RAK CERAMICS PJSC

Integrated Report for the year 2023

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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	2023	2022	YoY Growth
Revenue	3,456.9	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.

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.

08 FEB 2024

Chairman

Group Chief Executive Officer

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of R.A.K Ceramics P.J.S.C. ("the Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 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.

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties Investment properties represented 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.	We obtained an understanding of management's process of valuing investment properties. Further, we performed the following: • We evaluated the design and determined the implementation of relevant controls over the determination of the fair value of investment property to determine if they had been appropriately designed and implemented; • We assessed the competence, skills, qualifications and objectivity of the independent external valuer; • We reviewed the scope of the engagement between the external valuer and the Group to determine if this was sufficient for audit purposes; • We verified the accuracy, completeness and relevance of the input data used for deriving fair values; • We utilised our internal valuation 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.

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

Other Information

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

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and their preparation in compliance with the applicable provisions of the Articles of Association of the Company and UAE Federal 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.

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal 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 31 December 2023.

Deloitte & Touche (M.E.)

Mohammad Jallad
Registration No. 1164
8 February 2024
Dubai
United Arab Emirates

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

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.

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

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 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.

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

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 and consolidated cash flows of the Group as of, and periods presented therein.

08 FEB 2024

Chairman

Chief Executive Officer

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

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

Consolidated statement of cash flows

for the year ended 31 December 2023

	2023	2022
	AED'000	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.

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

Consolidated statement of cash flows (continued)

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.

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

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.

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

Consolidated statement of changes in equity (continued)

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 as at 31 December 2021	**993,703**	**221,667**	**568,803**	**(130,569)**	**(168,321)**	**(9,010)**	**82,805**	**75,040**	**597,441**	**1,237,856**	**2,231,559**	**226,535**	**2,458,094**
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.

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.

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.

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.

3. Basis of preparation

(a) Statement 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.

3. Basis of preparation (continued)

(d) Use of estimates and judgments

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).

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;

3. Basis of preparation (continued)

(f) Basis of consolidation (continued)

- 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.

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

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

4. Summary of significant accounting policies

(a) Business combinations

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

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

4. Summary of significant accounting policies (continued)

(a) Business combinations (continued)

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.

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.

4. Summary of significant accounting policies (continued)

(c) Interests in equity accounted investees (continued)

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.

4. Summary of significant accounting policies (continued)

(e) Foreign currencies

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

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

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

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

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

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

(f) Financial instruments

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

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

4. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Financial assets

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

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

Classification of financial assets

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

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

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

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

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

Amortized cost and effective interest method

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

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

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

A financial asset is held for trading if:

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

4. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Amortized cost and effective interest method (continued)

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

4. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Significant increase in credit risk

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

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

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

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

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

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

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

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

4. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Definition of default

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

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

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

Write-off policy

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

Measurement and recognition of ECL

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

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

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

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

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

4. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

De-recognition of financial assets

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

Hedge accounting

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

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

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

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

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

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

4. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Hedge accounting (continued)

Fair value hedges

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

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

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

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

Cash flow hedges

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

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

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

Derivative financial instruments

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

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

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

4. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Derivative financial instruments (continued)

Embedded derivatives

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

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

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

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

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

Financial liabilities and equity

Financial liabilities

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

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

De-recognition of financial liabilities

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

Classification as debt or equity

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

Equity instruments

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

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

Share capital

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

4. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Offsetting

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

(g) Property, plant and equipment

Recognition and measurement

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

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

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

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

Subsequent expenditure

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

Reclassification to investment property

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

Depreciation

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

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

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

4. Summary of significant accounting policies (continued)

(h) Capital work in progress

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

(i) Intangible assets

Recognition and measurement

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

Subsequent expenditure

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

Amortization

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

(j) Investment properties

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

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

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

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

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

4. Summary of significant accounting policies (continued)

(k) Leases

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

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

Lease payments included in the measurement of the lease liability comprise:

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

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

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

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

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

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

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

4. Summary of significant accounting policies (continued)

(k) Leases (continued)

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

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

The Group as lessor

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

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

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

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

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

Leased assets

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

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

(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.

4. Summary of significant accounting policies (continued)

(m) Impairment of non-financial assets

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

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

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

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

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

(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.

4. Summary of significant accounting policies (continued)

(n) Employee benefits (continued)

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.

(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.

4. Summary of significant accounting policies (continued)

(r) Revenue

The Group recognizes revenue mainly from sale of goods consisting of tiles, sanitary wares, tableware, faucets 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.

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.

4. Summary of significant accounting policies (continued)

(t) Tax

The income tax expense represents the sum of the tax on current year income and current year 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.

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.

4. Summary of significant accounting policies (continued)

(t) Tax (continued)

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 assessment are accounted for in the year in which the assessment is finalized.

(u) Basic and diluted earnings per share

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

(v) Segment reporting

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

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

5. Revenue

	2023	2022
	AED'000	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**	**Faucets**	**Other Industrial**	**Others**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**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	Ceramics products	Faucets	Other industrial	Others	Total
	AED'000	AED'000	AED'000	AED'000	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

6. Cost of sales

	2023	2022
	AED'000	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

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.

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	2022
	AED'000	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	2022
	AED'000	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

9. Other operating income

	2023	2022
	AED'000	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

	2023 AED'000	2022 AED'000
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

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)

11. Investments in equity accounted investees (continued)

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

	Kludi RAK LLC (51%)		Others		Total	
December	**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
Gain 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.

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. Earnings 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.

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**

14. Property, plant and equipment (continued)

	Land and buildings AED'000	Plant and equipment AED'000	Vehicles AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Road and asphalting AED'000	Capital work in progress AED'000	Total AED'000
Accumulated depreciation and impairment								
Balance at 1 January 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

14. Property, plant and equipment (continued)

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 without cost from the Government of Ras Al Khaimah under an Emiri Decree.

(ii) Capital work-in-progress

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

(iii) 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.

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15. Goodwill

	2023	2022
	AED'000	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.

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			
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

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 the 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.

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

18. Investment properties (continued)

(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%.

19. Trade and other receivables

	2023	2022
	AED'000	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.

