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

Consolidated financial statements
31 December 2021

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

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Report of the Board of Directors

On financial performance during the year 2021
6 February 2022

Dear Members,

It is our pleasure to present the business & operations report for the year 2021, along with the consolidated financial statements for the Group as on 31 December 2021. Below are the snapshot of the Company's performance -

- Total revenue increased by 21.8% to AED 2.86 billion and total EBITDA increased by 32.7% to AED 501.3 million during FY 2021 as compared to FY 2020
- Reported net profit stood at AED 283.9 million for FY 2021. On a like-for-like basis, net profit grew by 102.5% to AED 298.1 million
- RAK Ceramics maintains a robust capital structure with an improved net debt of AED 971.2 million in Dec 2021 with net debt to EBITDA standing at 1.94x
- Total gross profit margin for FY 2021 increased by 420bps to an all-time high of 36.2%
- The Board of Directors recommends a dividend distribution for the year 2021 of 20 fils per share out of which 10 fils per share were already paid in October 2021 as interim dividend.
- The Board has also revised the dividend policy which now provides for a minimum dividend payout of 20 fils annually for FY 2022 to be paid on a semi-annual basis and further commits to pay minimum dividend of 60 fils over the next 3 years.

The Board of Directors of RAK Ceramics has approved an amendment to the company's dividend policy. The new policy stipulates a minimum dividend payout of 20 fils annually for FY 2022 to be paid on a semi-annual basis and also provides for a commitment to pay a minimum dividend of 60 fils over the next 3 years [i.e.2022-2024]. The revised dividend policy will be subject to factors such as business outlook, capital requirement for growth opportunities, expansion plans, optimal leverage levels and healthy cash reserves in addition to regulatory approvals. The revised dividend policy will be presented to shareholders for approval in the next Annual General Meeting.

Despite the challenges, the business saw positive momentum and a gradual return towards normality with economic activities and trade resumption. The Company has reported a significant revenue increase in the first quarter of the year, marking a five-year high in terms of profitability. The positive revenue growth reported in three consecutive quarters resulted in a healthy net profit.

Operational review

In the UAE, revenue decreased by 3.1% year on year due to a slowdown in the project segment. In Saudi Arabia, RAK Ceramics' position as a premium products provider and the strong demand in the Kingdom resulted in a revenue increase of 26.7% for FY 2021. In Europe, revenue increased by 17% year-on-year but decreased quarter-on-quarter by 16.4%, mainly due to higher shipping freight rates caused by the global shortage in shipping containers. RAK Ceramics' relentless focus on providing world class product management resulted in increased customer base which saw an overall increase of revenue in 2021. In the Middle East (excluding UAE and KSA), revenue increased by 48.1% in FY 2021 considering that last year's revenue was substantially impacted due to the pandemic. In India, RAK Ceramics reported a strong revenue growth of 60.9% for FY 2021 underpinned by positive business sentiments, which reflected in improved profitability, despite significantly higher fuel costs. Government lockdowns in Bangladesh resulted in temporary suspension of production lines. However, the company demonstrated resilience and reported strong revenue growth of 30.1% supported by differentiated products. Also, RAK Ceramics won key bids for flagship projects such as the strategic collaboration with ELIE SAAB to launch a bathroom and surface collection.

Financial Highlights

RAK Ceramics delivered a robust financial performance in Q4 and FY 2021 with revenue and profitability surpassing pre-pandemic levels, despite the significant increase in logistics costs due to the global shortage of containers. Total revenue for 2021 increased by 21.8% compared to same period last year to AED 2.86bn, driven by a strong growth trajectory in the core business. Reported net profit stood at AED 283.9 million, outperforming pre-pandemic levels (AED 205.2 million in 2019). In Q4 2021, revenue increased by 4.5% to AED 752.4 million year-on-year mainly driven by the company's operations in India, Bangladesh & Middle East markets and the Tableware business. Like-for-like net profit increased by 102.5% for FY 2021 to reach AED 298.1 million underpinned by higher revenue and GP margins. Total gross profit margin for 2021 reached an all-time high of 36.2%.

In FY 2021, tiles revenue grew by 21.3% year-on-year to AED 1.95 billion supported by growth in all markets except in United Arab Emirates market. Sanitary ware revenue grew by 17.5% year-on-year driven by all markets except Saudi Arabian market. Tableware revenue improved by 73.1% year-on-year.

Healthy cash position

The Company's Net Debt level decreased to AED 971.2 million in December 2021 from AED 978.7 million in September 2021 after payment of interim dividend of AED 99.4m. At the end of December 2021, the company's net Debt to EBITDA stood at 1.94x compared to 3.25x in December 2020.

Financial highlights for year 2021

Particulars	**Unit**	**Year 2021**	**Year 2020**	**Change**
Total Revenue	AED Mio	2,860.7	2,349.5	21.8%
Gross Profit	AED Mio	1,034.5	752.9	37.4%
GP Margin	%	36.2%	32.0%	420bps
EBITDA	AED Mio	501.3	377.9	32.7%
EBITDA Margin	%	17.5%	16.1%	140bps
Reported Net Income/(Loss)	AED Mio	283.9	(126.2)	325.1%
Reported Net Income / (Loss) margin	%	9.9%	-5.4%	1,530bps
Net income before one-off, provisions & strategic gains	AED Mio	298.1	147.3	102.5%
Net income margin before one-off, provisions & strategic gains	%	10.4%	6.3%	410bps
Reported Profit / (Loss) after NCI (Minority)	AED Mio	246.5	(129.7)	290.0%
Reported Earnings per share	AED	0.25	(0.13)	-
Particulars	**Unit**	**31 December 2021**	**31 December 2020**	**Change**
Total Assets	AED Mio	5,096.7	5,247.5	-2.9%
Share Capital	AED Mio	993.7	993.7	0%
Shareholder's Equity	AED Mio	2,231.6	2,143.0	4.1%
Net Debt	AED Mio	971.2	1,229.2	-21.0%
Net Debt / EBITDA	Times	1.9	3.5	-
Cost of Debt	%	3.4%	3.7%	-30bps

Last year EBITDA amount is after considering impairment loss on hotel asset, AED 23.1 million.

CSR activities, exhibitions, sponsorships and awards

During the year, the Company participated in KBB exhibition in the UK, Revestir exhibition in Brazil as well as Design Middle East and Design Week exhibitions in UAE and exhibited its latest range of products and innovations.

The Company has been awarded as 'Best Tiling Brand' as well as 'Best Sanitary-ware Brand' by BKU Awards (UK), 'Best Ceramic Bathroom Ware Supplier (UAE)' at MEA Business Awards and 'Best Specialised Manufacturer' at The Design Middle East Awards, during the year. The Company also secured 2nd Place in Environmental Sustainability Award in the Industrial Sector organized by Environment Protection and Development Authority (EPDA) of Ras Al Khaimah. During the year, the Company sponsored The Design Middle East Awards and MEA Business Awards 2021. The delegates attended the press conference at Luxemburg Expo Pavilion.

Future Outlook

Our priority in 2022 is to protect our market share and further strengthen brand perception in our core markets with a sustained investment in brand initiates such as new showrooms, retail outlet stores and e-commerce platforms. Despite rising input costs and supply chain disruptions we aim to sustain our current operating costs by enhancing our plants in UAE, India and Bangladesh, initiating the greenfield project in Saudi Arabia, and increasing selling prices to offset the increased freight costs in Europe. We are committed to increasing efficiency while reducing our environmental impact and protecting the health and wellbeing of our employees. We will continue to evaluate the ongoing situation as the potential for new COVID-19 variants remains.

Financial Reporting

The consolidated financial statements 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.

DocuSigned by:
2451884A5ED54A0...
Chairman

06 FEB 2022

Group Chief Executive Officer

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of R.A.K. Ceramics P.J.S.C. ("the Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF R.A.K. CERAMICS P.J.S.C. (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties Investment properties represented 18.0% of total assets as at 31 December 2021. Investment properties are measured in accordance with the cost model described in International Accounting Standard 40 *Investment Properties*. Management obtained valuations from independent external valuers for the purposes of identifying impairment indicators and compiling fair value disclosures. The valuation of investment properties, as detailed in Note 18, requires significant judgements and estimates to be made by both management and the independent external valuers. Consequently, we considered this to be a key audit matter.	We obtained an understanding of management's process of valuing investment properties. Further, we performed the following: • We evaluated the design and determined the implementation of relevant controls over the determination of the fair value of investment property to determine if they had been appropriately designed and implemented; • We assessed the competence, skills, qualifications and objectivity of the independent external valuer; • We reviewed the scope of the engagement between the external valuer and the Group to determine if this was sufficient for audit purposes; • We verified the accuracy, completeness and relevance of the input data used for deriving fair values; • We utilised our internal valuation experts to evaluate on a sample basis the methodology used and the appropriateness of the model and key assumptions used in the investment property valuations; • We tested the mathematical accuracy of the valuations on a sample basis; • We agreed the results of the valuations to the amounts disclosed in the consolidated financial statements; and • We assessed the adequacy of disclosures included in the consolidated financial statements against the requirements of IFRSs.

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF R.A.K. CERAMICS P.J.S.C. (continued)

Other information

The Board of Directors and management is responsible for the other information. The other information comprises the annual report of the Group. We obtained the Directors' report prior to the date of this auditor's report and the remaining information of the annual report is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained up to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining information of the annual report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and their preparation in compliance with the applicable provisions of the Articles of Association of the Company and UAE Federal Law No. (2) of 2015 (as amended), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF R.A.K. CERAMICS P.J.S.C. (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF R.A.K. CERAMICS P.J.S.C. (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015 (as amended), we report that for the year ended 31 December 2021:

i) we have obtained all the information we considered necessary for the purposes of our audit;
ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended);
iii) the Group has maintained proper books of account;
iv) the financial information included in the Directors' report, is consistent with the books of account of the Group;
v) as disclosed in Note 31 to consolidated financial statements, the Group has not purchased shares during the year ended 31 December 2021;
vi) Note 21 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or in respect of the Company, its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2021; and
viii) Note 7 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2021.

Deloitte & Touche (M.E.)

Signed by:
Mohammad Khamees Al Tah
Registration No. 717
6 February 2022
Sharjah, United Arab Emirates

Consolidated statement of profit or loss

for the year ended 31 December 2021

	Notes	**2021** **AED'000**	2020 AED'000
Revenue	*5*	**2,860,740**	2,349,489
Cost of sales	*6*	**(1,826,218)**	(1,596,625)
Gross profit		**1,034,522**	752,864
Administrative and general expenses	*7*	**(205,440)**	(199,305)
Selling and distribution expenses	*8*	**(537,259)**	(409,188)
Other operating income	*9*	**88,698**	57,380
Finance costs	*10*	**(77,973)**	(84,277)
Finance income	*10*	**11,092**	21,764
Loss on net monetary position	*34*	**(2,708)**	(3,215)
Share of profit in equity accounted investees	*11*	**16,592**	16,741
Foreign currency translation gain on cessation of control over subsidiary	*31(b)(i)*	**5,644**	-
Profit before impairment loss		**333,168**	152,764
Impairment loss	*7(i)*	**(32,839)**	(51,184)
Reversal of impairment (loss) on investment properties	*18*	**563**	(213,170)
Profit/(loss) before tax		**300,892**	(111,590)
Income tax	*12*	**(16,975)**	(14,564)
Profit/(loss) for the year		**283,917**	(126,154)
Profit/(loss) attributable to:			
Owners of the Company		**246,471**	(129,720)
Non-controlling interests		**37,446**	3,566
Profit/(loss) for the year		**283,917**	(126,154)
Earnings/(loss) per share			
- basic and diluted (AED)	*13*	**0.25**	(0.13)

The accompanying notes form an integral part of these consolidated financial statements.

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

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2021

	2021	2020
	AED'000	AED'000
Profit/(loss) for the year	**283,917**	(126,154)
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Foreign exchange differences on translation of foreign operations	**(12,457)**	(25,282)
Cash flow hedges – effective portion of changes in fair value loss on hedging instruments	**24,804**	(19,470)
Effects of application of hyperinflation accounting (refer Note 34)	**8,808**	38,151
Foreign currency translation gain on cessation of control over subsidiary classified to profit or loss (refer Note 31(b)(i))	**(5,644)**	-
Total comprehensive income/(loss) for the year	**299,428**	(132,755)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**264,310**	(136,878)
Non-controlling interests	**35,118**	4,123
Total comprehensive income/(loss) for the year	**299,428**	(132,755)

The accompanying notes form an integral part of these consolidated financial statements.

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

Consolidated statement of financial position

as at 31 December 2021

	Notes	2021 AED'000	2020 AED'000
Assets			
Non-current assets			
Property, plant and equipment	*14*	**1,088,236**	1,152,280
Goodwill	*15*	**120,500**	120,561
Right-of-use assets	*16*	**69,881**	77,349
Intangible assets	*17*	**20,531**	27,402
Investment properties	*18*	**918,826**	926,159
Investments in equity accounted investees	*11*	**55,006**	50,596
Long-term receivables	*19(i)*	**2,505**	31,125
Derivative financial assets	*22*	**2,811**	4,793
Deferred tax assets	*12*	**3,720**	4,066
Total non-current assets		**2,282,016**	2,394,331
Current assets			
Inventories	*20*	**1,086,048**	1,075,898
Trade and other receivables	*19*	**1,124,477**	1,133,900
Due from related parties	*21*	**36,988**	29,895
Derivative financial assets	*22*	**1,866**	-
Bank deposits with an original maturity of more than three months	*23*	**202,339**	143,671
Cash and cash equivalents	*23*	**362,982**	469,793
Total current assets		**2,814,700**	2,853,157
Total assets		**5,096,716**	5,247,488
Equity and liabilities			
Capital and reserves			
Share capital	*24*	**993,703**	993,703
Reserves	*24*	**1,237,856**	1,149,294
Equity attributable to owners of the Company		**2,231,559**	2,142,997
Non-controlling interests	*25*	**226,535**	206,902
Total equity		**2,458,094**	2,349,899
Non-current liabilities			
Islamic bank financing	*26a(ii)*	**303,309**	415,709
Interest bearing bank financing	*26b(ii)*	**480,639**	353,081
Provision for employees' end of service benefits	*29*	**82,740**	78,123
Lease liabilities	*27*	**48,164**	58,913
Derivative financial liabilities	*22*	**1,157**	16,118
Deferred tax liabilities	*12*	**10,131**	10,697
Total non-current liabilities		**926,140**	932,641
Current liabilities			
Islamic bank financing	*26a(i)*	**212,365**	402,482
Interest bearing bank financing	*26b(i)*	**540,187**	671,350
Trade and other payables	*28*	**711,206**	633,877
Due to related parties	*21*	**28,343**	35,836
Derivative financial liabilities	*22*	**7,853**	22,720
Lease liabilities	*27*	**25,726**	22,737
Provision for taxation	*12*	**186,802**	175,946
Total current liabilities		**1,712,482**	1,964,948
Total liabilities		**2,638,622**	2,897,589
Total equity and liabilities		**5,096,716**	5,247,488

To the best of our knowledge the consolidated financial statements present fairly in all respects, the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group as of, and periods presented therein.

