months period ended 30 June	
	2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
Profit/(loss) for the period	10,495	110,267	(19,752)	73,357
Other comprehensive (loss)/income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Foreign exchange differences on translation of foreign operations	(14,795)	(75,915)	(466)	(3,309)
Cash flow hedges – effective portion of changes in fair value loss on hedging instruments	(39,232)	(15,337)	5,663	(15,284)
Total comprehensive (loss)/income for the period	(43,532)	19,015	(14,555)	54,764
<i>Total comprehensive (loss)/income attributable to:</i>				
Owners of the Company	(38,946)	407	(6,390)	43,428
Non-controlling interests	(4,586)	18,608	(8,165)	11,336
Total comprehensive (loss)/income for the period	(43,532)	19,015	(14,555)	54,764

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 financial position
as at 30 June 2020

	Notes	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Assets			
Non-current assets			
Property, plant and equipment	12	1,121,472	1,153,992
Goodwill	13	119,989	120,378
Right-of-use assets		88,227	83,264
Intangible assets		26,781	25,833
Investment properties	14	1,169,216	1,176,393
Investments in equity accounted investees	10	47,755	40,042
Long-term receivables	15(i)	54,821	65,724
Deferred tax assets		4,441	3,966
Total non-current assets		2,632,702	2,669,592
Current assets			
Inventories	16	1,231,608	1,213,477
Trade and other receivables	15	1,126,037	1,178,973
Due from related parties	17	22,257	37,363
Derivative financial assets	18	973	4,319
Bank balances and cash	19	545,369	383,049
Total current assets		2,926,244	2,817,181
Total assets		5,558,946	5,486,773
Equity and liabilities			
Capital and reserves			
Share capital	20	993,703	946,384
Reserves		1,248,010	1,479,933
Equity attributable to owners of the Company		2,241,713	2,426,317
Non-controlling interests		198,386	238,255
Total equity		2,440,099	2,664,572
Non-current liabilities			
Islamic bank financing	21a(ii)	417,890	497,498
Interest bearing bank financing	21b(ii)	371,304	486,071
Provision for employees' end of service benefits		85,463	83,865
Lease liabilities		65,927	68,691
Deferred tax liabilities		7,682	8,413
Total non-current liabilities		948,266	1,144,538
Current liabilities			
Islamic bank financing	21a(i)	530,486	287,032
Interest bearing bank financing	21b(i)	693,789	486,702
Trade and other payables	22	660,645	656,199
Due to related parties	17	26,662	38,340
Derivative financial liabilities	18	59,970	15,633
Lease liabilities		27,424	23,075
Provision for taxation		171,605	170,682
Total current liabilities		2,170,581	1,677,663
Total liabilities		3,118,847	2,822,201
Total equity and liabilities		5,558,946	5,486,773

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

10 AUG 2020



Chief Executive Officer

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 cash flows (unaudited)
for the six months period ended 30 June 2020

	Six months period ended 30 June	
	2020	2019
	AED'000	AED'000
Operating activities		
Profit for the period before tax	12,133	115,674
<i>Adjustments for:</i>		
Share of profit in equity accounted investees	(7,070)	(6,457)
Interest expense	24,750	25,295
Profit expense on Islamic bank financing	10,875	11,689
Interest income	(3,864)	(2,321)
Profit on wakala deposits	(160)	(171)
Interest expense on lease liabilities	2,808	2,846
Net change in fair value of derivative financial instruments	8,451	2,466
Gain on disposal of property, plant and equipment	(67)	(448)
Gain on acquisition of shares in equity accounted investee	(103)	-
Depreciation on property, plant and equipment	67,111	68,319
Depreciation on investment properties	5,463	5,213
Amortisation of intangible assets	3,454	2,999
Depreciation of right-of-use assets	13,210	10,673
Provision for employees' end-of-service benefits	7,731	9,673
Allowance for slow moving and obsolete inventories	12,360	13,127
Write-down of cost of finished goods	14,580	8,471
Impairment loss on trade receivables	12,005	3,278
Impairment loss/(reversal) on due from related parties	84	(23,113)
	183,751	247,213
Changes in:		
- inventories	(45,071)	(20,377)
- trade and other receivables (including long-term portion)	55,275	(482)
- due from related parties	15,022	92,678
- trade and other payables	4,446	35,285
- due to related parties	(11,678)	(4,754)
Income tax paid	(5,362)	(9,190)
Employees' end-of-service benefits paid	(5,706)	(7,920)
Currency translation adjustments	1,194	(34,438)
Net cash generated from operating activities	191,871	298,015