19. Trade and other receivables (continued)

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.

Long-term receivables

	2023	2022
	AED'000	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

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)**	

19. Trade and other receivables (continued)

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

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

The following table provides information about the exposure to credit risk and the loss allowance for trade receivables as at 31 December 2022.

	Weighted average loss rate	Gross carrying amount AED'000	Loss allowance AED'000	Credit impaired
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)	

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

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

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	2022
		AED'000	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

		2023	2022
B)	**Other related parties**	**AED'000**	AED'000
	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	2022
	AED'000	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	2022
	AED'000	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

21. Related parties (continued)
Due from related parties (continued)

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

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.

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

22. Derivative financial instruments (continued)

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

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

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.

24. Capital and reserves

(i) Share capital

	2023	2022
	AED'000	AED'000
Authorized, issued and paid up		
170,000,000 shares of AED 1 each paid up in cash	**170,000**	170,000
823,703,958 shares of AED 1 each issued as bonus shares	**823,703**	823,703
Total	**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	2022
	AED'000	AED'000
On the issue of shares of :		
- R.A.K. Ceramics P.J.S.C.	**165,000**	165,000
- R.A.K Ceramics (Bangladesh) Limited, Bangladesh	**56,667**	56,667
Total	**221,667**	221,667

(iii) Legal reserve

In accordance with the Articles of Association of the Company and certain subsidiaries ("the entities") of the Group and 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.

24. Capital and reserves (continued)

(v) Hyperinflation reserve

The hyperinflation reserve comprises all foreign currency differences arising from the translation of the financial statements of RAK Ceramics PJSC Limited, Iran and the effect of translating the financial statements at the current inflation index in accordance with IAS 29.

	AED'000
As at 31 December 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).

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	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
					AED'000			
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	**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 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	**18,550**	16,740	**-**	-	**23,429**	24,054

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

	2023 AED'000	2022 AED'000
(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

	2023 AED'000	2022 AED'000
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 AED'000	2022 AED'000
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

26. Bank financing arrangements (continued)

(a) Islamic bank financing (continued)

Islamic financings represent facilities such as Mudaraba, Murabaha and Ijarah facilities obtained from Banks. These financings are denominated either in the functional currency of the Company or in USD, a currency to which the functional currency of the Company is currently pegged. The long-term Commodity Murabaha facilities mature up to 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 799 million *(2022: AED 774 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	2022
	AED'000	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	2022
	AED'000	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

26. Bank financing arrangements (continued)

(b) Interest bearing bank financing (continued)

(ii) Long-term bank loans (continued)

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

Currency	**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 loans are 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.

These bank borrowings are secured by:

- a negative pledge over certain assets of the Group;
- pari passu rights among each other;
- a promissory note for AED 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).

27. Lease liabilities

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

Maturity analysis

	2023	2022
	AED'000	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	2022
	AED'000	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

28. Trade and other payables

	2023	2022
	AED'000	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
Total	**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	2022
	AED'000	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	2022
	AED'000	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 made for potential tax contingencies.

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.

Maturity analysis

	2023	2022
	AED'000	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.

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

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

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

(a) Acquisitions (continued)

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 the year 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.

33. Financial instruments

Accounting classifications and fair values

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

33. Financial instruments (continued)

Accounting classifications and fair values (continued)

31 December 2023	Carrying value: Fair value hedging instruments AED'000	Mandatory at FVTPL* AED'000	Financial assets at amortized cost AED'000	Financial liabilities at amortised cost AED'000	Total AED'000	Fair value: 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 amortized 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 amortized 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*

33. Financial instruments (continued)

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 liabilities at amortised cost AED'000**	**Total AED'000**	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Financial assets measured at fair value									
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*

33. Financial instruments (continued)

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

Risk management framework

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

- Credit risk
- Market risk
- Liquidity risk

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

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

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

The Audit 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.

33. Financial instruments (continued)

Risk management framework (continued)

Credit risk

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

Exposure to credit risk

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

	2023	2022
	AED'000	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.

33. Financial instruments (continued)

Risk management framework (continued)

Credit risk (continued)

***Exposure to credit risk* (continued)**

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

	2023	2022
	AED'000	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

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.

33. Financial instruments (continued)

Risk management framework (continued)

Market risk (continued)

Currency risk (continued)

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

Exposure to currency risk

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

	GBP ‘000	AUD ‘000	EUR ‘000
31 December 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)**

	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 the exchange rates applied during the year:

	Reporting date			
	Spot rate		**Average rate**	
	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 would have increased (decreased) profit or loss by the amounts shown below. The analysis is based on foreign currency exchange variances that the Group considers to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

33. Financial instruments (continued)

Risk management framework (continued)

Market risk (continued)

Currency risk (continued)

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

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

Hedging instrument	**Notional value (respective foreign currency)**	**Notional principal value**	**Carrying amount of the hedging instruments assets/(liabilities)**	**Change in fair value used for recognizing hedge ineffectiveness**
	2023	**2023**	**2023**	**2023**
	AED'000	**AED'000**	**AED'000**	**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 principal value	Carrying amount of the hedging instruments assets/(liabilities)	Change in fair value used for recognizing hedge ineffectiveness
	2022	2022	2022	2022
	AED'000	AED'000	AED'000	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)	-

33. Financial instruments (continued)

Risk management framework (continued)

Market risk (continued)

Currency risk (continued)

Hedge item	Notional principal value	Accumulated amount of fair value hedge adjustment included in carrying amount	Change in fair value used for recognizing hedge ineffectiveness
	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 principal 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.