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Chairman

Chief Executive Officer

The accompanying notes form an integral part of these consolidated financial statements.

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

Consolidated statement of cash flows

for the year ended 31 December 2021

	2021	2020
	AED'000	AED'000
Operating activities		
Profit/(loss) for the year before tax	**300,892**	(111,590)
Adjustments for:		
Share of profit in equity accounted investees	**(16,592)**	(16,741)
Interest expense	**45,665**	53,293
Profit expense on Islamic financing	**11,528**	19,370
Interest income	**(5,882)**	(7,105)
Profit on wakala deposits	**(302)**	(251)
Interest expense on lease liabilities	**4,801**	5,383
Net change in derivative financial instruments	**(4,908)**	3,261
Loss on disposal of property, plant and equipment	**1,012**	1,438
Gain on acquisition of shares in equity accounted associate	**-**	(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**	-
Impairment (reversal)/loss on investment properties	**(563)**	213,170
Depreciation on property, plant and equipment	**124,870**	137,922
Depreciation on investment properties	**10,442**	11,336
Amortization of intangible assets	**7,473**	6,678
Depreciation of right-of-use assets	**24,292**	25,246
Capital work in progress written off	**-**	12
Provision for employees' end-of-service benefits	**20,105**	12,610
Loss on net monetary position	**2,708**	3,215
Allowance for slow moving inventories	**31,302**	20,245
Write-down of net realizable value of finished goods	**7,851**	39,594
Allowance for impairment loss on trade receivables	**30,852**	46,722
Allowance for impairment loss on other receivables	**7,500**	8,866
Reversal of impairment loss on due from related parties	**(5,513)**	(4,404)
Foreign currency translation gain on cessation of control over subsidiary	**(5,644)**	-
	568,955	468,167
Changes in:		
- inventories	**(49,303)**	77,740
- trade and other receivables (including long-term portion)	**(17,498)**	32,174
- due from related parties	**(1,580)**	11,872
- trade and other payables	**71,072**	(22,322)
- due to related parties	**3,984**	(2,504)
Income tax paid	**(16,334)**	(15,206)
Employees' end-of-service benefits paid	**(15,317)**	(18,053)
Currency translation adjustments	**741**	(8,746)
Net cash generated from operating activities	**544,720**	523,122

The accompanying notes form an integral part of these consolidated financial statements.

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

Consolidated statement of cash flows (continued)

for the year ended 31 December 2021

	2021 AED'000	2020 AED'000
Investing activities		
Additions to property, plant and equipment	**(90,634)**	(102,469)
Proceeds from disposal of property, plant and equipment	**1,914**	2,010
Additions to intangible assets	**(774)**	(3,971)
Additions to investment property	**(534)**	(38)
Dividend received from equity accounted investees	**6,417**	7,978
Interest received	**5,882**	7,105
Profit received on Wakala deposits	**302**	251
Proceeds from disposal of assets held for sale	**69,648**	-
Deposits made maturity of bank deposits with an original maturity of more than three months	**(58,668)**	(4,198)
Consideration paid for acquisition of subsidiary	**-**	(652)
Consideration paid for acquisition of an associate	**-**	(604)
Net cash used in investing activities	**(66,447)**	(94,588)
Financing activities		
Long-term bank financing availed	**386,618**	104,630
Long-term bank financing repaid	**(280,033)**	(232,808)
Long-term Islamic bank financing availed	**-**	75,000
Long-term Islamic bank financing repaid	**(151,717)**	(152,217)
Repayment of lease liabilities	**(30,536)**	(33,707)
Short-term bank financing availed	**668,726**	815,865
Short-term bank financing repaid	**(744,102)**	(704,987)
Short-term Islamic bank financing availed	**301,234**	757,695
Short-term Islamic bank financing repaid	**(452,034)**	(610,293)
Interest paid	**(45,665)**	(53,293)
Profit paid on Islamic bank financing	**(11,528)**	(19,370)
Remuneration paid to Board of Directors	**(1,850)**	(3,700)
Dividend paid	**(173,898)**	(141,958)
Dividend paid to non-controlling interests	**(15,485)**	(35,608)
Net cash used in financing activities	**(550,270)**	(234,751)
Net (decrease)/increase in cash and cash equivalents	**(71,997)**	193,783
Cash and cash equivalents at the beginning of the year	**366,078**	172,295
Net cash and cash equivalents at the end of the year	**294,081**	366,078
Represented by:		
Cash and cash equivalents (refer Note 23)	**362,982**	469,793
Bank overdraft	**(68,901)**	(103,715)
	294,081	366,078

The accompanying notes form an integral part of these consolidated financial statements.

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

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Attributable to owners of the Company												
			Reserves										
	Share capital AED'000	**Share premium AED'000**	**Legal reserve AED'000**	**Translation reserve AED'000**	**Hyper-inflation reserve AED'000**	**Hedging reserve AED'000**	**General reserve AED'000**	**Capital reserve AED'000**	**Retained earnings AED'000**	**Total reserves AED'000**	**Total AED'000**	**Non-controlling interests (NCI) AED'000**	**Total equity AED'000**
Balance at 31 December 2020	**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 year													
Profit for the year	-	-	-	-	-	-	-	-	246,471	246,471	246,471	37,446	283,917
Other comprehensive income/(loss)													
Foreign exchange differences on translation of foreign operations	-	-	-	(8,012)	(2,117)	-	-	-	-	(10,129)	(10,129)	(2,328)	(12,457)
Changes in cash flow hedges	-	-	-	-	-	24,804	-	-	-	24,804	24,804	-	24,804
Effects of application of IAS 29 (refer Note 34)	-	-	-	-	8,808	-	-	-	-	8,808	8,808	-	8,808
Foreign currency translation gain on cessation of control over subsidiary (refer Note 31(b)(i))	-	-	-	(5,644)	-	-	-	-	-	(5,644)	(5,644)	-	(5,644)
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**(13,656)**	**6,691**	**24,804**	**-**	**-**	**246,471**	**264,310**	**264,310**	**35,118**	**299,428**
Other equity movements													
Transfer to legal reserve	-	-	783	-	-	-	-	-	(783)	-	-	-	-
Directors' remuneration (refer Note 24 (x))	-	-	-	-	-	-	-	-	(1,850)	(1,850)	(1,850)	-	(1,850)
Transaction with owners													
Dividend paid (refer Note 24 (ix))	-	-	-	-	-	-	-	-	(173,898)	(173,898)	(173,898)	-	(173,898)
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	-	(15,485)	(15,485)
Balance at 31 December 2021	**993,703**	**221,667**	**568,803**	**(130,569)**	**(168,321)**	**(9,010)**	**82,805**	**75,040**	**597,441**	**1,237,856**	**2,231,559**	**226,535**	**2,458,094**

The accompanying notes form an integral part of these consolidated financial statements.

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

Consolidated statement of changes in equity (continued)

for the year ended 31 December 2021

Attributable to owners of the Company

Reserves

	Share capital AED'000	Share premium AED'000	Legal reserve AED'000	Translation reserve AED'000	Hyper-inflation reserve AED'000	Hedging reserve AED'000	General reserve AED'000	Capital reserve AED'000	Retained earnings AED'000	Total reserves AED'000	Total AED'000	Non-controlling interests (NCI) AED'000	Total equity AED'000
Balance as at 31 December 2019	**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 year													
(Loss)/profit for the year	-	-	-	-	-	-	-	-	(129,720)	(129,720)	(129,720)	3,566	(126,154)
Other comprehensive (loss)/income													
Foreign exchange differences on translation of foreign operations	-	-	-	3,476	(29,315)	-	-	-	-	(25,839)	(25,839)	557	(25,282)
Changes in cash flow hedges	-	-	-	-	-	(19,470)	-	-	-	(19,470)	(19,470)	-	(19,470)
Effects of application of IAS 29 (refer Note 34)	-	-	-	-	38,151	-	-	-	-	38,151	38,151	-	38,151
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**3,476**	**8,836**	**(19,470)**	**-**	**-**	**(129,720)**	**(136,878)**	**(136,878)**	**4,123**	**(132,755)**
Other equity movements													
Transfer to legal reserve	-	-	967	-	-	-	-	-	(967)	-	-	-	-
Directors' remuneration (refer Note 24 (x))	-	-	-	-	-	-	-	-	(3,700)	(3,700)	(3,700)	-	(3,700)
Transaction with owners													
Dividend paid (refer Note 24 (ix))	-	-	-	-	-	-	-	-	(141,958)	(141,958)	(141,958)	-	(141,958)
Bonus shares issued (refer Note 24 (ix))	47,319	-	-	-	-	-	-	-	(47,319)	(47,319)	-	-	-
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	-	(35,608)	(35,608)
Change in NCI due to acquisitions	-	-	-	-	-	-	-	-	(784)	(784)	(784)	132	(652)
Balance at 31 December 2020	**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**

The accompanying notes form an integral part of these consolidated financial statements.

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.

These consolidated financial statements as at and for the year ended 31 December 2021 comprise the financial statements 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 Group's subsidiaries and equity accounted investees, their principal activities and the Group's interest have been disclosed in Note 36 to these consolidated financial statements.

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

Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and has come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law"). The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

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

2.1 New and revised IFRSs applied by the Group

In the current year, 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. The Group is planning to transition the majority of its IBOR-linked contracts to risk-free rates through introduction of, or amendments to, fallback clauses into the contracts which will change the basis for determining the interest cash flows from IBOR to RFR at an agreed point in time. These fallback provisions have been incorporated into some of the contracts but the majority are expected to be implemented in 2022.

For the Group's derivatives, the International Swaps and Derivatives Association's (ISDA) fall-back clauses have been incorporated in some of the Contracts and is expected to be incorporated in all its ISDA contracts in 2022.

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 initiated actions to start changing benchmark reference rates and aims to revise all its floating debt contracts by the end of 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 and the cash flows of the alternative benchmark rate are determined including any fixed spread adjustment. This will, in part, be dependent on the introduction of fallback clauses which have yet to be added to the some of 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 59.82	**219.75**	Bank borrowing in USD	Expected in 2022.
Receive 3-month USD LIBOR, pay US dollar fixed interest rates swap	2022-29	USD 90.73	**333.28**	Bank borrowing in USD	Expected in 2022.
Receive 3-month GBP LIBOR, pay US dollar fixed interest rates swap	2025	GBP 18.07	**89.80**	Bank borrowing in GBP	Completed.
Fair value hedges					
Receive 3-month USD LIBOR, pay EUR fixed interest rates swap	2022	USD 3.40	**12.49**	Bank borrowing in USD	Expected in 2022.
Total			**655.32**		

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.

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

2.2 New and revised IFRS and interpretations but not yet effective

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

- 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 to IAS 8 *'Accounting Policies, Changes in Accounting Estimates and Errors'*—Definition of Accounting Estimates and Amendments to IAS 12 *'Income Taxes'*—Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023).

3. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and comply with the Articles of Association of the Company and the UAE Federal Law No. (2) of 2015 (as amended). Details of the Group's accounting policies are included in Note 4.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost convention except for certain financial instruments which are carried at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of consideration given in exchange for goods and services.

(c) Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the functional currency of the Company. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(d) Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors which are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in Note 37.

3. Basis of preparation (continued)

(e) Measurement of fair values

Fair value is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); or
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(f) Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and the Group entities controlled by the Company (its Subsidiaries) made up to 31 December each year.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. Basis of preparation (continued)

(f) Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognized in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

4. Summary of significant accounting policies

(a) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests are the present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

4. Summary of significant accounting policies (continued)

(a) Business combinations (continued)

The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if those interests were disposed of.

(b) Goodwill

Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(c) Interests in equity accounted investees

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or a joint venture is recognized initially in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group’s share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group’s share of losses of an associate or a joint venture exceeds the Group’s interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

4. Summary of significant accounting policies (continued)

(c) Interests in equity accounted investees (continued)

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(d) Hyperinflation

The financial statements of subsidiary companies whose functional currency is the currency of a hyperinflationary economy are adjusted for inflation in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*, prior to their translation to AED for its consolidation into the consolidated financial statements. Amounts shown for prior years for comparative purposes are not restated at consolidation level as the presentation currency of the Group is not that of a hyperinflationary economy. On consolidation, the effect of price changes in the prior periods on the financial statements of the subsidiary is recognized in other comprehensive income and presented in the hyperinflation reserve in equity.

The financial statements of subsidiaries whose functional currency is the currency of a hyperinflationary economy are adjusted to reflect the changes in purchasing power of the local currency, such that all items in the statement of financial position not expressed in current terms (non-monetary items) are restated by applying a general price index at the reporting date and all income and expenses are restated quarterly by applying appropriate conversion factors. The difference from initial adjusted amounts is taken to profit or loss.

When a functional currency of a subsidiary ceases to be hyperinflationary, the Group discontinues hyperinflation accounting in accordance with IAS 29 for annual periods ending on or after the date that the economy is identified as being non-hyperinflationary. The amounts expressed in the measuring unit current at the end of the last period in which IAS 29 was applied are used as the basis for the carrying amounts in subsequent financial statements.

To determine the existence or cessation of hyperinflation, the Group assesses the qualitative characteristics of the economic environment of the country, such as the trends in inflation rates over the preceding 36 months to the reporting date.

4. Summary of significant accounting policies (continued)

(e) Foreign currencies

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in a foreign exchange translation reserve. Foreign currency translation differences pertaining to hyperinflationary economies are recorded in the hyperinflation reserve in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Exchange differences arising at the time of translation are recognized in other comprehensive income.

(f) Financial instruments

Financial assets and financial liabilities are recognized in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

4. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Financial assets

All regular purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method resulting in any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

For financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

4. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Amortized cost and effective interest method (continued)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses'.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECL) on other receivables, due from related parties and trade receivables as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group estimates impairment allowances using the general or simplified approach. Under the general approach, the Group applies a three-stage approach to estimate allowance for credit losses, using an expected credit loss approach as required under IFRS 9, for the financial assets that are not measured at FVTPL or FVTOCI. Financial assets migrate through three stages based on the change in credit risk since initial recognition.

The three stage ECL model is based on the change in credit quality of financial assets since initial recognition:

- Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded.
- Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered as credit impaired, an amount equal to the default probability-weighted lifetime ECL will be recorded.
- Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments are classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

ECLs under the general approach, are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Under the simplified approach, the Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Impairment allowances are always measured at an amount equal to lifetime ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group always recognizes lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including the time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

4. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment.

