



Condensed Consolidated
Interim Financial Information

30 June 2023

RAK Ceramics PJSC and its Subsidiaries

Condensed consolidated interim financial information
30 June 2023

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On interim financial performance for the period ended 30 June 2023
3 August 2023

Dear Members,

It is our pleasure to present the business & operations report for the six month period (H1) and three month period (Q2) ended 30 June 2023, along with the consolidated financial information of RAK Ceramics PJSC, UAE (the “Group” or the “Company”) as on 30 June 2023.

Snapshots

- Revenue in Q2 2023 decreased 5.9% year on year to AED 872 million due to market pressure, currency depreciation and rising interest cost
- Gross margin of 37.3%, a 110bps erosion due to lower revenue and change in product mix in Q2 2023
- EBITDA for first half year of 2023 increased from AED 266.4 million last year to AED 312.4 million. EBITDA margin increased by 220bps year on year to 17.8%
- Reported net profit decreased to AED 75.1 million in Q2 2023
- Net debt to EBITDA at period end remained stable at 2.4x.
- The Board of Directors proposed an interim dividend distribution of 10 fils per share (AED 99.4 million) for H1 2023.

Operational Review during Q2 2023

- **Tiles** revenues declined 16.4% year on year to AED 497.4 million due to increasing competition, liquidity constraints, and economic uncertainties hampering growth in markets. The markets in the UAE, Middle East, Germany and Italy continued to perform.
- **Sanitaryware** revenues were 8.9% lower year on year at AED 133.2 million. Inflation and higher borrowing costs are pushing households to defer major renovation work and property developers to slow down projects. The UAE market is the only bright spot.
- **Tableware** revenue increased 3.0% year on year to AED 92.0 million thanks to the introduction of differentiated products and demand in Europe.
- **The Faucets** segment generated revenue of AED 116.5 million, out of which KLUDI Group contributed AED 110.6 million.

Strategic Highlights

RAK Ceramics continues to make progress on its expansion plans across its various markets.

UAE Expansion projects: The Tableware capacity expansion (additional 10 million pieces) remains on schedule. Completion is expected in Q3 2023 while commercial production is targeted in Q4 2023.

Bangladesh Expansion projects: Construction works to upgrade and enhance capacity is continued during the quarter. Commencement of production is however pushed by a quarter to Q2 2024.

Greenfield projects: In Bangladesh, the land mutation certificate as well as other necessary approvals and permissions have been received. The civil engineers and consultants have been appointed. Design of the factory layout is expected in Q3 2023, after which construction will commence. In Saudi Arabia, the greenfield project is following its course. An application has been filed with Ministry of Energy to support with gas allocation approval alongside finalization of the factory layout plan and obtaining all necessary clearances.

Financial Highlights

- Q2 2023 group revenues declined 5.9% to AED 872.0 million due to currency depreciation and challenging trading conditions in the Tile and Sanitaryware segments. H1 2023 revenue increased by 2.6% year on year to AED 1.75 billion mainly driven by Faucets business consolidation. Gross margin for Q2 2023 decreased by 110bp to 37.3%

mainly due to lower revenue while for H1 2023 it remained stable year on year at 37.6%. Reported net profit decreased to AED 75.1 million during Q2 2023 and H1 2023 decreased to AED 155.2 million due to lower revenue and margins. EBITDA in H1 2023 increased by 17.3% year on year to AED 312.4 million. EBITDA margin increased by 220 bps year on year to 17.8%. Net debt increased by AED 148m to AED 1.45 billion in June 2023 compared to AED 1.30 billion in December 2022 mainly due to increase in working capital. Net Debt to EBITDA remained stable at 2.4x compared to Q1 2023.

Particulars	Unit	Six months to 30 June 2023	Six months to 30 June 2022	Change
Total Revenue	AED Mio	1,754.4	1,710.1	2.6%
Gross Profit	AED Mio	659.6	645.7	2.2%
GP Margin	%	37.6%	37.8%	-20 bps
EBITDA *	AED Mio	312.4	266.4	17.3%
EBITDA * Margin	%	17.8%	15.6%	220 bps
Reported Net Profit	AED Mio	155.2	171.9	-9.7%
Reported Net Profit margin	%	8.8%	10.1%	-130 bps
Reported Profit after NCI (Minority)	AED Mio	143.0	147.8	-3.2%
Reported Earnings per share	AED	0.14	0.15	-0.01
		30 June 2023	31 December 2022	Change
Total Assets	AED Mio	5,343.6	5,417.6	-1.4%
Share Capital	AED Mio	993.7	993.7	-
Shareholder's Equity	AED Mio	2,188.4	2,164.6	1.1%
Net Debt	AED Mio	1,449.2	1,301.1	11.4%
Net Debt / EBITDA*	Times	2.43	2.26	7.5%
Cost of Debt	%	5.86%	4.10%	176 bps

* EBITDA amount for the six months period ending 30th June 2022 is after considering extra-ordinary impairment loss on dues in relation to other receivables, AED 27.6 million.

EBITDA for trailing 12 months is considered for calculation of its ratio to Net Debt.

Sustainability

Further, RAK Ceramics continues to make long term investment towards waste utilization and energy consumption as it is deeply committed towards sustainability and reducing overall environmental footprint.

CSR activities, exhibitions, sponsorships and awards during Q2 2023

Exhibitions

- Participated in BAU exhibition at Munich, Germany
- Participated in Coverings exhibition at Orlando, USA

Events & Sponsorships

- Clerkenwell Design Week Sponsorship, UK
- MOIATE - Make it in the Emirates – jury participation (CEO) and forum

Awards received

- CEO Today ME Awards

Delegations

- Emaar & Damac project team visit to the DIC
- Ambassadors and delegation visits from: Canada, Ireland, China, Rwanda
- Nobel Prize winner visit – Advanced Material Annual Workshop
- Investor delegations with RAKEZ business development unit

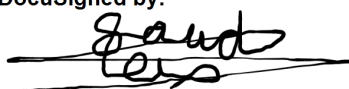
RAK Ceramics has been actively managing risks and leveraging opportunities. As the dynamic shift in global trends and customer preferences are witnessed, product offerings are steered away from the conventional ceramic tiles into porcelain tiles. A substantial surge in global demand for porcelain tiles especially with regard to the upcoming premium real estate projects globally is foreseen. RAK Ceramics is actively fueling growth with ongoing investments in upgraded production facilities, the inauguration of new showrooms, an expanded product range, and plans to extend the distribution network globally.

