
RAK
CERAMICS
ANNUAL REPORT
2023

His Highness Sheikh Mohammed Bin Zayed Al Nahyan
President of the United Arab Emirates (UAE)

His Highness Sheikh Mohammed Bin Rashid Al Maktoum
Vice president and Prime minister of the United Arab Emirates (UAE) and Ruler of Dubai

His Highness Sheikh Saud Bin Saqr Bin Mohammed Al Qasimi
Supreme Council Member and Ruler of Ras Al Khaimah

His Highness Sheikh Mohammed Bin Saud Al Qasimi
Crown Prince of Ras Al Khaimah


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INTRODUCTION

Chairman's Message

Dear Shareholders

I am delighted to present the performance for the fiscal year 2023 of RAK Ceramics in the face of formidable macro-economic headwinds.

In the backdrop of economic uncertainties and geo-political challenges, RAK Ceramics has demonstrated remarkable resilience and adaptability throughout the year. The company's unwavering commitment to strategic positioning and mitigating measures has allowed us to navigate market volatility, exhibit controlled impact on revenue and register growth in profits.

RAK Ceramics performance has been dynamic with a commendable surge in revenue in the United Arab Emirates and various developments in Europe. Saudi Arabia, India and Bangladesh remain part of our primary Group expansionary projects through the synergy integration of the KLUDI brand.

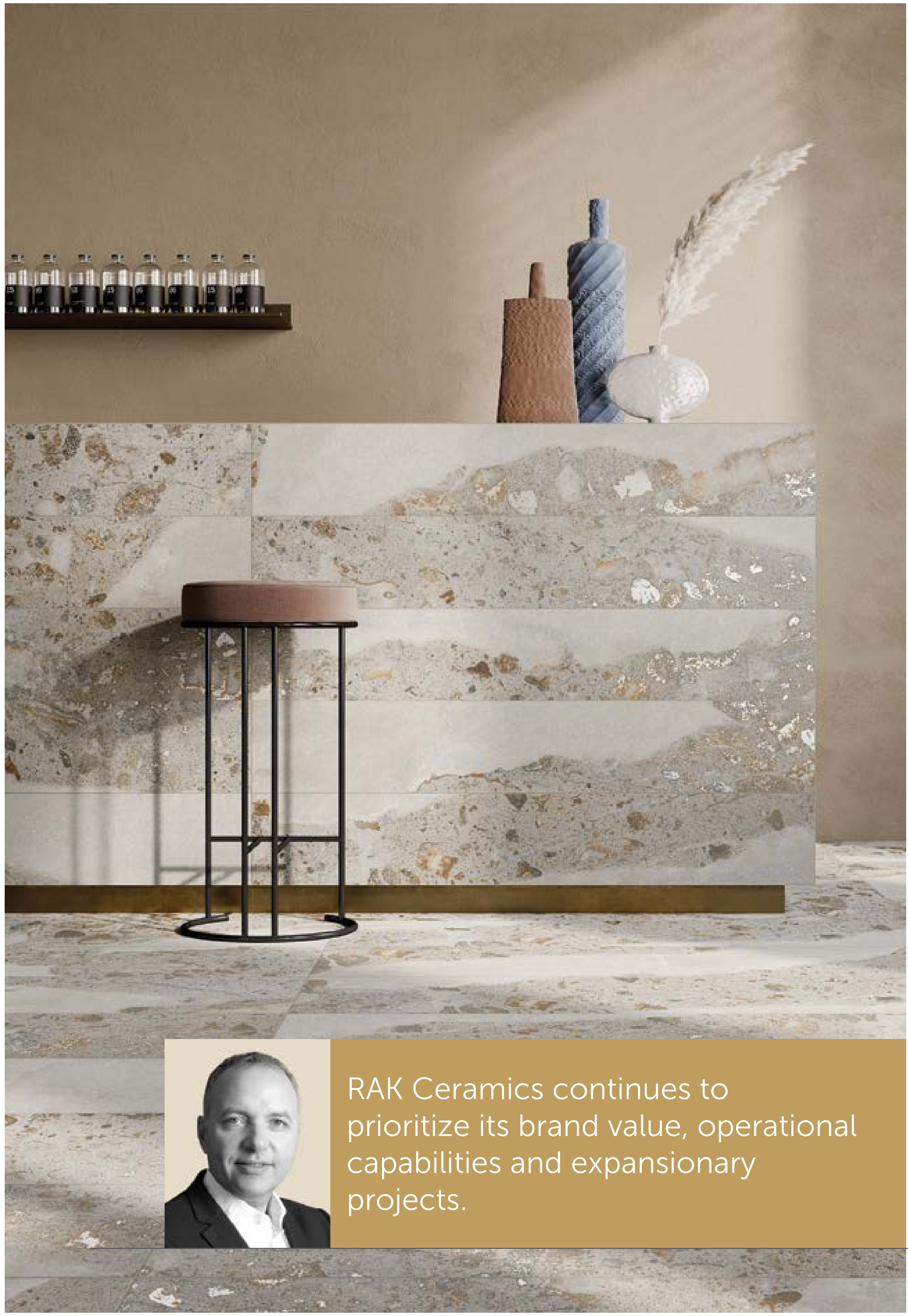
Our group-wide initiatives moving forward continue to be grounded in product innovation, efficiency enhancement, and market expansion. We have established research & development innovation hubs in major metropolises of Dubai and London, with plans of reinvigoration in the factories in Menden and Gernsheim. We have upgraded our production facilities digitally while keeping in alignment with our sustainable mission. These initiatives aim to ensure scalability and competitive edge in emerging opportunities in the ceramics industry.

As we look forward to 2024, our determination to unlock growth and drive shareholder value remains firm. RAK Ceramics strive to continue to be one of the leading global lifestyle solutions provider, with the aim to generate sustainable growth and long-term value overall.

I am pleased to introduce our Annual Report for 2023, and I express gratitude to our shareholders, employees, and stakeholders for their continued support on our journey.

SHEIKH SAQR BIN SAUD AL QASIMI
Chairman of the Board

RAK Ceramics has demonstrated remarkable resilience and adaptability throughout the year and continue to be one of the leading global lifestyle solutions provider.



RAK Ceramics continues to prioritize its brand value, operational capabilities and expansionary projects.

Group CEO's Message

Dear Shareholders

It is with great pleasure that I present to you the results for the fiscal year 2023, reflecting on the achievements and challenges of RAK Ceramics during this period.

RAK Ceramics has demonstrated dexterity and resolve in achieving sustainable results for 2023, despite the year setting unprecedented global and geo-political challenges. We managed to navigate these economic transitions, marked by high inflation and recession in major markets, and deliver stable group performance by ensuring steady flow of revenue and maximizing better margins.

The consolidation of our core businesses and the reinforcement of our multi-brand synergies echoes our commitment to boost overall operations. Our expansionary Greenfield projects across Saudi Arabia and Bangladesh remains active, and we continue to build up our group position through our value creation plan for KLUDI. Digital transformation and sustainability remain at the core of our investments, as we continue to witness the positive impact on product quality and sales.

Looking forward to 2024, we maintain an optimistic outlook by building on the initiatives and achievements of the previous year. We recognize the scope for organic growth alongside the current commercial environment where our priorities outline protecting market share, embracing diversification, and solidifying our retail business.

I would like to express my gratitude to our Board of Directors for their steadfast support and guidance. More so, a heartfelt thank you to our management team and employees for their hard work and dedication, which have been instrumental in the success of RAK Ceramics.

As we move forward, we remain determined in seizing opportunities and delivering sustainable growth and long-term value for our shareholders.

ABDALLAH MASSAAD
Group CEO

CORPORATE UPDATE

Performance Overview

RAK Ceramics has demonstrated dexterity and resolve in achieving sustainable results for 2023, despite the year setting unprecedented global and geo-political challenges. The company adeptly navigated these economic transitions, marked by high inflation and recession in major markets, and deliver stable group performance by ensuring steady flow of revenue and maximizing margins. Prioritizing brand value, operational prowess, and expansion initiatives remains integral to the company's strategy.

AED3.46BN
TOTAL REVENUE

37.9%
TOTAL GROSS PROFIT MARGIN

AED320.9M
NET PROFIT

AED647.4M
TOTAL EBITDA

CORPORATE UPDATE

RAK Ceramics has exhibited both skillful adaptability and determination, resulting in sustainable outcomes despite unprecedented global and geo-political challenges in 2023. This resilience is evident in the company's financial performance, which saw a modest decline in revenue but maintained stable profits.

RAK Ceramics demonstrated unwavering resilience and adaptability throughout the fiscal year 2023. Navigating market volatility and economic challenges, the company strategically positioned itself to mitigate adverse effects, resulting in a marginal decrease of 1.7% in total revenue to AED 3.46 billion for the fiscal year 2023. Gross Profit margin increased by 30bps year on year at 37.9% given maintained efficiencies and shift in product mix. EBITDA for 2023 increased by 12.2% to AED 647.4m compared to 577.2m in the previous year. EBITDA Margins increased to 18.7% compared to 16.4% in 2022.

In 2023, RAK Ceramics took on several initiatives focusing on the brand value, operational capabilities and expansionary projects.

The Company continued working on reinforcing its brand positioning and customer experience through strengthening retail footprint, growing distribution network, participating in international exhibitions and introducing differentiated offering. Apart from refurbishing multiple showrooms in UAE, opening new outlets in India, Bangladesh and Saudi Arabia and expanding its dealers network. Furthermore, the Company utilized its participation in international fairs, Digital transformation and sustainability remain at the core of our investments, as we continue to witness the positive impact on product quality and sales.

STRATEGIC INITIATIVES & OUTLOOK

RAK Ceramics remains at the forefront of innovation, establishing innovation hubs dedicated to research and development. The innovation hub serves as a center for creative thinking, fostering cross-disciplinary collaboration, and exploring cutting-edge technologies. By continuously innovating in product design and materials, RAK Ceramics aims to enhance its offerings, ensuring they resonate with evolving consumer preferences.

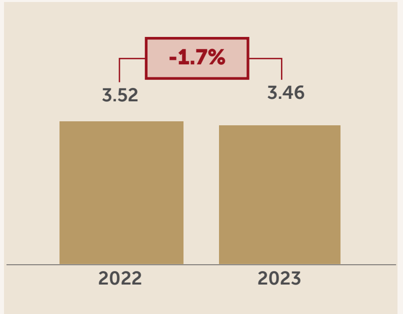
RAK Ceramics is also actively engaged in upgrading its production facilities to enhance efficiency and meet growing demand.

In India, the Company is undertaking upgradation of its tiles production facility towards incorporating new models and designs, aligning seamlessly with emerging consumer preferences. In Bangladesh, the Company has implemented significant enhancements to its tiles plant, emphasizing the augmentation of production capacity and the introduction of large-format tiles.

Strategic plans for the UAE involve a dual-focused approach, the upgrade of the tiles production facility and the initiation of a sanitaryware upgradation project. The tiles production facility upgrade aims to enhance efficiency and increase capacity to meet the growing demand in the region. Simultaneously, the sanitaryware upgradation project is underway, involving the replacement of outdated kilns and the introduction of new product series. These initiatives underscore RAK Ceramics' commitment to maintaining a cutting-edge product portfolio and reinforcing its position in the UAE market.

RAK Ceramics has successfully completed an expansion project in the UAE's tableware segment. With the addition of 10 million pieces to the production capacity, plans are in place to further scale up production in phases, allowing RAK Ceramics to meet increasing market demands and fortify its presence in the competitive tableware segment

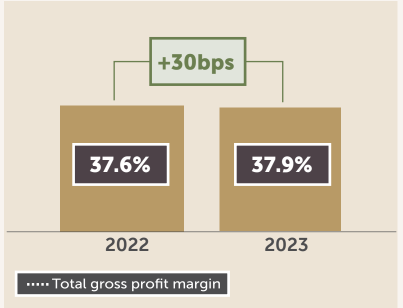
FINANCIAL HIGHLIGHTS



Shown in AED bn

Total Revenue

Total revenue decreased 1.7% year on year to AED 3.46 bn in 2023, primarily attributable to market volatility and continued macro-economic challenges across core markets except the UAE. Tiles revenue saw a year on year decline of 8.3% at AED 1.99 billion, primarily influenced by heightened competition from regional players and increased imports from India, impacting our core markets mainly Saudi Arabia and the Middle East. Sanitaryware revenue experienced a year on year decline of 7.1% at AED 512 million owing to headwinds, notably in European markets – the UAE continued to perform well. Tableware revenue increased significantly, reaching AED 392 million year on year an 11% raise compared with 2022. The increase was driven by the boost in demand from HORECA sector driven by the rising tourism, especially in the UAE. In 2023, Faucets generated a revenue of AED 456.2 million, mainly impacted due to the challenges faced in European market. Last year revenue accounted for 7 months as the consolidation was effective June 2022.



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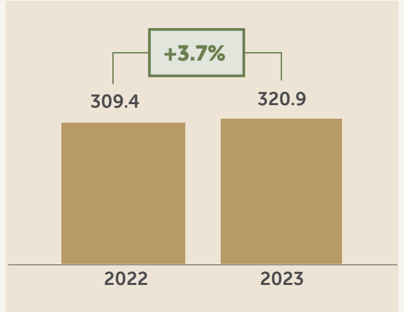
Reported Net Profit

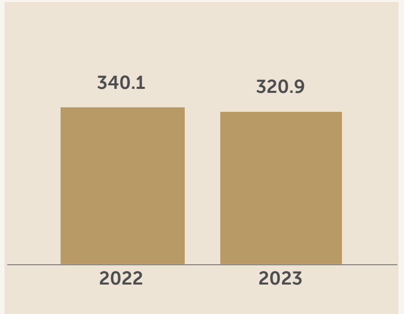
Reported net profit decreased by -5.7% year on year to AED 320.9 million, and the net profit margin decreased to 9.3% compared to 9.7% in FY 2022.



Shown in AED million

Net Profit before one off gain

Net Profit increased 3.7% year on year in FY 2023, reaching AED 320.9 million, and the net profit margin increased to 9.3% compared to 8.8% in FY 2022.



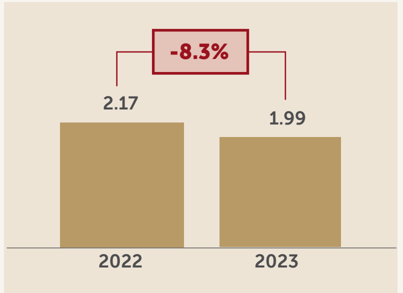
Shown in AED million

EBITDA

Total EBITDA has significantly increased year on year by 12.2% in FY 2023, reaching AED 647.4 million, accompanied by notable margin growth of +230bps at 18.7%.

Core Business Performance

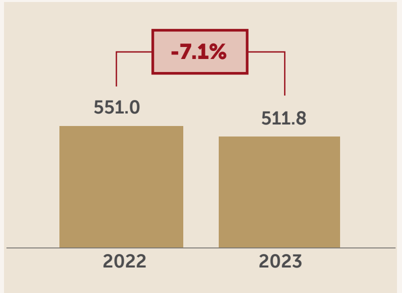
Despite an unfavorable market cycle, currency depreciation, increased competition from regional players and rising interest costs meant, RAK Ceramics reported a slight revenue decline in tiles & sanitaryware. Tableware business performed robust growth in addition to growth in Faucets business on the back of full year consolidation. Gross profit witnessed a growth mainly attributed to a favorable product mix and production efficiencies.



Shown in AED bn

TILE REVENUE

Tiles revenue decreased by -8.3% year on year to AED 1.99 billion.



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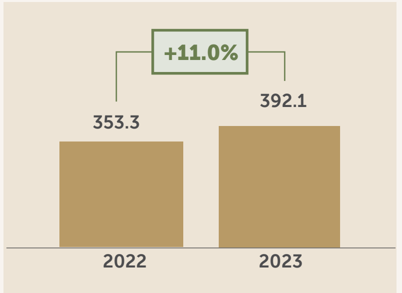
SANITARYWARE REVENUE

Sanitaryware revenue decreased by -7.1% year on year to AED 511.8 million.



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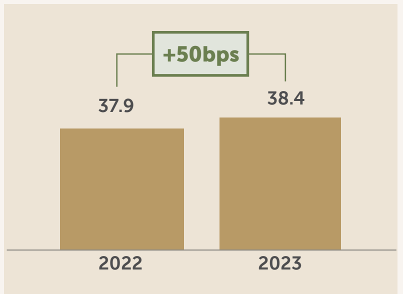
TABLEWARE REVENUE

Tableware revenue increased by +11.0% year on year to AED 392.1 million.



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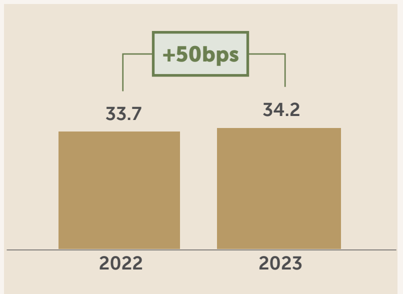
TILES GP MARGIN

Tiles margin increased by +50bps year on year to 38.4% for 2023, all time high full year performance, on the back higher sales in UAE market and shift in product mix.



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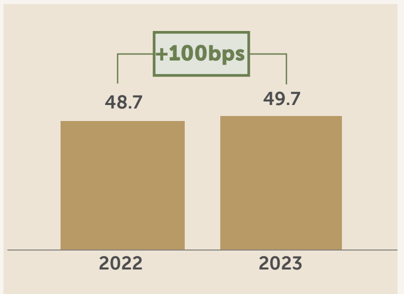
SANITARYWARE GP MARGIN

Sanitaryware margin increased by +50bps year on year to 34.2% for 2023 mainly due to change in product mix.



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TABLEWARE GP MARGIN

Tableware margins increased by +100bps year on year to 49.7% in 2023 following top line rebound and increased productivity.

FAUCET BUSINESS PERFORMANCE

Faucets generated a revenue of AED 456.2 million, mainly impacted due to the challenges faced in European market. Last year revenue accounted for 7 months as the consolidation was effective June 2022.

Regional Performance

Revenues across all core markets except UAE resulted a minor decrease year on year due to an unfavorable market conditions, currency depreciation, and rising interest costs. Challenging environment weighed in on bottom line, however performance remained resilient.

United Arab Emirates

RAK Ceramics witnessed a commendable surge in revenue within the United Arab Emirates, strong performance driven by project and retail channels. The positive performance in the UAE is a testament to RAK Ceramics' strong market presence and effective strategies tailored to the unique characteristics of the region.

India

In Indian market, our revenue declined by -9.6% year on year, reflecting the impact of macroeconomic factors on the company's operations. We acknowledge the challenges in the Indian market and are actively engaged in initiatives to recalibrate the strategies, ensuring alignment with the evolving economic landscape in the region.