In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract. The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

4. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, hedges of certain interest rate and commodity derivatives as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) and interest rate swap contracts as the hedging instrument for all of its hedging relationships involving forward/interest rate swap contracts.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognized in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortization. Those reclassified amounts are recognized in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognized non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

4. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Hedge accounting (continued)

Fair value hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses'.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign exchange rate and commodity price risks, including foreign exchange forward contracts, options and interest rate swaps.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

4. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Derivative financial instruments (continued)

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortized cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realized or settled within 12 months.

Financial liabilities and equity

Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

4. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Property, plant and equipment

Recognition and measurement

Items of property plant and equipment (except land and capital work in progress) are measured at cost less accumulated depreciation and identified impairment losses (see accounting policy on impairment), if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use; and
- capitalized borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognized in the profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property at its carrying value at the time of reclassification considering that the accounting policy for investment property is the 'Cost Model' in accordance with IAS 40.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment (except land and capital work in progress) less their estimated residual values using the straight-line method over their estimated useful lives. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

	Life (years)
• Buildings	20-35
• Plant and equipment	4-15
• Vehicles	3-10
• Furniture and fixtures	3-10
• Office equipment	2-10
• Roads and asphalting	5-10

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

4. Summary of significant accounting policies (continued)

(h) Capital work in progress

Capital work in progress is stated at cost less impairment, if any, until the construction is completed. Upon completion of construction, the cost of such assets together with the cost directly attributable to construction, including capitalized borrowing costs are transferred to the respective class of asset. No depreciation is charged on capital work in progress.

(i) Intangible assets

Recognition and measurement

Other intangible asset, which are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and identified impairment losses, if any. Trademarks are initially measured at the purchase cost and are amortized on a straight-line basis over their estimated lives.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives of 5 to 15 years from the date that they are available for use, and is generally recognized in profit or loss. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or rendering services or for administrative purposes.

Investment properties are accounted for using the "Cost Model" under the IAS 40 *"Investment Property"* and is stated at cost less accumulated depreciation and impairment losses, if any. Depreciation on buildings is charged over its estimated useful life of 20 to 35 years. Investment properties are individually tested for impairment, at least annually, based on their prevailing fair market values. Any impairment to the carrying value is charged to profit or loss.

Cost includes expenditure which is directly attributable to the acquisition of the investment property. The cost of self-constructed investment properties includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

The cost of investment properties acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets, comprises the fair value of the asset received or asset given up. If the fair value of the asset received and asset given up can be measured reliably, the fair value of the asset given up is used to measure cost, unless the fair value of the asset received is more clearly evident. Any gain or loss on disposal of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

When the use of properties changes such that it is reclassified as property, plant and equipment or inventory, the transfer is effected at the carrying value of such property at the date of reclassification.

4. Summary of significant accounting policies (continued)

(k) Leases

At inception of the contract, the Group assesses whether a contract is or contains a lease. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using an unchanged discount rate. If the change in lease payments is due to a change in a floating interest rate, then the discount rate is also revised.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the period(s) presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

4. Summary of significant accounting policies (continued)

(k) Leases (continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Leased assets

Leases of assets that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Group's consolidated statement of financial position

4. Summary of significant accounting policies (continued)

(l) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment or more frequently if there are indicators that goodwill might be impaired. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually or whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognized for the asset in prior years.

4. Summary of significant accounting policies (continued)

(n) Employee benefits

Short- term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

UAE national employees of the Group are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Group is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to profit or loss.

Annual leave and leave passage

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

Terminal benefits

The provision for staff terminal benefits is based on the liability which would arise if the employment of all staff was terminated at the reporting date and is calculated in accordance with the provisions of UAE Federal Labour Law and the relevant local laws applicable to overseas subsidiaries. Management considers these as long-term obligations and accordingly they are classified as long-term liabilities.

(o) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, if it is virtually certain that such reimbursement will be received and the amount of the receivable can be measured reliably, a receivable is recognized as an asset.

4. Summary of significant accounting policies (continued)

(p) Warranties

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

(q) Assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

(r) Revenue

The Group recognizes revenue mainly from sale of goods consisting of tiles, sanitary wares, and related items. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

For sales of goods to the wholesale market, revenue is recognized when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (delivery). Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on-selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognized by the Group when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

For sales of goods to retail customers, revenue is recognized when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

The Group has a right to recover the product when customers exercise their right of return. Consequently, the Group recognizes a right to returned goods asset and a corresponding adjustment to cost of sales. The Group uses its past experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognized will not occur given the consistent level of returns over previous years.

4. Summary of significant accounting policies (continued)

(r) Revenue (continued)

Rendering of services

Revenue is recognized point in time as services are provided. Invoices for services are issued when the Group provides services and are payable in accordance with the credit terms or agreements.

Dividend income

Dividend income is recognized in profit or loss on the date that the Group's right to receive the payment is established.

(s) Finance income and finance costs

Finance income comprises interest income on bank deposits, profit on wakala deposits and amount due from related parties. Finance income is recognized in profit or loss as it accrues, using the effective interest rate method.

Finance cost comprises interest expense on bank borrowings, profit expense on Islamic financing and bank charges. All finance costs are recognized in profit or loss using the effective interest rate method. However, borrowing costs which are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of that asset.

A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether the foreign currency movements are in a net gain or net loss position.

(t) Tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities.

4. Summary of significant accounting policies (continued)

(t) Tax (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. Summary of significant accounting policies (continued)

(t) Tax (continued)

Zakat

In respect of operations in certain subsidiaries and equity accounted investees, zakat is provided in accordance with relevant fiscal regulations. Zakat is recognized in profit or loss except to the extent it relates to items recognized directly in equity, in which case it is recognized in equity.

The provision for zakat is charged to profit or loss. Additional amounts, if any, that may become due on finalization of an asset are accounted for in the year in which the assessment is finalized.

(u) Basic and diluted earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(v) Segment reporting

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.

5. Revenue

	2021	2020
	AED'000	AED'000
Sale of goods	**2,850,607**	2,334,467
Others	**10,133**	15,022
	2,860,740	2,349,489

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

(a) Disaggregation of revenue by geographical markets

31 December 2021	**Ceramic products AED'000**	**Other industrial AED'000**	**Others AED'000**	**Total AED'000**
Middle East (ME)	**1,364,323**	**32,951**	**8,583**	**1,405,857**
Europe	**478,314**	**170**	**-**	**478,484**
Asian countries	**777,510**	**63,927**	**1,550**	**842,987**
Other regions	**129,498**	**3,914**	**-**	**133,412**
	2,749,645	**100,962**	**10,133**	**2,860,740**
31 December 2020	Ceramics products AED'000	Other industrial AED'000	Others AED'000	Total AED'000
Middle East (ME)	1,186,652	50,673	12,838	1,250,163
Europe	387,216	144	-	387,360
Asian countries	527,779	60,812	2,184	590,775
Other regions	117,204	3,987	-	121,191
	2,218,851	115,616	15,022	2,349,489

6. Cost of sales

	2021	2020
	AED'000	AED'000
Raw materials consumed	**844,188**	663,356
Change in inventory of finished goods	**71,224**	140,211
Allowance for slow moving inventories – net (refer Note 20)	**31,302**	20,245
Direct labor	**208,815**	189,082
Power and fuel	**129,657**	112,884
LPG and natural gas	**185,977**	147,020
Depreciation on property, plant and equipment (refer Note 14)	**104,510**	110,879
Depreciation of right-of-use assets (refer Note 16)	**50**	104
Repairs and maintenance expense	**99,876**	87,490
Packing material expenses	**105,411**	85,591
Others	**45,208**	39,763
	1,826,218	1,596,625

7. Administrative and general expenses

	2021	2020
	AED'000	AED'000
Staff salaries and other associated costs	**92,459**	83,073
Depreciation on property, plant and equipment (refer Note 14)	**12,323**	19,660
Depreciation on investment properties (refer Note 18)	**10,442**	11,336
Depreciation of right-of-use assets (refer Note 16)	**727**	1,530
Amortization of intangible assets (refer Note 17)	**7,473**	6,678
Telephone, postal and office supplies	**5,318**	4,073
Repairs and maintenance expenses	**7,439**	6,876
Legal and professional fees	**13,604**	13,773
Utility expenses	**5,145**	4,416
Security charges	**1,680**	2,717
Information technology licenses and consultancy expenses	**9,798**	10,420
Expenses on investment properties	**9,082**	9,285
Net loss on disposal of property, plant and equipment	**-**	1,438
Insurance	**2,923**	2,871
Workers' participation fund and managerial remuneration	**4,410**	1,600
Vehicles and equipment hire charges	**2,537**	1,864
Others	**20,080**	17,695
	205,440	199,305

Others include AED 0.33 million (2020: AED 0.48 million) towards social contribution expenses.

7(i) Impairment loss/(reversal)

	2021	2020
	AED'000	AED'000
Impairment loss on trade receivables	**30,852**	46,722
Impairment loss on other receivables	**7,500**	8,866
Reversal of impairment loss on due from related parties	**(5,513)**	(4,404)
	32,839	51,184

During the previous year, impairment loss includes AED 23.1 million on dues in relation to a leased hotel.

8. Selling and distribution expenses

	2021	2020
	AED'000	AED'000
Staff salaries and other associated costs	**136,829**	119,897
Freight and transportation	**280,911**	178,297
Agents' commission	**27,702**	22,233
Advertisement and promotions expenses	**34,941**	35,595
Rental expenses	**2,699**	2,827
Travel and entertainment expenses	**2,426**	2,210
Depreciation on property, plant and equipment (refer Note 14)	**8,037**	7,383
Depreciation of right-of-use assets (refer Note 16)	**23,515**	23,612
Others	**20,199**	17,134
	537,259	409,188

9. Other operating income

	2021 AED'000	2020 AED'000
Rental income from investment properties (refer Note 18(iii)&(iv))	**3,136**	27,775
Sale of scrap and miscellaneous items	**4,797**	3,015
Insurance claims	**4,682**	769
Net gain on disposal of property, plant and equipment (refer Note 31(b)(i))	**49,106**	-
Discount earned	**10,568**	5,642
Other miscellaneous income	**16,409**	20,179
	88,698	57,380

10. Finance costs and income

	2021 AED'000	2020 AED'000
Finance costs		
Interest on bank financing	**45,601**	53,280
Profit expense on Islamic financing	**11,528**	19,370
Interest on amount due to related parties (refer Note 21)	**64**	13
Interest expense on lease liabilities	**4,801**	5,383
Bank charges	**3,890**	2,970
Net foreign exchange loss	**12,089**	-
Net change in the fair value of derivatives	**-**	3,261
Total (A)	**77,973**	84,277
Finance income		
Interest on bank deposits	**5,882**	7,105
Profit on wakala deposits	**302**	251
Net change in the fair value of derivatives	**4,908**	-
Net foreign exchange gain	**-**	14,408
Total (B)	**11,092**	21,764
Net finance costs (A-B)	**66,881**	62,513

11. Investments in equity accounted investees

Movement in investments in equity accounted investees is set out below:

	2021 AED'000	2020 AED'000
Balance at 1 January	**50,596**	40,042
Acquisition of an equity accounted investee	**-**	604
Gain on acquisition of equity accounted investee	**-**	103
Share of profit	**16,592**	16,741
Dividend income during the year	**(11,637)**	(7,978)
Effect of movement in exchange rates	**(545)**	1,084
Balance at 31 December	**55,006**	50,596

Details of interests in equity accounted investees are disclosed in Note 36.

11. Investments in equity accounted investees (continued)

The following summarizes the information relating to the Group's investments in equity accounted investees:

	Kludi RAK LLC (51%)		Others		Total	
December	**2021**	2020	**2021**	2020	**2021**	2020
			AED'000			
Non-current assets	**13,253**	9,989	**13,642**	13,897	**26,895**	23,886
Current assets *(*includes cash & cash equivalents of AED 3.11 million (2020: AED 16.66 million)*	**120,406***	98,995*	**30,524**	29,322	**150,930**	128,317
Non-current liabilities *(*comprises provision for employees' end of service benefits)*	**9,209***	8,921*	**7,623**	8,279	**16,832**	17,200
Current liabilities *(*comprises trade payables and provisions)*	**41,540***	25,837*	**9,940**	8,747	**51,480**	34,584
Net assets	**82,910**	74,226	**26,603**	26,193	**109,513**	100,419
Group's share of net assets	**42,284**	37,855	**12,722**	12,741	**55,006**	50,596
Revenue	**166,509**	142,186	**31,958**	23,366	**198,467**	165,552
Depreciation and amortization	**1,533**	1,596	**-**	-	**1,533**	1,596
Interest income	**96**	152	**-**	-	**96**	152
Profit	**30,684**	27,184	**2,665**	5,692	**33,349**	32,876
Group's share of profit	**15,648**	13,864	**944**	2,877	**16,592**	16,741
Dividend received by the Group	**11,220**	7,650	**417**	328	**11,637**	7,978

(i) RAK Watertech LLC, RAK Chimica LLC, Kludi RAK LLC are considered as Joint Ventures of the Group since the Group has joint control of these entities with other partners and has rights to the net assets of the arrangement.

(ii) In April 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 a gain on acquisition amounting to AED 0.10 million.

12. Income tax

Foreign operations of the Group are liable to corporate taxes in the respective jurisdictions at prevailing tax rates. The corporate taxes are payable on the total income of the foreign operations after making adjustments for certain disallowable expenses, exempt income and investment and other allowances.

	2021 AED'000	2020 AED'000
Current tax		
In respect of current year	**17,072**	11,884
Deferred tax		
Origination and reversal of temporary tax differences during the year	**(97)**	2,680
Tax expense for the year	**16,975**	14,564
Provision for tax	**186,802**	175,946
Deferred tax assets	**3,720**	4,066
Deferred tax liabilities	**10,131**	10,697

The Company operates in an income tax free jurisdiction. The Group's consolidated effective tax rate is 5.65% for 2021 *(2020: 8.33%)* which is primarily due to the effect of tax rates in foreign jurisdictions.

13. Earnings/(loss) per share

	2021	2020
Profit/(loss) attributable to the owners of the Company (AED'000)	**246,471**	(129,720)
Weighted average number of ordinary shares ('000s)	**993,703**	993,703
Basic and diluted earnings/(loss) per share (AED)	**0.25**	(0.13)

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.