33. Financial instruments (continued)

Risk management framework (continued)

Market risk (continued)

Interest rate risk (continued)

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

Cash flow hedges

Hedging instrument	**Average contracted fixed interest rate**	**Notional principal value**	**Carrying amount of the hedging instruments assets/(liabilities)**	**Change in fair value used for calculating hedge ineffectiveness**
	2023	**2023**	**2023**	**2023**
	%	**AED'000**	**AED'000**	**AED'000**
Receive floating, pay fixed, contracts	**1.53**	**273,826**	**11,738**	**-**

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

Designated hedge items	**Nominal Amount of the hedged items assets/ (liabilities)**	**Change in value used for calculating hedge ineffectiveness**	**Balance in cash flow hedge reserve for continuing hedges**	**Balance in cash flow hedge reserve for which hedge accounting is no longer applied**
	2023	**2023**	**2023**	**2023**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Variable rate borrowings	**(273,826)**	**-**	**(11,738)**	**-**

33. Financial instruments (continued)

Risk management framework (continued)

Market risk (continued)

Interest rate risk (continued)

Cash flow hedges *(continued)*

Designated hedge items	Nominal amount of the hedged items assets/ (liabilities)	Change in value used for calculating hedge ineffectiveness	Balance in cash flow hedge reserve for continuing hedges	Balance in cash flow hedge reserve for which hedge accounting is no longer applied
	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

	2023 **AED'000**	2022 AED'000
Variable rate instruments		
Financial liability		
Islamic bank financing	**238,711**	185,635
Interest bearing bank financing	**932,557**	857,953
Due to related parties	**3,244**	3,264

33. Financial instruments (continued)

Risk management framework (continued)

Market risk (continued)

Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss	
	100bp increase AED'000	**100bp decrease AED'000**
31 December 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. Hedging activities are evaluated regularly to align with Group expectations about the price changes and defined risk appetite; ensuring the most cost-effective hedging strategies are applied.

Commodity 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).

33. Financial instruments (continued)

Risk management framework (continued)

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 year AED'000**	**1-2 year 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 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 swaps	**627**	**(627)**	**(627)**	**-**	**-**
	4,296	**(4,296)**	**(4,296)**	**-**	**-**

33. Financial instruments (continued)

Risk management framework (continued)

Liquidity risk (continued)

	Carrying amount AED'000	Total AED'000	---Contractual cash flows--- 0-1 year AED'000	1-2 year AED'000	More than 2 years AED '000
At 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 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)	-	-

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.

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 effected 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.

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

	1 January 2023	1 January 2022
	AED'000	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	2022
Impact on consolidated statement of profit or loss	**AED'000**	AED'000
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.

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	Other 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**

35. Segment reporting (continued)

Information about the reportable segments (continued)

	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.

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

35. Segment reporting (continued)

Reconciliation of reportable segment

	2023	2022
	AED'000	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

36. Subsidiaries and equity accounted investees

	Name of the entity	Country of incorporation	Ownership interest 2023	Ownership interest 2022	Principal activities
A	**Subsidiaries of R.A.K. 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 (Bangladesh) PLC**				
	RAK Power Private Limited	**Bangladesh**	**100%**	100%	Power generation for captive consumption
	RAK Securities and Services Private Limited	**Bangladesh**	**100%**	100%	Providing security services
C	**Subsidiaries of RAK Ceramics Holding LLC**				
	RAK Paints LLC	**UAE**	**51%**	51%	Manufacturing of paints and allied products
	RAK Universal Plastics Industries LLC	**UAE**	**87.6%**	87.6%	Manufacturing of pipes

36. Subsidiaries and equity accounted investees (continued)

	Name of the entity	Country of incorporation	Ownership interest 2023	2022	Principal activities
D	**Subsidiary of RAK Ceramics UK Limited**				
	RAK Distribution Europe SARL	**Italy**	**100%**	100%	Trading in ceramic tiles and sanitary ware
E	**Subsidiary of RAK Distribution Europe SARL**				
	RAK Ceramics CE GmbH	**Germany**	**100%**	100%	Trading in ceramic tiles and sanitary ware
F	**Subsidiary of RAK Paints LLC**				
	Altek Emirates LLC*	**UAE**	**99%**	99%	Manufacturing of paints and adhesive products
G	**Subsidiaries of Ceramin FZ LLC**				
	Ceramin India Private Limited*	**India**	**100%**	100%	Extraction, trading and export of clay and other minerals
H	**Subsidiary of Elegance Ceramics LLC**				
	Venezia Ceramics	**UAE**	**100%**	100%	General trading
I	**Subsidiaries of RAK Porcelain LLC**				
	RAK Porcelain Europe S.A.	**Luxemburg**	**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%	Manufacturing of ceramic tiles
	Gryphon Ceramics Private Limited	**India**	**51%**	51%	Manufacturing of ceramic tiles
	Totus Ceramics India Private Limited	**India**	**100%**	100%	Trading of ceramic tiles and sanitary ware

36. Subsidiaries and equity accounted investees (continued)

	Name of the entity	Country of incorporation	Ownership interest 2023	2022	Principal activities
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

36. Subsidiaries and equity accounted investees (continued)

	Name of the entity	Country of incorporation	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%).

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.

37. Significant accounting estimates and critical accounting judgements (continued)

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% - 15.5% 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).

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 AED'000
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.

RAK
CERAMICS

Corporate Governance Report 2023

RAK CERAMICS

Corporate Governance Report - 2023

1- <u>The Statement of the procedures taken to complete the Corporate Governance system during the year 2023</u>

R.A.K Ceramics PJSC ("RAK Ceramics" or the "Holding Company") considers sound corporate governance to be one of the pillars of running a responsible, profitable and sustainable business that creates value. An organizational commitment to corporate governance drives enhanced management accountability, creation of value for shareholders and protecting the interests of all stakeholders and the community.

RAK Ceramics has adopted a comprehensive set of corporate governance policies and procedures that draws upon global best practices and is in accordance with all relevant UAE legislation including Resolution No. 3 of 2020 of Securities and Commodities Authority (SCA) concerning Corporate Governance Rules and Corporate Discipline Standards. This assures that utmost vigil is exerted by the Board of Directors (the "Board"), executive management and employees of RAK Ceramics.

The company periodically monitors the procedures that have been implemented for the governance framework, including:

a- Requirements for the composition of the Board of Directors.

b- Requirements for the composition of the Board Committees.

c- Internal Control System.

d- Insider Trading.

e- Update the Code of Conduct if necessary

f- Update the Governance Manual if necessary

g- Amending the Article of Association if necessary.

h- Issuing of the Corporate Governance Report.

i- Issuing of the ESG Report.