Saudi Arabia

Saudi Arabia experienced a challenging economic landscape, contributing to a notable dip in the revenue. Despite these hurdles, the company remains committed to understanding and addressing the specific challenges within the KSA market. The strategic outlook includes adaptive measures to strengthen the brand position and customer experience through expansion of retail footprint and focus on premium projects in this region.

Bangladesh

Bangladesh experienced a 9.4% year on year decline in revenue, attributed to macro challenges and currency devaluation. Despite these headwinds, the company remains dedicated to understanding and adapting to the nuanced market dynamics in Bangladesh. Initiatives such as the construction of a new faucets plant underscore RAK Ceramics' commitment to strategic expansion in the region.

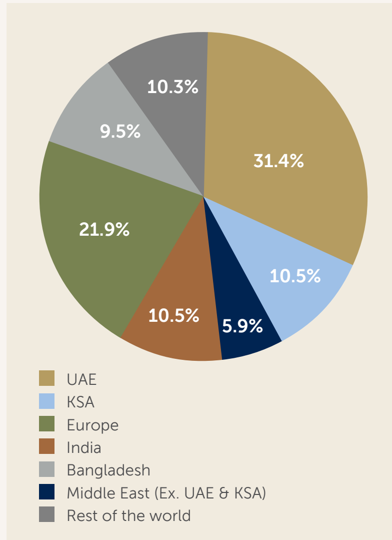
Europe

Europe's operations demonstrated resilience amidst economic challenges, achieving a commendable 7.3% year-over-year revenue increase. The success in Europe was primarily propelled by a robust performance in the faucets segment specifically towards unlocking of synergies from acquisition of KLUDI Brand. This positive outcome highlights the company's ability to strategically position and adapt its offerings to meet the evolving demands of the European market.

REVENUE (AED M)

	2022	2023	Change
United Arab Emirates	668.1	786.7	+17.8%
Kingdom of Saudia Arabia	586.1	350.3	-40.2%
Middle East (Ex. UAE KSA)	153.3	153.6	+0.2%
India	400.4	362.0	-9.6%
Europe	408.7	384.2	-6.0%
Bangladesh	292.0	264.4	-9.4%
Africa	122.5	113.6	-7.3%
Rest of the world	87.5	85.0	-2.9%
Tiles and SW revenue	2,718.6	2,499.8	-8.0%
Tableware revenue	353.2	392.1	+11.0%
Faucets	306.0	456.2	+49.1%
Others revenue	139.2	10.9.7	-21.2%
Total Revenue	3,517.2	3,457.8	-1.7%

TILES AND SANITARYWARE REVENUE CONTRIBUTION



Board of Directors, Advisers and Leadership

SHEIKH SAQR BIN SAUD AL QASIMI
Chairman of the Board

Board Member and Chairman since 2021. Sheikh Saqr brings financial expertise to the Board of RAK Ceramics having worked in multiple relevant roles both in the public and private domains. Sheikh Saqr is part of the investment team at the Investment and Development Office, the sovereign investment arm of the Government of Ras Al Khaimah overseeing a portfolio of strategic assets. Sheikh Saqr holds a Bachelor of Science degree in Banking and International Finance from CASS Business School, City University of London.

FAWAZ SULAIMAN ALRAJHI
Vice-Chairman of the Board

Board Member since 2015, reappointed in 30 March 2021 AGM for a three year term till 29 March 2024. Mr. Fawaz is the Chairman of the Board, CEO and Head of Investment Committee of Al Rajhi United, a family owned investment company with offices in Riyadh, Jeddah, New York and Dubai, focusing on public equity, private equity and real estate and he is also the Chairman of RAK Porcelain LLC. Mr. Fawaz holds Master in Business Administration from Stanford University, USA and Bachelors in MIS and Accounting from KFUPM, KSA.

SHEIKH KHALID BIN SAUD AL QASIMI
Board Member

Board Member since 2015. Sheikh Khalid holds business management qualification from New York University, Abu Dhabi Campus. Sheikh Khalid Bin Saud Al Qasimi is the Chairman of Al Marjan Island, Ras Al Khaimah and Vice Chairman of the Investment and Development Office, Government of Ras Al Khaimah. Sheikh Khalid Bin Saud Al Qasimi has extensive experience in finance and investment management.

SHEIKH SAQR BIN OMAR AL QASIMI
Board Member

Appointed in 30 March 2021 AGM for a term of three years till 29 March 2024. He Holds a Bachelor's degree in Law from the University of Sharjah, Master's in International Law, Public Relations and Diplomacy from the Paris-Sorbonne University Abu Dhabi, as well as a Master's degree in Business Administration from the American University of Sharjah. Currently, he is the General Manager of RAK Real Estate and the Board Member of RAK Porcelain LLC.

FARAH AL MAZRUI
Board Member

Board Member since June 2021. Mrs. Farah Al Mazrui has more than 13 years of experience in financial advisory, strategy, investment as well as wealth management solutions to large Corporates, Families, Individuals and Governments. She holds B.Sc Hons -Economics from Queen Mary, University of London and M.Sc -Risk Management and Financial Engineering from Tanaka Business School, Imperial College. She was Associate Director – Global Advisory in Rothschild & Co., a Leading independent financial advisory group providing M&A, strategy, and financing advice, as well as investment and wealth management solutions to large Corporates, Families, Individuals, and Governments globally. She also serves as a Board Member of Emirates Steel ARKAN PJSC.

ABDULLAH AL ABDOULI
Board Member

Mr. Al Abdouli had been appointed as a Member of the Board in November 2022, to replace Mr. Khalid Al Eisri and to complete his term until March 2024. Mr. Al Abdouli is the Chief Executive Officer of Al Marjan Island, a leading developer for freehold land in Ras Al Khaimah and a Board Member in RAK Properties PJSC. Prior to this position, he had served as Director of Town Planning and Survey Administration and Director of Project Management Office at RAK Municipality. He also had held previously Board Member positions for several RAK-based governmental entities including RAK International Airport Authority and RAK Sewerage Authority. Mr. Al Abdouli holds a Masters in Regional & Urban Planning from Paris Sorbonne University in Abu Dhabi and has most recently earned a certificate as Real Estate Investment Strategies from Harvard University.

WASSIM MOUKAHHAL
Board Member

Board member since 2016. Re-appointed in 30 March 2021 AGM for a three year term till 29 March 2024. Mr. Moukahhal has more than 12 years of experience in private equity investments and is currently serving as Board Member of RAK Porcelain, RAK Ceramics India and RAK Ceramics Bangladesh. Mr. Moukahhal is the head of alternative investment of Artal Capital in Riyadh, Saudi Arabia. Mr. Moukahhal holds a MBA from the Wharton School at the University of Pennsylvania and a Bachelor's degree in Economics & Finance from McGill University.

Advisers and Leadership

PHILIP GORE-RANDALL
Expert Adviser to Audit Committee

Mr Gore-Randall is Expert Adviser to the Audit Committee and is also a Director at Samena Capital. Mr Gore-Randall has extensive experience at a senior level in large private and publicly held international organisations. Previously Mr Gore-Randall was an Audit Partner at Andersen where he ran the firm's UK practice and subsequently became the Global COO. Mr Gore-Randall is a UK Chartered Accountant and holds an MA from University College, Oxford.

ABDALLAH MASSAAD
Group Chief Executive Officer

Abdallah Massaad is Group CEO of RAK Ceramics. He has more than 25 years of experience in industrial manufacturing and ceramics and has a fond understanding of regional and international markets having successfully developed operations through his business leadership abilities across different geographies. Prior to RAK Ceramics, Abdallah Massaad was GM of ICC SARL, Lebanon. Abdallah Massaad holds post-graduate qualifications in Management' DEA in Business Administration' (1998) and an undergraduate degree "Maitrise in Business Administration – Marketing" from USEK (Université Saint-Esprit de Kaslik), Lebanon. He is fluent in Arabic, French and English and also speaks basic German.

PRAMOD KUMAR CHAND
Group Chief Financial Officer

GEORGE RABAHIE
Chief Legal Officer

VIBHUTI BHUSHAN
Chief Audit, Risk and Compliance Officer

SHAKTI ARORA
Chief Procurement Officer

BASAVARAJ PATIL
Chief Technical Officer (Tiles)

DAVID KELLY
Chief Technical Officer (Sanitaryware)

RENU OOMMEN
Chief Marketing Officer (Tableware)

ANIL BEEJAWAT
Chief Executive Officer (India)

SAK EKRAMUZZAMAN
Managing Director (Bangladesh)

HARALD HOTOP
Managing Director, KLUDI (Germany and MEA)

CAN YILDIRIM
Managing Director Operations, KLUDI (Germany and MEA)

FRANK HOLTMANN-WIBBERICH
Managing Director CFO, KLUDI (Germany and MEA)

OPERATIONAL UPDATE

Tiles

The digitization of processes stands as a pivotal agent of change and a key advocate for sustainable technological progress. In March 2023, the Tile division of RAK Ceramics unveiled the inaugural Smart Factory in Ras Al Khaimah, marking a significant milestone in the company's endeavor to transform tile manufacturing through automation and IoT innovations, all aimed at satisfying the evolving needs of its clientele. By optimizing processes, the initiative not only mitigates adverse environmental impacts but also promotes energy and resource conservation. Consequently, it enhances the safety of employees, the surrounding community, and the quality of the product.

PRODUCT INNOVATIONS

The research and development department also continued on its path of innovation within Innotech: the innovative research laboratory of RAK Ceramics. In 2023, the entire Mosaic range was revised, thanks to the capacity of a dedicated production line, resulting in the launch of 11 new colors in the market with 2.5cm and 5cm formats, while the RAK Ceramics selection of tiles for swimming pools and wellness was completely renewed.

NEW COLLECTIONS

35 new standard collections were presented at Cersaie, during the prestigious fortieth edition of the International Fair. Additionally, new formats such as 90x180 and 60x120 outdoor in 20mm were introduced in the market with excellent results and received great feedback from customers. The MAXIMUS range and all large formats underwent a small revolution in 2023, with the introduction of two new sizes: 144x305 in 14mm and 120x280 in 6mm, alongside a complete revision of the entire Maximus big slab range. Moreover, 2023 saw the definitive launch of the innovative CookingRAK system, awarded by Archiproducts as "The most innovative product of the year," and chosen by prestigious chefs around the world for their Michelin-starred restaurants. The successful collaboration with ELIE SAAB continued, with RAK Ceramics participating in numerous projects featuring surfaces from the ELIE SAAB collection, along with the commencement of developing new collections for 2024. Finally, in December 2023, the first 100% Pre-Consumer Recycled Content product, "Re-use Quartz," was officially presented, followed by "Re-Use Mineral." These are the first collections of tiles derived completely from recycled materials, as attested by the recently obtained SCS certification.

"Re-use Quartz, followed by Re-Use Mineral, are the first collections of tiles deriving completely from recycled materials.

Sanitaryware

NEW COLLECTIONS

In 2023, RAK Ceramics continued its innovative streak in the sanitaryware division. Teaming up with Jordanian designer Sarah Madanath, the company presented RAK-REMAL, a collection unveiled in Frankfurt ISH 2023, featuring the REELFLUSH system for enhanced efficiency.

Meanwhile, the collaboration with ELIE SAAB saw the introduction of elegant colors, enriching the brand's product portfolio with a fashionable edge.

RAK Ceramics successfully presented new finishes, materials and items during Cersaie 2023 and later during the Dubai Design Week, achieving a great success in terms of visitors and media coverage. The great attention to market trends, has also led the research and development department to launch on the market RAK-BATU: an exquisite washbasin collection with unique Mica glaze, reminiscent of Balinese tropical vibe, the new Mica and Terrazzo finishes for RAK-PLANO countertop surfaces, that combine elegance, durability, and practicality, and the preview of RAK-SKIN, that represents more than just an exclusive collection of washbasins: it epitomizes a distinctive and avant-garde finishing touch.

PRODUCT INNOVATIONS

Product innovations in 2023 also includes the launch of the new RAK-CLEON, the new toilet with integrated bidet functionality. An all-in–one solution that combines design and technology, to mark a superior hygiene standard. Investing in next-gen ceramics,

RAK Ceramics explored 3D printing technology for clay-based materials, promising technical and aesthetic breakthroughs, presenting for the first time a 3D printed ceramic washbasin at Frankfurt ISH 2023.

Innovation continued to play a central role in RAK Ceramics' sanitaryware division throughout 2023.

Faucets

KLUDI is a nearly 100-year-old brand engaged in the manufacturing of high-quality kitchen and bathroom faucets and showering systems through its manufacturing footprint across Germany, Austria, Hungary, and the UAE. Post-acquisition, RAK Ceramics has initiated a value creation plan that prioritizes a turnaround strategy for KLUDI, capitalizing on synergies and focusing on growth driven forward by modernization and digitalization. In 2023, Kludi began a process of brand repositioning through the definition of a new brand promise, the revision of the product range, with significant product expansion to the sanitary ware industry, and the development of important synergies with the RAK Ceramics group in terms of product development, sales, and marketing. The new brand identity is concisely summed up with the claim "The SHAPE OF WATER".

PRODUCT INNOVATIONS

In 2023, KLUDI launched several new product lines and breakthrough innovations at ISH 2023 in Frankfurt and later at Cersaie in Bologna, including Kludi-Nova Fonte Pura, Kludi-Dive, Kludi-Pushtronic and Touchtronic, Kludi-Asana, just to name a few. An entire new range of sanitary ware has been developed under the KLUDI brand, with a first preview in Frankfurt and then with the inclusion of the range in the project catalogue. Regarding faucets, the entire range of finishes has been revised with the introduction of new PVD and powder coated finishes, extended to a large part of the existing range and to the new products in development. From a marketing standpoint, all online and offline tools have been reset, with significant production of new marketing assets aligned with the new brand identity. This has allowed KLUDI to present itself to the market with new faucets catalogues, sanitary ware books, specification books, new technical data sheets, and with a brand new library of lifestyle images, still life technical pictures, publications such as periodical magazines, and a completely renewed storytelling.

The UAE RAK Ceramics showrooms have been renovated with the addition of new KLUDI shop-in-shops and all visual merchandising has been renewed, including in-store displays, samples, and marketing literature, trader's showrooms Kludi displays in UAE, Turkey, Pakistan. For the first time in its history, KLUDI also participated in the Cersaie (Italy), Big Five, and Downtown design (UAE) international fairs with entirely dedicated stands. All other regional fairs, like KBC Shanghai and Bath and Wellness Hungary, have been aligned with the new layout, allowing KLUDI to communicate a consistent brand identity across all markets. In 2023, KLUDI received the Construction Middle East Award as "The Best Fitting Brand," ensuring further a positive brand image. Furthermore, the brand was honored as a "TOP 100 Innovator" in the German SME sector, a special highlight for the Menden-based company.

The new brand identity of KLUDI is concisely summed up with the claim "The SHAPE OF WATER".

Tableware

RAK PORCELAIN – WHERE VICTORIES MULTIPLY & INNOVATIONS AMPLIFY

A year that has truly shone with remarkable milestones, astounding achievements, and magnificent innovations that have propelled us forward, solidifying RAK Porcelain's standing in the industry and opening up new vistas of possibility. Behold an extraordinaire encapsulation of the zenith we have reached thus far!

DELIVERING INSPIRATIONAL DINNERWARE RIGHT TO YOUR FINGERTIPS

Garnering widespread acclaim and expanding global presence, Industry's niche shows like Ambiente, Abastur, Equipotel, and Hotel Show have become vibrant stages for revolutionary tablescapes.
These events have connected RAK Porcelain with industry titans, forging sizzling partnerships.
The brand has actively participated in key conferences such as Marriott APEC and IFCA, where meaningful discussions and strategic partnerships were forged to excel in the hospitality industry.

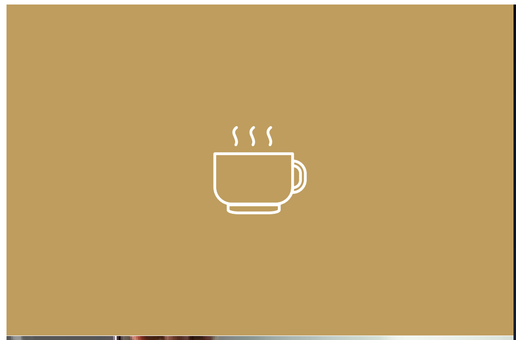
MANUFACTURING UNITS BRIMMING WITH CUTTING-EDGE TECH

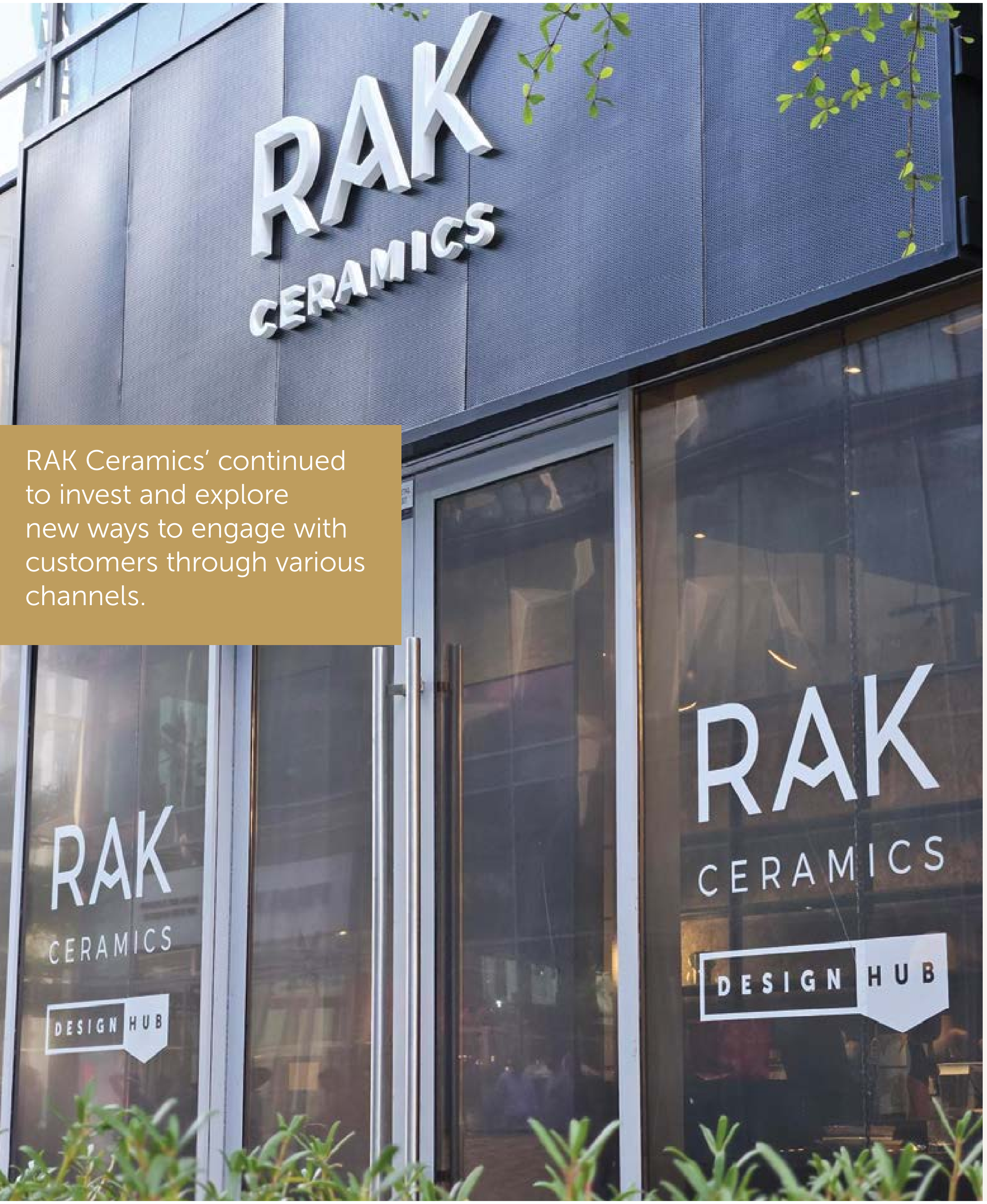
To meet the growing demand for the tableware products and accommodate expanding operations, new state-of-the-art manufacturing units equipped with cutting-edge technology and sustainable practices has been inaugurated.