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 cash flows (unaudited) (continued)

for the six months period ended 30 June 2020

	Six months period ended 30 June	
	2020 AED'000	2019 AED'000
Investing activities		
Additions to property, plant and equipment	(47,840)	(106,630)
Proceeds from disposal of property, plant and equipment	153	625
Additions to intangible assets	(3,432)	(1,566)
Additions to investment properties	(38)	(271)
Dividend received from equity accounted investees	136	5,352
Interest received	3,864	2,321
Profit received on Wakala deposits	160	171
Acquisition of shares in equity accounted investee	(604)	-
Proceeds on maturity of bank deposits with an original maturity of more than three months	33,059	-
Net cash used in investing activities	(14,542)	(99,998)
Financing activities		
Bank financing availed	-	8,460
Bank financing repaid	(119,071)	(109,020)
Islamic bank financing availed	-	383,203
Islamic bank financing repaid	(71,086)	(171,541)
Repayment of principal and interest on lease liability	(21,550)	(14,565)
Net movement in short-term bank financing	145,951	22,729
Net movement in short-term Islamic bank financing	234,932	(97,528)
Interest paid	(24,750)	(25,295)
Profit paid on Islamic bank financing	(10,875)	(11,689)
Remuneration paid to Board of Directors	(3,700)	(3,700)
Dividend paid	(141,958)	(135,198)
Dividend paid to non-controlling interests	(35,283)	(11,854)
Funds invested by non-controlling interests	-	680
Net cash used in financing activities	(47,390)	(165,318)
Net increase in cash and cash equivalents	129,939	32,699
Cash and cash equivalents at the beginning of the period	172,295	319,834
Net cash and cash equivalents at the end of the period	302,234	352,533
Represented by:		
Cash and cash equivalents	438,955	392,197
Bank overdraft	(136,721)	(39,664)
	302,234	352,533

The accompanying notes form an integral of this 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 2020

	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 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 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 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 P.J.S.C. and its subsidiaries

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

for the six months period ended 30 June 2020

	Attributable to owners of the Company										Non-controlling interests (NCI) AED'000	Total equity AED'000	
	Share capital AED'000	Share premium AED'000	Legal reserve AED'000	Translation reserve AED'000	Hyper-inflation reserve AED'000	Reserves			Capital reserve AED'000	Retained earnings AED'000			Total reserves AED'000
Balance as at 31 December 2018 (audited)	901,318	221,667	553,001	(113,688)	(112,009)	1,804	82,805	63,419	903,095	1,600,094	2,501,412	212,697	2,714,109
Adjustment on application of IFRS 16	-	-	-	-	-	-	-	-	(6,203)	(6,203)	(6,203)	(1,240)	(7,443)
Balance at 1 January 2019 (restated)	901,318	221,667	553,001	(113,688)	(112,009)	1,804	82,805	63,419	896,892	1,593,891	2,495,209	211,457	2,706,666
Total comprehensive income/(loss) for the period (unaudited)													
Profit for the period	-	-	-	-	-	-	-	-	90,171	90,171	90,171	20,096	110,267
<i>Other comprehensive income/(loss)</i>													
Foreign exchange differences on translation of foreign operations	-	-	-	(2,390)	(72,037)	-	-	-	-	(74,427)	(74,427)	(1,488)	(75,915)
Changes in cash flow hedges	-	-	-	-	-	(15,337)	-	-	-	(15,337)	(15,337)	-	(15,337)
Total comprehensive income/(loss) for the period	-	-	-	(2,390)	(72,037)	(15,337)	-	-	90,171	407	407	18,608	19,015
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))	-	-	-	-	-	-	-	-	(135,198)	(135,198)	(135,198)	-	(135,198)
Bonus shares issued (refer note 23(i))	45,066	-	-	-	-	-	-	-	(45,066)	(45,066)	-	-	-
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	-	(11,854)	(11,854)
Funds invested by NCI	-	-	-	-	-	-	-	-	-	-	-	680	680
Balance as at 30 June 2019 (unaudited)	946,384	221,667	553,001	(116,078)	(184,046)	(13,533)	82,805	63,419	803,099	1,410,334	2,356,718	218,891	2,575,609

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

Notes to the condensed consolidated interim financial information

for the six months period ended 30 June 2020

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 Jazeerah 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 2020 comprises the financial information of the Company and its subsidiaries (collectively referred to as "the Group" and individually as "the 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 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")

The accounting policies used in the preparation of this 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 2019, 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 2020. 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.