During 2023, the Company has applied the following procedures in regards with Corporate Governance System:

<u>1- Meetings of the Board of Directors and its Committees:</u>

During 2023, the Board held Four (4) Meetings, the Audit & Risk Committee held Four (4) Meetings, the Nomination & Remuneration Committee held one (1) meeting, Insider Trading Committee held one (1) meeting and Disclosure Committee held Four (4) meetings.

<u>2- Annual General Meeting: (AGM)</u>

In accordance with Federal Law No. 32 of 2021 concerning the Commercial Companies and Resolution No. 3/R.M of 2020 of SCA concerning Corporate Governance Rules and Corporate Discipline Standards, the company held one AGM of shareholders on 10 March 2023.

<u>3- Disclosures and Transparency:</u>

The company is committed to regulations and legislation on disclosure. During 2023, the company made disclosures on important events, Board of Directors' reports, Financial Statements (Quarterly & Yearly), Corporate Governance Report for 2022, Board of Directors' Meetings and its results, Sustainability Report 2022 and Annual General Meetings and its results.

5- Insiders Trading:

The company periodically updates its insiders list, and informs the insiders of the start and end of the prohibition periods.

Thus, by exercising best corporate governance practices, the Company ensures that the interests of the stakeholders are protected along with Company meeting all its statutory and regulatory obligations.

This annual corporate governance report aims to ensure a transparent disclosure of the governance practices applied by the Company. These practices include monitoring of:

- The capital structure,
- Internal control processes and systems,
- Shareholders' rights,
- The charters of the Board of Directors and its committees,
- Related party transactions,
- Auditor's independence, rotation, and the periodic review of the principles of professional conduct.

2- Statement of Ownership and transactions of the Board and their spouses, their children in the Company Securities during the year 2023.

a- Transaction Law

The Company has adopted rules regarding dealing in the Company's securities by the members of the Board, their first degree relatives and the key management personnel. These rules are based on Articles (38) and (39) of the Federal Law No. (4) Of 2000 concerning Securities and Commodities Authority, and Article (14) of Resolution No. (2) of 2001 concerning the regulations as to trading, clearing, settlement, transfer of ownership and custody of securities, and Article (36) of Decision No (3) of 2000 concerning the regulation on transparency and disclosure and Article (33) of Resolution No. 3/R.M of 2020 of SCA concerning Corporate Governance Rules and Corporate Discipline Standards. The above mentioned rules were approved and endorsed by the Board and approved by the SCA. The rules specifically require directors and key management personnel not to engage, without prior approval of the Board, in any trade of the Company's shares held by them for less than three years.

b- Transactions in Securities

The following information shows the dealings of the members of the Board and key management persons, in the Company securities during the year 2023:

Sr.	Name	Position/Relative Degree	Owned Shares as on 31 Dec 2023	Number of Shares	
				Total Sale Transaction	Total Buy Transaction
1	Sheikh Saqr Bin Saud Bin Saqr Al Qasimi	Chairman	-	-	-
2	Fawaz Bin Sulaiman A Al Rajhi	Vice Chairman	-	-	-
3	Sheikh Khalid Bin Saud Bin Saqr Al Qasimi	Board Member	-	-	-
4	Shaikh Saqr Bin Omer Bin Saqr Al Qasimi	Board Member	-	-	-
5	Wassim Zuhair Moukahhal	Board Member	-	-	-
6	Farah Abdulla Mohamed Al Mazrui	Board Member	-	-	-
7	Abdallah Rashed Jasem Al Abdouli	Board Member	-	-	-
8	Abdallah Massaad	Group Chief Executive Officer	3,000,000	-	-

* The above table is related to any transactions executed in their personal capacity

3- The Board of Directors (the "Board")

The Board is responsible to the Company's shareholders for creating and delivering sustainable value through prudent management of its business and associated risks. In particular, the Board is responsible for strategic direction, supervision of management and adequate controls to drive the success and long term value creation. The Board plays a central role in the corporate governance framework by ensuring that the Company complies with obligations arising from its legal and regulatory requirements; its memorandum and articles of association and duties towards the shareholders.

A- Composition of the Board of Directors

The current Board consists of seven members:

- the Chairman (Non-Executive, Independent),
- the Vice Chairman (Non Executive, Independent),
- Four Non-Executive & Independent Directors, and One Executive Director.

The majority of the Directors meet the requirement of being non-executive and independent. Therefore, the Board composition satisfies the requirements of Article (9/5) of Resolution No. 3 R.M of 2020 of SCA concerning Corporate Governance Guide. The Members were elected at the AGM held on 30 March 2021 for a period of 3 years. The term of the Board members will expire on 29 March 2024.

The following Table describes the composition of the Board of Directors as on 31 December 2023:

Sr.	Name	Category	Experience & Qualification	Period as Board Member	Other Current Positions in any PJSC's	Positions at any Government Department.
1	Sheikh Saqr Bin Saud Bin Saqr Al Qasimi	Chairman (Non Executive – Independent)	Bachelor of Science degree in Banking and International Finance from CASS Business School, City University of London.	August 2021: 2 years and 5 Months	-	Positions on Boards of Al Marjan Islands, UAE ;and the Vice Chairman of the Investment & Development Office, Government of RAK, UAE
2	Fawaz Bin Sulaiman A Al Rajhi	Vice Chairman (Non-Executive, Independent)	* Master in Business Administration from Stanford University-USA * Bachelors in MIS and Accounting from KFUPM-KSA	April 2015; 8 Years & 9 months	N/A	N/A
3	Sheikh Khalid Bin Saud Bin Saqr Al Qasimi	Member (Non-Executive, Independent)	Extensive experience in Finance and Investment Management. Holding Business Management Degree from New York University, Abu Dhabi	July 2015; 8 years & 6 months	N/A	Positions on Boards of Al Marjan Islands, UAE and the Vice Chairman of the Investment & Development Office and Government of RAK, UAE
4	Sheikh Saqr Bin Omar Bin Saqr Al Qasimi	Member (Non-Executive, Independent)	*Bachelor's degree in Law from the University of Sharjah, *Master's in International Law, Public	March 2021: 2 years & 9 Months	-	-