A PLETHORA OF INNOVATIONS

Exploring the origins of pottery, a sensory creation was born from fine raw materials, which give off the appearance of terracotta. Sensational launch of RAK Earth has taken the hospitality industry by storm.
17 eccentric designs received an overwhelming response throughout the year. RAK EARTH is an innovative tableware collection that represents a harmonious fusion of sustainability and style, embodies commitment to environmental responsibility while offering unparalleled elegance and functionality to customers.
Following the groundbreaking debut of noble Bone China Collection that soared to new heights, the brand had to balance with another spectacle, aptly called SPECTRA.
With a vision to be the ultimate Tabletop Maestro, the innovation game was upped to another level with Rezzo and Nawai Cutlery collections, which also received commendable response.

RAK Porcelain continued to enhance its brand reputation through sponsorships, partnerships and various marketing initiatives.





RAK Ceramics' continued to invest and explore new ways to engage with customers through various channels.

Sales and Marketing

BRAND ENHANCEMENT

One of the primary marketing goals for 2023 was to strengthen the brand in the key markets, with additional focus on projects and retail. Numerous initiatives have been launched with the goal of combining the support of developers or traders with compelling and detailed product communication that targets both end users and influencers like architects, designers and contractors. Furthermore, with the UAE having observed the Year of Sustainability and hosted the United Nations Climate Change Conference (COP28) in November , 2023, RAK Ceramics strengthened its corporate communication, founded on its main pillars of innovation, quality, design, and sustainability. With regards to the activities in direct support of sales, some international trade shows worth mentioning are ISH (Germany) Coverings (USA), BAU(Germany) Cersaie (Italy), Big5 and Downtown Design (UAE). RAK Ceramics' continued to invest and explore new ways to engage with customers through various channels, covering offline assets such as new category catalogue solutions and specific regional catalogues, and online via new social media platforms, video assets, and virtual 3D software.

Apart from the recently renovated showrooms located in Fujairah, Ras Al Khaimah, Abu Dhabi, Dubai, KSA, Bangladesh, and a recently opened factory outlet in Ras Al Khaimah, RAK Ceramics expanded its market reach by launching its second and third Design Hubs in Frankfurt and Dubai, respectively (D3). Located in the heart of the Design District, the RAK Ceramics Design Hub allows visitors to explore limitless design possibilities for their projects and showcases a wide range of RAK Ceramics and also Kludi solutions.

DIGITAL PERFORMANCE

In 2023, RAK Ceramics witnessed a 90% increase in LinkedIn followers, growing from 90,000 to 118,000, further expanding its digital community reach and enhancing its professional network presence.

RAK Ceramics revamped its content marketing approach by incorporating 25 short-form videos, catering to evolving user preferences for bite-sized content. Additionally, the company launched the new RAK Ceramics product website to offer an enriched user experience and a new corporate website dedicated to investor relations, along with a dedicated CookingRAK new website showcasing this awarded innovation, aimed at engaging culinary enthusiasts. Elie Saab website was also completed with a dedicated tableware section. With a focused effort on search engine optimization (SEO) and content quality, RAK Ceramics achieved a remarkable 40% increase in organic traffic to its digital platforms, signaling improved visibility and relevance in online searches.

RAK Ceramics consolidated its social media profiles and advertising accounts to streamline its digital presence and optimize campaign management, ensuring a cohesive brand message across various channels.

The company collaborated with Facebook on a case study showcasing the effectiveness of their product called ASC (Automated Social Campaigns), resulting in a staggering 70% increase in revenue compared to traditional ad campaigns.

RAK Ceramics continued to drive revenue targets through its e-commerce platform, leveraging multichannel conversion strategies and awareness campaigns to sustain the momentum gained since its launch in 2022.

Environmental, Social and Governance (ESG)

RAK Ceramics is committed to embed the principles of sustainability.

ESG STIMULATION
RAK Ceramics is driven by a pursuit to emerge as a pioneer in the area of ceramic manufacturing and to excel in its field adopting a sustainable business model. The Company is committed to embed the principles of sustainability by working safely and ethically, and by making a positive contribution to its community and environment.

RAK Ceramics had outlined a clear priority for 2023 to look into its internal ESG practices and to launch initiatives seeking to improve and advance the Company in its sustainability journey. As such, RAK Ceramics is looking to enhance visibility to stakeholders on ESG matters and is working closely with experts to outline and define a clear sustainability strategy for the Company. RAK Ceramics approaches sustainability in production with an innovative and digital perspective, aiming to incorporate the latest technologies and expertise to guarantee the finest output.

In 2023, topics addressed included energy conservation, recycling programs, waste management, sustainable logistics, sustainable packaging, production optimization and improved governance. The Company also invested in growing the technical team's exposure to global practices and developing their knowledge and know-how through trainings. Such initiatives solidified RAK Ceramics position in face of market volatility and economic challenges and allowed the Company to emerge further as a purpose-driven brand.

RAK Ceramics ESG centers around 18 key sustainability imperatives identified through an extensive assessment conducted in early 2023. A collaborative sustainability-working group, in close collaboration with senior management, meticulously evaluated the significance of each imperative, taking into account the influence of our operations and prevailing sustainability trends within our industries.

RAK Ceramics is developing an ESG Strategy for 2024- 2030 that is aligned with international and industry agreements and initiatives, that will help us achieve sustainability leadership. The Strategy focuses on key areas - such as decarbonization, circularity, and workforce development - that will guide the continuous improvement of our business practices. The Strategy will be integrated across all our operations, and will be implemented through our Sustainability Governance.

As part of our ongoing commitment, we encourage you to read the detailed ESG Report 2023 Report, which is available at www.corporate.rakceramics.com.

Events, Awards and Sponsorship

RAK Ceramics took part in numerous exhibitions, awards, and fairs on a national and international level.

In 2023, RAK Ceramics received an array of prestigious awards across different categories, solidifying its position as a leader in the industry. Notable achievements included KLUDI winning the Fitting Specialist of the Year at the Construction Innovation Awards and RAK Ceramics being named Ceramics and Tiles Brand of the Year at the Design ME Awards. The company's commitment to corporate social responsibility was recognized with a Silver Award from the CSR UAE Fund. Additionally, Cooking RAK received acclaim by winning the Archiproducts Design Awards 2023. RAK Ceramics also earned recognition from DHL for its contribution to the Etihad Rail project. Further underscoring its excellence, RAK Ceramics received two Stevie Awards at the Middle East and North Africa Stevie Awards, 2023: a Gold Honorary Award for Excellence and Good Reputation and a Silver Award for Excellence in Innovation in Manufacturing Industries. Moreover, RAK Ceramics secured several accolades for its innovative products, including Mixology Bathroom Product of the Year for Rak-Petit, Mixology Product of the Year for Rak-Valet, Ideal Home Best Kitchen Surface for Luce, and LivingEtc Style Award for the most modern bathroom range, Rak-Valet.

These awards collectively highlight RAK Ceramics' commitment to innovation, quality, corporate responsibility, and excellence across various aspects of its business operations.

OFFICIAL VISITS AND EDUCATIONAL TOURS RAK

Throughout the year, RAK Ceramics had the honor of hosting numerous distinguished guests, showcasing the company's global appeal and significance in the industry. Visits included Ambassadors and delegations from countries such as Germany, The Netherlands, Italy, Turkey, Canada, Ireland, China, and

Rwanda highlighting the company's international standing and potential for collaboration in the Global market.

High-ranking officials from the Ministry of Industry and Advance Technology , UAE , visited to discuss industry-related initiatives and explore opportunities for mutual growth. Furthermore, visits from project teams of prominent companies like Emaar and Damac demonstrated RAK Ceramics' role in large-scale projects and its ability to meet the demands of prestigious clients.

Moreover, the visit of a Nobel Prize Laureate to RAK Ceramics' highlighted involvement in cutting-edge research and development. Lastly, interactions with investor delegations through the RAKEZ business development unit underscored the company's attractiveness as an investment destination and its commitment to fostering economic growth in the region. Overall, these visits signify RAK Ceramics' importance on the global stage and its ongoing efforts to forge meaningful partnerships and collaborations worldwide.

EVENTS AND SPONSORSHIPS

In 2023, RAK Ceramics demonstrated its commitment to engagement, community involvement, and industry leadership through a diverse range of events and sponsorships.

The company began the year as a Gold Sponsor for the Architect Awards 2023, organized by Design ME, affirming its support for architectural excellence and innovation in the region. Throughout Ramadan and National Day, RAK Ceramics launched campaigns promoting its tiles, sanitary-wares, and faucets, aligning with significant cultural and national celebrations. The company also hosted Iftar events for its business partners, fostering relationships and demonstrating its appreciation for collaboration.

Internationally, RAK Ceramics participated in the Clerkenwell Design Week in the UK, highlighting its global presence and commitment to design innovation. Additionally, the company participated in prominent exhibitions such as the MOIATE (Make it in the Emirates) forum, BAU exhibition in Frankfurt, and Coverings exhibition in the USA, showcasing its latest products and technological advancements on a global platform.

Furthermore, the company participated in industry events such as Cersaie in Bologna, Italy; the First Gulf Industrial Exhibition in Oman; Downtown Design in Dubai; and the Big 5 exhibition in Dubai, showcasing its diverse product range and industry leadership. RAK Ceramics also launched it's very own Design HUB in Dubai Design District.

RAK Ceramics supported the Emirates FC, emphasizing its engagement in the local sports community by supporting as main sponsors.

Overall, RAK Ceramics' participation in these events and sponsorships underscores its dedication to innovation, community engagement, and leadership in the ceramics and building materials industry.

Human Resources

The company prioritized employee engagement and motivation.

DIVERSITY AND INCLUSION

In the fiscal year 2023, RAK Ceramics is pleased to report a significant achievement in its ongoing commitment to diversity and inclusion within the organization. The white-collar workforce now represents an impressive array of talented Emiratis, emphasizing the company's dedication to creating an inclusive and vibrant workplace culture.

The inclusion of Emiratis has brought in a unique blend of skills, experiences, and insights, promoting an environment for innovation and collaboration. A positive impact on creativity and overall team dynamics has been observed. Looking ahead, RAK Ceramics remains dedicated to further enhancing diversity and inclusion efforts. The company recognizes that this journey is ongoing, and there is a commitment to continuous improvement and expansion of opportunities for all individuals within the organization.

LEARNING AND DEVELOPMENT

In 2023, RAK Ceramics' commitment to continuous improvement and employee development propelled it to new heights as significant investments were made in training initiatives across manufacturing plants at Santiwary Ware and Tiles. These endeavors were aimed at fostering a culture of excellence and innovation within the organization.

Throughout the year, RAK Ceramics dedicated itself to enhancing both technical and behavioral competencies among the workforce. Training efforts were comprehensive, covering a wide range of topics aimed at equipping employees with the skills necessary to thrive in a dynamic and competitive environment.

Technical competencies were a cornerstone of the training agenda, encompassing classroom instruction and on-the-job learning experiences. A total of 30 dedicated trainers underwent rigorous certification through the 'Train the Trainer' program, empowering them to deliver high-quality in-house training sessions. These efforts not only expanded training capacity but also ensured that teams were equipped with the latest industry knowledge and best practices.

Key among the technical training initiatives was the Manufacturing Excellence program, grounded in the principles of Lean manufacturing, Six Sigma, and Total Productive Maintenance (TPM). Through this initiative, RAK Ceramics sought to optimize manufacturing processes, reduce waste, and enhance overall efficiency, resulting in tangible improvements across various aspects of operations, from production throughput to quality assurance.

In addition to technical training, RAK Ceramics prioritized behavioral competencies, recognizing the importance of soft skills in driving organizational success. Programs focused on Sales & Service Excellence were particularly impactful, equipping teams with the tools and techniques needed to deliver exceptional customer experiences.

In total, training efforts in 2023 amounted to an impressive 120,822 man-hours, reaching 4,021 unique participants, underscoring RAK Ceramics' unwavering commitment to employee development and continuous learning.

Looking towards the future, RAK Ceramics remains steadfast in the belief that investing in its people is key to achieving sustainable growth and long-term success. Through ongoing training and development initiatives, the company will continue to empower its workforce to drive innovation, efficiency, and excellence across all facets of operations.

Human Resources (contd.)

CAREER DEVELOPMENT PROGRAM – ASCEND

At RAK Ceramics, the understanding that employees are the greatest asset is paramount to success, and nurturing their growth and development is crucial. Hence, ASCEND – Progress with Purpose, an initiative designed to support the career progression of the valued workforce, has been introduced.

ASCEND reflects the commitment to providing ample opportunities for career advancement and recognizing employee contributions. Rolled out initially to the Retail division, ASCEND offers clear guidelines on how employees can advance and grow within the organization, supported by defined criteria for participation.

By investing in the growth and development of employees through ASCEND, RAK Ceramics aims to foster a culture of continuous learning and professional advancement, benefiting both individual employees and strengthening organizational resilience and competitiveness. At its core, ASCEND embodies a commitment to inclusivity and diversity, ensuring equal access to opportunities for all employees within the Retail division, promoting a culture of meritocracy and fairness.

The impact of ASCEND extends beyond individual career progression to broader organizational outcomes, enhancing employee engagement, retention, and productivity, contributing to a more dynamic and agile workforce better equipped to navigate evolving market dynamics.

As RAK Ceramics continues to champion sustainable business practices, ASCEND remains a cornerstone of the commitment to creating value for employees, stakeholders, and communities alike.

ENGAGEMENT ACTIVITIES

Employee Well-being and Health Focus:

As part of the ongoing commitment to employee well-being, health has remained a key focus area for RAK Ceramics. Awareness camps addressing critical health issues such as Breast Cancer Awareness and Heart Health Awareness were organized and conducted throughout the year, empowering employees to make informed and proactive decisions about their health, aligning with the vision of creating a workplace prioritizing the holistic well-being of the team.

Festivities and Celebration:

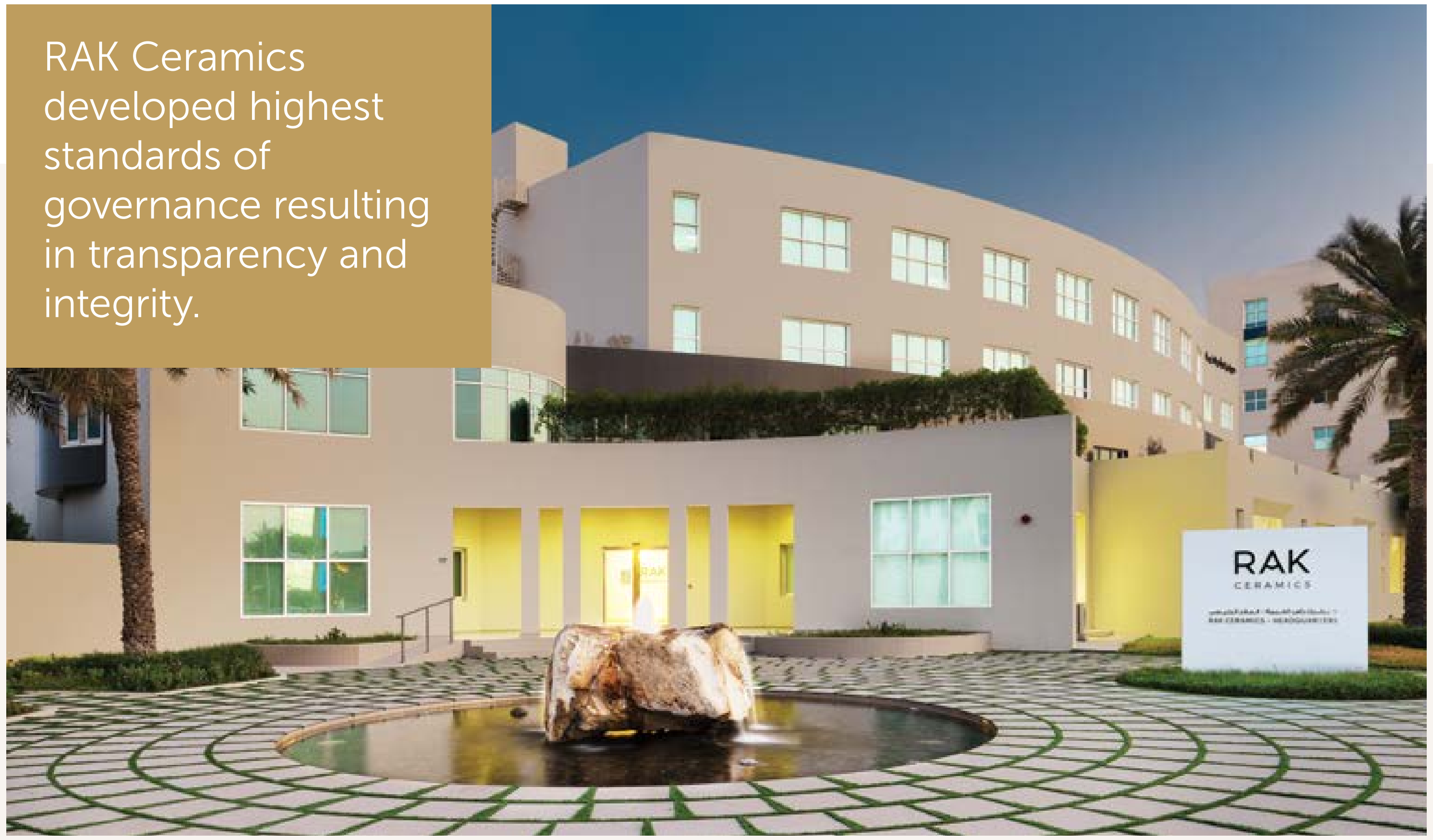
Various sporting events, from intense chess matches to spirited football competitions, showcased talent and fostered a sense of togetherness among teams at RAK Ceramics.