14. Property, plant and equipment

	Land and buildings AED'000	Plant and equipment AED'000	Vehicles AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Road and asphalting AED'000	Capital work in progress AED'000	Total AED'000
Cost								
Balance at 1 January 2020	619,405	2,700,984	44,973	56,511	68,755	23,870	46,490	3,560,988
Hyperinflation impact (refer Note 34)	-	169,614	3,075	599	554	1,671	8	175,521
Additions during the year	2,364	2,160	1,081	2,892	1,753	100	92,119	102,469
Transfer from capital work in progress	18,681	45,227	-	3,072	376	-	(67,356)	-
Transfer to intangible assets (refer Note 17)	-	-	-	-	-	-	(4,050)	(4,050)
Transfer from investment properties (refer Note 18)	41,662	-	-	-	-	-	-	41,662
Disposals/write offs	(2,047)	(10,254)	(1,227)	(5,870)	(3,939)	-	(12)	(23,349)
Effect of movements in exchange rates	9,496	(114,501)	(2,058)	187	(169)	(1,238)	(15)	(108,298)
Balance at 31 December 2020	689,561	2,793,230	45,844	57,391	67,330	24,403	67,184	3,744,943
Balance at 1 January 2021	**689,561**	**2,793,230**	**45,844**	**57,391**	**67,330**	**24,403**	**67,184**	**3,744,943**
Hyperinflation impact (refer Note 34)	**-**	**44,334**	**796**	**182**	**164**	**444**	**6**	**45,926**
Additions during the year	**1,073**	**10,036**	**3,661**	**4,216**	**2,028**	**35**	**69,585**	**90,634**
Transfer from capital work in progress	**15,397**	**69,606**	**270**	**1,410**	**217**	**-**	**(86,900)**	**-**
Disposals/write offs	**(62,924)**	**(212,308)**	**(2,150)**	**(4,939)**	**(12,085)**	**-**	**-**	**(294,406)**
Effect of movements in exchange rates	**(6,484)**	**(20,476)**	**(469)**	**(729)**	**(420)**	**208**	**(131)**	**(28,501)**
Balance at 31 December 2021	**636,623**	**2,684,422**	**47,952**	**57,531**	**57,234**	**25,090**	**49,744**	**3,558,596**

14. Property, plant and equipment (continued)

	Land and buildings AED'000	Plant and equipment AED'000	Vehicles AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Road and asphalting AED'000	Capital work in progress AED'000	Total AED'000
Accumulated depreciation and impairment								
Balance at 1 January 2020	310,186	1,935,461	40,583	45,387	58,962	16,417	-	2,406,996
Hyperinflation impact (refer Note 34)	-	152,627	3,051	415	297	1,494	-	157,884
Charge for the year	18,759	107,602	1,057	4,888	4,504	1,112	-	137,922
Transfer from investment properties (refer Note 18)	11,539	-	-	-	-	-	-	11,539
Disposals/write offs	(1,216)	(9,544)	(1,118)	(4,090)	(3,921)	-	-	(19,889)
Effect of movements in exchange rates	2,009	(100,814)	(2,029)	205	(56)	(1,104)	-	(101,789)
Balance at 31 December 2020	341,277	2,085,332	41,544	46,805	59,786	17,919	-	2,592,663
Balance at 1 January 2021	**341,277**	**2,085,332**	**41,544**	**46,805**	**59,786**	**17,919**	-	**2,592,663**
Hyperinflation impact (refer Note 34)	-	**41,914**	**792**	**142**	**103**	**402**	-	**43,353**
Charge for the year	**19,387**	**95,752**	**1,066**	**4,052**	**3,514**	**1,099**	-	**124,870**
Disposals/write offs	**(47,299)**	**(206,269)**	**(2,106)**	**(4,557)**	**(11,719)**	-	-	**(271,950)**
Effect of movements in exchange rates	**(2,378)**	**(15,031)**	**(368)**	**(474)**	**(291)**	**(34)**	-	**(18,576)**
Balance at 31 December 2021	**310,987**	**2,001,698**	**40,928**	**45,968**	**51,393**	**19,386**	-	**2,470,360**
Carrying amount								
31 December 2021	**325,636**	**682,724**	**7,024**	**11,563**	**5,841**	**5,704**	**49,744**	**1,088,236**
31 December 2020	348,284	707,898	4,300	10,586	7,544	6,484	67,184	1,152,280

14. Property, plant and equipment (continued)

The depreciation charge has been allocated as follows:

	2021	2020
	AED'000	AED'000
Cost of sales (refer Note 6)	**104,510**	110,879
Administrative and general expenses (refer Note 7)	**12,323**	19,660
Selling and distribution expenses (refer Note 8)	**8,037**	7,383
	124,870	137,922

(i) Land and buildings

Certain of the Group's factory buildings are constructed on plots of land measuring 46,634,931 sq.ft. which were received free of cost from the Government of Ras Al Khaimah under an Emiri Decree.

(ii) Capital work-in-progress

Capital work in progress mainly comprises building structures under construction and heavy equipment, machinery and software under installation.

(iii) Impairment of property, plant and equipment

Property, plant and equipment included AED 20.19 million as at 31 December 2020, pertaining to one of the manufacturing units of the Group where production had previously been suspended. Management had carried out an impairment test for this property, plant and equipment based on the fair value as determined by an independent valuer. The fair value measurement was categorized as a Level 3 fair value based on the inputs to the valuation technique used. Based on the valuation, no impairment loss was recorded against plant and equipment in 2020. During the current year, the same property, plant and equipment has been disposed of (refer Note 31(b)(i)).

(iv) Transfer from/(to) investment properties

During the year, there has been no transfer between investment properties and self-occupied properties. During 2020, the Group transferred an investment property to a self-occupied property with a carrying amount of AED 30.12 million

15. Goodwill

	2021	2020
	AED'000	AED'000
Balance as at 1 January	**120,561**	120,378
Add: effect of movements in exchange rate	**(61)**	183
Balance as at 31 December	**120,500**	120,561

As at 31 December 2021, Goodwill comprises AED 50.4 million, AED 5.5 million, AED 6.1 million, AED 27 million and AED 31.5 million recognized on acquisition of Ceramin FZ LLC, RAK Ceramics UK Limited, RAK Distribution Europe S.A.R.L, ARK International Trading Company Limited and RAK Saudi LLC respectively.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

During the current year, management carried out impairment tests based on the "value in use" method of goodwill recognized on the acquisition of subsidiaries. These calculations were based on cash flow projections using forecasted operating results of the respective cash generating units. The key assumptions used to determine the values were as follows:

	2021	2020
Discount rate	**11%-12%**	8%-12%
Average annual growth rate	**3%**	8%-13%
Terminal value growth rate	**1%**	1%
Years of forecast	**5 years**	5 years

Based on the assessment, the Group has not recorded any impairment loss during the current year (*2020: Nil*) as the recoverable amounts were higher than the carrying values as at the reporting date.

The discount rate is a pre-tax measure based on the rate of 20-year US treasury bond, adjusted for country, market, size, company specific risks, etc. to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years.

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the cash generating units to which goodwill is allocated. Management believes that a reasonably possible change in key assumptions would not cause the carrying amount to exceed the recoverable amount.

16. Rights-of-use assets

	Properties AED'000	Vehicles AED'000	Total AED'000
Cost			
Balance at 1 January 2020	130,993	7,523	138,516
Additions during the year	31,933	2,493	34,426
Deletions	(33,302)	(1,412)	(34,714)
Effects of movements in exchange rate	1,823	102	1,925
Balance at 31 December 2020	131,447	8,706	140,153
Balance at 1 January 2021	**131,447**	**8,706**	**140,153**
Additions during the year	**21,568**	**-**	**21,568**
Deletions	**(10,497)**	**-**	**(10,497)**
Effects of movements in exchange rate	**(1,902)**	**(118)**	**(2,020)**
Balance at 31 December 2021	**140,616**	**8,588**	**149,204**
Accumulated depreciation			
Balance at 1 January 2020	52,162	3,090	55,252
Charge for the year	23,908	1,338	25,246
Deletions	(18,047)	(449)	(18,496)
Effects of movements in exchange rate	751	51	802
Balance at 31 December 2020	58,774	4,030	62,804
Balance at 1 January 2021	**58,774**	**4,030**	**62,804**
Charge for the year	**21,050**	**3,242**	**24,292**
Deletions	**(6,904)**	**-**	**(6,904)**
Effects of movements in exchange rate	**(802)**	**(67)**	**(869)**
Balance at 31 December 2021	**72,118**	**7,205**	**79,323**
Carrying amount			
31 December 2021	**68,498**	**1,383**	**69,881**
31 December 2020	72,673	4,676	77,349

The depreciation charge has been allocated as follows:

	2021 AED'000	2020 AED'000
Cost of sales (refer Note 6)	**50**	104
Administrative and general expenses (refer Note 7)	**727**	1,530
Selling and distribution expenses (refer Note 8)	**23,515**	23,612
	24,292	25,246

The Group leases several assets including showrooms and vehicles. The average lease term is 5 years. The maturity analysis of lease liabilities is disclosed in Note 27.

Amounts recognized in the consolidated statement of profit or loss

	2021 AED'000	2020 AED'000
Depreciation of right-of-use assets	**24,292**	25,246
Expenses relating to short-term leases / low value assets	**3,320**	3,507
Interest expense on lease liabilities	**4,801**	5,383

17. Intangible assets

	2021 **AED'000**	2020 AED'000
Balance at 1 January	**27,402**	25,833
Additions during the year	**774**	3,971
Transfer from property, plant and equipment (refer Note 14)	**-**	4,050
Amortization for the year (refer Note 7)	**(7,473)**	(6,678)
Effect of movement in exchange rates	**(172)**	226
Balance at 31 December	**20,531**	27,402

Intangible assets mainly comprise ERP software and trademarks.

18. Investment properties

	2021 **AED'000**	2020 AED'000
Cost		
Balance at 1 January	**1,265,764**	1,295,906
Hyperinflation impact (refer Note 34)	**9,791**	37,861
Additions during the year	**534**	38
Transfer to property, plant and equipment (refer Note 14)	**-**	(41,662)
Effect of movement in exchange rates	**(3,021)**	(26,379)
Balance at 31 December	**1,273,068**	1,265,764
Accumulated depreciation		
Balance at 1 January	**339,605**	119,513
Hyperinflation impact (refer Note 34)	**6,685**	24,642
Charge for the year (refer Note 7)	**10,442**	11,336
Impairment (reversal)/charge	**(563)**	213,170
Transfer to property, plant and equipment (refer Note 14)	**-**	(11,539)
Effect of movement in exchange rates	**(1,927)**	(17,517)
Balance at 31 December	**354,242**	339,605
Carrying amount – at 31 December	**918,826**	926,159
Fair value – at 31 December	**1,028,046**	1,049,962

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

(ii) The investment properties located outside U.A.E amount to AED 38.60 million (*2020: AED 41.75 million).*

(iii) During the year ended 31 December 2021, the Group earned rental income amounting to AED 3.14 million *(2020: AED 27.78 million)* from its investment properties (refer Note 9) and direct operating expenses incurred on these investment properties amounted to AED 9.08 million (*2020: AED 9.29 million*) (Note 7).

(iv) During the current year, 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 in the consolidated statement of profit or loss.

18. Investment properties (continued)

The fair value of the Group's investment properties as at 31 December 2021 and the prior year has been arrived at on the basis of an independent property valuation as of those dates. The valuers possess appropriate qualifications and recent experience in the valuation of properties in the location and category of the property being valued. As a result of the current and prospective economic impact of the COVID 19 pandemic, the valuers have reported fair market values on the basis of 'material valuation uncertainty' as per VPS-3 and VPGA-10 of the RICS Red Book Global edition. In particular, the valuers noted that "consequently, less certainty and a higher degree of caution should be attached to the valuation than what would normally be the case. As such, lesser weight could be attached to previous market evidence for comparison purposes. The current response to COVID 19 means that we are faced with an unprecedented set of circumstances on which to base a judgement."

The investment properties were valued using the residual method, investment method, comparison method or market approach, for varying properties, adjusted by the influence of the major market factors, including demand, transactions, availability, inflation, the purchasing power of money and critical judgements around approved used class of the property. The Group has considered inflation rate, risk free rate, risk premium, interest rate and statistical average growth rate. The valuation conforms to International Valuation Standards. The residual method is based on the master development plan considered in the valuation exercise, including the Gross Floor Area (GFA), and takes into account future building and construction costs, fees and transaction costs as well as anticipated developer's profits which could be subject to change and significantly impact the fair value.

The fair value measurement has been categorized as a Level 3 fair value based on the inputs to the valuation technique used and in estimating the fair value, the highest and best use of the properties is their current use.

As the recoverable amount was higher than the carrying value, the Group has recorded a net impairment gain (recovery of impairment loss recorded in the past) of AED 0.56 million during the year (*2020: impairment loss AED 213.17 million*). A change of +/- 5% to 10% in various assumptions would result in a further change in the fair value of the impaired investment properties in the range of -7.5% and +7.8%.

(v) As disclosed in Note 14(iv), during the previous year, the Group transferred an investment property to property, plant and equipment with a carrying amount of AED 30.12 million.

19. Trade and other receivables

	2021	2020
	AED'000	AED'000
Trade receivables	**965,755**	1,029,676
Less: Allowance for expected credit loss	**(229,633)**	(226,655)
Subtotal (A)	**736,122**	803,021
Other receivables	**119,886**	96,777
Less: Allowance for expected credit loss	**(9,933)**	(8,866)
Subtotal (B)	**109,953**	87,911
Advances and prepayments (C)	**250,762**	213,483
Deposits (D)	**27,640**	29,485
Total (A+B+C+D)	**1,124,477**	1,133,900

Trade receivables amounting to AED 159.08 million *(2020: AED 154.06 million)* are subject to a charge in favor of banks against facilities obtained by the Group (refer Note 26(b)(ii)).

No interest is charged on outstanding trade receivables.

19. Trade and other receivables (continued)

Other receivables include receivables due from a Sudanese Group of AED 81.3 million (gross AED 115.2 million) (*2020: AED 88.7 million; gross AED 115.1 million*). These receivables are partially secured by post-dated cheques.

Considering the continued uncertain political situation in Sudan, including probable delays in recovery, the Group's management has made a provision of AED 7.5 million during the year, against the carrying value of these receivables (*2020: nil*). Group management continues to monitor the situation closely.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables is estimated using a loss rate by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of conditions at the reporting date. During the previous year, in response to the COVID-19 pandemic, in addition to the above, the expected credit loss model used to determine the loss rate calculation has been amended to determine separate loss rates based on the geographical segmentation of receivables and its level of credit quality i.e. highly stressed, stressed or non-stressed.

(i) Long-term receivables

	2021	2020
	AED'000	AED'000
Trade receivables	**3,262**	3,805
Less: Allowance for expected credit loss	**(252)**	(452)
	3,010	3,353
Less : current portion included in trade receivables	**(505)**	(583)
Long-term trade receivables (A)	**2,505**	2,770
Other receivables	**108,114**	107,995
Less : Allowance for expected credit loss	**(32,808)**	(26,375)
	75,306	81,620
Less: current portion included in other receivables	**(75,306)**	(53,265)
Long-term other receivables (B)	**-**	28,355
Long-term receivables (A+B)	**2,505**	31,125

Expected credit loss assessment for trade receivables

The following table provides information about the exposure to credit risk and the loss allowance for trade receivables (including long-term portion) as at 31 December 2021.