Sr.	Name	Category	Experience & Qualification	Period as Board Member	Other Current Positions in any PJSC's	Positions at any Government Department.
			Relations and Diplomacy from the Paris-Sorbonne University Abu Dhabi, * Master's degree in Business Administration from the American University of Sharjah			
5	Wassim Zuhair Moukahhal	Member (Executive, Non-Independent)	*MBA from the Wharton School, University of Pennsylvania and, *Bachelor in Economics & Finance from McGill University	February 2016; 7 Years & 11 Months	N/A	N/A
6	Farah Abdulla Mohamed Al Mazrui	Member (Non-Executive, Independent)	*BSc Hons - Economics from Queen Mary, University of London and * MSc - Risk Management and Financial Engineering from Tanaka Business School, Imperial College	June 2021: 2 years & 7 Months	* Board Member of Emirates Steel Arkan PJSC *Board Member of National Bank of Umm Al Quwain. *Board Member of Etihad Aviation Group	N/A
7	Abdulla Rashed Jasem Alabdouli	Member (Non-Executive, Independent)	* Masters in Regional & Urban Planning from Paris Sorbonne University in Abu Dhabi and; *Certificate in Real Estate Investment Strategies from Harvard University.	November 2022: 1 Year & 2 Months	Board Member of RAK Properties PSC	N/A

For their Experience, please refer to their profiles mentioned below.

Members of the Board have the requisite expertise and management skills to perform their duties in furthering the best interest of the Company. Members of the Board are selected through cumulative voting process as per the guidelines issued by the SCA.

Profile of the members of the Board:

SHEIKH SAQR BIN SAUD BIN SAQR AL QASIMI
CHAIRMAN
NON-EXEUTIVE, INDEPENDENT

Board Member and Chairman since August 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 BIN SULIAMAN A ALRAJHI
VICE CHAIRMAN
NON-EXECUTIVE, INDEPENDENT

Board member since April 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 BIN SAQR AL QASIMI
BOARD MEMBER
NON-EXECUTIVE, INDEPENDENT

Board Member since July 2015, reappointed in 30 March 2021 AGM for a term of three years till 29 March 2024. Sheikh Khalid holds business management qualification from New York University, Abu Dhabi Campus. Sheikh Khalid Bin Saud Al Qasimi is also 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 BIN SAQR AL QASIMI
BOARD MEMBER
NON-EXEUTIVE, INDEPENDENT

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 a Board Member of RAK Porcelain LLC.

WASSIM ZUHAIR MOUKAHHAL
BOARD MEMBER
EXECUTIVE, NON-INDEPENDENT.

Board member since February 2016. Re-appointed in 30 March 2021 AGM for a three year term till 29 March 2024. Mr Moukahhal has more than 14 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 holds a MBA from the Wharton School at the University of Pennsylvania and a Bachelor's degree in Economics & Finance from McGill University.

FARAH ABDULLA MOHAMED AL MAZRUI
BOARD MEMBER
NON-EXEUTIVE, INDEPENDENT

Board Member since June 2021. Mrs. Farah Al Mazrui has more than 14 years of experience in financial advisory, strategy, investment as well as wealth management solutions to large Corporates, Families, Individuals and Governments. She holds BSc Hons -Economics from Queen Mary, University of London and MSc -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 Building Materials PJSC, National Bank of Umm Al Quwain and Etihad Aviation Group

ABDALLAH RASHED JASEM ALABDOULI
BOARD MEMBER
NON-EXECUTIVE, INDEPENDENT

Mr. Al Abdouli was appointed as a member of the board in November 2022 and rectified by the AGM held on 10th March 2023, to replace Mr. Khalid Al Eisri and to complete his term until 29 March 2024. Mr. al Abdouli is the Cheif Executive Officer of Marjan, a leading developer for freehold land in Ras Al Khaimah and a Board Member in RAK Properties PSC. 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 in Real Estate Investment Strategies from Harvard University.

B- Female representation in Board in 2023:

Farah Abdulla Mohamed Al Mazrui was appointed as a member of the Board of Directors at the meeting of the Board of Directors held on June 24, 2021. Thus, the Board fulfils the requirements of Article (9) paragraph (3) of the Authority's Board Chairman's Decision No. (3/R.M) for the year 2020 regarding the adoption of a governance guide for Public shareholding companies.

C- Remuneration of the members of the Board

Remuneration for members of the Board is proposed by the Nomination & Remuneration Committee and approved by the shareholders of the Company in General Assembly Meeting. Their remuneration is governed by the requirements of Article (29) of Resolution No. 3 of 2020 of SCA concerning Corporate Governance Rules and Corporate Discipline Standards, and Article (169) of Federal Law No. 26 of 2020 concerning the Commercial Companies.

1- Board remuneration for the year 2022 was AED **3,700,000**.

2- The proposed Board remuneration for the year 2023 is AED **3,700,000** which will be presented before the Assembly General Meeting which will be held on 26th March 2024 for their approval.

3- No attendance fees are paid to the members of the committees of the Board.

D- Meetings of the Board of Directors

Meetings of the Board of Directors are held regularly, or when requested by the Chairman, or when demanded by at least two third of members of the Board. Notice of a meeting is communicated to all Directors at least one week prior to the meeting. In this regard, any member can add a subject to the meeting agenda. The Company's Articles of Association also provide detailed information on the attendance, quorum, voting and meeting requirements.