Financial Reporting

The consolidated financial information of the Group, 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 of Directors 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:

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Chairman

03 AUG 2023



Group Chief Executive Officer

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

Condensed consolidated interim financial information
for the six-month period ended 30 June 2023

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

Condensed consolidated interim financial information
30 June 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **R. A. K Ceramics P.J.S.C. (the "Company") and its subsidiaries (together the "Group")**, Ras Al Khaimah, United Arab Emirates, as at 30 June 2023 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, cash flows and changes in equity for the six months period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34: Interim Financial Reporting as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

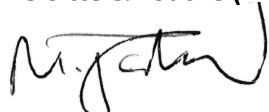
Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: Interim Financial Reporting as issued by IASB.

Deloitte & Touche (M.E.)



Mohammad Jallad
Registration No. 1164
3 August 2023
Sharjah
United Arab Emirates

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

Condensed consolidated statement of profit or loss (unaudited)
for the six months and three months period ended 30 June 2023

	Notes	Six months period ended 30 June		Three months period ended 30 June	
		2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000
Revenue	5	1,754,361	1,710,086	871,983	927,023
Cost of sales	6	(1,094,791)	(1,064,399)	(546,642)	(570,688)
Gross profit		659,570	645,687	325,341	356,335
Administrative and general expenses	7	(118,987)	(109,404)	(61,191)	(59,273)
Selling and distribution expenses	8	(345,413)	(347,616)	(171,940)	(186,157)
Other income	9	36,166	42,167	21,127	22,023
Finance costs	10	(60,374)	(39,883)	(31,819)	(22,560)
Finance income	10	7,474	3,268	5,227	2,120
Loss on net monetary position	25	(571)	(2,362)	119	(1,679)
Share of profit in equity accounted investees	11	443	5,514	421	2,439
Profit before impairment losses and gain on acquisition		178,308	197,371	87,285	113,248
Impairment loss	7(i)	(13,126)	(42,577)	(7,202)	(35,097)
Impairment loss on property, plant and equipment		-	(2,906)	-	(2,906)
Gain on acquisition of subsidiaries	7(ii)	-	32,374	-	32,374
Profit before tax		165,182	184,262	80,083	107,619
Tax expense		(9,991)	(12,319)	(4,993)	(5,411)
Profit for the period		155,191	171,943	75,090	102,208
<i>Profit attributable to:</i>					
Owners of the Company		143,012	147,773	69,600	91,184
Non-controlling interests		12,179	24,170	5,490	11,024
Profit for the period		155,191	171,943	75,090	102,208
Earnings per share					
- basic and diluted (AED)	12	0.14	0.15	0.07	0.09

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

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

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

for the six months and three months period ended 30 June 2023

	Six months period ended 30 June		Three months period ended 30 June	
	2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000
Profit for the period	155,191	171,943	75,090	102,208
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Foreign exchange differences on translation of foreign operations	(19,987)	(36,755)	506	(35,664)
Cash flow hedges – effective portion of changes in fair value gain/(loss) on hedging instruments	(2,621)	22,463	876	6,376
Effects of application of hyperinflation accounting (Note 25)	2,148	7,684	(482)	6,019
Total comprehensive income for the period	134,731	165,335	75,990	78,939
<i>Total comprehensive income attributable to:</i>				
Owners of the Company	126,685	151,062	71,146	76,643
Non-controlling interests	8,046	14,273	4,844	2,296
Total comprehensive income for the period	134,731	165,335	75,990	78,939

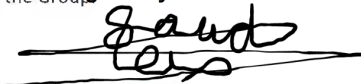
The accompanying notes form an integral part of the condensed consolidated interim financial information.

R.A.K Ceramics P.J.S.C. and its subsidiaries
Condensed consolidated statement of financial position
as at 30 June 2023

	Notes	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Assets			
Non-current assets			
Property, plant and equipment	13	1,261,083	1,243,400
Goodwill	14	120,135	119,855
Right-of-use assets		93,125	95,697
Intangible assets		17,048	18,545
Investment properties	15	897,316	904,191
Investments in equity accounted investees	11	10,436	10,587
Long-term receivables	16(i)	3,379	3,560
Derivative financial assets	19	7,440	9,658
Deferred tax assets		6,556	6,398
Total non-current assets		2,416,518	2,411,891
Current assets			
Inventories	17	1,340,933	1,309,292
Trade and other receivables	16	1,278,703	1,205,067
Due from related parties	18	53,556	41,826
Derivative financial assets	19	10,748	10,924
Bank deposits with an original maturity of more than three months	20	13,126	117,321
Cash and cash equivalents	20	230,060	321,291
Total current assets		2,927,126	3,005,721
Total assets		5,343,644	5,417,612
Equity and liabilities			
Capital and reserves			
Share capital	21	993,703	993,703
Reserves		1,194,737	1,170,866
Equity attributable to owners of the Company		2,188,440	2,164,569
Non-controlling interests		128,657	133,440
Total equity		2,317,097	2,298,009
Non-current liabilities			
Islamic bank financing	22a(ii)	339,512	372,628
Interest bearing bank financing	22b(ii)	643,295	595,649
Provision for employees' end of service benefits		134,438	132,450
Lease liabilities		69,200	72,318
Deferred tax liabilities		26,053	25,397
Total non-current liabilities		1,212,498	1,198,442
Current liabilities			
Islamic bank financing	22a(i)	296,945	284,767
Interest bearing bank financing	22b(i)	412,657	486,686
Trade and other payables	23	869,778	903,666
Due to related parties	18	36,393	39,495
Derivative financial liabilities	19	896	4,548
Lease liabilities		30,152	27,626
Provision for taxation		167,228	174,373
Total current liabilities		1,814,049	1,921,161
Total liabilities		3,026,547	3,119,603
Total equity and liabilities		5,343,644	5,417,612

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

Signed by:



03 AUG 2023



Chairman — 2451884A5ED54A0...