The pride in embracing diversity is evident in the observance of festivals like Eid, Diwali, and Christmas, creating an inclusive environment that reveres the cultural tapestry within the organization.

Furthermore, active involvement in community events such as the RAK Terry Fox Run and the heartfelt observance of UAE FLAG DAY and National Day highlight the dedication to weaving into the broader social fabric.

Corporate Governance

RAK Ceramics developed highest standards of governance resulting in transparency and integrity.



In the sphere of corporate governance, the year 2023 has been characterized by a steadfast commitment to elevating our standards and practices. Our paramount focus has been on ensuring continuous compliance with the laws of the United Arab Emirates, regulations governed by the Securities and Commodities Authority (SCA), the Abu Dhabi Securities Exchange (ADX), and our Company's Articles of Association (AoA).

Throughout 2023, RAK Ceramics has undertaken comprehensive initiatives to refine and fortify our governance framework. Noteworthy developments include the continuous enhancement of policies crucial to our ethical conduct, such as the Code of Conduct, Conflict of Interest, Whistleblower Policies, and Dividend Policy.

Our dedication to governance excellence remains unwavering, and we aspire to foster a culture of transparency and integrity in all our interactions. As part of our ongoing commitment, we encourage you to stay informed by exploring the detailed RAK Ceramics 2023 Governance Report, which is available at www.corporate.rakceramics.com.

The report will encapsulate our endeavors, achievements, and continuous strides towards governance excellence during the dynamic landscape of 2023

Information Technology

During 2023, RAK Ceramics has emerged as a trailblazer, harnessing cutting-edge technologies to revolutionize its operations and enhance customer experiences. With a strategic focus on digital capabilities, security, and foundational enhancements, the company has embarked on a transformative journey that promises to reshape the landscape of the ceramics industry.

Digital Capabilities Introduction/ Transformation

RAK Ceramics has made significant strides in digitizing its operations, with key accomplishments including the successful consolidation of ERP systems and the launch of SAP S/4HANA in the UK, India, and Bangladesh. This milestone not only streamlines processes but also lays the foundation for enhanced efficiency and agility across the organization. Moreover, the implementation of an e-Invoicing solution integrated with the KSA Government ZATKA platform underscores the company's commitment to compliance and efficiency in its operations.
To elevate customer experiences, RAK Ceramics has introduced a new Point of Sale (POS) Retail solution, empowering customers with seamless purchasing experiences in showrooms.

Enhanced Security and Governance

In an increasingly digital landscape, ensuring robust security and governance measures is paramount. RAK Ceramics has strengthened its IT security posture through the deployment of new solutions for Endpoint Detection and Response (EDR), Multifactor Authentication, and identity-based network access. Proactive measures such as Network Segregation and USB restrictions further bolster security defenses, safeguarding critical assets against evolving cyber threats.

As part of the Kludi integration, RAK Ceramics has digitized Access & Authorization controls, aligning with global standards and reinforcing governance frameworks.

Technology Foundational Enhancements

The foundational integration of Kludi represents a pivotal step in enhancing operational efficiency and synergy within the organization. By overhauling hardware servers and streamlining Kludi Active Directory & Email Domain, RAK Ceramics has laid the groundwork for seamless collaboration and data integration across departments.

Organization Update

The appointment of a new Chief Information Officer marks a significant milestone for RAK Ceramics, signaling a renewed focus on innovation and digital transformation under visionary leadership.

In conclusion, RAK Ceramics' relentless pursuit of digital excellence underscores its commitment to staying ahead of the curve in a rapidly evolving landscape. With a strategic blend of cutting-edge technologies, enhanced security measures, and visionary leadership, the company is poised to redefine the future of the ceramics industry and deliver unparalleled value to customers and stakeholders alike.

FINANCIAL REVIEW

FINANCIAL REVIEW

Report of the Board of Directors

On financial performance during the year 2023
8 February 2024

Dear Members,

It is our pleasure to present the business & operations report for the year 2023, along with the consolidated financial statements of RAK Ceramics PJSC, UAE (the "Group" or the "Company") as at 31 December 2023. Despite net profit for the period increasing 3.7% to AED 320.9 million, an unfavourable market cycle, currency depreciation, and rising interest costs meant RAK Ceramics reported a slight revenue decline of 1.7% to AED 3.45 billion.

Snapshots

- **Group Revenue:** Experienced a marginal decrease of 1.7% to AED 3.45 billion in FY 2023, while the Q4 period showed a modest decline of 3.8% to AED 866.4 million owing to macro-economic factors.
- **Gross Profit Margin Expansion:** Robust expansion of +30bps YoY, reaching 37.9% for FY 2023, attributed to a favourable shift in product mix and production efficiencies.
- **EBITDA Performance:** Significant YoY increase of 17.7% in FY 2023, reaching AED 647.4 million, accompanied by notable margin growth of +310bps.
- **Net Profit before one off gain:** Net Profit increased by 3.7% YoY in FY 2023, reaching AED 320.9 million, and the net profit margin increased to 9.3% compared to 8.8% in FY 2022.
- **Financial Health:** Net debt increased by AED 120.3 million in December 2023 at 1.42 billion compared to 2022, and the net debt to EBITDA ratio improved slightly from 2.40x to 2.20x in FY 2023.
- **Dividend:** The Board of Directors proposes a dividend distribution of 10 fils per share (AED 99.4 million) for H2 2023.

FY 2023 & Q4 Financial Highlights

- Total revenue decreased by 1.7% YoY to AED 3.45bn in 2023, primarily attributable to market volatility and continued macro-economic challenges across core markets except the UAE. Q4 revenue decreased by 3.8% at AED 866.4m, mainly due to lower sales in tiles and faucets whereas sanitary-ware revenue increased by 2.9% YoY.
- FY 2023 gross profit margin increased by 30bps YoY at 37.9% while Q4 gross profit margin increased by +70bps YoY to 35.6% due to increased sales and change in product mix in the UAE.
- EBITDA for FY 2023 increased by 17.7% to AED 647.4m compared to 549.9m in the previous year. Margins increased to 18.7% compared to 15.6% in 2022. EBITDA for Q4 increased by 20.7% YoY to AED 166.0m and margin increased 390bps YoY to 19.2%.
- The reported net profit before one off gain increased by 3.7% YoY to AED 320.9m in 2023, compared to the previous year. (Last year profit included a net one-off gain of AED 30.8m). Net Profit margin for 2023 is 9.3% compared to 8.8% in last year. Net profit before one off net gain increased to AED 81.8m in Q4 2023 versus AED 65.3m in Q4 2022. Net profit margin for Q4 is 9.4% compared to 7.2% in last year.
- Net debt increased by AED 120.3m in December 2023 at 1.42bn compared to December 2022 due to the payment of the dividend (AED 221.7m) and Capex of AED 273m. Net debt to EBITDA also improved from 2.40x in December 2022 to 2.20x in December 2023.

Income Statement Highlights

- Tiles revenue saw a YoY decline of 8.3% at AED 1.99 billion, primarily influenced by heightened competition from regional players and increased imports from India, impacting our core markets – mainly Saudi Arabia and the Middle East.
- Sanitary-ware revenue experienced a YoY decline of 7.1% at AED 512 million owing to headwinds, notably in European markets – the UAE continued to perform well.
- Tableware revenue increased significantly, reaching AED 392 million YoY, an 11% raise compared with 2022. The increase was driven by the boost in demand from HORECA sector driven by the rising tourism, especially in the UAE.
- In 2023, Faucets generated a revenue of AED 456.2 million, mainly impacted due to the challenges faced in European market. Last year revenue accounted for 7 months as the consolidation was effective June 2022.

Below table depicts comparative results (AED m)-

Particulars	Year 2023	Year 2022	YoY Growth
Revenue	**3,457.8**	3,517.2	-1.7%
Gross margin (%)	**37.9%**	37.6%	30bps
EBITDA	**647.4**	549.9	17.7%
Reported net profit/(loss)	**320.9**	340.1	-5.7%
Net One-off gains/(loss)	**-**	-30.8	NA
Net Profit/(loss) before one off	**320.9**	309.4	3.7%
Capital expenditure	**273.4**	205.0	33.4%
Net debt	**1,421.5**	1,301.1	9.2%
Net debt/EBITDA	**2.20x**	2.40x	-
Cost of Debt	**6.15%**	4.10%	205bps

* EBITDA amount for the period ending 31 December 2022 is after considering extra-ordinary impairment loss on dues in relation to other receivables, AED 27.6 million.

Strategic Highlights

Expansion projects

- Upgrading tile production facilities in the UAE and India, with the goal of bringing in production efficiencies driven by innovation and allowing a shift in the production capabilities from Ceramics to Porcelain Tiles. In parallel, efforts continue to work towards setting up production presence in KSA.
- For Sanitaryware, the upgrade efforts are underway in UAE to enhance the overall product offering.
- The approvals are underway for the Faucets Greenfield plant in Bangladesh with construction expected to commence in Q2 2024.
- The expansion project in Tableware for additional capacity of 10 million pieces in UAE is completed with plans to increase scale of production in phases.

There has been a strategic expansion into new market distributions to ensure the recovery of market share following a revenue dip in KSA due to significant price variations from local manufacturers backed by Chinese investors. High interest rates have continued to make trading conditions difficult in some geographies, notably Europe and India whereas in Bangladesh, impact to real estate sector and currency devaluation resulted in decline in the revenue.

Report of the Board of Directors (contd.)

On financial performance during the year 2023
8 February 2024

Sustainability

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 Q4 2023

Exhibitions

- Participated in Downtown Design, Dubai showcasing tiles, sanitary-ware & faucets products
- Participated in Big 5 exhibition, Dubai showcasing faucets products

Events & Sponsorships

- Regional Architects meets in KSA, India & Bangladesh

Awards received

- Design ME Awards- KLUDI wins Fitting specialist of the Year at Construction Innovation Awards.
- Design ME -"Ceramics and tiles brand of the year" - RAK Ceramics
- CSR UAE Fund-with Impact seal – Silver Award
- Cooking RAK wins the Archiproducts Design Awards 2023
- EPDA Eco Label Awards from RAK EPDA

Delegations visited RAK Ceramics' facility at Ras Al Khaimah

- The German Business Delegation
- Visit of the Ambassador of the Kingdom of the Netherlands
- Visit of Ambassador of Bosnia

Future Outlook

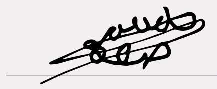
Continuous efforts to invest in upgrading the production facilities, strengthening the brand presence, enhancing customer value, and improving production efficiency will empower the Group to navigate these challenges and maintain the Group's strong growth trajectory.

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.



Chairman

Chief Executive Officer

Independent auditors' 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 2023 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 material accounting policy information.

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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting 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. 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.

Key audit matter

Valuation of investment properties

Investment propenies represented 17% of total assets as at 31 December 2023. 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.

How our audit addressed the key audit matters

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 utilized our internal valuation specialists 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.

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 fom 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.

Independent auditors' report (contd.)

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 Decree Law No. (32) of 2021, 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.

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.

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 detennine 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 Decree Law No. (32) of 2021, we report that for the year ended 31 December 2023:

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 Decree Law No. (32) of 2021;

III. the Group has maintained proper books of account;

IV. the financial information included in the report of the Directors is consistent with the books of account of the Group;

V. as disclosed in Note 32 to consolidated financial statements, the Group has purchased or invested in shares during the year ended 31 December 2023;

VI. Note 21 to the consolidated financial statements discloses material related party transactions and balances 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 2023 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023 and

VIII. Note 7 to the consolidated financial statements discloses the social contributions made during the financial year ended 3 1 December 2023.

Deloitte & Touche (M.E.)

Signed by:

Mohammad Jallad
Registration No. 1164

8 February 2024
Dubai, United Arab Emirates

Consolidated statement of profit or loss

for the year ended 31 December 2023

	Notes	2023 AED'000	2022 AED'000
Revenue	5	**3,457,758**	**3,517,214**
Cost of sales	6	(2,148,862)	(2,196,144)
Gross profit		**1,308,896**	**1,321,070**
Administrative and general expenses	7	(244,560)	(229,499)
Selling and distribution expenses	8	(685,518)	(763,290)
Other operating income	9	118,804	149,009
Finance costs	10	(119,169)	(92,578)
Finance income	10	6,685	7,084
Loss on net monetary position	34	(4,210)	(3,923)
Share of profit in equity accounted investees	11	1,266	6,286
Profit before impairment loss		**382,194**	**394,159**
Impairment loss	7(i)	(36,728)	(53,317)
Net impairment loss on Investment properties	18	-	(928)
Gain on acquisition of subsidiaries	7(ii)	-	32,374
Profit before tax		**345,466**	**372,288**
Tax Expenses	12	(24,611)	(32,181)
Profit for the year		**320,855**	**340,107**
Profit attributable to:			
Owners of the Company		290,947	302,816
Non-controlling interests		29,908	37,291
Profit for the year		**320,855**	**340,107**
Earnings per share - basic and diluted (AED)	13	0.29	0.30

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

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2023

	2023 AED'000	2022 AED'000
Profit for the year	**320,855**	**340,107**
Other comprehensive income		
Items that may be reclassified subsequently to (loss) or profit:		
Foreign exchange differences on translation of foreign operations	(27,932)	(82,733)
Cash flow hedges – effective portion of changes in fair value loss on hedging instruments	(8,844)	29,592
Effects of application of hyperinflation accounting (refer Note 34)	12,276	13,725
Total comprehensive income for the year	**296,355**	**300,691**
Total comprehensive income attributable to:		
Owners of the Company	271,871	282,126
Non-controlling interests	24,484	18,565
Total comprehensive income for the year	**296,355**	**300,691**

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

Consolidated statement of financial position

as at 31 December 2023

	Notes	2023 AED'000	2022 AED'000
Assets			
Non-current assets			
Property, plant and equipment	14	1,354,744	1,243,400
Goodwill	15	120,135	119,855
Right-of-use assets	16	87,632	95,697
Intangible assets	17	14,932	18,545
Investment properties	18	900,742	904,191
Investments in equity accounted investees	11	11,332	10,587
Long-term receivables	19	21,556	3,560
Derivative financial assets	22	4,277	9,658
Deferred tax assets	12	6,041	6,398
Total non-current assets		**2,521,391**	**2,411,891**
Current assets			
Inventories	20	1,301,903	1,309,292
Trade and other receivables	19	1,189,975	1,203,808
Due from related parties	21	55,734	43,037
Derivative financial assets	22	7,462	10,924
Bank deposits with an original maturity of more than three months	23	41,381	117,321
Cash and cash equivalents	23	239,245	321,291
Total current assets		**2,835,700**	**3,005,673**
Total assets		**5,357,091**	**5,417,564**
Equity and liabilities			
Capital and reserves			
Share capital	24	993,703	993,703
Reserves	24	1,240,552	1,170,866
Equity attributable to owners of the Company		2,234,255	2,164,569
Non-controlling interests	25	134,495	133,440
Total equity		**2,368,750**	**2,298,009**
Non-current liabilities			
Islamic bank financing	26a(ii)	296,674	372,628
Interest bearing bank financing	26b(ii)	620,998	592,385
Due to related parties	21	2,163	3,264
Provision for employees' end of service benefits	29	118,453	132,450
Lease liabilities	27	67,804	72,318
Deferred tax liabilities	12	29,973	25,397
Total non-current liabilities		**1,136,065**	**1,198,442**
Current liabilities			
Islamic bank financing	26a(i)	317,399	284,767
Interest bearing bank financing	26b(i)	463,765	486,686
Trade and other payables	28	817,704	903,620
Due to related parties	21	44,939	39,493
Derivative financial liabilities	22	4,296	4,548
Lease liabilities	27	32,846	27,626
Provision for taxation	12	171,327	174,373
Total current liabilities		**1,852,276**	**1,921,113**
Total liabilities		**2,988,341**	**3,119,555**
Total equity and liabilities		**5,357,091**	**5,417,564**

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

Chairman   Chief Executive Officer

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

Consolidated statement of cash flows

for the year ended 31 December 2023

	2023 AED'000	2022 AED'000
Operating activities		
Profit for the year before tax	**345,466**	372,288
Adjustments for:		
Share of profit in equity accounted investees	**(1,266)**	(6,286)
Interest expense	**67,092**	51,977
Profit expense on Islamic financing	**38,671**	19,724
Interest income	**(5,535)**	(6,270)
Profit on wakala deposits	**(897)**	(814)
Interest expense on lease liabilities	**7,488**	6,376
Net change in fair value of derivative financial instruments	**(253)**	9,225
Loss/(Gain) on disposal of property, plant and equipment	**62**	(43,474)
Impairment loss on investment properties	**-**	928
Depreciation on property, plant and equipment	**143,074**	132,388
Depreciation on investment properties	**10,789**	10,893
Amortization of intangible assets	**5,833**	6,178
Depreciation of right-of-use assets	**35,317**	29,075
Capital work in progress written off	**1**	68
Provision for employees' end-of-service benefits	**26,923**	18,711
Loss on net monetary position	**4,210**	3,923
Allowance for slow moving inventories	**46,432**	19,194
Write-(back)/down of net realizable value of finished goods	**(12,947)**	7,120
Allowance for impairment loss on trade receivables	**36,728**	25,516
Initial recognition of investment property(refer note 18)	**(2,500)**	-
Allowance for impairment loss on other receivables	**-**	27,551
Gain on acquisition on sale of subsidiary	**-**	(32,374)
Impairment loss on bank balances	**-**	250
Impairment loss on property, plant and equipment	**-**	2,906
	744,688	655,073
Changes in:		
- inventories	**(26,096)**	(98,253)
- trade and other receivables (including long-term portion)	**(46,928)**	(40,526)
- due from related parties	**(12,842)**	(6,049)
- trade and other payables	**(85,915)**	40,361
- due to related parties	**4,362**	23,958
Income tax paid	**(16,540)**	(28,946)
Employees' end-of-service benefits paid	**(41,757)**	(11,037)
Currency translation adjustments	**(12,449)**	(25,466)
Net cash generated from operating activities	**506,523**	509,115

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

Consolidated statement of cash flows (contd.)