In 2023, the Board held **Four (4)** meetings as follows:

Date of the meeting	Number of Attendance	Number of Attendance by proxy	Names of absent members
08 February 2023	7 Members	N/A	N/A
11 May 2023	6 Members	N/A	Farah Abdulla Mohamed Al Mazui
03 August 2023	7 Members	N/A	N/A
02 November 2023	6 Members	N/A	Fawaz Bin Suliaman A Al Rajhi

The attendance of members of the Board at these meetings and the General Assembly Meetings is as follows:

Attendance \ Date	08 February 2023	11 May 2023	03 august 2023	02 November 2023	AGM- 10 March 2023
Sh. Saqr Bin Saud Bin Saqr Al Qassimi	P	P	P	P	P
Sh. Khalid Bin Saud Bin Saqr Al Qasimi	P	P	P	P	P
Fawaz Bin Suliman A Al Rajhi	P	P	P	A	P
Sh. Saqr Bin Omar Bin Saqr Al Qasim	P	P	P	P	P
Wassim Zuhair Moukahhal	P	P	P	P	P
Farah Abdulla Mohamed Al Mazrui	P	A	P	P	P
Abdulla Rashid Jasem Al Abdouli	P	P	P	P	P

*: All Board Meetings / AGM had been *participated in person or through conference call.*

P: Present *A: Absent*

E- Number of the Circular Board resolutions passed during the year 2023:

N/A

F- Delegation to Executive Management:

In accordance with the corporate governance code issued by the SCA, the Board has adopted a clear policy on segregation of duties between the responsibility of the Chairman of the Board and the responsibility of the Chief Executive Officer (CEO) of the Company, whereby the Board assumes overall supervision for the strategic growth of the Company and provides direction through the approval of strategic initiatives, policies and objectives, while the day to day affairs of the Company are carried out by the executive management led by the CEO of the Company.

The CEO is appointed by the Board of Directors. The primary role of the CEO is to define and execute the business vision, mission, and strategy and manage the organization. He is responsible for the overall operations, profitability, and achievement of objectives set by the Board.

In line with this policy, the day-to-day operations of the Company are managed by Mr. Abdallah Massaad, CEO of the Company since June 2012. At the time of his appointment, the Board of Directors set the Delegation of Authority to the CEO and further updated it in February 2020. The following tables shows the delegations performed by the Executive Management pursuant to an authorization by the BOD:

Sr	Name of the authorized person	Delegation authority	Duration of Delegation
1	CEO	Financial	Valid till 2024
2	CEO	Operational	Valid till 2024
3	CEO	Capital Investment	Valid till 2024
4	CEO	Legal and Regulation	Valid till 2024
5	CEO	Administrative	Valid till 2024
6	CEO	General Powers	Valid till 2024

The Delegation is effective till the term of the present Board of Directors or is revoked by the Board.

The CEO is assisted in his duties by an experienced and qualified executive management team. Executive management of the Company is committed to strengthening governance framework in the organization by strict adherence to Company's policies and procedures.

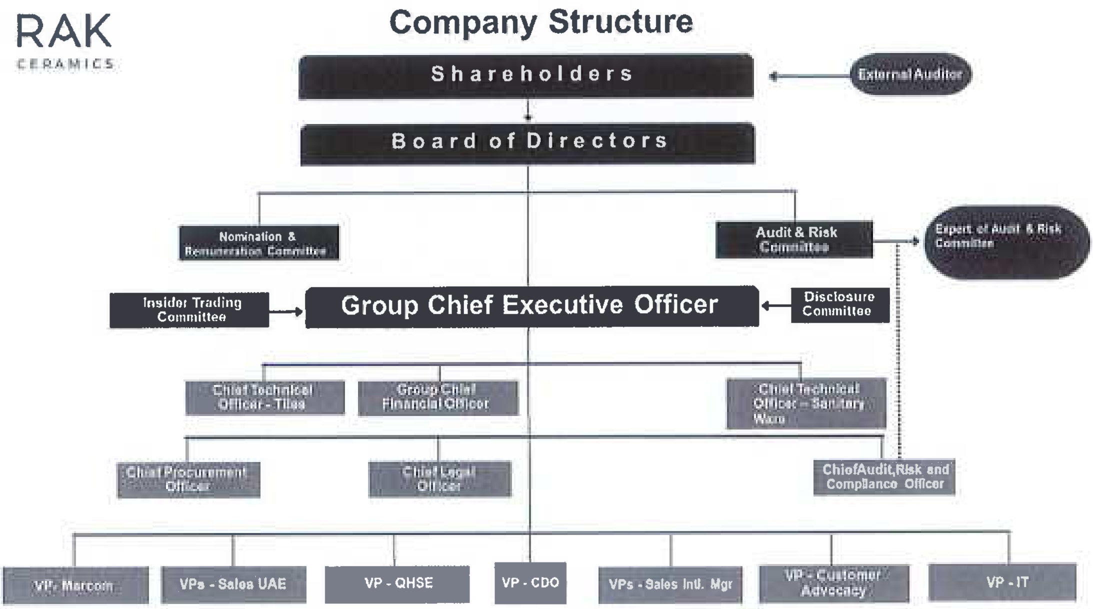
G- Dealing with the Related Parties:

The related parties represent some of the members of the Board of directors, major shareholders and key management. The details of the transactions which occurred in 2023 are as follows:

Related Parties: The Chairman and members of the Company Board, members of the Senior Executive Management of the Company, employees of the Company, and the companies in which any of such persons holds 30% or more of its capital, as well as subsidiaries or sister companies or affiliate companies.

Sr.	Related Parties	the Nature of relation	Type of transaction	Value of transaction
1	Wassim Zuhair Moukahhal	Board Member	Sell - Supply of Goods	66,602
2	Wassim Zuhair Moukahhal	Board Member	Buy - Supply of Services	1,020,000
3	Abdallah Massaad	Chief Executive Officer	Sell – Supply of Goods	60,437
4	Fawaz Suliman A Al Rajhi	Vice Chairman	Sell – Supply of Goods	139,062.93
5	Massa Imports Pty Ltd, Australia	Affiliate Company	Sell – Supply of Goods	8,201,196.68
6	Naranjee Hirjee Hotel Supplies, Oman	Affiliate Company	Sell – Supply of Goods	1,506,614.94
7	Naranjee Hirjee Hotel Supplies, Oman	Affiliate Company	Royalty Income	419,245.26

H-Organisation Structure



I- Names, positions, date of appointment and remuneration of Senior Executive Management as on 31 Dec 2023 in AED thousands:

Sr	Position	Appointed Date	Total Salaries including Allowances for the year 2023	Total Bonus paid for 2023	Any Cash Incentives / In-kind in 2023 Or will be due in Future for 2023
1	Group CEO	02 Jun 2004	3,188,800	-	-
2	Group CFO	17 Jul 2012	1,171,524	-	-
3	CTO – Tiles	24 July 2016	761,400		
4	CTO – SW	14 Mar 2022	708,000	-	-

The key management personnel are also paid company performance & profitability based incentive.