Chief Executive Officer

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

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

Condensed consolidated statement of cash flows (unaudited)

for the six months period ended 30 June 2023

	Six months period ended 30 June	
	2023	2022
	AED'000	AED'000
Operating activities		
Profit for the period before tax	165,182	184,262
<i>Adjustments for:</i>		
Share of profit in equity accounted investees	(443)	(5,514)
Interest expense	32,973	22,575
Profit expense on Islamic bank financing	18,546	5,607
Interest income	(2,827)	(3,110)
Profit on wakala deposits	(769)	(158)
Interest expense on lease liabilities	3,771	2,787
Net change in fair value of derivative financial instruments	(3,878)	5,742
Gain on disposal of property, plant and equipment	(315)	(13)
Gain on acquisition of subsidiaries	-	(32,374)
Depreciation of property, plant and equipment	70,489	62,291
Depreciation of investment properties	5,147	5,378
Amortisation of intangible assets	3,073	3,018
Depreciation of right-of-use assets	16,955	13,261
Provision for employees' end-of-service benefits	9,401	11,625
Loss on net monetary position	571	2,362
Allowance for slow moving and obsolete inventories	23,601	13,220
Write-down of cost of finished goods	414	7,309
Impairment loss on trade receivables	13,126	14,776
Impairment loss on other receivables	-	27,551
Impairment loss on bank balances	-	250
Impairment loss on property, plant and equipment	-	2,906
	355,017	343,751
Changes in:		
- inventories	(55,656)	(57,546)
- trade and other receivables (including long-term portion)	(92,710)	(99,667)
- due from related parties	(11,730)	3,473
- trade and other payables	(33,888)	33,960
- due to related parties	(3,102)	8,739
Income tax paid	(10,509)	(6,191)
Employees' end-of-service benefits paid	(7,915)	(4,007)
Currency translation adjustments	(9,634)	(4,673)
Net cash generated from operating activities	129,873	217,839

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

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

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

for the six months period ended 30 June 2023

	Six months period ended 30 June	
	2023	2022
	AED'000	AED'000
Investing activities		
Additions to property, plant and equipment	(93,507)	(59,516)
Proceeds from disposal of property, plant and equipment	2,844	249
Additions to intangible assets	(1,119)	(240)
Additions to investment properties	(1,980)	-
Dividend received from equity accounted investees	354	388
Interest received	2,827	3,110
Profit received on Wakala deposits	769	158
Proceeds on maturity of bank deposits with an original maturity of more than three months	104,195	107,079
Cash paid for acquisition of further shares in a subsidiary	-	(203,500)
Cash paid for settlement of liabilities of the acquired subsidiary	-	(17,332)
Cash paid for acquisition of subsidiaries	-	(56,760)
Cash acquired as part of acquisition of subsidiaries	-	(29,269)
Net cash generated from/(used in) investing activities	14,383	(255,633)
Financing activities		
Long-term bank financing availed	109,150	262,776
Long-term bank financing repaid	(131,448)	(114,771)
Long-term Islamic bank financing availed	20,000	98,447
Long-term Islamic bank financing repaid	(48,818)	(60,436)
Repayment of lease liabilities	(21,005)	(18,907)
Short-term bank financing availed	475,225	287,589
Short-term bank financing repaid	(470,959)	(282,833)
Short-term Islamic bank financing availed	242,874	267,310
Short-term Islamic bank financing repaid	(234,994)	(171,253)
Interest paid	(32,973)	(22,575)
Profit paid on Islamic bank financing	(18,546)	(5,607)
Remuneration paid to Board of Directors	(3,444)	(3,574)
Dividend paid	(99,370)	(99,370)
Dividend paid to non-controlling interests	(12,829)	(19,814)
Net cash (used in)/generated from financing activities	(227,137)	116,982
Net (decrease)/increase in cash and cash equivalents	(82,881)	79,188
Cash and cash equivalents at the beginning of the period	242,628	294,081
Net cash and cash equivalents at the end of the period	159,747	373,269
Represented by:		
Cash and cash equivalents	230,060	455,859
Bank overdrafts	(70,313)	(82,590)
	159,747	373,269

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

R.A.K Ceramics P.J.S.C. and its subsidiaries
Condensed consolidated statement of changes in equity (unaudited)
for the six months period ended 30 June 2023

	Attributable to owners of the Company											Non-controlling interests (NCI) AED'000	Total equity AED'000
	Share capital AED'000	Share premium AED'000	Legal reserve AED'000	Translation reserve AED'000	Hyper-inflation reserve* AED'000	Hedging reserve AED'000	General reserve AED'000	Capital reserve AED'000	Retained earnings AED'000	Total reserves AED'000	Total AED'000		
Balance at 1 January 2023	993,703	221,667	578,603	(182,291)	(166,881)	20,582	82,805	75,040	541,341	1,170,866	2,164,569	133,440	2,298,009
Total comprehensive income/(loss) for the period (unaudited)													
Profit for the period	-	-	-	-	-	-	-	-	143,012	143,012	143,012	12,179	155,191
Other comprehensive income/(loss)													
Foreign exchange differences on translation of foreign operations	-	-	-	(10,120)	(5,734)	-	-	-	-	(15,854)	(15,854)	(4,133)	(19,987)
Changes in cash flow hedges	-	-	-	-	-	(2,621)	-	-	-	(2,621)	(2,621)	-	(2,621)
Effects of application of IAS 29 (refer Note 25)	-	-	-	-	2,148	-	-	-	-	2,148	2,148	-	2,148
Total comprehensive income/(loss) for the period	-	-	-	(10,120)	(3,586)	(2,621)	-	-	143,012	126,685	126,685	8,046	134,731
Other equity movements (unaudited)													
Directors' annual remuneration (refer Note 21(ii))	-	-	-	-	-	-	-	-	(3,444)	(3,444)	(3,444)	-	(3,444)
Transaction with owners (unaudited)													
Dividend paid (refer Note 21(i))	-	-	-	-	-	-	-	-	(99,370)	(99,370)	(99,370)	-	(99,370)
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	-	(12,829)	(12,829)
Balance at 30 June 2023 (unaudited)	993,703	221,667	578,603	(192,411)	(170,467)	17,961	82,805	75,040	581,539	1,194,737	2,188,440	128,657	2,317,097

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

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

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

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

for the six months period ended 30 June 2023

	Attributable to owners of the Company											Non-controlling interests (NCI)	Total equity	
	Share capital	Share premium	Legal reserve	Translation reserve	Hyper-inflation reserve*	Hedging reserve	General reserve	Capital reserve	Retained earnings	Total reserves	Total			
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2022	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	
Total comprehensive income/(loss) for the period (unaudited)														
Profit for the period	-	-	-	-	-	-	-	-	147,773	147,773	147,773	24,170	171,943	
Other comprehensive income/(loss)														
Foreign exchange differences on translation of foreign operations	-	-	-	(26,406)	(452)	-	-	-	-	(26,858)	(26,858)	(9,897)	(36,755)	
Changes in cash flow hedges	-	-	-	-	-	22,463	-	-	-	22,463	22,463	-	22,463	
Effects of application of IAS 29 (refer Note 25)	-	-	-	-	7,684	-	-	-	-	7,684	7,684	-	7,684	
Total comprehensive income/(loss) for the period	-	-	-	(26,406)	7,232	22,463	-	-	147,773	151,062	151,062	14,273	165,335	
Other equity movements (unaudited)														
Directors' annual remuneration (refer Note 21(ii))	-	-	-	-	-	-	-	-	(3,574)	(3,574)	(3,574)	-	(3,574)	
Transaction with owners (unaudited)														
Dividend paid (refer Note 21(i))	-	-	-	-	-	-	-	-	(99,370)	(99,370)	(99,370)	-	(99,370)	
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	-	(19,814)	(19,814)	
Acquisition of NCI (refer Note 27)	-	-	-	-	-	-	-	-	-	-	-	55	55	
Change in NCI due to acquisitions	-	-	-	-	-	-	-	-	(125,263)	(125,263)	(125,263)	(78,237)	(203,500)	
Balance at 30 June 2022 (unaudited)	993,703	221,667	568,803	(156,975)	(161,089)	13,453	82,805	75,040	517,007	1,160,711	2,154,414	142,812	2,297,226	

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

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

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

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 a Public Shareholding Company. The registered address of the Company is P.O. Box 4714, Al Jazeerah Al Hamra City, Ras Al Khaimah, United Arab Emirates. The Company is listed on Abu Dhabi Securities Exchange, UAE.