	Weighted average loss rate	**Gross carrying amount AED'000**	**Loss allowance AED'000**	**Credit impaired**
Current (not past due)	**1.01%**	**410,945**	**(4,149)**	**No**
1 – 90 days past due	**2.96%**	**193,324**	**(5,724)**	**No**
91 – 180 days past due	**8.85%**	**50,044**	**(4,428)**	**No**
181 – 360 days past due	**22.25%**	**68,194**	**(15,172)**	**No**
More than 360 days past due	**81.47%**	**246,005**	**(200,412)**	**Yes**
		968,512	**(229,885)**	

19. Trade and other receivables (continued)

Expected credit loss assessment for trade receivables **(continued)**

Loss rates are based on actual credit loss experience over the past years and are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on GDP forecasts and industry outlook.

The following table provides information about the exposure to credit risk and the loss allowance for trade receivables as at 31 December 2020.

	Weighted average loss rate	Gross carrying amount AED'000	Loss allowance AED'000	Credit impaired
Current (not past due)	0.93%	476,197	(4,406)	No
1 – 90 days past due	2.98%	197,874	(5,895)	No
91 – 180 days past due	8.07%	51,298	(4,140)	No
181 – 360 days past due	21.19%	66,562	(14,105)	No
More than 360 days past due	82.40%	240,967	(198,561)	Yes
		1,032,898	(227,107)	

Impairment losses

The movement in the allowance for expected credit loss of trade receivables is as follows:

	2021 AED'000	2020 AED'000
At 1 January	**227,107**	227,983
Charge during the year (refer Note 7(i))	**30,852**	46,722
Written off during the year	**(27,476)**	(48,020)
Effect of movements in exchange rate	**(598)**	422
At 31 December	**229,885**	227,107

The movement in the allowance for expected credit loss on other receivables is as follows:

	2021 AED'000	2020 AED'000
At 1 January	**35,241**	26,375
Charge during the year (refer Note 7(i))	**7,500**	8,866
At 31 December	**42,741**	35,241

20. Inventories

	2021 AED'000	2020 AED'000
Finished goods (net of net realizable value adjustments)	**840,895**	882,886
Less : Allowance for slow-moving inventories	**(136,305)**	(124,139)
Subtotal (A)	**704,590**	758,747
Raw materials	**227,212**	174,640
Stores and spares*	**186,545**	192,847
	413,757	367,487
Less : Allowance for slow-moving inventories	**(72,848)**	(88,033)
Subtotal (B)	**340,909**	279,454
Goods-in-transit (C)	**19,314**	20,416
Work-in-progress (D)	**21,235**	17,281
Total (A+B+C+D)	**1,086,048**	1,075,898

* Critical spares are depreciated based on the useful life of the plant until they are issued for maintenance. The depreciation charge is recognized in these consolidated financial statements under allowance for inventories.

At 31 December 2021, the Group has recognized a cumulative loss due to write-down of finished goods inventories of AED 158.84 million against cost of AED 408.73 million *(2020: AED 151.3 million against cost of AED 366.80 million)* to bring finished goods to its net realizable value which was lower than the cost. The difference in write down of AED 7.85 million *(2020: AED 39.59 million*) is included in cost of sales in the consolidated statement of profit or loss with a currency loss of AED 0.32 million for the year (*2020: AED 0.30 million*).

Inventories amounting to AED 235.26 million *(2020: AED 199.58 million)* have been pledged as security in favour of certain banks against facilities obtained by the Group (refer Note 26 (b)(ii)).

The movement in allowance for slow moving inventories is as follows:

	2021 AED'000	2020 AED'000
As at 1 January	**212,172**	194,175
Add: charge for the year (refer Note 6)	**31,302**	20,245
Less: written off	**(33,432)**	(4,118)
Effect of movements in exchange rates	**(889)**	1,870
As at 31 December	**209,153**	212,172

21. Related parties

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 year, other than those disclosed elsewhere in these consolidated financial statements (see in particular Notes 11 and 31), are as follows:

Transactions with related parties

		2021 AED'000	2020 AED'000
A)	**Equity accounted investees**		
	Sale of goods and services and construction contracts	**2,561**	1,858
	Purchase of goods and rendering of services	**12,410**	9,068
	Rental income	**323**	390
	Interest expenses (refer Note 10)	**64**	13
B)	**Other related parties**		
	Sale of goods and services and construction contracts	**110,305**	88,970
	Purchase of goods and rendering of services	**235,249**	216,171
	Rental income	**2,586**	1,703

Key management personnel compensation

The remuneration of Directors and other key management personnel of the Company during the year was as follows:

	2021 AED'000	2020 AED'000
Short-term benefits	**9,780**	9,376
Staff terminal benefits	**252**	245
Board of Directors' remuneration	**1,850**	3,700

21. Related parties (continued)

Due from related parties

Management of the Group, based on their review of these outstanding balances, is of the view that the existing provision is sufficient to cover any likely credit losses.

	2021	2020
	AED'000	AED'000
Equity accounted investees	**40,485**	43,530
Other related parties	**36,785**	32,164
	77,270	75,694
Less : Allowance for expected credit loss	**(40,282)**	(45,799)
	36,988	29,895

Due to related parties

	2021	2020
	AED'000	AED'000
Equity accounted investees	**10,056**	4,905
Other related parties	**18,287**	30,931
	28,343	35,836

The movement in the allowance for ECL on amounts due from related parties is as follows:

	2021	2020
	AED'000	AED'000
At 1 January	**45,799**	50,201
Reversed during the year (refer Note 7(i))	**(5,513)**	(4,404)
Effect of movements in exchange rate	**(4)**	2
At 31 December	**40,282**	45,799

22. 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.

	2021	2020
Non-current	**AED'000**	AED'000
Derivative financial assets		
Other currency and interest rate swaps	**2,811**	4,793
	2,811	4,793

	2021	2020
Non-current	**AED'000**	AED'000
Derivative financial liabilities		
Interest rate swaps used for hedging	**1,157**	16,118
	1,157	16,118

22. Derivative financial instruments (continued)

	2021	2020
Current	**AED'000**	AED'000
Derivative financial assets		
Forward exchange contracts	**396**	-
Other currency and interest rate swaps	**1,470**	-
	1,866	-

	2021	2020
Current	**AED'000**	AED'000
Derivative financial liabilities		
Interest rate swaps used for hedging	**7,853**	16,305
Commodity derivative used for hedging	**-**	1,391
Forward exchange contracts	**-**	5,024
	7,853	22,720

23. Bank balances and cash

	2021	2020
	AED'000	AED'000
Cash in hand	**1,429**	1,687
Cash at bank		
- in bank deposits with maturity less than three months	**-**	89,576
- in Wakala deposits with maturity less than three months	**-**	45,000
- in current accounts	**333,243**	313,727
- in margin deposits	**5,223**	11,409
- in call accounts	**23,270**	8,577
Cash and cash equivalents (excluding allowance for expected credit loss)	**363,165**	469,976
Less : Allowance for expected credit loss	**(183)**	(183)
Cash and cash equivalents (A)	**362,982**	469,793
Bank deposits with an original maturity of more than three months (B)	**202,339**	143,671
Bank balances and cash (A+B)	**565,321**	613,464

Cash in hand and cash at bank includes AED 0.49 million (*2020: AED 0.63 million*) and AED 139.98 million (*2020: AED 145.67 million*) respectively, held outside the UAE.

All fixed deposits carry interest at commercial rates. Bank deposits with an original maturity of more than three months include AED 0.46 million (*2020: AED 1.63 million*) which are held by bank under lien against bank facilities availed by the Group (refer Note 26 (b)(ii)). 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.

24. Capital and reserves

(i) Share capital

	2021	2020
	AED'000	AED'000
Authorized, 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

The holders of ordinary shares are entitled to receive dividends declared and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

(ii) Share premium reserve

	2021	2020
	AED'000	AED'000
On the issue of shares of :		
- R.A.K. Ceramics P.J.S.C.	**165,000**	165,000
- R.A.K Ceramics (Bangladesh) Limited, Bangladesh	**56,667**	56,667
Total	**221,667**	221,667

(iii) Legal reserve

In accordance with the Articles of Association of the Company and certain subsidiaries ("the entities") of the Group and Article 239 of UAE Federal Law No. (2) of 2015, 10% of the net profit for the year of the individual entities to which the law is applicable, has been transferred to a statutory reserve. Such transfers may be discontinued when the reserve equals 50% of the paid-up share capital of these entities. This reserve is non-distributable except in certain circumstances as permitted by the abovementioned Law. The consolidated statutory reserve reflects transfers made post acquisition for applicable subsidiaries.

(iv) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of monetary items that form part of the Group's net investment in foreign operations, except for the translation difference of the subsidiary in Iran which is included in hyperinflation reserve. At 31 December 2021 and 2020 the balance on the translation reserve was negative, reflecting the fact that cumulative losses in the account exceeded cumulative gains.

24. Capital and reserves (continued)

(v) Hyperinflation reserve

The hyperinflation reserve comprises all 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 current inflation index in accordance with IAS 29.

	AED'000
As at 31 December 2019	(183,848)
For the year 2020	
Foreign currency translation differences	(29,315)
Hyperinflation effect (refer Note 34) – gain	38,151
As at 31 December 2020	(175,012)
For the year 2021	
Foreign currency translation differences	**(2,117)**
Hyperinflation effect (refer Note 34) – gain	**8,808**
As at 31 December 2021	**(168,321)**

(vi) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss. At 31 December 2021 and 2020 the cumulative losses on the hedging reserve exceeded cumulative gains.

(vii) General reserve

General reserve of AED 82.8 million *(2020: AED 82.8 million)* is distributable subject to the approval of shareholders.

(viii) Capital reserve

Capital reserve of AED 75.04 million *(2020: AED 75.04 million)* represents the Group's share of retained earnings capitalized by various subsidiaries. The capital reserve is non-distributable.

(ix) Dividend

The Board of Directors recommend a dividend distribution for the year 2021 of 20 fils per share (AED 198,740 thousand) which will be submitted for the approval of the shareholders at the Annual General Meeting on 15 March 2022, out of which 10 fils per share (AED 99,370 thousand) were already paid in October 2021 as interim dividend. 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.

(x) Directors' remuneration

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).

25. Non-controlling interests

The following summarizes the information relating to the Group's non-controlling interests.

	RAK Ceramics (Bangladesh) PLC		**RAK Porcelain LLC**		**Others**		**Elimination**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
NCI Percentage	**31.87%**	31.87%	**50%**	50%						
					AED'000					
Non-current assets	**143,799**	161,563	**95,709**	106,605						
Current assets	**457,784**	385,526	**213,553**	187,356						
Non-current liabilities	**(6,209)**	(8,764)	**(17,187)**	(19,914)						
Current liabilities	**(281,639)**	(239,480)	**(68,589)**	(76,387)						
Net assets	**313,735**	298,845	**223,486**	197,660						
Net assets attributable to NCI	**100,454**	95,705	**115,747**	103,117	**24,768**	22,296	**(14,434)**	(14,216)	**226,535**	206,902
Revenue	**297,100**	229,554	**254,410**	147,080						
Profit/(loss)	**38,405**	12,635	**36,006**	(5,870)						
Other comprehensive income/(loss)	**(4,874)**	2,199	**(639)**	462						
Total comprehensive income/(loss)	**33,531**	14,834	**35,367**	(5,408)						
Profit/(loss) allocated to NCI	**12,240**	4,027	**22,518**	(1,945)	**2,688**	1,484	**-**	-	**37,446**	3,566
Other comprehensive income/(loss) allocated to NCI	**(1,545)**	678	**(374)**	309	**(409)**	(430)	**-**	-	**(2,328)**	557

26. Bank financing arrangements

(a) Islamic bank financing

	2021 AED'000	2020 AED'000
(i) Short-term		
Mudaraba facilities (A)	**50,000**	75,000
Commodity Murabaha facilities (B)	**61,253**	187,053
Current portion of long-term financing (refer Note 26 (a)(ii))	**101,112**	140,429
	212,365	402,482

	2021 AED'000	2020 AED'000
(ii) Long-term – Islamic bank financing		
Commodity Murabaha facilities (B)	**184,668**	294,401
Ijarah facilities (C)	**219,753**	261,737
Less : current portion of long-term financing	**(101,112)**	(140,429)
	303,309	415,709

	2021 AED'000	2020 AED'000
Movement:		
Balance as at 1 January	**556,138**	633,355
Availed during the year	**-**	75,000
Less : repaid during the year	**(151,717)**	(152,217)
Balance as at end of the year	**404,421**	556,138
Less : current portion included in short-term (refer Note 26 (a)(i))	**(101,112)**	(140,429)
	303,309	415,709

The terms and conditions of outstanding long-term Commodity Murabaha and Ijarah facilities are as follows:

Currency	2021 Profit range	2020 Profit range	2021 AED'000	2020 AED'000
USD	1.5%-3.9%	1.5%-3.9%	**338,571**	481,138
AED	2.5%-2.7%	2.5%-4.0%	**65,850**	75,000
			404,421	556,138

The terms and conditions of outstanding short-term Mudaraba and Commodity Murabaha facilities are as follows:

Currency	2021 Profit range	2020 Profit range	2021 AED'000	2020 AED'000
AED	1.3%-2.5%	1.3%-2.5%	**111,253**	216,625
USD	-	1.3%-2.5%	**-**	45,428
			111,253	262,053

26. Bank financing arrangements (continued)

(a) Islamic bank financing (continued)

Islamic financings represent facilities such as Mudaraba, Murabaha and Ijarah facilities obtained from Banks. These financings are denominated either in the functional currency of the Company or in USD, a currency to which the functional currency of the Company is currently pegged. The long-term Commodity Murabaha facilities mature up to 2027.

The financing is secured by:

- negative pledge over certain assets of the Group;
- pari passu rights among each other;
- assignment of blanket insurance policy of certain Group entities in favour of the bank; and
- a promissory note for AED 513 million *(2020: AED 483 million)*

(A) Mudaraba is a mode of Islamic financing where a contract is entered into by two parties whereby one party (Bank) provides funds to another party (the Group) who then invest in an activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit.

(B) In Murabaha Islamic financing, a contract is entered into between two parties whereby one party (Bank) purchases an asset and sells it to another party (the Group), on a deferred payment basis at a pre-agreed profit.

(C) Ijarah is another mode of Islamic financing where a contract is entered into between two parties whereby one party (Bank) purchases/acquires an asset, either from a third party or from the Group, and leases it to the Group against certain rental payments and for a specific lease period.