for the year ended 31 December 2023

	2023 AED'000	2022 AED'000
Investing activities		
Additions to property, plant and equipment	**(273,406)**	(205,775)
Proceeds from disposal of property, plant and equipment	**11,479**	74,835
Additions to intangible assets	**(2,078)**	(493)
Additions to investment property	**(2,133)**	(166)
Dividend received from equity accounted investees	**533**	575
Interest received	**5,535**	6,270
Profit received on Wakala deposits	**897**	814
Cash paid for acquisition of further shares in a subsidiary	**-**	(234,462)
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)
Proceeds on maturity of bank deposits with an original maturity of more than three months	**75,940**	85,018
Net cash used in investing activities	**(183,233)**	(376,745)
Financing activities		
Long-term bank financing availed	**238,683**	402,296
Long-term bank financing repaid	**(241,239)**	(268,637)
Long-term Islamic bank financing availed	**45,000**	193,447
Long-term Islamic bank financing repaid	**(105,330)**	(116,694)
Short-term bank financing availed	**615,187**	663,384
Short-term bank financing repaid	**(636,626)**	(784,793)
Short-term Islamic bank financing availed	**506,977**	562,142
Short-term Islamic bank financing repaid	**(489,969)**	(497,174)
Due to Related Parties Long Term Loans	**(1,101)**	(362)
Due to Related Parties Long Term Loans-Current portion	**1,082**	-
Interest paid	**(67,092)**	(51,977)
Profit paid on Islamic bank financing	**(38,671)**	(19,724)
Repayment of lease liabilities	**(36,310)**	(39,362)
Remuneration paid to Board of Directors	**(3,444)**	(3,574)
Dividend paid	**(198,741)**	(198,741)
Dividend paid to non-controlling interests	**(23,429)**	(24,054)
Net cash used in financing activities	**(435,023)**	(183,823)
Net decrease in cash and cash equivalents	**(111,733)**	(51,453)
Cash and cash equivalents at the beginning of the year	**242,628**	294,081
Net cash and cash equivalents at the end of the year	**130,895**	242,628
Represented by:		
Cash and cash equivalents (refer Note 23)	**239,245**	321,291
Bank overdraft	**(108,350)**	(78,663)
	130,895	242,628

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

Consolidated statement of changes in equity

for the year ended 31 December 2023

	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 2022	**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 year													
Profit for the year	-	-	-	-	-	-	-	-	290,947	290,947	290,947	29,908	320,855
Other comprehensive income/(loss)													
Foreign exchange differences on translation of foreign operations	-	-	-	(14,278)	(8,230)	-	-	-	-	(22,508)	(22,508)	(5,424)	(27,932)
Changes in cash flow hedges	-	-	-	-	-	(8,844)	-	-	-	(8,844)	(8,844)	-	(8,844)
Effects of application of IAS 29 (refer note 34)	-	-	-	-	12,276	-	-	-	-	12,276	12,276	-	12,276
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**(14,278)**	**4,046**	**(8,844)**	**-**	**-**	**290,947**	**271,871**	**271,871**	**24,484**	**296,355**
Other equity movements													
Transfer to legal reserve	-	-	509	-	-	-	-	-	(509)	-	-	-	-
Directors' remuneration (refer note 24 (x))	-	-	-	-	-	-	-	-	(3,444)	(3,444)	(3,444)	-	(3,444)
Transaction with owners													
Dividend paid (refer Note 24 (ix))	-	-	-	-	-	-	-	-	(198,741)	(198,741)	(198,741)	-	(198,741)
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	-	(23,429)	(23,429)
Balance at 31 December 2023	**993,703**	**221,667**	**579,112**	**(196,569)**	**(162,835)**	**11,738**	**82,805**	**75,040**	**629,594**	**1,240,552**	**2,234,255**	**134,495**	**2,368,750**

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 these consolidated financial statements.

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

Consolidated statement of changes in equity (contd.)

for the year ended 31 December 2023

	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 2021	**993,703**	**221,667**	**568,020**	**(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 year													
Profit for the year	-	-	-	-	-	-	-	-	302,816	302,816	302,816	37,291	340,107
Other comprehensive income/(loss)													
Foreign exchange differences on translation of foreign operations	-	-	-	(51,722)	(12,285)	-	-	-	-	(64,007)	(64,007)	(18,726)	(82,733)
Changes in cash flow hedges	-	-	-	-	-	29,592	-	-	-	29,592	29,592	-	29,592
Effects of application of IAS 29 (refer note 34)	-	-	-	-	13,725	-	-	-	-	13,725	13,725	-	13,725
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**(51,722)**	**1,440**	**29,592**	**-**	**-**	**302,816**	**282,126**	**282,126**	**18,565**	**300,691**
Other equity movements													
Transfer to legal reserve	-	-	9,800	-	-	-	-	-	(9,800)	-	-	-	-
Directors' remuneration (refer note 24 (x))	-	-	-	-	-	-	-		(3,574)	(3,574)	(3,574)	-	(3,574)
Transaction with owners													
Dividend paid (refer Note 24 (ix))	-	-	-	-	-	-	-	-	(198,741)	(198,741)	(198,741)	-	(198,741)
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	-	(24,054)	(24,054)
Funds invested by NCI	-	-	-	-	-	-	-	-				55	55
Acquisition of NCI	-	-	-	-	-	-	-	-	(146,801)	(146,801)	(146,801)	(87,661)	(234,462)
Balance at 31 December 2022	**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**

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 these consolidated financial statements.

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

Notes to the consolidated financial statements

for the year ended 31 December 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 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 undertakes business and operations under the Industrial License number 20 issued by the Ras Al Khaimah Economic Zone (RAKEZ) under the Government of Ras Al Khaimah, UAE. The Company is listed on Abu Dhabi Securities Exchange, UAE.

These consolidated financial statements as at and for the year ended 31 December 2023 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, table wares and faucets. 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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS ACCOUNTING STANDARDS")

2.1 New and revised IFRS Accounting Standards applied by the Group

In the current period, the Group has applied the following amendments to IFRS Accounting Standards 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 IFRS Accounting Standards 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.
- Amendments to IAS 12 Income Taxes— International Tax Reform — Pillar Two Model Rules: The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

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

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS ACCOUNTING STANDARDS”) (CONTINUED)

2.2 New and revised IFRS and interpretations but not yet effective

The Group has not early adopted the following new and revised IFRS Accounting Standards 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).
- Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7) related disclosure requirements to provide qualitative and quantitative information about supplier finance arrangements. (effective from 1 January 2024).
- Amendments to IAS 21: (Lack of Exchangeability) The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.
- IFRS S1, ‘General requirements for disclosure of sustainability-related financial information and IFRS S2, ‘Climate-related disclosures’ (effective 1 January 2024.
  IFRS S1 includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain. IFRS S2 sets out requirements for entities to disclose information about climate-related risks and opportunities.

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 will have no material impact on the condensed consolidated interim financial information of the Group in the period of initial application.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

3. BASIS OF PREPARATION

(a) Statment of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”) and comply with the Articles of Association of the Company as well as the UAE Federal Law No. (32) of 2021 (as amended) and Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (“UAE CT Law”). Details of the Group’s accounting policies are included in Note 4.

(b) Basis of measurement

These consolidated financial statements have been prepared using the 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.

(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).

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

3. BASIS OF PREPARATION (CONTD.)

(e) Measurement of fair values (Continued)

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.

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

3. BASIS OF PREPARATION

(f) Basis of consolidation (Continued)

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

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.

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 Accounting Standards.

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. A deferred tax liability is recognized where applicable on the carrying value of goodwill recognized in a period prior to the inception of a tax regime.

(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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(c) Interests in equity accounted investees (continued)

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.

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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.

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial instruments (continued)

Amortized cost and effective interest method (continued)

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).

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial instruments (continued)

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.

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial instruments (continued)

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.

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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 transactionrelated, 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.

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial instruments (continued)

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.

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial instruments (continued)

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.

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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.

(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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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.

(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 straightline 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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) Leases (continued)

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.

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 nonlease components as a single arrangement. The Group has not used this practical expedient.

The Group 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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) Leases (continued)

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.

(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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(m) Impairment of non-financial assets (continued)

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.

(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 in the UAE 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. Employees may apply for leaves in advance. The amount payable to employees at the commencement of their approved leaves is recognized as a current liability.

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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.

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(r) Revenue (Continued)

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.

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(t) Tax (Continued)

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.

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

5. REVENUE

	2023 AED'000	2022 AED'000
Sale of goods	**3,442,507**	3,502,326
Others	**15,251**	14,888
	3,457,758	3,517,214

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 2023	Ceramic Products AED'000	Faucets AED'000	Other Industrial AED'000	Others AED'000	Total AED'000
Middle East (ME)	**1,493,771**	**116,541**	**20,455**	**13,536**	**1,644,303**
Europe	**508,589**	**294,671**	**-**	**-**	**803,260**
Asian countries	**675,820**	**13,657**	**68,019**	**1,715**	**759,211**
Other regions	**238,749**	**6,250**	**5,985**	**-**	**250,984**
	2,916,929	**431,119**	**94,459**	**15,251**	**3,457,758**

31 December 2022	Ceramic Products AED'000	Faucets AED'000	Other Industrial AED'000	Others AED'000	Total AED'000
Middle East (ME)	1,576,319	86,677	23,476	13,252	1,699,724
Europe	517,785	160,081	19,691	-	697,557
Asian countries	817,325	13,192	75,733	1,636	907,886
Other regions	190,055	16,562	5,430	-	212,047
	3,101,484	276,512	124,330	14,888	3,517,214

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

6. COST OF SALES

	2023 AED'000	2022 AED'000
Raw materials consumed	**1,154,397**	1,163,645
Direct labor	**289,132**	269,283
LPG and natural gas	**215,670**	257,501
Power and fuel	**148,871**	120,456
Repairs and maintenance	**116,203**	115,464
Depreciation on property, plant and equipment (refer Note 14)	**114,660**	106,826
Packing material	**105,712**	124,585
Allowance for slow moving inventories – net (refer Note 20)	**46,432**	19,194
Insurance	**7,198**	7,272
Clearing charges on trading goods	**3,688**	4,189
Depreciation of right-of-use assets (refer Note 16)	**2,796**	1,825
Hire charges on machinery & equipment	**1,944**	3,823
Amortization of intangible assets (refer Note 17)	**1,163**	135
Increase in inventory of finished goods	**(104,110)**	(39,338)
Other Costs	**45,106**	41,284
	2,148,862	2,196,144

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

7. ADMINISTRATIVE AND GENERAL EXPENSES	2023 AED'000	2022 AED'000
Staff salaries and other associated costs	108,397	108,745
Legal and professional fees	18,611	16,118
Information technology licenses and consultancy expenses	16,320	12,238
Depreciation on property, plant and equipment (refer Note 14)	12,434	13,361
Depreciation on investment properties (refer Note 18)	10,789	10,893
Expenses on investment properties (refer Note 18(iii))	10,232	8,873
Telephone, postal and office supplies	10,460	7,237
Repairs and maintenance	8,605	7,876
Utility expenses	5,816	4,889
Amortization of intangible assets (refer Note 17)	4,670	6,043
Directors' remuneration*	3,700	-
Vehicles and equipment hire charges	3,697	2,373
Travelling	3,069	948
Insurance	2,672	2,864
Rental charges	2,112	231
Rates and taxes	2,058	1,400
Social contribution expenses	2,045	528
Managerial remuneration and workers' participation fund	1,498	2,894
Security charges	1,391	1,851
Depreciation of right-of-use assets (refer Note 16)	688	728
Net loss on disposal of property, plant and equipment	62	-
Impairment of property plant and equipment	-	2,906
Write off straight-line lease rent	-	1,139
Other Administrative expenses	15,234	15,364
	244,560	229,499

* 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 that year would have been lower by AED 3.7 million, with an immaterial impact on the basic and diluted earnings per share for that period.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

7(i). IMPAIRMENT LOSS/(REVERSAL)

	2023 AED'000	2022 AED'000
Impairment loss on trade receivables (refer Note 19)	36,728	25,516
Impairment loss on other receivables (refer Note 19)	-	27,551
Impairment loss on bank balances (refer Note 23)	-	250
	36,728	53,317

7(ii). Gain on acquisition of subsidiaries

	2023 AED'000	2022 AED'000
Gain on fair valuation of pre-existing share in equity accounted Investee (refer Note 11)	-	9,114
Gain on bargain purchase (refer Note 32)	-	23,260
	-	32,374

8. SELLING AND DISTRIBUTION EXPENSES	2023 AED'000	2022 AED'000
Freight, duty and transportation	260,207	387,809
Staff salaries and other associated costs	222,697	189,587
Advertisement and promotion	77,203	74,055
Depreciation of right-of-use assets (refer Note 16)	31,833	26,522
Agents' commission	24,380	31,502
Depreciation on property, plant and equipment (refer Note 14)	15,980	12,201
Travel and entertainment	11,757	6,697
Consultancy & outsourcing Charges	4,880	1,524
Repairs, maintenance & consumables	3,612	3,585
Rental expenses	3,588	3,408
Postal, courier charge & stationary	3,120	2,610
Product Development & Innovation	2,094	666
Royalty	735	735
Testing and certification charges	645	580
Other selling expenses	22,787	21,809
	685,518	763,290

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

9. OTHER OPERATING INCOME

	2023 AED'000	2022 AED'000
Rental income from investment properties (refer Note 18(iii))	**42,058**	39,149
Provisions write back	**17,985**	7,711
Customer credit balances /supplier old balance write-off	**15,760**	14,805
Discounts earned on purchases and freight	**12,293**	15,359
Sale of scrap and miscellaneous items	**7,455**	5,831
Insurance claims	**3,232**	3,598
Lease rental for property plant & equipment	**1,241**	2,150
Duty draw backs and subsidy received	**1,950**	1,636
Net gain on disposal of property, plant and equipment	**-**	43,474
Other miscellaneous income	**16,830**	15,296
	118,804	149,009

10. FINANCE COSTS AND INCOME

	2023 AED'000	2022 AED'000
Finance costs		
Interest on bank financing	**66,786**	51,631
Profit expense on Islamic financing	**38,671**	19,724
Interest expense on lease liabilities	**7,488**	6,376
Bank charges	**4,278**	4,678
Net foreign exchange loss	**1,640**	598
Interest on amount due to related parties (refer Note 21 (A & B))	**306**	346
Net change in the fair value of derivatives	**-**	9,225
Total (A)	**119,169**	92,578
Finance Income		
Interest on bank deposits	**5,535**	6,270
Profit on wakala deposits	**897**	814
Net change in the fair value of derivatives	**253**	-
Total (B)	**6,685**	7,084
Net finance costs (A-B)	**112,484**	85,494

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

11. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

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

	2023 AED'000	2022 AED'000
Balance at 1 January	**10,587**	55,006
Share of profit	**1,266**	6,286
Gain on disposal of equity accounted investee	**-**	9,114
Disposal	**-**	(2,112)
Conversion to wholly owned subsidiary	**-**	(56,389)
Dividend income during the year	**(533)**	(575)
Effect of movement in exchange rates	**12**	(743)
Balance at 31 December	**11,332**	10,587

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

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 has fair valued its pre-existing 51% equity interest on acquisition at AED 56.39 million and recognized a fair value gain of AED 9.11 million at the date of acquisition. (Refer note 7ii)

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

11. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTD.)

	Kludi RAK LLC (51%)		Others		Total	
December	2023	2022	2023	2022	2023	2022
	AED'000					
Non-current assets	-	-	**11,727**	11,893	**11,727**	11,893
Current assets			**33,229**	24,953	**33,229**	24,953
Non-current liabilities *(*comprises provision for employees' end of service benefits)*	-	-	**(9,491)**	(5,984)	**(9,491)**	(5,984)
Current liabilities *(*comprises trade payables and provisions)*	-	-	**(10,478)**	(7,785)	**(10,478)**	(7,785)
Net assets	-	-	**24,987**	23,077	**24,987**	23,077
Group's share of net assets	-	-	**11,332**	10,587	**11,332**	10,587
Revenue	-	64,900	**43,587**	35,154	**43,587**	100,054
Depreciation and amortization	-	712	-	-	-	712
Interest expense	-	128	-	-	-	128
Interest income	-	12	-	-	-	12
Profit	-	10,478	**3,582**	3,120	**3,582**	13,598
Group's share of profit	-	4,991	**1,266**	1,295	**1,266**	6,286
Profit on the acquisition	-	9,114	-	-	-	9,114
Dividend received by the Group	-	-	**533**	575	**533**	575

(i) Others includes Massa Imports, Australia (%50) and Naranjeee Hirjee Hotel Supplies, Oman (%25)

(ii) The remaining %49 stake in Kludi RAK LLC was acquired in 2022 (refer Note 32) and the stake in RAK Watertech LLC was disposed of during 2023 without any financial statement impact, both of these entities were accounted for as Joint Ventures of the Group in the year 2022.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

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.

	2023 AED'000	2022 AED'000
Current tax		
In respect of current year	**20,668**	32,120
Deferred tax		
Origination and reversal of temporary tax differences during the year	**3,943**	61
Tax expense for the year	**24,611**	32,181
Provision for tax	**171,327**	174,373
Deferred tax liabilities	**29,973**	25,397
Deferred tax assets	**6,041**	6,398

The Group's consolidated effective tax rate is 5.98% in 2023 (2022: 8.62%) which is due to the mix effect of tax rates in foreign jurisdictions in which the Group's operations are taxed.

* On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance issued Federal Decree-Law No. 47 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 has assessed the impact of the new CT Law on the UAE businesses and has recorded a deferred tax expense of AED 4.53 million during the year being the initial recognition of a deferred tax liability on the purchase price allocation adjustments on a corporate transaction completed in a prior accounting period as required by IFRS Accounting Standards.

The International Tax Reforms under Pillar Two Model Rules are not yet effective in the UAE. The Group will adopt these once effective. This will have an impact on the Group by way of the implementation of the global minimum tax. Currently, such impact cannot be measured reliably. These rules are already effective in certain jurisdictions where the Group operates. The Group will assess the impact in due course.