The condensed consolidated interim financial information as at and for the Six month period ended 30 June 2023 comprises the financial information of the Company and its subsidiaries (collectively referred to as the “Group” and individually as “Group entities”) and the Group’s interest in equity accounted investees.

The principal activities of the Group are the manufacturing and sale of a variety of ceramic products including tiles, bathroom sets, sanitary wares, table wares and faucets. The Company and certain Group entities are also engaged in investing in other entities, within the UAE as well as 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 abides by the New Companies Law of the UAE.

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

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, and the notes attached thereto, except for the adoption of certain new and revised standards, that became effective in the current period as set out below.

2.1 New and revised IFRSs adopted by the Group

In the current period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. 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.

- IFRS 17 ‘Insurance Contracts’ relating to providing a more uniform measurement and presentation approach for all insurance contracts.
- Amendments to IFRS 10 ‘Consolidated Financial Statements’ and IAS 28 ‘Investments in Associates and Joint Ventures’ (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture (effective date deferred indefinitely, early adoption permitted).
- IAS 1 ‘Presentation of Financial Statements’ – Amendments on classifications of liabilities.
- IFRS 4 ‘Insurance contracts’ relating to amendments relating to the expiry date of the deferral approach. The fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 was 1 January 2023.
- 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.

Other than the above, there are no significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2023.

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

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

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

The Group has not early adopted the following new and revised IFRSs that have been issued but are not yet effective:

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) - The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale (effective from January 1, 2024).
- Non-current Liabilities with Covenants (Amendments to IAS 1) - The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability (effective from January 1, 2024).
- Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 ‘Consolidated Financial Statements’ and IAS 28 ‘Investments in Associates and Joint Ventures’ (Effective date deferred indefinitely, available for early adoption).

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s consolidated financial statements as and when they are applicable and adoption of these new standards and amendments may have no material impact on the condensed consolidated interim financial information of the Group in the period of initial application.

3 Summary of significant accounting policies

Basis of preparation

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

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

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

The accounting policies, presentation and methods in the condensed consolidated interim financial information are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2022.

The condensed consolidated interim financial information does not include all the information required for annual consolidated financial statements and should be read in conjunction with the Group’s audited annual consolidated financial statements as at and for the year ended 31 December 2022. No income of a seasonal nature was recorded in the condensed consolidated statement of profit or loss for the six months period ended 30 June 2023 and 2022. In addition, results for the six months period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

4. Changes in judgements and estimation uncertainty

The critical judgements and estimates used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the Group’s audited annual consolidated financial statements for the year ended 31 December 2022.

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

5. Revenue

	Six months period ended 30 June		Three months period ended 30 June	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)
Sale of goods	1,746,843	1,700,205	866,715	922,196
Others	7,518	9,881	5,268	4,827
	1,754,361	1,710,086	871,983	927,023

6. Cost of sales

	Six months period ended 30 June		Three months period ended 30 June	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)
Raw materials consumed	633,021	567,859	318,093	313,104
Change in inventory of finished goods	(102,584)	(24,228)	(48,946)	(21,529)
Allowance for slow moving inventories	23,601	13,220	11,495	5,662
Direct labor	148,557	120,906	74,475	67,299
Power and fuel	77,119	56,245	39,151	29,365
LPG and natural gas	112,621	130,972	53,093	71,083
Depreciation of property, plant and equipment	55,929	51,054	28,430	26,047
Depreciation of right-of-use assets	1,566	398	840	385
Amortization of intangible assets	610	26	311	26
Repairs and maintenance expense	58,517	57,159	29,299	30,506
Packing material expenses	56,277	63,367	26,953	33,501
Others	29,557	27,421	13,448	15,239
	1,094,791	1,064,399	546,642	570,688

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

7. Administrative and general expenses

	Six months period ended 30 June		Three months period ended 30 June	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)
Staff salaries and other associated costs	55,729	51,432	28,637	28,484
Depreciation of property, plant and equipment	6,548	6,044	3,314	3,140
Depreciation of investment properties	5,147	5,378	2,567	2,752
Depreciation of right-of-use assets	303	378	149	196
Amortization of intangible assets	2,463	2,992	1,108	1,503
Telephone, postal and office supplies	4,532	2,755	2,941	1,602
Repairs and maintenance expenses	3,861	3,422	2,131	1,795
Legal and professional fees	7,388	7,066	3,362	3,493
Utility expenses	2,440	2,310	1,320	1,294
Security charges	588	547	457	139
Directors' remuneration*	1,850	-	925	-
Information technology licenses and consultancy expenses	7,183	6,296	2,777	3,282
Expenses on investment properties	3,989	3,365	2,535	1,767
Others	16,966	17,419	8,968	9,826
	118,987	109,404	61,191	59,273

* From 1 January 2023 the remuneration of members of the Board of Directors has been recognized as an administrative expense on an accrual basis. In previous years, such remuneration was accounted for on a cash basis as a distribution of profits. Had it been recognized as an administrative expense on the accrual basis in 2022, the profit for the six month period would have been lower by AED 1,850 thousand (three month period ended 30 June 2022: AED 925 thousand), with an immaterial impact on the basic and diluted earnings per share for that period.