(b) Interest bearing bank financing

	2021	2020
	AED'000	AED'000
(i) Short-term		
Bank overdraft	**68,901**	103,715
Short-term bank loan	**254,114**	329,490
Current portion of long-term financing (refer Note 26 (b)(ii))	**217,172**	238,145
	540,187	671,350

	2021	2020
	AED'000	AED'000
(ii) Long-term bank loans		
Balance as at 1 January	**591,226**	719,404
Availed during the year	**386,618**	104,630
Less : repaid during the year	**(280,033)**	(232,808)
Balance as at end of the year	**697,811**	591,226
Less : current portion of long-term financing (refer Note 26 (b)(i))	**(217,172)**	(238,145)
	480,639	353,081

26. Bank financing arrangements (continued)

(b) Interest bearing bank financing (continued)

(ii) Long-term bank loans (continued)

The terms and conditions of outstanding long-term loans are as follows:

Currency	**2021 Interest range**	2020 Interest range	**2021 AED'000**	2020 AED'000
AED	2.2% - 2.6%	-	**42,047**	-
USD	1.5% - 3.1%	1.7% - 3.7%	**613,939**	540,658
INR	6.4% - 9.3%	7.4% - 9.7%	**41,656**	50,107
GBP	1.6% - 5.0%	1.6% - 5.0%	**169**	461
			697,811	591,226

The terms and conditions of outstanding short-term loans are as follows:

Currency	**2021 Interest range**	2020 Interest range	**2021 AED'000**	2020 AED'000
AED	1.8% - 4.0%	2.0% - 4.0%	**215,273**	272,633
USD	2.0% - 3.5%	2.0% - 3.0%	**18,464**	51,418
INR	6.5% - 9.5%	6.0% - 8.5%	**89,278**	109,154
			323,015	433,205

The Group has obtained long-term and short-term interest bearing bank facilities from various banks for financing the acquisition of assets, project financing or to meet its working capital requirements. The majority of these bank borrowings are denominated either in the functional currencies of the respective subsidiaries or in USD, a currency to which the functional currency of the Company is currently pegged. Rates of interest on the above bank loans are based on normal commercial rates. The long-term bank loans mature up to 2029.

These bank borrowings are secured by:

- a negative pledge over certain assets of the Group;
- pari passu rights among each other;
- a promissory note for AED 1,875 million *(2020: AED 1,259 million)*;
- assignment of blanket insurance policy of certain Group entities in favour of the bank;
- hypothecation of inventories and assignment of receivables of certain Group entities (refer Notes 20 and 19); and
- fixed deposits held under lien (refer Note 23).

27. Lease liabilities

	2021 AED'000	2020 AED'000
Analysed as:		
Non-current	**48,164**	58,913
Current	**25,726**	22,737
	73,890	81,650

Maturity analysis

	2021 AED'000	2020 AED'000
Year 1	**27,712**	27,110
Year 2	**20,175**	20,253
Year 3	**12,735**	16,477
Year 4	**10,005**	11,271
Year 5	**4,326**	8,993
Thereafter	**8,633**	12,004
	83,586	96,108
Less: unearned future interest	**(9,696)**	(14,458)
	73,890	81,650

	2021 AED'000	2020 AED'000
Balance as at 1 January	**81,650**	91,766
Cash flows	**(30,536)**	(33,707)
Non cash changes	**22,776**	23,591
Balance as at end of the year	**73,890**	81,650

28. Trade and other payables

	2021 AED'000	2020 AED'000
Trade payables	**310,796**	283,312
Accrued and other expenses	**215,169**	175,184
Advance from customers	**78,450**	53,995
Commission and rebates payable	**60,847**	65,308
Other payables	**45,944**	56,078
	711,206	633,877

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The carrying amount of trade payables approximates their fair value.

29. Provision for employees' end of service benefits

	2021 **AED'000**	2020 AED'000
As at 1 January	**78,123**	83,865
Charge for the year	**20,105**	12,610
Payments made during the year	**(15,317)**	(18,053)
Effect of movements in exchange rate	**(171)**	(299)
As at 31 December	**82,740**	78,123

30. Contingent liabilities and commitments

	2021 **AED'000**	2020 AED'000
Contingent liabilities		
Letters of guarantee	**59,010**	13,752
Letters of credit	**35,250**	46,521
Value added tax and other tax contingencies	**95,183**	94,136
Commitments		
Capital commitments	**64,349**	20,266

In some jurisdictions, the tax returns for certain years have not been reviewed by the tax authorities and there are unresolved disputed corporate tax assessments and VAT claims by the authorities. However, the Group's management believes that adequate provisions have been recognized for potential tax contingencies.

31. Acquisition and disposal of subsidiaries and non-controlling interests

(a) Acquisitions

Acquisition of subsidiaries in 2021

No subsidiaries were acquired during the year.

Acquisition of subsidiaries in 2020

(i) During the year, the Group acquired further 21.6% of controlling interest in RAK Universal Plastic LLC for AED 0.65 million. This acquisition did not result in any change in control and accordingly has been accounted in accordance with IFRS 10 as an equity transaction as follows:

	2020 AED'000
Increase in non-controlling interest	132
Decrease in retained earnings	(784)
Net consideration paid	(652)

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

(b) Disposals

Disposal of subsidiaries in 2021

(i) During the current year, the Group has liquidated its 100% held subsidiary in China, "RAK (Gao Yao) Ceramics Co. Limited" and sold its property, plant and equipment. The Group has recognised a cumulative gain of AED 55.76 million on liquidation of the subsidiary, as follows:

- Gain on sale of property, plant and equipment AED 50.12 million, included in 'Gain on disposal of property, plant and equipment' (refer Note 9).

- Transfer of accumulated foreign currency translation gain to consolidated statement of profit or loss AED 5.64 million.

Disposal of subsidiaries in 2020

(i) No disposals of subsidiaries took place in 2020.

32. Operating leases

As lessor

Certain investment properties are leased to third parties under operating leases agreements. The leases typically run for a period of more than five years, with an option to renew the lease after that date. Lease rentals are usually reviewed periodically to reflect market rentals.

Maturity analysis

	2021 **AED'000**	2020 AED'000
Less than one year	**8,950**	5,000
Between two and five years	**40,101**	40,205
More than five years	**48,000**	71,275
	97,051	116,480

During the year, the long term operating lease agreement with one party was cancelled and new agreements were entered into with separate parties for the same property. Accordingly, the receivable amounts have been revised.

33. 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.

33. Financial instruments (continued)

Accounting classifications and fair values (continued)

	Carrying value					Fair value			
31 December 2021	**Fair value hedging instruments AED'000**	**Mandatory at FVTPL* AED'000**	**Financial assets at amortized cost AED'000**	**Other financial liabilities AED'000**	**Total AED'000**	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Financial assets measured at fair value									
Forward exchange contracts	-	396	-	-	396	-	396	-	396
Other currency and interest swaps	-	4,281	-	-	4,281	-	4,281	-	4,281
	-	4,677	-	-	4,677	-	4,677	-	4,677
Financial assets measured at amortized cost									
Long-term receivables	-	-	2,505	-	2,505	-	-	-	-
Trade and other receivables	-	-	873,715	-	873,715	-	-	-	-
Due from related parties	-	-	36,988	-	36,988	-	-	-	-
Bank balances and cash	-	-	565,321	-	565,321	-	-	-	-
	-	-	1,478,529	-	1,478,529	-	-	-	-
Financial liabilities measured at fair value									
Interest rate swaps used for hedging	9,010	-	-	-	9,010	-	9,010	-	9,010
	9,010	-	-	-	9,010	-	9,010	-	9,010
Financial liabilities measured at amortized cost									
Islamic bank financing	-	-	-	515,674	515,674	-	-	-	-
Interest bearing bank financing	-	-	-	1,020,826	1,020,826	-	-	-	-
Trade and other payables	-	-	-	632,756	632,756	-	-	-	-
Due to related parties	-	-	-	28,343	28,343	-	-	-	-
Lease liabilities	-	-	-	73,890	73,890	-	-	-	-
	-	-	-	2,271,489	2,271,489	-	-	-	-

**FVTPL: fair value through profit or loss*

33. Financial instruments (continued)

Accounting classifications and fair values (continued)

	Carrying value					Fair value			
31 December 2020	**Fair value hedging instruments AED'000**	**Financial assets 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**
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	-	-	920,417	-	920,417	-	-	-	-
Due from related parties	-	-	29,895	-	29,895	-	-	-	-
Bank balances and cash	-	-	613,464	-	613,464	-	-	-	-
	-	-	1,594,901	-	1,594,901	-	-	-	-
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	-	-	-	-

**FVTPL: fair value through profit or loss*

33. Financial instruments (continued)

During the current and previous years, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Risk management framework

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group’s senior management is responsible for developing and monitoring the Group's risk management policies and reports regularly to the Board of Directors on their activities. The Group's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management practices in others.

The Group's risk management policies (both formal and informal) are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by the Internal Control department. Internal control undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

As part of the application of the risk management policies, senior management is also responsible for development and implementation of controls to address operational risks arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors arising from legal and regulatory requirements, political and economic stability in the jurisdictions that the Group operates and generally accepted standards of corporate behavior (also refer Note 37 - COVID-19 impact).

The Group's non-derivative financial liabilities comprise bank borrowings, trade and other payables (excluding advances to suppliers) and amounts due to related parties. The Group has various financial assets such as trade and other receivables, bank balances and deposits and amounts due from related parties.

Due to the political situation in Iran and the imposition of stricter financial and trade sanctions and oil embargo, the movement of funds through banking channels from Iran has been restricted. Management continues to assess and monitor the implications of such changes on the business. Based on its review, management is of the view that the Group will be able to recover its investment in Iran and accordingly is of the view that no allowance for impairment is required to be recognized in these consolidated financial statements as at the reporting date.

33. Financial instruments (continued)

Risk management framework (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables, amount due from related parties and balances with banks. To manage this risk, the Group periodically assesses country and customer credit risk, assigns individual credit limits and takes appropriate actions to mitigate credit risk.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2021	2020
	AED'000	AED'000
Long-term receivables	**2,505**	31,125
Trade and other receivables (excluding advances and prepayments)	**873,715**	920,417
Due from related parties	**36,988**	29,895
Cash at bank	**563,892**	611,777
	1,477,100	1,593,214

Trade and other receivables and amount due from related parties

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which the customers operate, as these factors may have an influence on credit risk. The Group's ten largest customers account for 21.3% (*2020: 21.9%*) of the outstanding gross trade receivables as at 31 December 2021. Geographically the credit risk is significantly concentrated in the Middle East, Europe and Asian regions.

The Group's management has established a credit policy under which each new customer is analyzed individually for credit worthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from senior Group management. These limits are reviewed periodically.

In monitoring credit risk, customers and related parties are grouped according to their credit characteristics, including whether they are an individual or legal entity, geographic location, industry, aging profile, maturity and evidence of previous financial difficulties.

33. Financial instruments (continued)

Risk management framework (continued)

Credit risk (continued)

The maximum exposure to credit risk (trade and other receivables and amount due from related parties) at the reporting date by geographic region and operating segments was as follows.

	2021 AED'000	2020 AED'000
Middle East (ME)	**517,794**	581,736
Europe	**106,097**	105,364
Asian countries (Other than ME)	**177,558**	187,559
Other regions	**111,759**	106,778
	913,208	981,437
Trading and manufacturing	**851,181**	899,327
Other industrial	**38,256**	35,138
Others	**23,771**	46,972
	913,208	981,437

Balances with banks

The Group limits its exposure to credit risk by placing balances with international and local banks. Given the profile of its bankers, management does not expect any counter party to fail to meet its obligations. The bank balances are held with the banks and financial institutions of repute.

Impairment of cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity price and equity price will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings which are denominated in a currency other than the respective functional currencies of the Group entities. The entities within the Group which have AED as their functional currency are not exposed to currency risk on transactions denominated in USD as AED is currently informally pegged to USD at a fixed rate. The currencies giving rise to this risk are primarily EUR and GBP.

The Group enters into forward exchange contracts to hedge its currency risk, generally with a maturity of less than one year from the reporting date. The Group also enters currency swap arrangements with a maturity of more than 1 year.

Interest on borrowings is denominated in the currency of the respective borrowing and generally borrowings are denominated in currencies which match the cash flows generated by the underlying operations of the Group.

33. Financial instruments (continued)

Risk management framework (continued)

Market risk (continued)

Currency risk (continued)

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

The Group's exposure to foreign currency risk is as follows:

	GBP '000	AUD '000	EUR '000
31 December 2021			
Trade and other receivable (including due from related parties)	**16,663**	**4,484**	**48,167**
Cash and bank balances	**2,100**	**4,088**	**7,837**
Trade and other payables	**(6,064)**	**(380)**	**(21,303)**
Bank borrowings	**(18,068)**	**-**	**-**
Derivative – currency swap / forward exchange contracts	**6,568**	**(8,000)**	**(33,390)**
Net exposure	**1,199**	**192**	**1,311**

	GBP '000	AUD '000	EUR '000
31 December 2020			
Trade and other receivable (including due from related parties)	14,895	6,310	47,858
Cash and bank balances	3,267	588	(177)
Trade and other payables	(5,954)	-	(18,134)
Bank borrowings	(23,231)	-	-
Derivative – currency swap / forward exchange contracts	13,231	(9,500)	(22,293)
Net exposure	2,208	(2,602)	7,254

The following are the exchange rates applied during the year:

	Reporting date			
	Spot rate		**Average rate**	
	2021	2020	**2021**	2020
Great Britain Pound (GBP)	**4.970**	5.023	**5.051**	4.715
Euro (EUR)	**4.176**	4.486	**4.343**	4.193
Australian Dollar (AUD)	**2.667**	2.826	**2.757**	2.527

Sensitivity analysis

A strengthening (weakening) of the AED, as indicated below, against the EUR, GBP and AUD by 5% at 31 December would have increased (decreased) profit or loss by the amounts shown below. The analysis is based on foreign currency exchange variances that the Group considers to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

33. Financial instruments (continued)

Risk management framework (continued)

Market risk (continued)

Currency risk (continued)

	Strengthening		Weakening	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
	---AED'000---			
31 December 2021				
GBP	**(298)**	**-**	**298**	**-**
EUR	**(274)**	**-**	**274**	**-**
AUD	**(26)**	**-**	**26**	**-**
31 December 2020				
GBP	(555)	-	555	-
EUR	(1,627)	-	1,627	-
AUD	368	-	(368)	-

The following tables detail the foreign currency forward contracts outstanding at the end of reporting period, as well as information regarding their related hedged items.