- Definition of Material – Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.
- Definition of a Business – Amendments to IFRS 3 'Business Combinations'
- Amendments to *References to the Conceptual Framework in IFRS Standards*.
- Amendments to IFRS 7 'Financial Instruments: Disclosures' and IFRS 9 'Financial Instruments'.
- Amendment to IFRS 16 'Leases' to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The effective date is 1 June 2020.

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' implementation challenges and those 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 to 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 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.

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 2020

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. 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.

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 2019.

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 2019. In addition, results for the six months period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

COVID-19 impact

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and it spread across the globe causing disruption to businesses and economic activity. Many countries adopted extraordinary containment measures with complete or partial lock-down including restrictions on the day to day activities of citizens except those deemed to be in essential roles. 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. The Group established a COVID 19 Command Center to closely monitor the situation and take timely decisions as part of its crisis management procedure.

In reporting results for first quarter of year 2020, management had considered the unique circumstances of the global pandemic that have a material impact on the business operations, assets and liabilities of the Group and 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).

During the second quarter, 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. Similarly, supplies in the Kingdom of Saudi Arabia, Europe, United Kingdom and Australia continued throughout the quarter amid certain intermittent supply chain issues. The operations in India and Bangladesh had to be shut down in the last week of March 2020 following government regulation and they resumed by the first week of June 2020. Management is satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the Group continues to adopt the going concern basis in preparing 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 (continued)

for the six months period ended 30 June 2020

3. Summary of significant accounting policies (continued)

COVID-19 impact (continued)

Management is continuously monitoring the post COVID-19 situation and will take appropriate actions on a timely basis to respond as necessary. 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 still challenging to reliably assess the possible impact 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 continues to monitor and evaluate the validity of such assumptions at each reporting date and where appropriate, will obtain external valuation advice and record appropriate provisions if required.

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 2019. In the light of current uncertainties resulting from the COVID-19 pandemic, the Group has considered the potential impact in assessing IFRS 9 ECL model based on available information.

5. Revenue

	Six months period ended 30 June		Three months period ended 30 June	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Sale of goods	994,494	1,254,423	409,071	652,599
Others	9,577	10,887	2,241	3,475
	1,004,071	1,265,310	411,312	656,074

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	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Raw materials consumed	298,726	361,452	120,202	181,480
Change in inventory of finished goods	9,912	23,946	13,794	12,511
Allowance for slow moving inventories	12,360	13,127	7,840	6,594
Direct labor	92,542	111,705	41,248	57,261
Power and fuel	51,545	62,773	18,236	32,851
LPG and natural gas	73,235	96,967	25,169	50,490
Depreciation on property, plant and equipment	55,310	55,291	27,908	28,321
Depreciation of right-of-use assets	87	75	50	44
Repairs and maintenance expense	37,413	47,783	15,357	24,461
Packing material expenses	36,969	51,074	13,068	26,651
Others	24,953	23,181	11,148	10,005
	693,052	847,374	294,020	430,669

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 2020

7. Administrative and general expenses

	Six months period ended 30 June		Three months period ended 30 June	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Staff salaries and other associated costs	42,578	49,825	19,887	24,211
Depreciation on property, plant and equipment	8,139	9,531	3,602	4,778
Depreciation on investment properties	5,463	5,213	2,725	2,617
Depreciation of right-of-use assets	938	1,034	470	519
Amortization of intangible assets	3,454	2,999	1,683	1,595
Telephone, postal and office supplies	2,193	2,963	1,079	1,675
Repairs and maintenance expenses	2,087	3,398	898	2,129
Legal and professional fees	7,515	5,299	1,835	2,687
Utility expenses	1,876	2,149	938	1,280
Security charges	1,020	934	639	463
Information technology licenses and consultancy expenses	4,598	5,782	2,085	2,944
Expenses on investment properties	4,136	3,855	2,044	1,937
Others	11,551	16,158	5,561	8,943
	95,548	109,140	43,446	55,778