7(i) Impairment loss

	Six months period ended 30 June		Three months period ended 30 June	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)
Impairment loss on trade receivables	13,126	14,776	7,202	7,296
Impairment loss on other receivables	-	27,551	-	27,551
Impairment loss on bank balances (refer Note 20)	-	250	-	250
	13,126	42,577	7,202	35,097

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

7. Administrative and general expenses (continued)

7(ii) Gain on acquisition of subsidiaries

	Six months period ended 30 June		Three months period ended 30 June	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)
Gain on fair valuation of pre-existing share in equity accounted investee (refer Note 11)	-	9,114	-	9,114
Gain on bargain purchase (refer Note 27(A))	-	23,260	-	23,260
	-	32,374	-	32,374

8. Selling and distribution expenses

	Six months period ended 30 June		Three months period ended 30 June	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)
Staff salaries and other associated costs	113,824	82,744	56,881	45,100
Freight and transportation	118,526	187,939	56,801	99,784
Agents' commission	14,880	14,879	9,948	6,621
Advertisement and promotions expense	45,377	27,996	22,831	16,352
Rental expenses	1,780	1,281	264	688
Travel and entertainment expenses	5,365	2,557	2,327	1,458
Depreciation of property, plant and equipment	8,012	5,193	3,979	2,583
Depreciation of right-of-use assets	15,086	12,485	7,505	6,447
Quality claims	3,054	1,928	1,264	1,390
Repair and maintenance	1,432	1,616	842	563
Others	18,077	8,998	9,298	5,171
	345,413	347,616	171,940	186,157

9. Other income

	Six months period ended 30 June		Three months period ended 30 June	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)
Rental income from investment properties	15,816	16,714	8,427	8,946
Sale of scrap and miscellaneous items	2,596	3,306	1,617	1,489
Insurance claims	1,059	2,227	300	2,096
Gain on disposal of property, plant and equipment	315	13	108	(27)
Discounts earned on purchases and freight	2,961	5,815	512	2,533
Provisions write back	3,933	1,048	3,369	527
Other miscellaneous income	9,486	13,044	6,794	6,459
	36,166	42,167	21,127	22,023

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

10. Finance costs and income

	Six months period ended 30 June		Three months period ended 30 June	
	2023	2022	2023	2022
	AED'000 (unaudited)	AED'000 (unaudited)	AED'000 (unaudited)	AED'000 (unaudited)
Finance costs				
Interest on bank financing	32,973	22,555	16,595	12,009
Profit expense on Islamic bank financing	18,546	5,607	9,740	3,415
Interest on amount due to related parties	-	20	-	10
Interest expense on lease liabilities	3,771	2,787	1,993	1,642
Net change in the fair value of derivatives	-	5,742	(659)	4,403
Bank charges	1,990	2,128	1,056	1,081
Net foreign exchange loss	3,094	1,044	3,094	-
Total (A)	60,374	39,883	31,819	22,560
Finance income				
Interest on bank deposits	2,827	3,110	1,146	1,508
Profit on wakala deposits	769	158	297	93
Net change in the fair value of derivatives	3,878	-	3,784	-
Net foreign exchange gain	-	-	-	519
Total (B)	7,474	3,268	5,227	2,120
Net finance costs (A-B)	52,900	36,615	26,592	20,440

11. Investments in equity accounted investees

The Group's share of profit in equity accounted investees for the six months period ended 30 June 2023 amounted to AED 0.44 million (unaudited) (six months period ended 30 June 2022 (unaudited): AED 5.51 million).

The Group has received AED 0.35 million (unaudited) as dividends during the current period from its equity accounted investees (six months period ended 30 June 2022 (unaudited): AED 0.39 million).

Prior to acquiring the remaining 49% equity interest in Kludi RAK LLC, UAE on 31 May 2022, the carrying value of the Group's 51% equity interest amounted to AED 47.28 million. Accordingly, the Group had fair valued its pre-existing 51% equity interest on acquisition at AED 56.39 million and had recognized a fair value gain of AED 9.11 million at the date of acquisition. Also refer Note 27 (A).

12. Earnings per share

	Six months period ended 30 June		Three months period ended 30 June	
	2023	2022	2023	2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit attributable to the owners of the Company (AED'000)	143,012	147,773	69,600	91,184
Weighted average number of ordinary shares ('000s)	993,703	993,703	993,703	993,703
Basic and diluted earnings per share (AED)	0.14	0.15	0.07	0.09

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

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

13. Property, plant and equipment

Additions, disposals and depreciation (unaudited)

During the six months period ended 30 June 2023, the Group has acquired property, plant and equipment and made additions to capital work in progress amounting to AED 93.51 million (six months period ended 30 June 2022: AED 59.52 million). Also refer Note 27 (A).

Property, plant and equipment with a carrying amount of AED 2.53 million was disposed of during the current period (six months period ended 30 June 2022: AED 0.24 million) resulting in a gain on disposal of AED 0.32 million (gain on disposal, six months period ended 30 June 2022: AED 13 thousand) which is included in other income in the condensed consolidated statement of profit or loss.

Depreciation of property, plant and equipment for the current period amounted to AED 70.49 million (six months period ended 30 June 2022: AED 62.29 million). Below is the breakdown of property, plant and equipment inside and outside the U.A.E:

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Inside U.A.E	806,414	791,503
Outside U .A.E	454,669	451,897
	1,261,083	1,243,400

14. Goodwill

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Opening balance	119,855	120,500
Effects of movements in exchange rate	280	(645)
Closing balance	120,135	119,855

Goodwill comprises AED 50.36 million, AED 5.65 million, AED 5.68 million, and AED 58.45 million recognized on acquisition, respectively of Ceramin FZ LLC, RAK Ceramics UK Limited, RAK Distribution Europe S.A.R.L, and the entities in Saudi Arabia namely ARK International Trading Company Limited (AED 27.00 million), and RAK Saudi LLC (AED 31.45 million).

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

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

15. Investment properties

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Inside U.A.E	872,981	877,181
Outside U.A.E	24,335	27,010
	897,316	904,191

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

The fair value of the Group's investment properties as at 31 December 2022 (audited) amounted to AED 1,032.31 million and was arrived at on the basis of valuations carried out by external valuers who have appropriate market experience in the valuation of properties. Management estimates that there has been no significant change in the fair value of investment properties during the six months period ended 30 June 2023.

The fair value of the Group's investment properties as at 31 December 2022 and the prior years 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.

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 in their current use (31 December 2022: Level 3).