Hedging instrument	**Notional value (respective foreign currency)**	**Notional principal value**	**Carrying amount of the hedging instruments assets/(liabilities)**	**Change in fair value used for recognizing hedge ineffectiveness**
	2021	**2021**	**2021**	**2021**
	'000	**AED'000**	**AED'000**	**AED'000**
Forward contracts				
- GBP	**11,500**	**57,154**	**(227)**	**-**
- EUR	**30,500**	**127,369**	**345**	**-**
- AUD	**8,000**	**21,336**	**278**	**-**
Currency swap				
- GBP	**18,068**	**89,797**	**3,936**	**-**

Hedging instrument	Notional value (respective foreign currency)	Notional principal value	Carrying amount of the hedging instruments assets/(liabilities)	Change in fair value used for recognizing hedge ineffectiveness
	2020	2020	2020	2020
	'000	AED'000	AED'000	AED'000
Forward contracts				
- GBP	10,000	50,228	(1,412)	-
- EUR	15,000	67,297	(1,950)	-
- AUD	9,500	26,851	(1,535)	-
Currency swap				
- GBP	23,231	116,682	6,289	-
Currency option				
- EUR	1,000	4,486	(127)	-

33. Financial instruments (continued)

Risk management framework (continued)

Market risk (continued)

Currency risk (continued)

Hedge item	**Notional principal value**	**Accumulated amount of fair value hedge adjustment included in carrying amount**	**Change in fair value used for recognizing hedge ineffectiveness**
	2021	**2021**	**2021**
	AED'000	**AED'000**	**AED'000**
Trade receivables			
- GBP	**(57,154)**	**227**	**-**
- EUR	**(127,369)**	**(345)**	**-**
- AUD	**(21,336)**	**(278)**	**-**
Term Loan			
- GBP	**(89,797)**	**(3,936)**	**-**

Hedge item	Notional principal value	Accumulated amount of fair value hedge adjustment included in carrying amount	Change in fair value used for recognizing hedge ineffectiveness
	2020	2020	2020
	AED'000	AED'000	AED'000
Trade receivables			
- GBP	(50,228)	1,412	-
- EUR	(71,783)	2,077	-
- AUD	(26,851)	1,535	-
Term Loan			
- GBP	(116,682)	(6,289)	-

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt financings with floating interest/profit rates.

The Group's policy is to manage its financing cost using a mix of fixed and floating interest/profit rate. To manage this, from time to time the Group enters into interest rate swaps, whereby the Group agrees to exchange, at specified intervals, the difference between fixed and floating rate amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2021, 61.05% (*2020: 75.20%*) of the Group's term financings are at a fixed rate of interest.

As the critical term of interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and is expected that the value of interest rate swap contracts and the value of corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying interest rates. The main source of hedge effectiveness in these hedge relationships is the effect of counterparty risk on the fair value of interest rate swap contracts, which is not reflected in the fair value of hedged items attributable to the change in interest rates. There is no other source of ineffectiveness from these hedging relationships.

33. Financial instruments (continued)

Risk management framework (continued)

Market risk (continued)

Interest rate risk (continued)

The following tables detail various information regarding interest rate swap contracts outstanding at the end of the reporting period and their related hedged items.

Cash flow hedges

Hedging instrument	**Average contracted fixed interest rate**	**Notional principal value**	**Carrying amount of the hedging instruments assets/(liabilities)**	**Change in fair value used for calculating hedge ineffectiveness**
	2021	**2021**	**2021**	**2021**
	%	**AED'000**	**AED'000**	**AED'000**
Receive floating, pay fixed contracts	**1.74**	**704,603**	**(9,010)**	**-**

Hedging instrument	Average contracted fixed interest rate	Notional principal value	Carrying amount of the hedging instruments assets/(liabilities)	Change in fair value used for calculating hedge ineffectiveness
	2020	2020	2020	2020
	%	AED'000	AED'000	AED'000
Receive floating, pay fixed contracts	1.88	1,032,344	(32,423)	-

Designated hedge items	**Nominal Amount of the hedged items assets/ (liabilities)**	**Change in value used for calculating hedge ineffectiveness**	**Balance in cash flow hedge reserve for continuing hedges**	**Balance in cash flow hedge reserve for which hedge accounting is no longer applied**
	2021	**2021**	**2021**	**2021**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Variable rate borrowings	**(704,603)**	**-**	**9,010**	**-**

33. Financial instruments (continued)

Risk management framework (continued)

Market risk (continued)

Interest rate risk (continued)

Cash flow hedges *(continued)*

Designated hedge items	Nominal amount of the hedged items assets/ (liabilities)	Change in value used for calculating hedge ineffectiveness	Balance in cash flow hedge reserve for continuing hedges	Balance in cash flow hedge reserve for which hedge accounting is no longer applied
	2020 AED'000	2020 AED'000	2020 AED'000	2020 AED'000
Variable rate borrowings	(1,032,344)	-	32,423	-

Fair Value

Hedging instrument	**Notional principal value**	**Carrying amount of the hedging instrument assets/ (liabilities)**	**Change in fair value used for calculating hedge ineffectiveness**
	2021 **AED'000**	**2021** **AED'000**	**2021** **AED'000**
Receive floating, pay fixed contracts	**12,490**	**345**	**-**

Hedging instrument	Notional principal value	Carrying amount of the hedging instrument assets/ (liabilities)	Change in fair value used for calculating hedge ineffectiveness
	2020 AED'000	2020 AED'000	2020 AED'000
Receive floating, pay fixed contracts	27,184	(1,496)	-

Non-designated hedged items	**Nominal amount of the hedged items assets/ (liabilities)**	**Accumulated amount of fair value hedge adjustment included in carrying amount**	**Change in fair value used for recognizing hedge ineffectiveness**
	2021 **AED'000**	**2021** **AED'000**	**2021** **AED'000**
Variable rate borrowings	**(12,490)**	**(345)**	**-**

33. Financial instruments (continued)

Risk management framework (continued)

Market risk (continued)

Interest rate risk (continued)

Cash flow hedges *(continued)*

Non-designated hedged items	Nominal amount of the hedged items assets/ (liabilities)	Accumulated amount of fair value hedge adjustment included in carrying amount	Change in fair value used for recognizing hedge ineffectiveness
	2020 AED'000	2020 AED'000	2020 AED'000
Variable rate borrowings	(27,184)	1,496	-

The Group is exposed to the USD IBOR and GBP IBOR (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, at the end of 2021, they will no longer seek to persuade, or compel, banks to submit IBORs.

None of the Group's current IBOR linked contracts include adequate and robust fallback provisions 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 have been incorporated in some of the contracts and is expected to be incorporated in all its ISDA contracts in 2022.

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 by end of 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.

At the reporting date, the interest/profit rate profile of the Group's financial instruments was:

	2021 **AED'000**	2020 AED'000
Fixed rate instruments		
Financial assets		
Bank deposits	**202,339**	278,247
Due from related parties	**-**	882
Financial liabilities		
Islamic bank financing	**465,674**	719,464
Interest bearing bank financing	**472,293**	666,268
Due to related parties	**4,000**	4,000

33. Financial instruments (continued)

Risk management framework (continued)

Market risk (continued)

Interest rate risk (continued)

	2021	2020
	AED'000	AED'000
Variable rate instruments		
Financial liability		
Islamic bank financing	**50,000**	98,727
Interest bearing bank financing	**548,533**	358,163

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest/variable profit at the reporting date would have increased/ (decreased) profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100bp increase AED'000	**100bp decrease AED'000**
31 December 2021		
Financial liability		
Variable instruments	**(5,985)**	**5,985**
31 December 2020		
Financial liability		
Variable instruments	(4,569)	4,569

Commodity price risk

Commodity price risk in the Group primarily arises from price fluctuations of Brent crude oil. The Group entered into derivative transactions to limit these risks. Hedging activities are evaluated regularly to align with Group expectations about the price changes and defined risk appetite; ensuring the most cost-effective hedging strategies are applied.

Commodity options

In the current year, the Group has designated certain commodity options as a cash flow hedge of highly probable purchases. Because the critical terms, i.e. the quantity, maturity and observation period of the commodity option and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the intrinsic value of the commodity option and the value of the corresponding hedged items will systematically change in opposite directions in response to movements in the price of the underlying commodity.

The main potential source of hedge ineffectiveness is the effect of the counterparty and the Group's own credit risk on the fair value of the option contracts, which is not reflected in the fair value of the hedged item, and circumstances in which the forecast transaction will happen earlier or later than originally expected.

33. Financial instruments (continued)

Risk management framework (continued)

Market risk (continued)

Commodity options (continued)

Cash flow hedge

Hedging instrument	**Average strike price**	**Quantity**	**Carrying amount of the hedging instruments**	**Change in fair value used for calculating hedge ineffectiveness**
	2021 USD	**2021 Barrels**	**2021 AED'000**	**2021 AED'000**
Commodity option	**-**	**-**	**-**	**-**

Hedging instrument	Average strike price	Quantity	Carrying amount of the hedging instruments	Change in fair value used for calculating hedge ineffectiveness
	2020 USD	2020 Barrels	2020 AED'000	2020 AED'000
Commodity option	57.19	60,000	(1,391)	-

Designated hedged items	**Change in value used for calculating hedge ineffectiveness**	**Balance in cash flow hedge reserve for continuing hedges**	**Balance in cash flow hedge reserve for which hedge accounting is no longer applied**
	2021 AED'000	**2021 AED'000**	**2021 AED'000**
Forecast purchase	**-**	**-**	**-**

Designated hedged items	Change in value used for calculating hedge ineffectiveness	Balance in cash flow hedge reserve for continuing hedges	Balance in cash flow hedge reserve for which hedge accounting is no longer applied
	2020 AED'000	2020 AED'000	2020 AED'000
Forecast purchase	-	(1,391)	-

33. Financial instruments (continued)

Risk management framework (continued)

Market risk (continued)

Commodity options (continued)

Commodity price sensitivity analysis

If the commodity prices had been 5 per cent higher (lower) as of 31 December 2021, profit after tax would have been AED 5.75 million (2020: AED 1.85 million) lower (higher).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group's credit terms require the amounts to be received within 90-180 days (*2020: 90 -180 days*) from the date of invoice. Trade payables are normally settled within 45-90 days (*2020: 45-90 days*) of the date of purchase.

The Group ensures that it has sufficient cash to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

The following are the remaining contractual maturities of the Group's financial liabilities at the reporting dates, including estimated interest/profit payments:

		--------------------Contractual cash flows------------------			
	Carrying amount AED'000	**Total AED'000**	**0-1 year AED'000**	**1-2 year AED'000**	**More than 2 years AED '000**
At 31 December 2021					
Non-derivative financial liabilities					
Bank financing	**1,536,500**	**(1,620,490)**	**(781,011)**	**(267,647)**	**(571,832)**
Trade and other payables	**632,756**	**(632,756)**	**(632,756)**	**-**	**-**
Due to related parties	**28,343**	**(28,343)**	**(28,343)**	**-**	**-**
	2,197,599	**(2,281,589)**	**(1,442,110)**	**(267,647)**	**(571,832)**
Derivative financial liabilities					
Interest rate swaps used for hedging	**9,010**	**(9,010)**	**(7,853)**	**(1,532)**	**375**
	9,010	**(9,010)**	**(7,853)**	**(1,532)**	**375**

33. Financial instruments (continued)

Risk management framework (continued)

Market risk (continued)

Liquidity risk (continued)

		---------------------Contractual cash flows-------------------			
	Carrying amount AED'000	Total AED'000	0-1 year AED'000	1-2 year AED'000	More than 2 years AED '000
At 31 December 2020					
Non-derivative financial liabilities					
Bank financing	1,842,622	(1,908,094)	(1,097,659)	(303,097)	(507,338)
Trade and other payables	579,882	(579,882)	(579,882)	-	-
Due to related parties	35,836	(35,836)	(35,836)	-	-
	2,458,340	(2,523,812)	(1,713,377)	(303,097)	(507,338)
Derivative financial liabilities					
Commodity derivative used for hedging	1,391	(1,391)	(1,391)	-	-
Forward exchange contracts	5,024	(5,024)	(5,024)	-	-
Interest rate swaps used for hedging	32,423	(33,697)	(16,305)	(9,942)	(7,450)
	38,838	(40,112)	(22,720)	(9,942)	(7,450)

Equity risk

The Group is not significantly exposed to equity price risk.

Capital management

The Group's policy is to maintain a strong capital base to sustain future development of the business and maintain investor and creditor confidence. A balance between the higher returns and the advantages and security offered by a sound capital position, is maintained.

The Group manages its capital structure and adjusts it in light of changes in business conditions. Capital comprises share capital, reserves, retained earnings and non-controlling interests and amounts to AED 2,458 million as at 31 December 2021 *(2020: AED 2,350 million)*. Debt comprises Islamic and interest bearing loans and equity includes all capital and reserves of the Group that are managed as capital.

The debt equity ratio at the reporting date was as follows:

	2021 AED'000	2020 AED'000
Equity	**2,458,094**	2,349,899
Debt	**1,536,500**	1,842,622
Debt equity ratio	**0.63**	0.78

There was no change in the Group's approach to capital management during the current year. The Group is not subject to externally imposed capital requirements.

34. Hyperinflationary economy

The Group has a subsidiary in the Islamic Republic of Iran which was designated as hyper-inflationary economy during the current year, having previously ceased to be so in 2015. The subsidiary did not have material operations during the years ended 31 December 2020 or 31 December 2021 and the total assets of the Iranian subsidiary are approximately 0.61 % of the Group's consolidated total assets as at 31 December 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**
31December 2021	**379.20**	1.3514
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 effected as follows:

- Hyperinflation accounting was applied as of 1 January 2020;
- The 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 consolidated statement of profit or loss for both the 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 consolidated statement of financial position. Monetary items are money held and items to be recovered or paid in money;
- Non-monetary assets and liabilities are initially recorded at historical cost (e.g. property plant and equipment, investment properties etc.) and restated using an inflation index. The hyperinflation impact resulting from changes in the general purchasing power until 31 December 2020 has been reported in Hyperinflation reserve directly as a component of equity and the impact of changes in the general purchasing power from 1 January 2021 is reported through the consolidated statement of profit or loss as loss on net monetary position. In addition, depreciation is calculated and charged based on the inflation adjusted values of property, plant and equipment and investment properties.
- All items in the consolidated statement of profit or loss are restated by applying the relevant quarterly average or year-end conversion factors.

The impact of hyperinflationary accounting on the consolidated financial statements due to the subsidiary in the Republic of Iran is as follows:

	1 January 2021	1 January 2020
	AED'000	AED'000
Impact on consolidated statement of financial position		
Increase in property, plant and equipment – net	**2,573**	17,637
Increase in investment properties – net	**3,106**	13,219
Increase in other assets	**3,129**	7,295
Increase in equity	**8,808**	38,151
Allocated to:		
Increase in opening equity due to cumulative hyperinflation	**8,808**	38,151

	2021	2020
Impact on consolidated statement of profit or loss	**AED'000**	AED'000
Increase in depreciation charge for the year	**1,604**	5,835
Loss on net monetary position	**2,708**	3,215
	4,312	9,050

35. Segment reporting

Basis for segmentation

The Group has made some minor classification changes to its segment reporting during the year to better reflect operational results and the comparatives have been reclassified accordingly.