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

	Six months period ended 30 June		Three months period ended 30 June	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Impairment loss on trade receivables	12,005	3,278	5,974	2,062
Impairment loss/(reversal) on due from related parties	84	(23,113)	59	(23,118)
	12,089	(19,835)	6,033	(21,056)

8. Selling and distribution expenses

	Six months period ended 30 June		Three months period ended 30 June	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Staff salaries and other associated costs	60,726	72,383	26,488	37,511
Freight and transportation	66,374	62,879	34,261	34,242
Agents' commission	13,546	16,682	7,306	9,103
Advertisement and promotions expense	23,726	24,728	6,352	14,311
Rental expenses	1,864	2,220	803	1,131
Travel and entertainment expenses	1,552	2,567	318	1,411
Depreciation on property, plant and equipment	3,662	3,497	2,141	1,994
Depreciation of right-of-use assets	12,185	9,564	5,864	4,880
Others	8,054	7,501	4,032	3,554
	191,689	202,021	87,565	108,137

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 2020

9. Finance costs and income

	Six months period ended 30 June		Three months period ended 30 June	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Finance costs				
Interest on bank financing	24,750	25,282	13,185	13,212
Profit expense on Islamic financing	10,875	11,689	5,016	6,018
Interest on amount due to related parties	-	13	8	6
Interest expense on lease liabilities	2,808	2,846	1,604	1,441
Net change in the fair value of derivatives	8,451	2,466	2,804	2,466
Bank charges	1,541	1,467	607	767
Total (A)	48,425	43,763	23,224	23,910
Finance income				
Interest on bank deposits	3,864	2,321	1,924	1,097
Profit on wakala deposits	160	171	52	32
Net foreign exchange gain	10,349	343	4,990	2,114
Total (B)	14,373	2,835	6,966	3,243
Net finance costs (A-B)	34,052	40,928	16,258	20,667

10. Investments in equity accounted investees

The Group's share of profit in equity accounted investees for the six months period ended 30 June 2020 amounted to AED 7.07 million (unaudited) (six months period ended 30 June 2019 (unaudited): AED 6.46 million).

The Group has received AED 0.14 million (unaudited) as dividends during the current period from its equity accounted investee (six months period ended 30 June 2019 (unaudited): AED 5.35 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 2020

11. Earnings/(loss) per share

	Six months period ended 30 June		Three months period ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Profit/(loss) attributable to the owners of the Company (AED'000)	14,104	90,171	(11,590)	61,160
Weighted average number of ordinary shares ('000s)	993,703	993,703	993,703	993,703
Basic and diluted earnings/(loss) per share (AED)	0.01	0.09	(0.01)	0.06

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 2020, the Group has acquired property, plant and equipment and made additions to capital work in progress amounting to AED 47.84 million (six months period ended 30 June 2019: AED 106.63 million).

Property, plant and equipment with a carrying amount of AED 86 thousand were disposed of during the current period (six months period ended 30 June 2019: AED 0.18 million) resulting in a gain on disposal of AED 67 thousand (gain on disposal, six months period ended 30 June 2019: AED 0.45 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 67.11 million (six months period ended 30 June 2019: AED 68.32 million). Below is the breakdown of property, plant and equipment inside and outside the U.A.E:

	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Inside U.A.E	718,333	730,567
Outside U.A.E	403,139	423,425
	1,121,472	1,153,992

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 2020

13. Goodwill

	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Opening balance	120,378	120,144
Effects of movements in exchange rate	(389)	234
Closing balance	119,989	120,378

Goodwill comprises AED 50.4 million, AED 5.5 million, AED 5.6 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). The operations of RAK Saudi LLC, KSA have been merged with ARK International Trading Company Limited, KSA effective 1 January 2020.

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 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Inside U.A.E	1,125,191	1,130,159
Outside U.A.E	44,025	46,234
	1,169,216	1,176,393

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 2019 (audited) amounted to AED 1,343.50 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 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 2020.