16. Trade and other receivables

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Trade receivables	1,106,925	1,076,543
Less: Allowance for expected credit loss	(166,142)	(211,859)
Subtotal (A)	940,783	864,684
Other receivables	101,521	129,730
Less: Allowance for expected credit loss	(33,791)	(33,791)
Subtotal (B)	67,730	95,939
Advances and prepayments (C)	246,016	214,495
Deposits (D)	24,174	29,949
Total (A+B+C+D)	1,278,703	1,205,067

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

16. Trade and other receivables (continued)

(i) Long-term receivables

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Trade receivables	4,717	4,570
Less: Allowance for expected credit loss	(293)	(272)
	4,424	4,298
Less : current portion included in trade receivables	(1,045)	(738)
Long-term trade receivables	3,379	3,560

17. Inventories

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Finished goods (net of net realizable value adjustments)	988,178	907,383
Less : Allowance for slow moving inventories	(171,117)	(152,962)
Subtotal (A)	817,061	754,421
Raw materials	270,839	301,923
Stores and spares	260,039	254,125
	530,878	556,048
Less : Allowance for slow-moving inventories	(83,897)	(80,170)
Subtotal (B)	446,981	475,878
Goods-in-transit (C)	25,881	23,255
Work-in-progress (D)	51,010	55,738
Total (A+B+C+D)	1,340,933	1,309,292

At 30 June 2023, the Group has recognized a cumulative loss due to write-down of finished goods inventories of AED 165.66 million against cost of AED 457.70 million (31 December 2022 (audited): AED 165.25 million against cost of AED 436.76 million) to bring it to its net realizable value which was lower than the cost. The difference in the write down of AED 0.41 million (unaudited) (six months period ended 30 June 2022 (unaudited): AED 7.31 million) is included in cost of sales in the condensed consolidated statement of profit or loss with a currency loss of AED 0.09 million for the period (unaudited) (six month periods ended 30 June 2022 (unaudited): AED 0.90 million).

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

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

18. Related party balances and transactions

The transactions of the Group with its related parties are at arm's length. The significant transactions entered into by the Group with related parties during the period, other than those disclosed elsewhere in this condensed consolidated interim financial information are as follows:

Equity accounted investees and companies under common management:

	Six months period ended 30 June		Three months period ended 30 June	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)
Sale of goods and services and construction contracts	52,933	69,160	24,766	32,494
Purchase of goods and rendering of services	122,231	127,082	61,351	65,498
Royalty	68	82	43	34
Interest expense (refer note 10)	-	20	-	10

Key management personnel compensation

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

	Six months period ended 30 June		Three months period ended 30 June	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)
Short-term benefits	6,451	5,838	3,226	2,919
Staff terminal benefits	116	122	58	61
Board of Directors' remuneration paid	3,444	3,574	-	-
Board of directors' remuneration accrued (Refer note 7)	1,850	-	925	-

Due from related parties

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Equity accounted investees	42,092	40,352
Other related parties	51,979	41,690
	94,071	82,042
Less : Allowance for expected credit loss	(40,515)	(40,216)
	53,556	41,826

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

18. Related party balances and transactions (continued)

Due to related parties

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Other related parties	36,393	39,495
	36,393	39,495

19. Derivative financial instruments

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

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

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Non-current		
Derivative financial assets		
Interest rate swaps used for hedging	7,440	9,658
	7,440	9,658

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Current		
Derivative financial assets		
Interest rate swaps used for hedging	10,522	10,924
Forward exchange contracts	226	-
	10,748	10,924

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Current		
Derivative financial liabilities		
Forward exchange contracts	-	570
Other currency and interest rate swaps	896	3,978
	896	4,548

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

20. Bank balances and cash

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Cash in hand	2,555	2,024
Cash at bank		
- in bank deposits with an original maturity of less than three months	7,465	76,545
- in Wakala deposits with an original maturity of less than three months	-	25,000
- in current accounts	205,183	194,301
- in margin deposits	7,956	1,536
- in call accounts	7,334	22,318
Cash and cash equivalents	230,493	321,724
Less : Allowance for expected credit loss	(433)	(433)
Cash and cash equivalents (A)	230,060	321,291
Bank deposits with an original maturity of more than three months (B)	13,126	117,321
Bank balances and cash (A+B)	243,186	438,612

Cash in hand and cash at bank includes AED 0.95 million (31 December 2022 (audited): AED 0.50 million) and AED 80.38million (31 December 2022 (audited): AED 123.15 million) respectively, held outside the UAE.

All bank deposits carry interest at normal commercial rates and include AED 2.28 million (31 December 2022 (audited): AED 0.45 million) which are held by bank under lien against bank facilities availed by the Group.

Expected credit loss method is applied to assess the probable impairment loss on balances with banks using those banks' 'credit rating', 'forward adjusted probability of default' and the 'loss given default rates' linked to such ratings. During the half year, additional loss allowance of Nil (30 June 2022 (unaudited): AED 0.25 million) has been assessed on the balances with banks having relatively lower credit rating.

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

21. Share capital

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Authorised, issued and paid up		
170,000,000 shares of AED 1 each paid up in cash	170,000	170,000
823,703,958 shares of AED 1 each issued as bonus shares	823,703	823,703
	993,703	993,703

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

21. Share capital (continued)

(i) Dividend

At the Annual General Meeting (AGM) held on 10 March 2023, the shareholders approved a cash dividend of 10% amounting to AED 99,370 thousand apart from the interim cash dividend of 10% amounting to AED 99,370 thousand for the year 2022; (During the year 2022: paid final cash dividend of 10% amounting to AED 99,370 thousand for the year 2021). The Board of Directors approved an interim dividend of 10 % amounting to AED 99,370 thousand for the first half of year 2023.

(ii) Directors' remuneration

At the Annual General Meeting (AGM) held on 10 March 2023, the shareholders approved the Directors' remuneration amounting to AED 3,700 thousand for the year ended 31 December 2022, the actual payout was AED 3,444 thousand based on the number of Directors in post (for the year ended 31 December 2021: approved AED 3,700 thousand and paid AED 3,574 thousand based on the number of Directors in post) (Also refer note 7).

22. Bank financing arrangements

(a) Islamic bank financing

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
(i) Short-term		
Mudaraba facilities (A)	99,897	48,379
Commodity Murabaha facilities (B)	84,204	127,842
Current portion of long-term financing (refer note (ii) below)	112,844	108,546
	296,945	284,767
(ii) Long-term – Islamic bank financing		
Mudaraba facilities	140,000	120,000
Commodity Murabaha facilities (B)	155,620	183,404
Ijarah facilities (C)	156,736	177,770
Less : current portion of long-term financing	(112,844)	(108,546)
	339,512	372,628
Movement:		
Balance as at 1 January	481,174	404,421
Availed during the period/ year	20,000	193,447
Repaid during the period/ year	(48,818)	(116,694)
Balance as at end of the period/ year	452,356	481,174
Less : current portion included in short-term (refer 22 (a)(i))	(112,844)	(108,546)
	339,512	372,628

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

22. Bank financing arrangements (continued)

(a) Islamic bank financing (continued)

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

The securities provided against these facilities are same as those mentioned in the consolidated financial statements of the Group for the year ended 31 December 2022.