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:

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

Information about the reportable segments

Information regarding each reportable segment is set out below. Segment profit (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of respective segments relative to other entities that operate in the same industries.

	Ceramic products AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
At 31 December 2021					
External revenue	**2,749,645**	**100,962**	**10,133**	**-**	**2,860,740**
Intersegment revenue	**706,081**	**112,599**	**1,653**	**(820,333)**	**-**
Segment revenue	**3,455,726**	**213,561**	**11,786**	**(820,333)**	**2,860,740**
Segment profit/(loss)	**315,103**	**23,377**	**(22,071)**	**(32,492)**	**283,917**
Segment EBITDA	**500,381**	**26,385**	**10,674**	**(36,146)**	**501,294**
Interest/profit income	**6,169**	**31**	**837**	**(853)**	**6,184**
Interest/profit expense	**62,482**	**689**	**101**	**(1,278)**	**61,994**
Depreciation and amortization	**159,670**	**3,938**	**6,273**	**(2,804)**	**167,077**
Share of profit in equity accounted investees	**943**	**15,649**	**-**	**-**	**16,592**
Segment assets	**6,341,163**	**192,576**	**284,241**	**(1,721,264)**	**5,096,716**
Segment liabilities	**3,366,230**	**73,754**	**105,224**	**(906,586)**	**2,638,622**

35. Segment reporting (continued)

Information about the reportable segments (continued)

	Ceramic products AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
At 31 December 2020					
External revenue	2,218,851	115,616	15,022	-	2,349,489
Intersegment revenue	556,330	81,977	2,365	(640,672)	-
Segment revenue	2,775,181	197,593	17,387	(640,672)	2,349,489
Segment profit/(loss)	178,712	22,233	(228,025)	(99,074)	(126,154)
Segment EBITDA	441,861	27,122	(11,049)	(103,135)	354,799
Interest/profit income	7,910	240	2,425	(3,219)	7,356
Interest/profit expense	80,932	826	20	(3,732)	78,046
Depreciation and amortization	174,090	3,889	6,238	(3,035)	181,182
Share of profit in equity accounted investees	2,877	13,864	-	-	16,741
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 and impairment loss on investment properties.

Geographic information

The ceramic products, contracting and other industrial segments are managed on a worldwide basis, but manufacturing facilities are located in the UAE, India, Iran and Bangladesh.

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets. Investment in equity accounted investees is presented based on the geographical location of the entity holding the investment.

	2021 AED'000	2020 AED'000
Revenue		
Middle East (ME)	**1,405,857**	1,250,163
Europe	**478,484**	387,360
Asian countries	**842,987**	590,775
Other	**133,412**	121,191
	2,860,740	2,349,489
Non-currents assets		
Middle East (ME)	**1,865,301**	1,902,954
Asian countries	**298,722**	353,502
Other	**117,993**	137,875
	2,282,016	2,394,331

35. Segment reporting (continued)

Reconciliation of reportable segment

	2021 AED'000	2020 AED'000
Revenues		
Total revenue for reportable segments	**3,681,073**	2,990,161
Elimination of intersegment revenue	**(820,333)**	(640,672)
Consolidated revenue	**2,860,740**	2,349,489
Profit/(loss)		
Total profit or loss for reportable segments	**316,409**	(27,080)
Elimination of inter-segment profits	**(32,492)**	(99,074)
Consolidated profit/(loss)	**283,917**	(126,154)
Assets		
Total assets for reportable segment	**5,041,710**	5,196,892
Equity accounted investees	**55,006**	50,596
Consolidated total assets	**5,096,716**	5,247,488
Other material items		
Interest/profit income	**6,184**	7,356
Interest/profit expense	**61,994**	78,046
Depreciation and amortization	**167,077**	181,182

36. Subsidiaries and equity accounted investees

	Name of the entity	Country of incorporation	Ownership interest 2021	Ownership interest 2020	Principal activities
A	**Subsidiaries of R.A.K. Ceramics P.J.S.C.**				
	RAK Ceramics (Bangladesh) PLC	**Bangladesh**	**68.13%**	68.13%	Manufactures of ceramic tiles and sanitary ware
	RAK (Gao Yao) Ceramics Co. Limited	**China**	**-**	100%	Manufactures of ceramic tiles
	RAK Ceramics PJSC Limited	**Iran**	**100%**	100%	Manufactures of ceramic tiles
	RAK Ceramics India Private Limited	**India**	**100%**	100%	Manufactures of ceramic tiles and sanitary ware
	Elegance Ceramics LLC	**UAE**	**100%**	100%	Manufactures of ceramic tiles
	RAK Ceramics Australia PTY Limited	**Australia**	**100%**	100%	Trading in ceramic tiles
	RAK Bathware PTY Limited	**Australia**	**100%**	100%	Trading in sanitary ware
	Acacia Hotels LLC	**UAE**	**100%**	100%	Lease of investment property
	RAK Ceramics Holding LLC	**UAE**	**100%**	100%	Investment company
	Al Jazeerah Utility Services LLC	**UAE**	**100%**	100%	Provision of utility services
	Ceramin FZ LLC	**UAE**	**100%**	100%	Manufacturing, processing import & export of industrial minerals
	Al Hamra Construction Company LLC	**UAE**	**100%**	100%	Construction company
	RAK Porcelain LLC (refer Note (iii) below)	**UAE**	**50%**	50%	Manufacturing of porcelain tableware
	RAK Ceramics Company LLC	**Saudi Arabia**	**100%**	100%	Trading in ceramic tiles and sanitary ware
	RAK Ceramics UK Limited	**UK**	**100%**	100%	Trading in ceramic tiles and sanitary ware
	RAK Ceramics GmbH	**Germany**	**100%**	100%	Trading in ceramic tiles and sanitary ware
	ARK International Trading Company Limited	**Saudi Arabia**	**100%**	100%	Trading in ceramic tiles and sanitary ware
B	**Subsidiaries of RAK Ceramics (Bangladesh) PLC**				
	RAK Power Private Limited	**Bangladesh**	**100%**	100%	Power generation for captive consumption
	RAK Securities and Services Private Limited	**Bangladesh**	**100%**	100%	Providing security services
C	**Subsidiaries of RAK Ceramics Holding LLC**				
	RAK Paints LLC	**UAE**	**51%**	51%	Manufacturers of paints and allied products
	RAK Universal Plastics Industries LLC	**UAE**	**87.6%**	87.6%	Manufactures of pipes

36. Subsidiaries and equity accounted investees (continued)

	Name of the entity	Country of incorporation	Ownership interest 2021	2020	Principal activities
D	**Subsidiary of RAK Ceramics UK Limited**				
	RAK Distribution Europe SARL	**Italy**	**100%**	100%	Trading in ceramic tiles and sanitary ware
E	**Subsidiary of RAK Distribution Europe SARL**				
	RAK Ceramics CE GmbH	**Germany**	**100%**	100%	Trading in ceramic tiles and sanitary ware
F	**Subsidiary of RAK Paints LLC**				
	Altek Emirates LLC (refer Note (i) below)	**UAE**	**99%**	99%	Manufacturers of paints and adhesive products
G	**Subsidiaries of Ceramin FZ LLC**				
	Ceramin India Private Limited	**India**	**100%**	100%	Extraction, distribution and export of clay and other minerals
	Ceramin SDN BHD	**Malaysia**	**100%**	100%	Extraction, distribution and export of clay and other minerals
	Feldspar Mineral Company Limited (refer Note (ii) below)	**Thailand**	**40%**	40%	Extraction, distribution and export of clay and other minerals
H	**Subsidiary of Elegance Ceramics LLC**				
	Venezia Ceramics	**UAE**	**100%**	100%	General trading
I	**Subsidiaries of RAK Porcelain LLC**				
	RAK Porcelain Europe S.A.	**Luxemburg**	**91%**	91%	Import and export of porcelain tableware
	Restofair RAK LLC	**UAE**	**47%**	47%	Contracting of furnishing the public firms
J	**Subsidiary of RAK Porcelain Europe S.A.**				
	RAK Porcelain USA Inc.	**USA**	**100%**	100%	Trading of tableware
K	**Subsidiaries of RAK Ceramics India Private Limited**				
	Gris Ceramics Limited Liability Partnership	**India**	**51%**	51%	Manufacturers of ceramic tiles
	Gryphon Ceramics Private Limited	**India**	**51%**	51%	Manufacturers of ceramic tiles
	Totus Ceramics India Private Limited	**India**	**100%**	100%	Trading of ceramic tiles and sanitary ware

36. Subsidiaries and equity accounted investees (continued)

	Name of the entity	Country of incorporation	Ownership interest 2021	2020	Principal activities
L	**Joint Ventures of R.A.K. Ceramics P.J.S.C.**				
	RAK Chimica LLC (refer Note 11(i))	**UAE**	**55.55%**	55.55%	Manufacturing of chemicals used in ceramic industries
	Kludi RAK LLC (refer Note 11(i))	**UAE**	**51%**	51%	Manufacturing of water tap faucets etc.
M	**Associate of Ceramin FZ LLC**				
	Palang Suriya Company Limited	**Thailand**	**40%**	40%	Extraction, distribution and export of clay and other minerals
N	**Joint Venture of RAK Ceramics Australia PTY LTD**				
	Massa Imports PTY Limited	**Australia**	**50%**	50%	Trading in ceramic tiles
O	**Joint Venture of RAK Ceramics Holding LLC**				
	RAK Watertech LLC (refer Note 11(i))	**UAE**	**51%**	51%	Waste-water treatment works
P	**Subsidiary of Palang Suriya Company Limited**				
	Feldspar Minerals Co. Limited	**Thailand**	**60%**	60%	Extraction, distribution and export of clay and other minerals
Q	**Associate of Restofair RAK LLC**				
	Naranjee Hirjee Hotel Supplies LLC	**Oman**	**25%**	25%	Hotel supplies

(i) In addition to 99% equity interest in Altek Emirates LLC held by RAK Paints LLC, the remaining 1% equity interest is held by RAK Ceramics Holding LLC, a fully owned subsidiary of the Group. Accordingly, the entity has been treated as a fully owned subsidiary of the Group.

(ii) Ceramin FZ LLC holds a 40% equity interest in Feldspar Minerals Company Limited. In addition to this, Palang Suriya Company Limited in which Ceramin FZC holds a 40% equity interest, also has 60% equity interest in this entity. Accordingly, the Group effectively holds a 64% equity interest in Feldspar Minerals Company Limited.

(iii) RAK Porcelain has been considered as a subsidiary since the Group has the ability to use its power to affect its returns.

37. Significant accounting estimates and critical accounting judgements

The Group makes estimates and assumptions which affect the reported amounts of assets and liabilities within the next financial year. Estimates and critical accounting judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements are as follows.

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, 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 and continues to maintain a COVID 19 Command Center to closely monitor the evolution of the pandemic, to evaluate the potential impacts thereof on the Group's customers, employees and business and to take timely decisions as part of its crisis management procedures.

From the onset, management has considered the unique circumstances of the global pandemic that might have a material impact on the business operations, assets and liabilities of the Group and have concluded that the main impact on the Group's operating profitability and 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 project sites,
- increase in expected credit losses from trade receivables, and
- impairment of non-financial assets (including goodwill).

During the previous year as well as the current year, the construction industry in the UAE continued to operate and the Group's production lines in the UAE were running throughout the year 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 year 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 regulations. They resumed by the first week of June 2020 and were running seamlessly during the third and fourth quarters of 2020.

Throughout 2021 plants in the UAE were running seamlessly. Due to regional lock-downs, the plants in India and Bangladesh were occasionally shut-down but were fully restarted as restrictions were eased.

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 the approval of these consolidated financial statements. Accordingly, the Group continues to adopt the going concern basis in preparing the consolidated financial statements.

Critical accounting judgements

Classification of properties

As disclosed in Note 14(iv), during the previous year, the Group had started to use a building which earlier was classified as investment property, and accordingly, this building with carrying amount of AED 30.12 million has been transferred from investment property, to property, plant and equipment due to change of its use.

37. Significant accounting estimates and judgements (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated useful life and residual value of property, plant and equipment and investment properties

The Group estimates the useful lives of property, plant and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and on historical experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Fair valuation of investment properties

The Group follows the Cost Model per IAS 40 whereby investment properties are stated at cost less accumulated depreciation and impairment losses, if any. Fair values of investment properties are disclosed in Note 18. The fair values for buildings have been determined by taking into consideration both income/profits and comparable sales approach having regard to market rental and transactional evidence. Fair values for land have been determined either having regard to recent market transactions in the vicinity or by using the residual method.

Allowance for slow moving inventories and net realizable value write down on inventories

The Group reviews its inventory for any write down to net realizable value on a regular basis. In determining whether a provision for slow moving inventory should be recorded in profit and loss, the Group makes judgments as to whether there is any observable data indicating that there is any future salability of the product and the net realizable value for the product. Provision is made where the net realizable value is less than cost based on best estimates by management. The provision for slow moving inventory is based on its ageing and the past trend of consumption.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating units to which goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from each cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Management has carried out an impairment test for goodwill at the year end and has concluded that no impairment has taken place. For this purpose, the recoverable amount of each cash generating unit has been determined based on a value-in-use calculation using cash flow projections, using financial budgets approved by senior management, covering a five-year period. Cash flows beyond the five-year period are extrapolated using a growth rate which management believes approximates the long-term growth rate for the industry in which the cash generating unit operates.

37. Significant accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

Impairment of goodwill (continued)

Key assumptions used for the calculation of value-in-use

The calculation of value-in-use is sensitive to the following assumptions:

Growth rate

Growth rates are based on management's assessment of the market share having regard to the forecast growth and demand for the products offered. Growth rates of 3% per annum have been applied in the calculation.

Profit margins

Profit margins are based on management's assessment of achieving a stable level of performance based on the approved business plan of the cash generating unit for the next five years.

Discount rates

Management has used a discount rate of 11% - 12% per annum throughout the assessment period, reflecting the estimated weighted average cost of capital of the Group and specific market risk profile.

Calculation of loss allowance

When measuring expected credit losses, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

If the ECL rates on trade receivables between 91 and 180 days past due had been 5 per cent higher (lower) as of 31 December 2021, the loss allowance on trade receivables would have been AED 0.22 million (*2020: AED 0.21 million*) higher (lower).

If the ECL rates on trade receivables between 181 and 360 days past due had been 5 per cent higher (lower) as of 31 December 2021, the loss allowance on trade receivables would have been AED 0.76 million (*2020: AED 0.74 million*) higher (lower).

38. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 06 February 2022.