Investment properties are classified as Level 3 in the fair value hierarchy as at 30 June 2020 (31 December 2019: 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 2020

15. Trade and other receivables

	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Trade receivables	1,017,059	1,068,375
Less: Allowance for expected credit loss	(238,659)	(227,318)
	778,400	841,057
Advances and prepayments	187,029	180,172
Deposits	27,564	27,651
Other receivables	133,044	130,093
	1,126,037	1,178,973

(i) Long-term receivables

	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Trade receivables	3,960	4,273
Less: Allowance for expected credit loss	(513)	(665)
	3,447	3,608
Less : current portion included in trade receivables	(505)	(544)
Long-term trade receivables (A)	2,942	3,064
Other receivables	107,819	110,935
Less : Allowance for expected credit loss	(26,375)	(26,375)
	81,444	84,560
Less: current portion included in other receivables	(29,565)	(21,900)
Long-term other receivables (B)	51,879	62,660
Long-term receivables (A+B)	54,821	65,724

The above 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 2020

16. Inventories

	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Finished goods (net of net realizable value adjustments)	937,703	934,808
Less : Allowance for slow moving inventories	(127,294)	(122,151)
Subtotal (A)	810,409	812,657
Raw materials	233,739	211,272
Stores and spares	202,449	194,836
	436,188	406,108
Less : Allowance for slow-moving inventories	(76,924)	(72,024)
Subtotal (B)	359,264	334,084
Goods-in-transit (C)	47,018	47,261
Work-in-progress (D)	14,917	19,475
Total (A+B+C+D)	1,231,608	1,213,477

At 30 June 2020, the Group has recognized a cumulative loss due to write-down of finished goods inventories of AED 125.76 million against cost of AED 387.84 million (31 December 2019 (audited): AED 112.01 million against cost of AED 346.92 million) to bring it to its net realizable value which was lower than the cost. The difference in the write down of AED 14.58 million (unaudited) (six months period ended 30 June 2019 (unaudited): AED 8.47 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 P.J.S.C. and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2020

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	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Sale of goods and services and construction contracts	36,097	49,502	7,145	25,101
Purchase of goods and rendering of services	109,265	130,331	48,080	70,074
Interest expense (refer note 9)	-	13	8	6

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	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Short-term benefits	4,673	5,131	2,159	2,566
Staff terminal benefits	127	271	64	217
Board of Directors' remuneration	3,700	3,700	-	-

Due from related parties

	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Equity accounted investees	44,451	44,147
Other related parties	28,092	43,417
	72,543	87,564
Less : Allowance for expected credit loss	(50,286)	(50,201)
	22,257	37,363

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 2020

17. Related party balances and transactions (continued)

Due to related parties

	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Equity accounted investees	7,161	4,416
Other related parties	19,501	33,924
	26,662	38,340

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 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Derivative financial assets		
Commodity derivative used for hedging	-	364
Other currency and interest rate swaps	973	3,955
	973	4,319
Derivative financial liabilities		
Interest rate swaps used for hedging	42,998	14,708
Commodity derivative used for hedging	10,578	-
Forward exchange contracts	1,302	-
Other currency and interest rate swaps	5,092	925
	59,970	15,633

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 2020

19. Bank balances and cash

	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Cash in hand	2,357	1,660
Cash at bank		
- in bank deposits with an original maturity of less than three months	155,121	48,126
- in Wakala deposits with an original maturity of less than three months	20,039	20,000
- in current accounts	233,601	153,465
- in margin deposits	25,205	4,419
- in call accounts	2,815	16,589
Cash and cash equivalents	439,138	244,259
Less : Allowance for expected credit loss	(183)	(683)
Cash and cash equivalents (A)	438,955	243,576
Bank deposits with an original maturity of more than three months (B)	106,414	139,473
Bank balances and cash (A+B)	545,369	383,049

Cash in hand and cash at bank includes AED 0.92 million (31 December 2019 (audited): AED 0.97 million) and AED 86.75 million (31 December 2019 (audited): AED 100.24 million) respectively, held outside UAE.

All bank deposits carry interest at normal commercial rates and include AED 5.59 million (31 December 2019 (audited): AED 1.61 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 2020 AED'000 (unaudited)	31 December 2019 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 (2019: 776,384,722 shares of AED 1 each issued as bonus shares)	823,703	776,384
	993,703	946,384

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 2020

21. Bank financing arrangements

(a) Islamic bank financing

	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
(i) Short-term		
Mudaraba facilities (A)	137,357	25,000
Commodity Murabaha facilities (B)	248,750	126,175
Current portion of long-term financing (refer note (ii) below)	144,379	135,857
	530,486	287,032

	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
(ii) Long-term – Islamic bank financing		
Commodity Murabaha facilities (B)	279,541	339,475
Ijarah facilities (C)	282,728	293,880
Less : current portion of long-term financing	(144,379)	(135,857)
	417,890	497,498

	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Movement:		
Balance as at 1 January	633,355	466,860
Availed during the period/ year	-	387,516
Less : repaid during the period/ year	(71,086)	(221,021)
Balance as at end of the period/ year	562,269	633,355
Less : current portion included in short-term (refer 21 (a)(i))	(144,379)	(135,857)
	417,890	497,498

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 2019.