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

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

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

(b) Interest bearing bank financing

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
(i) Short-term		
Bank overdrafts	70,313	78,663
Short-term loan	166,570	162,305
Current portion of long-term financing (refer note (ii) below)	175,774	245,718
	412,657	486,686
	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
(ii) Long-term bank loans		
Balance as at 1 January	841,367	697,811
Availed during the period/ year	109,150	412,555
Repaid during the period/ year	(131,448)	(268,999)
Balance as at end of the period/ year	819,069	841,367
Less : current portion of long-term financing (refer 22 (b)(i))	(175,774)	(245,718)
	643,295	595,649

The details of the long term bank loans, including terms of repayment, interest rate and security provided are mentioned in the consolidated financial statements of the Group for the year ended 31 December 2022.

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

23. Trade and other payables

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Trade payables	407,403	417,804
Accrued and other expenses	247,493	249,795
Advance from customers	78,700	106,394
Commission and rebates payable	68,334	73,898
Other payables	67,848	55,775
	869,778	903,666

24. Contingent liabilities and commitments

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Contingent liabilities		
Letters of guarantee	62,757	65,820
Letters of credit	75,990	60,931
Value added tax and other tax contingencies	62,550	62,979
Commitments		
Capital commitments	38,785	83,382

25. Hyperinflationary economy

The Group has a subsidiary in the Islamic Republic of Iran, which did not have material operations during the year ended 31 December 2022 or during the six months period ended 30 June 2023. The total assets of the Iranian subsidiary were 0.46% of the Group's consolidated total assets as at 30 June 2023 (31 December 2022 (audited): 0.53%)

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

	Index	Conversion factor
30 June 2023	610.00	1.0838
31 December 2022	563.00	1.4847
31 December 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

The above mentioned restatement is affected as follows:

- Hyperinflation accounting was applied as of 1 January 2020;
- The condensed consolidated statement of profit or loss is adjusted at the end of each reporting period using the change in the general price index and is converted at the closing exchange rate of each period (rather than the year to date average rate for non-hyperinflationary economies), thereby restating the year to date condensed consolidated statement of profit or loss accounts both for inflation index and currency conversion;

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

25. Hyperinflationary economy (continued)

- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the date of the condensed consolidated statement of financial position. Monetary items are money held and items to be recovered or paid in money; and
- Non-monetary assets and liabilities are stated at historical cost (e.g. property plant and equipment, investment properties etc.) and equity of the subsidiary is restated using an inflation index. The hyperinflation impact resulting from changes in the general purchasing power until 31 December 2022 were reported in Hyperinflation reserve directly as a component of equity and the impacts of changes in the general purchasing power from 1 January 2023 are reported through the condensed consolidated statement of profit or loss in a separate line as a loss on net monetary position, besides having the impact on depreciation charge for the period.
- 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 condensed consolidated interim financial information relating to the subsidiary in Iran is as follows:

	1 January 2023 AED'000 (unaudited)	1 January 2022 AED'000 (unaudited)
<i>Impact on condensed consolidated statement of financial position</i>		
Increase in property, plant and equipment	640	2,279
Increase in investment properties	743	2,708
Increase in other assets	765	2,697
Increase in equity	2,148	7,684
<i>Allocated to:</i>		
Increase in opening equity due to cumulative hyperinflation	2,148	7,684

	Six months period ended 30 June		Three months period ended 30 June	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)
<i>Impact on condensed consolidated statement of profit or loss</i>				
Increase in depreciation charge for the period	710	1,047	331	625
Loss/ (gain) on net monetary position	571	2,362	(119)	1,679
	1,281	3,409	212	2,304

26. Corporate Income Tax

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% could be applied to taxable income not exceeding a particular threshold or to certain types of entities.

The Group's current assessment is that the new CT Law does not give rise to any deferred tax impact on the interim financial statements for the period ended 30 June 2023.

Management will continue to assess the possible impact of the CT Law on the Group's financial statements, from a deferred tax perspective, as further implementation announcements are made.

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

27. Acquisition of subsidiaries

- A. On 31 May 2022, the Group had acquired a consortium of Kludi entities in Europe through its SPV in Austria, "RAK Ceramics Austria GmbH". The Group also had acquired the remaining 49% equity interest in its previously held equity accounted investee, Kludi RAK LLC, UAE, and had converted it into a wholly owned subsidiary. The Group had paid an aggregate consideration of Euro 18.8 million (AED 74.1 million) including Euro 4.4 million (AED 17.3 million) towards settlement of Kludi Group's liabilities and payables.

The amounts recognized in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:-

	Kludi Europe AED'000 (unaudited)	Kludi RAK AED'000 (unaudited)	Total AED'000 (unaudited)
Assets			
Property, plant and equipment	133,331	25,675	159,006
Intangible assets	1,081	553	1,634
Right-of-use assets	14,661	4,803	19,464
Other financial assets	1,645	-	1,645
Deferred tax assets	2,508	11	2,519
Inventories	100,234	51,071	151,305
Trade and other receivables	64,942	54,554	119,496
Cash and bank balance	7,762	7,575	15,337
Total assets	326,164	144,242	470,406
Liabilities			
Bank borrowings	(39,859)	-	(39,859)
Bank overdrafts	(44,606)	-	(44,606)
Provision for employees' end-of-service benefits	(38,352)	(4,173)	(42,525)
Deferred tax liabilities	(16,708)	-	(16,708)
Lease Liabilities	(16,078)	(4,782)	(20,860)
Trade and other payables	(144,663)	(24,722)	(169,385)
Total liabilities	(300,266)	(33,677)	(333,943)
Net assets	25,898	110,565	136,463
Less:- Non-controlling interest	(55)	-	(55)
Fair value of pre-existing interest	-	(56,388)	(56,388)
Net assets acquired (A)	25,843	54,177	80,020
Gross consideration			(74,092)
Less:- Settlement of liabilities			(17,332)
Net consideration paid (B)			(56,760)
Gain on bargain purchase (A + B)			23,260
Cash acquired as part of acquisition of subsidiaries			AED'000
Cash and bank balance			15,337
Bank overdrafts			(44,606)
Cash acquired as part of acquisition of subsidiaries			(29,269)

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

27. Acquisition of subsidiaries (continued)

- A. Gain on bargain purchase represents the difference between purchase consideration and fair value of net assets acquired and is recognized in the condensed consolidated statement of profit or loss. The fair value of the assets and liabilities have been determined by an external expert.
- B. On 31 May 2022, the Group had acquired a further 37% of interest in one of its subsidiaries, RAK Porcelain LLC, UAE, for a consideration of AED 203.5 million and thereby increased the shareholding of the Group to 87%. The Group had recognized:

	AED'000 (unaudited)
- Decrease in non-controlling interest	(78,237)
- Decrease in retained earnings	(125,263)
Total consideration paid	(203,500)

Subsequent to the end of the period ended 30 June 2022, the Group had acquired (a) a further 3% of interest for a further consideration of AED 16.5 million and thereby increased the shareholding of the Group to 92%, and (b) through RAK Porcelain LLC, UAE, the remaining 9% stake in RAK Porcelain Europe for a consideration of AED 3.46 million.