13. EARNING PER SHARE

	2023	2022
Profit attributable to the owners of the Company (AED'000)	**290,947**	302,816
Weighted average number of ordinary shares ('000s)	**993,703**	993,703
Basic and diluted earnings per share (AED)	**0.29**	0.30

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

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

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 2022	636,623	2,684,422	47,952	57,531	57,234	25,090	49,744	3,558,596
Hyperinflation impact (refer Note 34)	-	76,779	1,379	315	283	769	10	79,535
Additions during the year	36,626	9,819	2,312	1,506	3,521	3,260	148,731	205,775
Additions due to Acquisitions	169,360	122,648	4,829	98,712	22,012	-	3,998	421,559
Transfer from capital work in progress	31,959	70,149	283	4,189	432	-	(107,012)	-
Transfer to intangible/investment properties	-	-	-	-	-	-	(1,590)	(1,590)
Disposals/write offs	(33,191)	(40,624)	(1,473)	(4,163)	(3,193)	-	(68)	(82,712)
Effect of movements in exchange rates	(27,704)	(146,348)	(2,724)	(2,345)	(1,964)	(1,084)	(1,009)	(183,178)
Balance at 31 December 2022	**813,673**	**2,776,845**	**52,558**	**155,745**	**78,325**	**28,035**	**92,804**	**3,997,985**
Balance at 1 January 2023	**813,673**	**2,776,845**	**52,558**	**155,745**	**78,325**	**28,035**	**92,804**	**3,997,985**
Hyperinflation impact (refer Note 34)	**-**	**73,826**	**1,332**	**304**	**273**	**742**	**(17)**	**76,460**
Additions during the year	**11,969**	**15,704**	**5,014**	**7,324**	**5,237**	**1,965**	**226,193**	**273,406**
Transfer from capital work in progress	**17,838**	**124,962**	**(283)**	**2,297**	**315**	**1,541**	**(146,670)**	**-**
Transfer to investment properties	**(11,787)**	**-**	**–**	**-**	**-**	**-**	**-**	**(11,787)**
Disposals/write offs	**(3,108)**	**(195,454)**	**(2,833)**	**(3,311)**	**(1,335)**	**-**	**(1)**	**(206,042)**
Effect of movements in exchange rates	**1,365**	**(66,580)**	**(913)**	**3,100**	**437**	**(554)**	**(1,130)**	**(64,275)**
Balance at 31 December 2023	**829,950**	**2,729,303**	**54,875**	**165,459**	**83,252**	**31,729**	**171,179**	**4,065,747**
Accumulated depreciation and impairment								
Balance at 1 January 2022	310,987	2,001,698	40,928	45,968	51,393	19,386	-	2,470,360
Hyperinflation impact (refer Note 34)	-	72,922	1,374	259	206	704	-	75,465
Charge for the year	23,610	95,243	2,163	6,789	3,632	951	-	132,388
Additions due to acquisitions	53,150	99,732	3,036	86,493	20,019	-	-	262,430
Disposals/write offs	(4,767)	(38,759)	(1,368)	(3,220)	(3,169)	-	-	(51,283)
Impairment loss	-	2,906	-	-	-	-	-	2,906
Effect of movements in exchange rates	(8,729)	(122,958)	(2,304)	(1,398)	(1,490)	(802)	-	(137,681)
Balance at 31 December 2022	**374,251**	**2,110,784**	**43,829**	**134,891**	**70,591**	**20,239**	**-**	**2,754,585**
Balance at 1 January 2023	**374,251**	**2,110,784**	**43,829**	**134,891**	**70,591**	**20,239**	**-**	**2,754,585**
Hyperinflation impact (refer Note 34)	**-**	**70,730**	**1,329**	**259**	**215**	**688**	**-**	**73,221**
Charge for the year	**26,141**	**100,678**	**2,699**	**7,619**	**4,904**	**1,033**	**-**	**143,074**
Transfer to investment properties	**(9,026)**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,026)**
Disposals/write offs	**(5,741)**	**(181,806)**	**(3,170)**	**(2,568)**	**(1,214)**	**-**	**-**	**(194,499)**
Effect of movements in exchange rates	**(1,009)**	**(57,012)**	**(970)**	**2,700**	**422**	**(483)**	**-**	**(56,352)**
Balance at 31 December 2023	**384,616**	**2,043,374**	**43,717**	**142,901**	**74,918**	**21,477**	**-**	**2,711,003**
Carrying amount								
31 December 2023	**445,334**	**685,929**	**11,158**	**22,558**	**8,334**	**10,252**	**171,179**	**1,354,744**
31 December 2022	439,422	666,061	8,729	20,854	7,734	**7,796**	92,804	1,243,400

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

14. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

The depreciation charge has been allocated as follows:

	2023 AED'000	2022 AED'000
Cost of sales (refer Note 6)	**114,660**	106,826
Administrative and general expenses (refer Note 7)	**12,434**	13,361
Selling and distribution expenses (refer Note 8)	**15,980**	12,201
	143,074	132,388

(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.

(ii) Transfer from/(to) investment properties

During the year, a building and 3 town houses having net book value AED 2.76 million have been reclassified from self-occupied property to investment property as these properties have been let out to third party tenants.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

15. GOODWILL

	2023 AED'000	2022 AED'000
Balance as at 1 January	**119,855**	120,500
Add: effect of movements in exchange rate	**280**	(645)
Balance as at 31 December	**120,135**	119,855

As at 31 December 2023, Goodwill comprises AED 50.4 million, AED 5.6 million, AED 5.6 million, AED 58.5 million recognized on acquisition of Ceramin FZ LLC, UAE and distribution entities in UK, Italy and Saudi Arabia 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:

	2023	2022
Discount rate	**13%-15.5%**	14%-15%
Average annual growth rate	**3%**	3%
Terminal value growth rate	**1%**	1%
Years of forecast	**5 years**	5 years

The discount rate is a weighted average cost of capital that includes pre-tax equity rates measured 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 and post tax rate to debt.

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

16. RIGHTS-OF-USE-ASSETS

	Properties AED'000	Vehicles AED'000	Total AED'000
Cost			
Balance at 1 January 2022	140,616	8,588	149,204
Additions during the year	45,048	19,192	64,240
Deletions	(10,212)	-	(10,212)
Effects of movements in exchange rate	(3,309)	(1,410)	(4,719)
Balance at 31 December 2022	172,143	26,370	198,513
Balance at 1 January 2023	**172,143**	**26,370**	**198,513**
Additions during the year	**30,862**	**1,486**	**32,348**
Deletions	**(10,752)**	**-**	**(10,752)**
Effects of movements in exchange rate	**(4,524)**	**(656)**	**(5,180)**
Balance at 31 December 2023	**187,729**	**27,200**	**214,929**
Accumulated depreciation and impairment			
Balance at 1 January 2022	72,118	7,205	79,323
Charge for the year	15,788	13,287	29,075
Deletions	(3,489)	-	(3,489)
Effects of movements in exchange rate	(1,099)	(994)	(2,093)
Balance at 31 December 2022	83,318	19,498	102,816
Balance at 1 January 2023	**83,318**	**19,498**	**102,816**
Charge for the year	**34,136**	**1,181**	**35,317**
Deletions	**(7,518)**	**-**	**(7,518)**
Effects of movements in exchange rate	**(2,794)**	**(524)**	**(3,318)**
Balance at 31 December 2023	**107,142**	**20,155**	**127,297**
Carrying amount			
31 December 2023	**80,587**	**7,045**	**87,632**
31 December 2022	88,825	6,872	95,697

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

16. RIGHTS-OF-USE-ASSETS (CONTD.)

The depreciation charge has been allocated as follows:

	2023 AED'000	2022 AED'000
Cost of sales (refer Note 6)	**2,796**	1,825
Administrative and general expenses (refer Note 7)	**688**	728
Selling and distribution expenses (refer Note 8)	**31,833**	26,522
	35,317	29,075

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 consolidated statement of profit or loss

	2023 AED'000	2022 AED'000
Depreciation of right-of-use assets	**35,317**	29,075
Expenses relating to short-term leases / low value assets (Refer Note 7 & 8)	**5,700**	3,639
Interest expense on lease liabilities	**7,488**	6,376

17. INTANGIBLE ASSETS

	2023 AED'000	2022 AED'000
Balance at 1 January	**18,545**	20,531
Additions during the year	**2,078**	493
Additions due to acquisitions	**-**	1,634
Transfers	**-**	1,590
Amortization for the year (refer Note 6 & 7)	**(5,833)**	(6,178)
Effect of movement in exchange rates	**142**	475
Balance at 31 December	**14,932**	18,545

Intangible assets mainly comprise ERP software and trademarks.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

18. INVESTMENT PROPERTIES

	2023 AED'000	2022 AED'000
Cost		
Balance at 1 January	**1,270,157**	1,273,068
Hyperinflation impact (refer Note 34)	**16,372**	16,957
Additions during the year	**2,133**	166
Initial recognition of a property (non-cash)	**2,500**	-
Transfer from property plant & equipment	**11,787**	-
Effect of movement in exchange rates	**(12,464)**	(20,034)
Balance at 31 December	**1,290,485**	1,270,157
Accumulated depreciation		
Balance at 1 January	**365,966**	354,242
Hyperinflation impact (refer Note 34)	**12,226**	12,120
Charge for the year (refer Note 7)	**10,789**	10,893
Transfer from property plant & equipment	**9,026**	-
Impairment charge/(reversal)	**-**	928
Effect of movement in exchange rates	**(8,264)**	(12,217)
Balance at 31 December	**389,743**	365,966
Carrying amount – at 31 December	**900,742**	904,191
Fair value – at 31 December	**1,073,390**	1,032,312

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

(ii) The investment properties are geographically located as below:

	Inside UAE			Outside UAE		Total
December	2023	2022	2023	2022	2023	2022
			AED'000			
Net book value	**874,982**	877,181	25,760	27,010	900,742	904,191
Fair value	**1,025,590**	984,505	**47,800**	47,807	**1,073,390**	1,032,312

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

18. INVESTMENT PROPERTIES (CONTD.)

(iii) During the year ended 31 December 2023, the Group earned rental income amounting to AED 42.06 million (2022: AED 39.15 million) from its investment properties (refer Note 9) and direct operating expenses incurred on these investment properties amounted to AED 10.23 million (2022: AED 8.87 million) (refer Note 7).

(iv) During the year ended 31 December 2022, 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 IFRS16, a loss of AED 1.14 million, being the excess of cumulative lease rent recognized as compared to the lease rent due as per the lease agreement, was recognized in the consolidated statement of profit or loss (refer Note 31).

An independent valuation of the fair value of the Group's all properties is undertaken annually. The fair value of the Group's investment properties at 31 December 2023 has been arrived at on the basis of an independent property valuation as of that date. The valuer has appropriate qualifications and recent experience in the valuation of properties in the location and category of the property being valued. The fair value as at 31 December 2023 was AED 1,073.39 million (2022: AED 1,032.31 million).

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 of the properties, the Group has not recorded any impairment loss in the year 2023 (2022: impairment reversal (gain) AED 0.93 million recorded). In the case of investment properties impaired in the past, a change of +/- 5% to 10% in values of key assumptions, would result in a further change in the fair values in the range of -7.5% and +7.5%.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

19. TRADE AND OTHER RECEIVABLES

	2023 AED'000	2022 AED'000
Trade receivables	**1,020,964**	1,075,283
Less: Allowance for expected credit loss	**(170,587)**	(211,859)
Subtotal (A)	**850,377**	863,424
Other receivables	**189,747**	201,528
Less: Allowance for expected credit loss	**(105,588)**	(105,588)
Subtotal (B)	**84,159**	95,940
Advances and prepayments (C)	**231,988**	214,495
Deposits (D)	**23,451**	29,949
Total (A+B+C+D)	**1,189,975**	1,203,808

Trade receivables amounting to AED 161.96 million (2022: AED 169.94 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.

Other receivables include receivables due from a Sudanese Group of AED 27.84 million (gross AED 89.27 million) (2022: AED 53.80 million; gross AED 115.20 million). These receivables are partially secured by post-dated cheques.

Considering the uncertain political situation in Sudan, resulting in consequential delays in recovery, the Group's management made a provision of AED 27.6 million during the year 2022 against the carrying value of these receivables. 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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

19. TRADE AND OTHER RECEIVABLES (CONTD.)

(i) Long-term receivables

	2023 AED'000	2022 AED'000
Trade receivables	**35,971**	4,570
Less: Allowance for expected credit loss	**(4,718)**	(272)
	31,253	4,298
Less : current portion included in trade receivables	**(14,874)**	(738)
Long-term trade receivables (A)	**16,379**	3,560
Other receivables	**5,177**	-
Long-term other receivables (B)	**5,177**	-
Long-term receivables (A+B)	**21,556**	3,560

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

19. TRADE AND OTHER RECEIVABLES (CONTD.)

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 2023.

	Weighted average loss rate %	Gross carrying amount AED'000	Loss allowance AED'000	Credit impaired
Current (not past due)	1.66%	519,060	(8,596)	No
1 – 90 days past due	2.40%	194,421	(4,657)	No
91 – 180 days past due	11.22%	59,492	(6,675)	No
181 – 360 days past due	31.56%	79,592	(25,120)	No
More than 360 days past due	66.91%	194,673	(130,257)	Yes
		1,047,238	(175,305)	

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 2022.

	Weighted average loss rate %	Gross carrying amount AED'000	Loss allowance AED'000	Credit im-paired
Current (not past due)	1.89%	535,718	(10,115)	No
1 – 90 days past due	3.59%	234,358	(8,417)	No
91 – 180 days past due	13.51%	55,070	(7,442)	No
181 – 360 days past due	38.35%	40,583	(15,563)	No
More than 360 days past due	79.95%	213,386	(170,594)	Yes
		1,079,115	(212,131)	

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

19. TRADE AND OTHER RECEIVABLES (CONTD.)

Impairment losses

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

	2023 AED'000	2022 AED'000
At 1 January	**212,131**	229,885
Charge during the year (refer Note 7(i))	**36,728**	25,516
Transfer due to acquisition	**-**	9,994
Written off during the year	**(66,756)**	(50,405)
Reversal during the year	**(6,903)**	-
Effect of movements in exchange rate	**105**	(2,859)
At 31 December	**175,305**	212,131

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

	2023 AED'000	2022 AED'000
At 1 January	**105,588**	81,731
Charge during the year (refer Note 7(i))	**-**	27,551
Written off during the year	**-**	(3,694)
At 31 December	**105,588**	105,588

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

20. INVENTORIES

	2023 AED'000	2022 AED'000
Finished goods (net of net realizable value adjustments)	**970,675**	907,383
Less : Allowance for slow-moving inventories	**(161,594)**	(152,962)
Subtotal (A)	**809,081**	754,421
Raw materials	**236,153**	301,923
Stores and spares*	**273,665**	254,125
	509,818	556,048
Less : Allowance for slow-moving inventories	**(89,668)**	(80,170)
Subtotal (B)	**420,150**	475,878
Goods-in-transit (C)	**18,627**	23,255
Work-in-progress (D)	**54,045**	55,738
Total (A+B+C+D)	**1,301,903**	1,309,292

* 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 2023, the Group has recognized a cumulative loss due to write-down of finished goods inventories of AED 153.01 million against cost of AED 418.62 million (2022: AED 165.96 million against cost of AED 425.99 million) to bring finished goods to net realizable value which was lower than the cost. The difference in write down of AED 12.95 million (2022: AED 7.12 million) is included in cost of sales in the consolidated statement of profit or loss with a currency loss of AED 0.14 million for the year (2022: AED 1.63 million).

Inventories amounting to AED 214.21 million (2022: AED 230.61 million) have been pledged as security in favor 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:

	2023 AED'000	2022 AED'000
As at 1 January	**233,132**	209,153
Add: charge for the year (refer Note 6)	**46,432**	19,194
Addition due to acquisition	**-**	13,222
Less: written off	**(28,506)**	(5072)
Effect of movements in exchange rates	**204**	(3,365)
As at 31 December	**251,262**	233,132

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

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

	2023 AED'000	2022 AED'000
A) Equity accounted investees		
Sale of goods and services and construction contracts	**9,708**	2,665
Purchase of goods and rendering of services	**-**	11,183
Rental income	**-**	125
Interest expenses (refer Note 10)	**-**	26
Royalty	**419**	290
B) Other related parties		
Sale of goods and services and construction contracts	**110,462**	120,508
Purchase of goods and rendering of services	**245,756**	276,167
Interest expenses (refer Note 10)	**306**	320
Rental income	**3,568**	3,304

Key management personnel compensation

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

	2023 AED'000	2022 AED'000
Short-term benefits	**12,903**	11,709
Staff terminal benefits	**234**	245
Board of Directors' remuneration	**3,700**	3,574

Due from related parties

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

	2023 AED'000	2022 AED'000
Equity accounted investees	**3,640**	817
Other related parties	**53,731**	43,446
	57,371	44,263
Less : Allowance for expected credit loss	**(1,637)**	(1,226)
	55,734	43,037

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

21. RELATED PARTIES (CONTD.)

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

	2023 AED'000	2022 AED'000
At 1 January	**1,226**	1,292
Reversed during the year (refer Note 7(i))	**-**	-
Effect of movements in exchange rate	**411**	(66)
At 31 December	**1,637**	1,226

Due to related parties **Long-term loan**	2023 AED'000	2022 AED'000
Other related parties	**2,163**	3,264
	2,163	3,264

The above loan carry interest rate in the range of 9.20% - 9.40% per annum and is repayable by 2026.

Current Liabilities	2023 AED'000	2022 AED'000
Other related parties	**43,857**	39,493
Current portion of long-term loan	**1,082**	-
	44,939	39,493

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

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.

	2023 AED'000	2022 AED'000
Non-current		
Derivative financial assets		
Interest rate swaps used for hedging	**4,277**	9,658
	4,277	9,658

	2023 AED'000	2022 AED'000
current		
Derivative financial assets		
Interest rate swaps used for hedging	**7,462**	10,924
	7,462	10,924

	2023 AED'000	2022 AED'000
current		
Derivative financial liabilities		
Forward exchange contracts	**3,669**	570
Other currency and interest rate swaps	**627**	3,978
	4,296	4,548

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

23. BANK BALANCES AND CASH

	2023 AED'000	2022 AED'000
Cash in hand	**2,742**	2,024
Cash at bank		
- in bank deposits with maturity less than three months	**5,787**	76,545
- in Wakala deposits with maturity less than three months	**-**	25,000
- in current accounts	**207,028**	194,301
- in margin deposits	**14,870**	1,536
- in call accounts	**9,251**	22,318
Cash and cash equivalents (excluding allowance for expected credit loss)	**239,678**	321,724
Less : Allowance for expected credit loss (refer Note7 (i))	**(433)**	(433)
Cash and cash equivalents (A)	**239,245**	321,291
Bank deposits with an original maturity of more than three months (B)	**41,381**	117,321
Bank balances and cash (A+B)	**280,626**	438,612

Cash in hand and cash at bank includes AED 0.96 million (2022: AED 0.50 million) and AED 107.49 million (2022: AED 123.15 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 5.64 million (2022: AED 3.6 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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

24. CAPITAL AND RESERVES

(i) Share capital

	2023 AED'000	2022 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

	2023 AED'000	2022 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 the provisions of UAE Federal Law No. (32) of 2021, 10% of the net profit for the year of the listed entity in the UAE and 5% of the net profit for the year of limited liability entities in the UAE 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 legal 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 2023 and 2022 the balance on the translation reserve was negative, reflecting the fact that cumulative losses in the account exceeded cumulative gains.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

24. CAPITAL AND RESERVES (CONTD.)

(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 2021	**(168,321)**
For the year 2022	
Foreign currency translation differences	(12,285)
Hyperinflation effect (refer Note 34) – gain	13,725
As at 31 December 2022	**(166,881)**
For the year 2023	
Foreign currency translation differences	(8,230)
Hyperinflation effect (refer Note 34) – gain	12,276
As at 31 December 2023	**(162,835)**

(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 2023 the cumulative gains on the hedging reserve exceeded cumulative losses. At 31 December 2022 the cumulative losses on the hedging reserve exceeded cumulative gains.