- (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.

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Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2020

21. Bank financing arrangements (continued)

(b) Interest bearing bank financing

	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
(i) Short-term		
Bank overdraft	136,721	71,281
Short-term loan	328,039	182,088
Current portion of long-term financing (refer note (ii) below)	229,029	233,333
	693,789	486,702
(ii) Long-term bank loans		
Balance as at 1 January	719,404	938,145
Availed during the period/ year	-	9,466
Less : repaid during the period/ year	(119,071)	(228,207)
Balance as at end of the period/ year	600,333	719,404
Less : current portion of long-term financing (refer 21 (b)(i))	(229,029)	(233,333)
	371,304	486,071

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 2019.

22. Trade and other payables

	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Trade payables	328,150	315,654
Accrued and other expenses	180,271	191,689
Advance from customers	54,941	54,002
Commission and rebates payable	64,934	60,621
Other payables	32,349	34,233
	660,645	656,199

23. Dividend and Directors' fee

- (i) At the Annual General Meeting (AGM) held on 11 March 2020, the shareholders approved a cash dividend of 15% amounting to AED 141,958 thousand and a stock dividend of 5% amounting to AED 47,319 thousand, which was proposed by the Board of Directors. (2019: cash dividend of 15% amounting to AED 135,198 thousand and stock dividend of 5% amounting to AED 45,066 thousand).
- (ii) At the Annual General Meeting (AGM) held on 11 March 2020, the shareholders approved the Directors' remuneration amounting to AED 3,700 thousand for the year ended 31 December 2019 (for the year ended 31 December 2018: AED 3,700 thousand).

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Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2020

24. Contingent liabilities and commitments

	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Contingent liabilities		
Letters of guarantee	8,849	10,760
Letters of credit	20,730	44,781
Value added tax and other tax contingencies	90,518	82,952
Commitments		
Capital commitments	34,176	41,729

The Company has issued corporate guarantees for advances obtained by related parties from commercial banks. Guarantees outstanding as at 30 June 2020 amount to AED 231.8 million (*as at 31 December 2019: AED 242.6 million*).

25. 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:

<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.

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 2020

25. Segment reporting (continued)

	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 30 June 2020 (unaudited)					
Segment assets	6,930,629	310,268	474,133	(2,156,084)	5,558,946
Segment liabilities	3,828,646	89,683	109,751	(909,233)	3,118,847
<hr/>					
	Ceramic products AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
Six months period ended 30 June 2019 (unaudited)					
External revenue	1,206,136	48,287	10,887	-	1,265,310
Intersegment revenue	205,939	46,919	1,392	(254,250)	-
Segment revenue	1,412,075	95,206	12,279	(254,250)	1,265,310
Segment profit	123,987	10,896	1,532	(26,148)	110,267
Segment EBITDA	248,109	13,435	5,943	(27,719)	239,768
As at 31 December 2019 (audited)					
Segment assets	6,844,498	293,737	469,499	(2,120,961)	5,486,773
Segment liabilities	3,539,268	80,182	109,749	(906,998)	2,822,201

EBITDA is earnings for the period before net interest expense, net profit expense on Islamic financing, income tax expense, depreciation, amortization and gain or loss on sale of assets.