4- External Auditor

According to the Commercial Companies Law No.26 of 2020, and corporate governance code, the AGM appoints an independent external auditor for the fiscal year based on recommendations made by the Board. The AGM also approves the remuneration of the external auditors. The AGM held on 10 March 2023 appointed Deloitte & Touch (ME) as external auditors of the Company for the year ending on 31 December 2023. The external auditors are invited to the Audit & Risk Committee meetings and they also attend the AGM to present their report and answer shareholders' questions.

The external auditors conduct quarterly reviews of consolidated financial information and the annual audit of the consolidated financial statements in accordance with relevant international standards. The external auditors present their report to the Audit & Risk Committee of the Board and the AGM in compliance with the Laws of the United Arab Emirates.

In 2014, the Company instituted a non-audit services policy in relation to work that may be performed by the independent auditor to provide additional assurance that their independence is not impaired in accordance with the guidance provided of the Resolution No. 3 of 2020 of SCA Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies.

a- Overview of the External Auditor:

Deloitte & Touche is one of the largest professional services networks in the world, and one of the "big four" audit firms. Deloitte & Touche (ME) is a member of the Deloitte & touche Tohmatsu Group Ltd, a leading professional company in auditing, taxation, and financial consultation with more than 5,900 partners, directors and staff working in 26 offices in 15 Countries in Middle East and Cyprus (5 Offices within UAE) with a global network of connected companies in more than 150 countries. Deloitte & Touche provides high-quality services to its client in the public and private sectors in a wide range of economic fields by proposing effective solutions to the challenges facing their business.

b- External Auditors' Remuneration:

Audit Office Name & Partner Name	Deloitte & Touch (ME)/ Mr. Malcom Coates
Number of Years spent as an external auditor of the company	5 Years
Number of Years the partner spent in auditing the Company	2 Years
Total fees for auditing the Interim and Yearly financial statements for the year 2023	AED 940,000
Total fees for other services other than auditing the financial statement for the year 2023.	AED 1,350,164

Nature of other provided services.	Consulting on Transfer Pricing, ICFR gap assessment and Certification of unclaimed dividend till March 2015.
Description of the other Services provided by Other external Auditor rather than the Company Auditor for the year 2023	BDO International KSA for refund of customs duty.

c- A statement of the qualified opinions made by the external auditor in the interim and annual financial statement for 2023:

No qualified opinion on the interim or yearly financial statement

Board Committees

The Board is assisted by two permanent committees of the Board: Audit & Risk Committee (ARC), Nomination & Remuneration Committee (NRC). In addition, there are two internal committees assisting the Board: Insider Trading Committee and Disclosure Committee.

5- Audit & Risk Committee (ARC):

a- Acknowledgement:

Farah Abdulla Mohamed Al Mazrui, Audit & Risk Committee Chairperson acknowledges her responsibility for the Activities of the Committee in the Company, review of its work mechanism and ensuring its effectiveness.

b- Names of the Audit Committee Members as on 31 December 2023 and their Tasks:

- Farah Abdulla Mohamed Al Mazrui (**Chairperson**)
- Sh, Saqr Bin Omar Bin Saqr Al Qasimi (**Member**), and
- Abdallah Rashid Jasem Al Abdouli **(Member)**

- ✓ Philip Gore Randall **(Audit & Risk Committee Expert)**

Audit & Risk Committee Tasks:

The Committee shall perform the following tasks and duties:
1. Review the company financial and accounting policies and procedures.
2. Monitor and review the integrity of the Company financial statements and reports (annual, semi-annual and quarterly) and its control regulation as part of its normal operation during the year. It shall concentrate in particular on the following: a. Any changes in accounting policies and practices. b. Highlighting of the aspects subject to the management discretion. c. Ensure that the Company annually updates its policies, procedures and control systems. d. Substantive amendments resulting from the audit. e. Assumption of business continuity. f. Compliance with the accounting standards established by the Authority. g. Compliance with listing and disclosure rules and other legal requirements related to financial reporting.
3. Coordinate with the Company Board, senior executive administration, the financial manager or the manager delegated with the same duties in the Company, in order to perform its duties.
4.Consider any significant and unusual terms contained or to be contained in such reports and accounts, and shall give due consideration to any matters raised by the Group Chief Financial Officer, the manger delegated with the same duties, the compliance officer or the auditor.
5. Raise recommendations to the Board regarding the selection, resignation or dismissal of the auditor. In case the Board does not approve the ARC recommendations in this regard, the Board shall attach to the governance report a statement explaining the ARC recommendations and the reasons why the Board has not followed them.

6. Develop and implement the policy of contracting with the auditor, and submit a report to the Board, outlining the issues that it deems necessary to be taken, along with providing recommendations for steps to be taken.
7.Ensure that the auditor meets the conditions stated in the applicable laws, regulations and decisions and in the company articles of association, along with following up and monitoring its independence.
8. Meet the auditor of the company without presence of any of the senior executive management personnel or its representatives, and discuss the same with regard to the nature and scope of the audit process and its effectiveness in accordance with the audited standards.
9. Approve any additional works made by an external auditor for the company and the fees received in consideration for that works.
10. Examine all matters related to the auditor work, his work plan, correspondence with the company, his observations, suggestions and reservations, and any substantial queries raised by the auditor to the senior executive management regarding the accounting records, financial accounts or control systems, in addition to following up the response of the company management and provision of the necessary facilities to do his work.
11. Ensure that the Board responds in a timely manner to the clarifications and substantive issues raised in the auditor letter.
12. Review and evaluate the company internal auditing and risk management systems.
13. Discuss the internal auditing system with the Board, and make sure it performs its duty with regard to establishing an effective internal control system.
14. Consider the results of the main investigations regarding the internal auditing matters assigned to it by the Board or at the initiative of the Committee and the approval of the Board.
15. Review the auditor evaluation of the internal control procedures and ensure that there is coordination between the internal and external auditors.
16. Ensure of the availability of necessary resources for the internal auditing department, review and monitor the effectiveness of such department.
17. Examine internal auditing reports and follow up implementation of corrective actions of the observations contained therein.
18. Establish controls that enable the Company employees to report confidentially on any potential violations in the financial reports, internal auditing or other matters, and the steps to ensure making an independent and fair investigation of such violations.
19. Monitor the company compliance with the rules of professional conduct.
20. Review related party transactions with the Company, ensure that there are no conflicts of interest and raise recommendations about them to the Board before concluding them.
21. Ensure the application of the business rules of its functions and the powers entrusted to it by the Board.
22.Develop a comprehensive risk management strategy and policies that are consistent with the nature and volume of the Company activities, monitor its implementation, review and update it, based on the company internal and external changing factors.
23. Identify and maintain an acceptable level of risks that the Company may face, and ensure that the Company does not exceed such level.
24. Supervise the risk management framework of the company and evaluate the effectiveness of the framework and mechanisms of identifying and monitoring the risks that threaten the company, in order to identify areas of inadequacy and adequacy.
25. Provide guidance to management, as needed, to assist them in improving their risk management practices and / or mitigating certain risks, including the presence of qualified management personnel to carry out risk management activities effectively.
26. Obtain assurance from the executive management and internal audit that the risk processes and systems operate effectively with appropriate controls, in addition to compliance with approved policies.
27. Prepare detailed reports on the level of exposure to risks and recommended procedures for managing such risks, along with submitting them to the Board.
28. Make recommendations to the Board on matters relating to risk management.