28. Operating Lease

As Lessor:

Certain Group entities lease out their investment properties under operating leases. The leases typically run for a period of one year to five years, with an option to renew the lease after that date. Lease rentals are usually reviewed periodically to reflect market rentals. Below are the lease rents receivable in future:

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Less than one year	11,012	4,208
Between two and five years	39,852	9,592
More than five years	-	-
	50,864	13,800

29. Segment reporting

Basis for segmentation

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

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

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

29. Segment reporting (continued)

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

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

Information regarding the operations of each separate segment is included below. Performance is measured based on segment profit as management believes that profit is the most relevant factor in evaluating the results of certain segments relative to other entities that operate within these industries. There are regular transactions between the segments and any such transaction is priced on mutually agreed terms.

*Following the acquisition described in note 27 the group has now added faucets as a new segment with effect from the end of the year 2022.

	Ceramic products AED'000	Faucets AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
Six month period end 30 June 2023 (unaudited)						
External revenue	1,482,648	215,697	49,460	6,556	-	1,754,361
Intersegment revenue	313,107	21,309	73,173	960	(408,549)	-
Segment revenue	1,795,755	237,006	122,633	7,516	(408,549)	1,754,361
Segment profit/(loss)	184,616	(21,468)	7,473	3,425	(18,855)	155,191
Segment EBITDA	324,910	(4,352)	9,083	4,324	(21,514)	312,451
As at 30 June 2023 (unaudited)						
Segment assets	6,730,411	516,770	166,793	293,246	(2,363,576)	5,343,644
Segment liabilities	3,682,822	466,330	68,257	104,000	(1,294,862)	3,026,547

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

29. Segment reporting (continued)

	Ceramic products AED'000	Faucets AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
Six month period ended 30 June 2022 (unaudited)						
External revenue	1,589,744	-	110,461	9,881	-	1,710,086
Intersegment revenue	357,325	-	61,596	950	(419,871)	-
Segment revenue	1,947,069		172,057	10,831	(419,871)	1,710,086
Segment profit	148,798	-	45,504	4,820	(27,179)	171,943
Segment EBITDA	270,646	-	17,529	7,582	(29,327)	266,430
As at 31 December 2022 (audited)						
Segment assets	6,775,248	483,804	155,298	282,547	(2,279,285)	5,417,612
Segment liabilities	3,743,743	411,181	64,693	96,613	(1,196,627)	3,119,603

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

Reconciliation of reportable segments

	Six months period ended 30 June	
	2023	2022
	AED'000	AED'000
	(unaudited)	(unaudited)
Total profit for reportable segments	173,603	193,608
Elimination of inter-segment profits	(18,855)	(27,179)
Share of profit of equity accounted investees	443	5,514
Reported profit	155,191	171,943

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

30. 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.

30 June 2023 (unaudited)	-----Carrying value-----				-----Fair value-----				
	Fair value hedging instruments AED'000	Mandatory at FVTPL* AED'000	Financial assets at amortised cost AED'000	Financial liabilities at amortised cost AED'000	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets measured at fair value									
Other currency and interest rate swaps	17,962	-	-	-	17,962	-	17,962	-	17,962
Forward exchange contracts	-	226	-	-	226	-	226	-	226
	17,962	226	-	-	18,188	-	18,188	-	18,188
Financial assets measured at amortised cost									
Long-term receivables	-	-	3,379	-	3,379	-	-	-	-
Trade and other receivables	-	-	1,032,687	-	1,032,687	-	-	-	-
Due from related parties	-	-	53,556	-	53,556	-	-	-	-
Bank balances and cash	-	-	243,186	-	243,186	-	-	-	-
	-	-	1,332,808	-	1,332,808	-	-	-	-
Financial liabilities measured at fair value									
Interest rate swaps used for hedging	-	896	-	-	896	-	896	-	896
	-	896	-	-	896	-	896	-	896
Financial liabilities measured at amortised cost									
Islamic bank financing	-	-	-	636,457	636,457	-	-	-	-
Interest bearing bank financing	-	-	-	1,055,952	1,055,952	-	-	-	-
Trade and other payables	-	-	-	791,078	791,078	-	-	-	-
Due to related parties	-	-	-	36,393	36,393	-	-	-	-
Lease Liabilities	-	-	-	99,352	99,352	-	-	-	-
	-	-	-	2,619,232	2,619,232	-	-	-	-

*FVTPL: fair value through profit or loss

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Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

30. Financial instruments (continued)

Accounting classifications and fair values (continued)

	-----Carrying value-----					-----Fair value-----			
	Fair value hedging instruments AED'000	Mandatory at FVTPL* AED'000	Financial assets at amortized cost AED'000	Financial liabilities at amortised cost AED'000	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2022 (audited)									
Financial assets measured at fair value									
Interest rate swaps used for hedging	-	20,582	-	-	20,582	-	20,582	-	-
	-	20,582	-	-	20,582	-	20,582	-	-
Financial assets measured at amortized cost									
Long-term receivables	-	-	3,560	-	3,560	-	-	-	-
Trade and other receivables	-	-	990,572	-	990,572	-	-	-	-
Due from related parties	-	-	41,826	-	41,826	-	-	-	-
Bank balances and cash	-	-	438,612	-	438,612	-	-	-	-
	-	-	1,474,570	-	1,474,570	-	-	-	-
Financial liabilities measured at fair value									
Forward exchange contracts / Options	-	570	-	-	570	-	570	-	570
Other currency and interest rate swaps	-	3,978	-	-	3,978	-	3,978	-	3,978
	-	4,548	-	-	4,548	-	4,548	-	4,548
Financial liabilities measured at amortized cost									
Islamic bank financing	-	-	-	657,395	657,395	-	-	-	-
Interest bearing bank financing	-	-	-	1,082,335	1,082,335	-	-	-	-
Trade and other payables	-	-	-	797,272	797,272	-	-	-	-
Due to related parties	-	-	-	39,495	39,495	-	-	-	-
Lease liabilities	-	-	-	99,944	99,944	-	-	-	-
	-	-	-	2,676,441	2,676,441	-	-	-	-

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Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2023

31. Approval of the condensed consolidated interim financial information

This condensed consolidated interim financial information was approved by the Board of Directors and authorized for issue on 3 August 2023.