Reconciliation of reportable segment

	Six months period ended 30 June	
	2020	2019
	AED'000	AED'000
	(unaudited)	(unaudited)
Total profit or loss for reportable segments	52,230	129,958
Elimination of inter-segment profits	(48,805)	(26,148)
Share of profit of equity accounted investees	7,070	6,457
Reported profit	10,495	110,267

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 2020

26. 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 2020 (unaudited)									
Financial assets measured at fair value									
Other currency and interest rate swap	-	973	-	-	973	-	973	-	973
	-	973	-	-	973	-	973	-	973
Financial assets measured at amortised cost									
Long-term receivables	-	-	54,821	-	54,821	-	-	-	-
Trade and other receivables	-	-	939,008	-	939,008	-	-	-	-
Due from related parties	-	-	22,257	-	22,257	-	-	-	-
Bank balances and cash	-	-	545,369	-	545,369	-	-	-	-
	-	-	1,561,455	-	1,561,455	-	-	-	-
Financial liabilities measured at fair value									
Commodity derivative used for hedging	10,578	-	-	-	10,578	-	10,578	-	10,578
Interest rate swaps used for hedging	42,998	-	-	-	42,998	-	42,998	-	42,998
Forward exchange contracts	-	1,302	-	-	1,302	-	1,302	-	1,302
Other currency and interest swaps	-	5,092	-	-	5,092	-	5,092	-	5,092
	53,576	6,394	-	-	59,970	-	59,970	-	59,970
Financial liabilities measured at amortised cost									
Islamic bank financing	-	-	-	948,376	948,376	-	-	-	-
Interest bearing bank financing	-	-	-	1,065,093	1,065,093	-	-	-	-
Trade and other payables	-	-	-	605,704	605,704	-	-	-	-
Due to related parties	-	-	-	26,662	26,662	-	-	-	-
	-	-	-	2,645,835	2,645,835	-	-	-	-

*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 2020

26. 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 2019 (audited)									
Financial assets measured at fair value									
Commodity derivatives used for hedging	364	-	-	-	364	-	364	-	364
Other currency and interest swaps	-	3,955	-	-	3,955	-	3,955	-	3,955
	364	3,955	-	-	4,319	-	4,319	-	4,319
Financial assets measured at amortised cost									
Long-term receivables	-	-	65,724	-	65,724	-	-	-	-
Trade and other receivables	-	-	998,801	-	998,801	-	-	-	-
Due from related parties	-	-	37,363	-	37,363	-	-	-	-
Bank balances and cash	-	-	383,049	-	383,049	-	-	-	-
	-	-	1,484,937	-	1,484,937	-	-	-	-
Financial liabilities measured at fair value									
Interest rate swaps used for hedging	14,708	-	-	-	14,708	-	14,708	-	14,708
Other currency and interest swaps	-	925	-	-	925	-	925	-	925
	14,708	925	-	-	15,633	-	15,633	-	15,633
Financial liabilities measured at amortised cost									
Islamic bank financing	-	-	-	784,530	784,530	-	-	-	-
Interest bearing bank financing	-	-	-	972,773	972,773	-	-	-	-
Trade and other payables	-	-	-	602,197	602,197	-	-	-	-
Due to related parties	-	-	-	38,340	38,340	-	-	-	-
	-	-	-	2,397,840	2,397,840	-	-	-	-

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 2020

27. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated statement of profit or loss for the six months periods ended 30 June 2020 and 2019.

28. Comparative information

In the six months period ended 30 June 2019 performance rebates were classified as part of selling expenses. Under IFRS15 these are required to be netted off against revenue and the comparatives have been restated accordingly. There is no impact on previously reported profit or equity.

	As previously reported for the six months period ended 30 June 2019 AED'000 (unaudited)	Adjustment AED'000 (unaudited)	As adjusted for the six months period ended 30 June 2019 AED'000 (unaudited)
Revenue	1,287,714	(22,404)	1,265,310
Selling and distribution expenses	(224,425)	22,404	(202,021)

29. Hyperinflationary economies

The Group has a subsidiary in the Islamic Republic of Iran which did not have material operations in 2019 and in the six months period ended 30 June 2020. The total assets of the Iranian subsidiary were 0.37% of the Group's consolidated total assets as on 30 June 2020.

The Islamic Republic of Iran is again approaching being classified as a hyper-inflationary economy. In hyper-inflationary economies, re-measurement of the local currency denominated non-monetary assets, liabilities, income statement accounts as well as equity accounts is done by applying a general price index reflecting current costs. These re-measured accounts are used for conversion into reporting currency at the closing exchange rate effective from the beginning of the current year as per IAS 29.

The Group did not apply hyper-inflation accounting in the reporting of its Iran operations year to date and is assessing the requirements of applying IAS 29 Financial Reporting in Hyperinflationary Economies in subsequent reporting periods.

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 10 August 2020.