(vii) General reserve

General reserve of AED 82.8 million (2022: AED 82.8 million) is distributable subject to the approval of shareholders.

(viii) Capital reserve

Capital reserve of AED 75.04 million (2022: AED 75.04 million) represents the Group's share of retained earnings capitalized by various subsidiaries by way of dividend from time to time. The capital reserve is non-distributable.

(ix) Dividend

At the Annual General Meeting (AGM) held on 10 March 2023, the shareholders approved a cash dividend of 10 fils per share amounting to AED 99,370.50 thousand apart from the interim cash dividend of 10 fils per share amounting to AED 99,370.50 thousand for the year 2022; An interim dividend of 10 fils per share amounting to AED 99,370.50 thousand for the first half of year 2023 has also been paid during the current period (During the year 2022: paid final cash dividend of 10 fils per share amounting to AED 99,370.50 thousand for the year 2021 and interim cash dividend of 10 fils per share amounting to AED 99,370.50 thousand). The Board of Directors recommend a final dividend distribution of 10 fils per share (AED 99,370.50) thousand) for the second half of the year 2023, which will be submitted for the approval of shareholders at the Annual General Meeting on 26 March 2024, along with the approval of the interim dividend of 10 fils per share (AED 99,370.50 thousand) for the first half of the year 2023 which was paid in August 2023.

(x) 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).

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

25. NON-CONTROLLING INTERESTS

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

	RAK Ceramics (Bangladesh) PLC		Rak Porcelain LLC,UAE		Others (India & UAE)		Total	
	AED'000				AED'000			
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Non-current assets	**152,246**	141,267	**156,963**	98,978	**72,309**	74,682		
Current assets	**386,825**	380,081	**309,124**	270,506	**80,958**	75,867		
Non-current liabilities	**(15,379)**	(4,345)	**(21,913)**	(18,770)	**(44,351)**	(31,968)		
Current liabilities	**(268,193)**	(250,758)	**(119,361)**	(89,950)	**(79,549)**	(69,078)		
Net assets	**255,499**	266,245	**324,813**	260,764	**29,367**	49,503		
NCI Percentage	**31.87%**	31.87%	**8%**	8%	**-**	-		
Net assets attributable to NCI	**81,808**	85,312	**40,472**	38,813	**12,215**	9,315	**134,495**	133,440
Revenue	**266,144**	293,559	**389,686**	355,313	**126,998**	151,024		
Profit/(loss)	**21,048**	25,603	**82,115**	70,318	**10,919**	3,231		
Other comprehensive income/(loss)	**(16,465)**	(50,244)	**485**	(340)	**(139)**	(2,662)		
Total comprehensive income/(loss)	**4,583**	(24,641)	**82,600**	69,978	**10,780**	569		
Profit/(loss) allocated to NCI	**6,707**	8,159	**20,170**	27,725	**3,031**	1,407	**29,908**	37,291
Other comprehensive income/(loss) allocated to NCI	**(5,324)**	(15,986)	**39**	(358)	**(139)**	(2,382)	**(5,424)**	(18,726)
Dividend distributed to NCI	**4,889**	7,314	**18,540**	16,740	**-**	-	**23,429**	24,054

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

26. BANK FINANCING ARRANGEMENTS

(a) Islamic bank financing

	2023 AED'000	2022 AED'000
(i) Short-term		
Mudaraba facilities (A)	**64,935**	48,379
Commodity Murabaha facilities (B)	**128,294**	127,842
Current portion of long-term financing (refer Note 26 (a)(ii))	**124,170**	108,546
	317,399	284,767
(ii) Long-term - Islamic bank financing		
Mudaraba facilities (A)	**160,833**	120,000
Commodity Murabaha facilities (B)	**124,261**	183,404
Ijarah facilities (C)	**135,750**	177,770
Less : current portion of long-term financing (refer Note 26 (a)(i))	**(124,170)**	(108,546)
	296,674	372,628
Movement:		
Balance as at 1 January	**481,174**	404,421
Availed during the year	**45,000**	193,447
Less : repaid during the year	**(105,330)**	(116,694)
Balance as at end of the year	**420,844**	481,174
Less : current portion included in short-term (refer Note 26 (a)(i))	**(124,170)**	(108,546)
	296,674	372,628

The terms and conditions of outstanding long-term Mudaraba, Commodity Murabaha and Ijarah facilities:

Currency	2023 Profit range	2022 Profit range	2023 AED'000	2022 AED'000
USD	**2.1% - 4.0%**	2.1%-4.0%	**173,757**	244,305
AED	**3.3% - 6.9%**	2.5%-2.7%	**199,411**	172,214
EURO	**2.7% - 2.8%**	2.7%-2.8%	**47,676**	64,655
			420,844	481,174

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

Currency	2023 Profit range	2022 Profit range	2023 Profit range	2022 Profit range
AED	**6.2% - 7.0%**	3.3% - 6.3%	**67,417**	174,334
EURO	**5.0% - 5.7%**	3.5% - 3.6%	**125,812**	1,887
			193,229	176,221

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

26. BANK FINANCING ARRANGEMENTS (CONTD.)

(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 2029.

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 774 million (2021: AED 513 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

	2023 AED'000	2022 AED'000
(i) Short-term		
Bank overdraft	**108,350**	78,663
Short-term bank loan	**140,865**	162,305
Current portion of long-term financing (refer Note 26 (b)(ii))	**214,550**	245,718
	463,765	486,686

	2023 AED'000	2022 AED'000
(ii) Long-term bank loans		
Balance as at 1 January	**838,104**	694,185
Availed during the year	**238,683**	412,555
Less : repaid during the year	**(241,239)**	(268,637)
Balance as at end of the year	**835,548**	838,103
Less : current portion of long-term financing (refer Note 26 (b)(i))	**(214,550)**	(245,718)
	620,998	592,385

Notes to the consolidated financial statements (contd.)

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26. BANK FINANCING ARRANGEMENTS (CONTD.)

(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	2023 Interest Range	2022 Interest Range	2023 AED'000	2022 AED'000
AED	**6.8%-7.4%**	4.8% - 6.9%	**174,829**	74,697
USD	**4.1%-7.9%**	3.2% - 7.5%	**618,795**	726,871
INR	**8.5% -10.2%**	7.1% - 9.3%	**21,735**	28,208
GBP	**-**	1.6% - 5.0%	**-**	28
BDT	**9.1% - 9.4%**	-	**12,580**	-
EURO	**3.2%-6.4%**	0.7% - 1.8%	**6,462**	5,993
HUF	**0.5% - 1.0%**	0.9% - 1.0%	**1,147**	2,306
			835,548	838,103

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

Currency	2023 Interest Range	2022 Interest Range	2023 AED'000	2022 AED'000
AED	**6.3% - 6.5%**	4.8%-7.3%	**112,512**	124,772
USD	**6.3% - 10.0%**	7.1%-8.3%	**33,484**	12,738
INR	**8.4% - 9.6%**	4.3%-9.5%	**47,247**	75,781
BDT	**9.1% - 11.5%**	-	**13,956**	-
EURO	**3.0% - 10.0%**	1.7%-7.9%	**40,802**	25,928
HUF	**0.5% - 1.0%**	0.9% - 1.0%	**1,214**	1,749
			249,215	240,968

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.

- a negative pledge over certain assets of the Group;
- pari passu rights among each other;
- a promissory note for AED 2,796 million (2022: AED 2,302 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)respectively.
- fixed deposits held under lien (refer Note 23).

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

27. LEASE LIABILITY

	2023 AED'000	2022 AED'000
Analysed as:		
Non-current	**67,804**	72,318
Current	**32,846**	27,626
Total	**100,650**	99,944

Maturity analysis

	2023 AED'000	2022 AED'000
Year 1	**36,525**	37,815
Year 2	**22,876**	22,421
Year 3	**18,155**	17,928
Year 4	**12,047**	11,631
Year 5	**9,037**	8,986
Thereafter	**17,852**	17,849
	116,492	116,630
Less: unearned future interest	**(15,842)**	(16,686)
Total	**100,650**	99,944

	2023 AED'000	2022 AED'000
Balance as at 1 January	**99,944**	73,890
Cash flows	**(36,310)**	(39,362)
Non cash changes	**37,016**	65,416
Balance as at end of the year	**100,650**	99,944

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

28. TRADE AND OTHER PAYABLES

	2023 AED'000	2022 AED'000
Trade payables	**349,321**	417,804
Accrued and other expenses	**262,583**	249,795
Advance from customers	**104,325**	106,348
Commission and rebates payable	**54,278**	73,898
Other payables	**47,197**	55,775
	817,704	903,620

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

	2023 AED'000	2022 AED'000
As at 1 January	**132,450**	82,740
Charge for the year	**26,923**	18,711
Provision due to acquisition	**-**	42,525
Payments made during the year	**(41,757)**	(11,037)
Effect of movements in exchange rate	**837**	(489)
As at 31 December	**118,453**	132,450

30. CONTINGENT LIABILITIES AND COMMITMENTS

	2023 AED'000	2022 AED'000
Contingent liabilities		
Letters of guarantee	**58,719**	65,820
Letters of credit	**39,066**	60,931
Value added tax and other tax contingencies	**61,919**	62,979
Commitments		
Capital commitments	**34,113**	83,382

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

31. 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.

Matuarity analysis

	2023 AED'000	2022 AED'000
Less than one year	**11,599**	4,208
Between two and five years	**34,003**	9,592
	45,602	13,800

During the year ended 31 December 2023, one of the investment properties has been let out for a long-term operating lease.

32. ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

(a) Acquisitions

i. 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 acquired the remaining 49% equity interest in its previously held equity accounted investee, Kludi RAK LLC, UAE, and converted it into a wholly owned subsidiary. The Group 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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

32. ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTD)

(a) Acquisitions (CONTD)

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

Assets	Kludi Europe AED'000	Kludi RAK AED'000	Total AED'000
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			
Cash and bank balance			15,337
Bank overdrafts			(44,606)
Cash acquired as part of acquisition of subsidiaries			(29,269)

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

32. ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTD)

(a) Acquisitions (CONTD)

Gain on bargain purchase represents the difference between purchase consideration and fair value of net assets acquired and is recognized in the consolidated statement of profit or loss. The fair value of the assets and liabilities have been determined by an external expert..

During the period from the date of being accounted for as subsidiaries to 31 December 2022, the units contributed aggregate revenue of AED 276.51 million and a net loss of AED 53.09 million to the Group's result.

Had this acquisition been effective 01 January 2022, it would have resulted in additional revenue of AED 198.22 million and incurrence of additional loss of AED 45.99 million.

ii. During the year 2022 the Group had acquired (a) a further 42% interest in one of its subsidiaries, RAK Porcelain LLC, UAE, for a consideration of AED 231 million, thereby increasing 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. On these two transactions, the Group recognized:

	RAK Porcelain UAE AED'000	RAK Porcelain Europe AED'000	Total AED'000
Decrease/(increase) in non-controlling interest	89,306	(1,646)	87,660
Decrease in retained earnings	141,694	5,108	146,802
Total consideration paid	231,000	3,462	234,462

(b) Disposals

During 2022, the Group shut down subsidiaries in Malaysia and Thailand. These companies had not operated in the recent years and there was no financial impact of the closure.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

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.

	Carrying value					Fair value			
31 December 2023	Fair value hedging instruments AED'000	Mandatory at FVTPL* AED'000	Financial assets at amortised cost AED'000	Financial liabilites 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									
Interest rate swaps used for hedging	-	11,739	-	-	11,739	-	11,739	-	11,739
	-	11,739	-	-	11,739	-	11,739	-	11,739
Financial assets measured at amortised cost									
Long-term receivables	-	-	21,556	-	21,556	-	-	-	-
Trade and other receivables	-	-	957,987	-	957,987	-	-	-	-
Due from related parties	-	-	55,734	-	55,734	-	-	-	-
Bank balances and cash	-	-	280,626	-	280,626	-	-	-	-
	-	-	1,315,903	-	1,315,903	-	-	-	-
Financial liabilities measured at fair value									
Forward exchange contracts / Options	-	3,669	-	-	3,669	-	3,669	-	3,669
Other currency and interest rate swaps	-	627	-	-	627	-	627	-	627
	-	4,296	-	-	4,296	-	4,296	-	4,296
Financial liabilities measured at amortised cost									
Islamic bank financing	-	-	-	614,073	614,073	-	-	-	-
Interest bearing bank financing	-	-	-	1,084,763	1,084,763	-	-	-	-
Due to Related Parties Long Term Loans	-	-	-	2,163	2,163				
Trade and other payables	-	-	-	713,379	713,379	-	-	-	-
Due to related parties	-	-	-	44,939	44,939	-	-	-	-
Lease liabilities	-	-	-	100,650	100,650	-	-	-	-
				2,559,967	2,559,967	-	-	-	-

*FVTPL: fair value through profit or loss

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

33. FINANCIAL INSTRUMENTS (CONTD.)

Accounting classifications and fair values (continued)

	Carrying value					Fair value			
31 December 2022	**Fair value hedging instruments AED'000**	**Financial assets at FVTPL* AED'000**	**Financial assets at amortised cost AED'000**	**Financial liabilites 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									
Interest rate swaps used for hedging	-	20,582	-	-	20,582	-	20,582	-	20,582
	-	20,582	-	-	20,582	-	20,582	-	20,582
Financial assets measured at amortised cost									
Long-term receivables	-	-	3,560	-	3,560	-	-	-	-
Trade and other receivables	-	-	989,313	-	989,313	-	-	-	-
Due from related parties	-	-	43,037	-	43,037	-	-	-	-
Bank balances and cash	-	-	438,612	-	438,612	-	-	-	-
	-	-	1,474,522	-	1,474,522	-	-	-	-
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 amortised cost									
Islamic bank financing	-	-	-	657,395	657,395	-	-	-	-
Interest bearing bank financing	-	-	-	1,079,071	1,079,071	-	-	-	-
Due to Related Parties Long Term Loans	-	-	-	3,264	3,264				
Trade and other payables	-	-	-	797,272	797,272	-	-	-	-
Due to related parties	-	-	-	39,493	39,493	-	-	-	-
Lease liabilities	-	-	-	99,944	99,944	-	-	-	-
	-	-	-	2,676,439	2,676,439	-	-	-	-

*FVTPL: fair value through profit or loss

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

33. FINANCIAL INSTRUMENTS (CONTD.)

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 and Risk Committee ("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.

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

33. FINANCIAL INSTRUMENTS (CONTD.)

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:

	2023 AED'000	2022 AED'000
Long-term receivables	**21,556**	3,560
Trade and other receivables		
(excluding advances and prepayments)	**957,987**	989,313
Due from related parties	**55,734**	43,037
Bank balances	**277,884**	436,588
	1,313,161	1,472,498

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 21.34% (2022: 19.4%) of the outstanding gross trade receivables as at 31 December 2023. Geographically the credit risk is materially 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.

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.

	2023 AED'000	2022 AED'000
Middle East (ME)	**572,566**	591,779
Europe	**148,846**	159,991
Asian countries (Other than ME)	**195,435**	168,712
Other regions	**118,430**	115,428
	1,035,277	1,035,910
Trading and manufacturing	**987,188**	1,004,240
Other industrial	**20,915**	11,180
Others	**27,174**	20,490
	1,035,277	1,035,910

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

33. FINANCIAL INSTRUMENTS (CONTD.)

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, GBP & AUD.

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.

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 2023			
Trade and other receivable (including due from related parties)	**18,605**	**1,397**	**125,145**
Cash and bank balances	**549**	**484**	**(2,890)**
Trade and other payables	**(4,763)**	**7**	**(26,454)**
Bank borrowings	**(7,744)**	**-**	**(44,579)**
Derivative – currency swap	**7,744**	**-**	**-**
forward exchange contracts	**(15,000)**	**(2,500)**	**(52,250)**
Net exposure	**(609)**	**(612)**	**(1,028)**

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

33. FINANCIAL INSTRUMENTS (CONTD.)

Currency risk (Continued)

	GBP'000	AUD'000	EUR'000
31 December 2022			
Trade and other receivable (including due from related parties)	19,365	1,631	99,386
Cash and bank balances	569	187	5,110
Trade and other payables	(8,022)	(460)	(38,484)
Bank borrowings	(12,906)	-	(21,104)
Derivative – currency swap	12,906	-	-
Forward exchange contracts	(13,500)	(400)	(54,500)
Net exposure	(1,588)	958	(9,592)

The following are exchange rates applied during the year:

	Spot rate		Average rate	
Reporting Date	**2023**	2022	**2023**	2022
Great Britain Pound (GBP)	**4.675**	4.444	**4.567**	4.526
Euro (EUR)	**4.053**	3.931	**3.971**	3.861
Australian Dollar (AUD)	**2.501**	2.503	**2.438**	2.547

Sensitivity analysis

A strengthening (weakening) of the AED, as indicated below, against the EUR, GBP and AUD by 5% at 31 December 2023 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.

	Strengthening		Weakening	
Reporting Date	**Profit/(loss) AED'000**	**Equity AED'000**	**Profit/(loss) AED'000**	**Equity AED'000**
31 December 2023				
GBP	**142**	**-**	**(142)**	**-**
EURO	**208**	**-**	**(208)**	**-**
AUD	**77**	**-**	**(77)**	**-**
31 December 2022				
GBP	353	-	(353)	-
EURO	1,886	-	(1,886)	-
AUD	(120)	-	120	-

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

33. FINANCIAL INSTRUMENTS (CONTD.)

Currency risk (Continued)

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 principle value	Carrying amount of the hedging instruments assets/(liabilites)	Change in fair value used for recognizing hedge ineffectiveness
	2023 AED'000	2023 AED'000	2023 AED'000	2023 AED'000
Forward contracts				
- GBP	**15,000**	**70,121**	**(352)**	**-**
- EUR	**52,250**	**211,768**	**(3,126)**	**-**
- AUD	**2,500**	**6,252**	**(191)**	**-**
Currency swap				
- GBP	**7,744**	**36,201**	**(626)**	**-**

Hedging Instrument	Notional Value (respective foreign currency)	Notional principle value	Carrying amount of the hedging instruments assets/(liabilites)	Change in fair value used for recognizing hedge ineffectiveness
	2022 AED'000	2022 AED'000	2022 AED'000	2022 AED'000
Forward contracts				
- GBP	13,500	59,992	870	-
- EUR	54,500	214,260	(1,387)	-
- AUD	400	1,001	(54)	-
Currency swap				
- GBP	12,906	57,352	(3,978)	-

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

33. FINANCIAL INSTRUMENTS (CONTD.)

Currency risk (Continued)

Hedge item	Notional principle value	Accumulated amount of fair value hedge adjustment included in carrying amount	Change in fair value used for recognizing hedge ineffectiveness
	2023 AED'000	2023 AED'000	2023 AED'000
Trade receivables			
- GBP	**(70,121)**	**352**	**-**
- EUR	**(211,768)**	**3,126**	**-**
- AUD	**(6,252)**	**191**	**-**
Term loan			
- GBP	**(36,201)**	**626**	**-**

Hedge item	Notional principle value	Accumulated amount of fair value hedge adjustment included in carrying amount	Change in fair value used for recognizing hedge ineffectiveness
	2022 AED'000	2022 AED'000	2022 AED'000
Trade receivables			
- GBP	(59,992)	(870)	-
- EUR	(214,260)	1,387	-
- AUD	(1,001)	54	-
Term loan			
- GBP	(57,352)	3,978	-

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 2023, 31.05% (2022: 39.83%) 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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

33. FINANCIAL INSTRUMENTS (CONTD.)

Intrest 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 principle value**	**Carrying amount of the hedging instruments assets/(liabilites)**	**Change in fair value used for calculating hedge ineffectiveness**
	2023 **%**	**2023** **AED'000**	**2023** **AED'000**	**2023** **AED'000**
Receive floating, pay fixed , contracts	**1.53**	**273,826**	**11,738**	**-**

Hedging Instrument	Average contracted fixed interest rate	Notional principle value	Carrying amount of the hedging instruments assets/(liabilites)	Change in fair value used for calculating hedge ineffectiveness
	2022 %	2022 AED'000	2022 AED'000	2022 AED'000
Receive floating, pay fixed, contracts	1.71	439,789	20,582	-

Designated Hedge Items	**Nominal Amount to be 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**
	2023 **AED'000**	**2023** **AED'000**	**2023** **AED'000**	**2023** **AED'000**
Variable rate borrowings	**(273,826)**	**-**	**(11,738)**	**-**

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

33. FINANCIAL INSTRUMENTS (CONTD.)

Cash Flow hedges (Continued)

Designated Hedge Items	Nominal amount of the hedged items assets/(liabilites)	Change in value used for calculating hedge ineffectivenessiness	Balance in cash flow hedge reserve for continuing hedges	Balance in cash flow hedge accounting is no longer applied
	2022 AED'000	2022 AED'000	2022 AED'000	2022 AED'000
Variable rate borrowings	(439,789)	-	(20,582)	-

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

	2023 **AED'000**	2022 AED'000
Fixed rate instruments		
Financial assets		
Bank deposits	**47,168**	218,886
Financial liabilities		
Islamic bank financing	**375,362**	471,760
Interest bearing bank financing	**152,206**	221,118
Variable rate instruments		
Financial liabilities		
Islamic bank financing	**238,711**	185,635
Interest bearing bank financing	**932,557**	857,953
Due to related parties	**3,244**	3,264

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

33. FINANCIAL INSTRUMENTS (CONTD.)

Cash Flow hedges (Continued)

	Profit/(loss)	
Reporting Date	100bp Increase AED'000	100bp Decrease AED'000
31 December 2023		
Financial liability		
Variable instruments	**(11,713)**	**11,713**
31 December 2022		
Financial liability		
Variable instruments	(10,436)	10,436

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

33. FINANCIAL INSTRUMENTS (CONTD.)

Commodity price sensitivity analysis

If the commodity prices had been 5 per cent higher (lower) as of 31 December 2023, profit after tax would have been AED 6.35 million (2022: AED 7.45 million) higher (lower).

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 (2022: 90 -180 days) from the date of invoice. Trade payables are normally settled within 45-90 days (2022: 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 years AED'000	1-2 years AED'000	More than 2 years AED'000
At 31 December 2023					
Non-derivative financial liabilities					
Bank financing	**1,698,836**	**(1,886,990)**	**(853,166)**	**(376,321)**	**(657,503)**
Trade and other payables	**713,379**	**(713,379)**	**(713,379)**	**-**	**-**
Due to Related Parties Long Term Loans	**3,244**	**(3,963)**	**-**	**-**	**(3,963)**
Due to related parties	**43,857**	**(43,857)**	**(43,857)**	**-**	**-**
	2,459,316	**(2,648,189)**	**(1,610,402)**	**(376,321)**	**(661,466)**
Derivative financial liabilities					
Forward exchange contacts	**3,669**	**(3,669)**	**(3,669)**	**-**	**-**
Other currency and interest rate swaps	**627**	**(627)**	**(627)**	**-**	**-**
	4,296	**(4,296)**	**(4,296)**	**-**	**-**

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

33. FINANCIAL INSTRUMENTS (CONTD.)

Liquidity risk (Continued)

		Contractual cash flows			
	Carrying amount AED'000	Total AED'000	0-1 years AED'000	1-2 years AED'000	More than 2 years AED'000
31 December 2022					
Non-derivative financial liabilities					
Bank financing	1,736,466	(1,969,999)	(850,647)	(364,623)	(754,729)
Trade and other payables	797,272	(797,272)	(797,272)	-	-
Due to Related Parties Long term Term Loans	3,264	(4,293)	-	-	(4,293)
Due to related parties	39,493	(39,493)	(39,493)	-	-
	2,576,495	(2,811,057)	(1,687,412)	(364,623)	(759,022)
Derivative financial liabilities					
Forward exchange contacts	570	(570)	(570)	-	-
Other currency and interest swaps	3,978	(3,978)	(3,978)	-	-
	4,548	(4,548)	(4,548)	-	-

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

33. FINANCIAL INSTRUMENTS (CONTD.)

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 2,369 million as at 31 December 2023 (2022: AED 2,298 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:

	2023 AED'000	2022 AED'000
Equity	**2,368,750**	2,298,009
Debt	**1,698,836**	1,736,466
Debt equity ratio	**0.72**	0.76

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

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 2023 or 31 December 2022 and the total assets of the Iranian subsidiary are approximately 0.57 % of the Group's consolidated total assets as at 31 December 2023.

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
31 December 2023	**822.86**	1.4616
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

The above mentioned restatement is affected as follows:

- Hyperinflation accounting was applied as of 1 January 2020;
- The 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 consolidated statement of profit or loss accounts both for inflation index and currency conversion;
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the date of the 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 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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

34. HYPERINFLATIONARY ECONOMY (CONTD.)

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

	1 Jan 2023 AED'000	1 Jan 2022 AED'000
Impact on consolidated statement of financial position		
Increase in property, plant and equipment - net	**3,239**	4,070
Increase in investment properties - net	**4,146**	4,837
Increase in other assets	**4,891**	4,818
Increase in equity	**12,276**	13,725
Allocated to: Increase in opening equity due to cumulative hyperinflation	**12,276**	13,725

	2023 AED'000	2022 AED'000
Impact on consolidated statement of profit or loss		
Increase in depreciation charge for the year	**769**	2,233
Loss on net monetary position	**4,210**	3,923
	4,979	6,156

35. SEGMENT REPORTING

Basis for segmentation

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

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

The Group has broadly four 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.
Faucets	includes manufacture and sale of Taps and Faucets *
Other industrial	includes manufacturing and distribution of power, paints, plastics, mines and chemicals.
Others	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 32 the Group has now added Faucets as a new segment with effect from the year 2022.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

35. SEGMENT REPORTING (CONTD.)

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	Faucets AED'000	Others industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
At 31 December 2023						
External revenue	**2,916,925**	**431,116**	**94,459**	**15,258**	**-**	**3,457,758**
Intersegment revenue	**545,630**	**68,712**	**134,771**	**2,033**	**(751,146)**	**-**
Segment revenue	**3,462,555**	**499,828**	**229,230**	**17,291**	**(751,146)**	**3,457,758**
Segment profit/(loss)	**575,690**	**(31,555)**	**22,474**	**7,722**	**(253,476)**	**320,855**
Segment EBITDA	**863,905**	**6,107**	**27,933**	**9,622**	**(260,206)**	**647,361**
Interest/profit income	**8,305**	**123**	**197**	**2**	**(2,195)**	**6,432**
Interest/profit expense	**110,283**	**257**	**7,422**	**261**	**(4,972)**	**113,251**
Depreciation and amortization	**168,319**	**21,383**	**3,487**	**6,366**	**(4,542)**	**195,013**
Share of profit in equity accounted investees	**1,266**	**-**	**-**	**-**	**-**	**1,266**
Segment assets	**6,902,972**	**570,655**	**137,334**	**151,393**	**(2,405,263)**	**5,357,091**
Segment liabilities	**3,690,854**	**531,590**	**57,069**	**88,471**	**(1,379,643)**	**2,988,341**

	Ceramic Products AED'000	Faucets AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
At 31 December 2022						
External revenue	3,101,484	276,512	124,330	14,888	-	3,517,214
Intersegment revenue	727,341	30,892	101,960	1,819	(862,012)	-
Segment revenue	3,828,825	307,404	226,290	16,707	(862,012)	3,517,214
Segment profit/(loss)	353,110	8,136*	15,228	7,751	(44,118)	340,107
Segment EBITDA	574,171	25,817*	(14,262)	12,493	(48,350)	549,869
Interest/profit income	11,967	38	1,366	284	(6,571)	7,084
Interest/profit expense	74,760	3,346	229	259	(517)	78,077
Depreciation and amortization	159,979	11,683	3,704	6,366	(3,198)	178,534
Share of profit in equity accounted investees	6,286	-	-	-	-	6,286
Segment assets	6,775,200	483,804	155,298	282,547	(2,279,285)	5,417,564
Segment liabilities	3,743,695	411,181	64,693	96,613	(1,196,627)	3,119,555

* Segment profit and EBITDA for the Faucets segment for the year 2022 includes gain on acquisition AED 32,374 thousand (refer Note 7(ii)).

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

35. SEGMENT REPORTING (CONTD.)

Geographic information

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

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.

	2023 AED'000	2022 AED'000
Revenue		
Middle East (ME)	**1,644,303**	1,699,724
Europe	**803,260**	697,557
Asian countries	**759,211**	907,886
Other	**250,984**	212,047
	3,457,758	3,517,214
Non-currents assets		
Middle East (ME)	**1,989,928**	1,891,952
Asian countries	**288,789**	280,989
Other	**242,674**	238,950
	2,521,391	2,411,891

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

35. SEGMENT REPORTING (CONTD.)

Reconciliation of reportable segment

	2023 AED'000	2022 AED'000
Revenues		
Total revenue for reportable segments	**4,208,904**	4,379,226
Elimination of intersegment revenue	**(751,146)**	(862,012)
Consolidated revenue	**3,457,758**	3,517,214
Profit		
Total profit for reportable segments	**574,331**	384,225
Elimination of inter-segment profits	**(253,476)**	(44,118)
Consolidated profit	**320,855**	340,107
Assets		
Total assets for reportable segment	**5,345,759**	5,406,977
Equity accounted investees	**11,332**	10,587
Consolidated total assets	**5,357,091**	5,417,564
Other material items		
Interest/profit income	**6,432**	7,084
Interest/profit expense	**113,251**	78,077
Depreciation and amortization	**195,013**	178,534

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

36. SUBSIDIARIES AND EQUITY ACCOUNTED INVESTEES

Name of the entity	Country	Ownership interest 2023	2022	Principal activities
A Subsidiaries of RAK Ceramics P.J.S.C				
RAK Ceramics (Bangladesh) PLC	**Bangladesh**	**68.13%**	68.13%	Manufacturing of ceramic tiles and sanitary ware
RAK Ceramics PJSC Limited	**Iran**	**100%**	100%	Manufacturing of ceramic tiles
RAK Ceramics India Private Limited	**India**	**100%**	100%	Manufacturing of ceramic tiles and sanitary ware
Elegance Ceramics LLC*	**UAE**	**100%**	100%	Manufacturing 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 32)	**UAE**	**92%**	92%	Manufacturing of porcelain tableware
RAK Ceramics Company LLC	**Saudi Arabia**	**-**	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
Kludi RAK LLC (refer Note 32)*	**UAE**	**100%**	100%	Manufacturing of water tap faucets etc.
RAK Industrial LLC	**Saudi Arabia**	**100%**	-	Proposed manufacturing of ceramic tiles
RAK Ceramics Austria GmbH	**Austria**	**100%**	100%	Investment company
B Subsidiaries of RAK Ceramics (Bangldesh) 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%	Manufacturing of paints and allied products
RAK Universal Plastics Industries LLC	**UAE**	**87.6%**	87.6%	Manufacturing of pipes
D Subsidiaries 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*	**UAE**	**99%**	99%	Manufacturing of paints and adhesive products

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

36. SUBSIDIARIES AND EQUITY ACCOUNTED INVESTEES (CONTD.)

Name of the entity	Country	Ownership interest 2023	2022	Principal activities
G Subsidiaries of Ceramin FZ LLC				
Ceramin India Private Limited	India	100%	100%	Extraction, distribution & 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	100%	100%	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
L Joint Venture of RAK Ceramics Australia PTY LTD				
Massa Imports PTY Limited	Australia	50%	50%	Trading in ceramic tiles
M Joint Venture of RAK Ceramics Holding LLC				
RAK Watertech LLC (refer Note 11(i))	UAE	-	51%	Waste-water treatment works
N Subsidiary of RAK Ceramics Australia PTY Ltd.				
Touchstone Holdings Pty Ltd. Australia	Australia	100%	100%	Trading of Tiles and Sanitary ware
O Subsidiary of Touchstone Holdings Pty Ltd.				
RAK Ceramics Pty Ltd. Australia	Australia	100%	100%	Trading of Tiles and Sanitary ware
P Associate of Restofair RAK LLC				
Naranjee Hirjee Hotel Supplies LLC	Oman	25%	25%	Hotel supplies
Q Subsidiary of RAK Ceramics Austria GmbH				
Scheffer Beteiligungs GmbH (DE)	Germany	100%	100%	Investment company
Kludi Armaturen GmbH & Co. KG (AT)	Austria	100%	100%	Manufacturing and trading of faucets
Kludi Armaturen GmbH (AT)	Austria	100%	100%	Investment Company
Kludi GmbH & Co. KG (DE)	Germany	100%	100%	Manufacturing and trading of faucets
Kludi Management GmbH (DE)	Germany	100%	100%	Investment Company
R Subsidiary of Kludi Armaturen Austria GmbH				
Kludi Armaturen SP. Z.O.O. (PL)	Poland	100%	100%	Trading of faucets
Kludi Szerelvenyek (HU)	Hungary	99.46%	99.46%	Manufacturing and trading of faucets
Kludi France S.A.R.L.	France	100%	100%	Trading of faucets
Kludi Sanitary Products Shanghai	China	100%	100%	Trading of faucets
S.C Kludi Romania S.R.L.	Romania	99.99%	99.99%	Trading of faucets
Kludi RAK India	India	43.90%	43.90%	Trading of Faucets

Notes to the consolidated financial statements (contd.)

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36. SUBSIDIARIES AND EQUITY ACCOUNTED INVESTEES (CONTD.)

Name of the entity	Country	Ownership interest 2023	2022	Principal activities
S Associates of Kludi Szerelvenyek (HU)				
S.C Kludi Romania S.R.L.	Romania	0.01%	0.01%	Trading of faucets
T Subsidiary of Kludi Szerelvenyek (HU)				
Kludi Bulgaria EOOD	Bulgaria	100%	100%	Trading of faucets
U Subsidiary of Kludi GmbH & Co. KG (DE)				
Kludi Benelux C.V. (NL)	Netherlands	90%	90%	Trading of faucets
Kludi UK Ltd.	United Kingdom	100%	100%	Dormant
V Associates of Kludi GmbH & Co. KG (DE)				
Kludi Benelux C.V. (NL)	Netherlands	10%	10%	Trading of faucets
W Subsidiary of Kludi GmbH & Co. KG (DE)				
Kludi Asia-Pacific LLP (Singapore)	Singapore	100%	100%	Dormant
Kludi Armaturen Austria GmbH	Austria	100%	100%	Manufacturing and trading of faucets
X Subsidiary of Kludi Armaturen SP. Z.O.O. (PL)				
Kludi Armaturen S.R.O. (CZ)	Czech Republic	100%	100%	Trading of faucets
Kludi Myjava S.R.O. (SK)	Slovakia	100%	100%	Trading of faucets
Y Subsidiary of Kludi France S.A.R.L.				
Kludi Armaturen Espana	Spain	100%	100%	Dormant
Z Subsidiary of Kludi RAK, LLC				
Kludi RAK Egypt	Egypt	100%	100%	Trading of Faucets
AA Joint Venture of Kludi RAK, LLC				
Kludi RAK India	India	56.10%	56.10%	Trading of Faucets

* RAK Ceramics Holding LLC has a nominal beneficial shareholdings in Elegance Ceramics LLC (0.01%), Acacia Hotels LLC (0.002%), AL Jazeera Utility Services LLC(1%), Ceramin FZLLC (0.01%), AL Hamra Construction Company LLC (0.001%), Kludi RAK LLC(1%), Altek Emirates LLC (1%), Ceramin India Private Ltd. India (0.01%).

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

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.

Critical accounting judgements

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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

37. SIGNIFICANT ACCOUNTING ESTIMATES AND CRITICAL ACCOUNTING JUDGEMENTS (CONTD.)

Impairment of goodwill Continued)

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.

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 14% - 15% 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 2023, the loss allowance on trade receivables would have been AED 0.23 million (2022: AED 0.37 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 2023, the loss allowance on trade receivables would have been AED 0.33 million (2022: AED 0.78 million) higher (lower).

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2023

38. COMPARATIVE INFORMATION

Certain comparative figures have been reclassified/ re-grouped, wherever necessary, to conform to the presentation adopted in these consolidated financial statements. These do not impact the reported amount of net profit or the net assets. These relate to the reclassification of freight expenses on high sea sales from Cost of Sales to Selling and Distribution expenses and reclassification of certain related party transactions. The adjustments are as follows:

	Refer note	As Previously reported as at 31 December 2022 AED'000	Adjustments AED'000	As adjusted as at 31 December 2022
Cost of sales	6	2,246,878	(50,734)	2,196,144
Selling and distribution expenses	8	712,556	50,734	763,290
Trade and other receivables	19	1,205,067	(1,259)	1,203,808
Due from related parties	21	41,826	1,211	43,037
Due to related parties	21	39,495	(2)	39,493
Due to related parties-Long term loan	21	-	3,246	3,246
Interest bearing bank financing	26b(ii)	595,649	(3,264)	592,385
Trade and other payables	28	903,666	(46)	903,620

39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue, by the Board of Directors on 8 February 2024.

HEAD OFFICE

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