29. Ensure of the availability of adequate resources and systems for risk management.
30. Report regularly to the Board on the Company risk profile and promptly inform the Board of any significant changes in the volume of the risk.
31. Verify that the risk management personnel are apart from the activities that may expose the Company to risks.
32. Submit reports and recommendations to the Board on the above matters mentioned.
33. Appointment and removal of Chief Audit, Risk & Compliance Officer and determining his responsibilities and compensation.
34. Consider any other matters determined by the Board.

To strengthen Corporate Governance, Internal Controls and for ensuring adherence to best practices, RAK Ceramics Board has engaged an Audit & Risk Committee Expert to provide the necessary advice and assistance to the Audit Committee. Mr. Philip Gore-Randall is the designated Audit & Risk Committee Expert. His brief profile is presented below:

PHILIP GORE-RANDALL

AUDIT & RISK COMMITTEE EXPERT

Philip Gore-Randall has many years of extensive experience at a senior level in large private and publicly held international organisations and has a portfolio of advisory and Board roles. He is currently Chairman of several international companies, Chairman of two Audit Committees of other businesses (including Samena Capital) and an adviser to several others. He spent most of his executive career at Andersen where he was an audit partner for 26 years; and where he ran the Firm's UK practice and subsequently became the Global COO. He is a UK Chartered Accountant and holds an MA from University College, Oxford.

c- Audit & Risk Committee Meetings

The Committee is required to meet once every quarter. The Committee held 4 meetings during the year 2023, as detailed below:

Meeting Date	Farah Abdulla Mohamed Al Mzrui	Sh. Saqr Bin Omar Bin Saqr Al Qasimi	Abdulla Rashid Jasem Al Abdouli
08 February 2023	P	P	P
11 May 2023	P	P	P
03 August 2023	P	P	P
02 November 2023	P	P	P

6- Nomination and Remuneration Committee (NRC)

a- Acknowledgment:

Fawaz Suliaman A AlRajhi, Nomination & Remuneration Committee Chairman acknowledges his responsibility for the activities of the committee in the Company, review of its work mechanism and ensuring its effectiveness.

b- Names of the Nomination and Remuneration Committee Members as on 31 December 2023 and their task:

- Fawaz Suliaman A Al Rajhi **(Chairman),**
- Sh. Saqr Bin Omar Bin Saqr Al Qasimi **(Member)**, and
- Abdulla Rashid Jasem Al Abdouli **(Member)**

* Mr. Abdulla Rashid Jasem Al Abdouli had been appointed in NRC in the Board of Directors meeting held on 11/05/2023

Nomination and Remuneration Committee (NRC) Tasks:

The Nomination and Remuneration Committee's primary functions are to:-

1. Develop a policy to apply for membership of the Board and Executive administration, taking into account gender diversity within the formation and encouraging women through incentive and training programs and benefits.
2. Organize and follow up the procedures for applying for membership of the Board in accordance with the applicable laws and regulations and the provisions of this resolution.
3. Ensure the independence of independent members on an ongoing basis.
4. Ensure availability of continuity of the membership conditions in the Board members annually.
5. Prepare and review the policy on granting rewards, benefits, incentives and salaries to the Board members and the staff therein, on an annual basis.
6. Ensure linking the remunerations and bonuses, including the other deferred options and remunerations and benefits offered to senior executive management in the performance of the company in the medium and long term
7. Annually review the required needs of the suitable skills for Board membership and prepare a description of the abilities and qualifications required for Board membership, including determining the time that the member should set for the Board work.
8. Review the structure of the Board and make recommendations regarding possible changes.
9. Identify the company needs of competencies at the level of senior executive management and staff and the basis of selecting them.
10. Prepare the policy related to human resources and training in the company and monitor its implementation, along with reviewing it annually.
11. Any other matters determined by the Board.

c- Nomination and Remuneration Committee Meeting

The Committee is required to meet once annually. The Committee held one (1) meeting during 2023, as detailed below:

Meeting Date	Fawaz Sulaiman A Al Rajhi	Sh. Saqr Bin Omar Bin Saqr Al Qasimi	Abdulla Rashid Jasem Al Abdouli
8 February 2023	P	P	P

P: Participated through Conference call*

7- Insider Trading Committee:

a- Acknowledgment:

Vibhuti Bhushan, Insider Trading Committee Chairman acknowledges his responsibility for the activities of the committee in the Company, review of its work mechanism and ensuring its effectiveness.

b- Names of the Insider Trading Committee Members as on 31 December 2023 and their Tasks:

- Vibhuti Bhushan, Group Chief Audit, Risk & Compliance Officer **(Chairman)**
- George Rabahie, Group Chief Legal Officer **(Member)**
- Pramod Kumar Chand, Group Chief Financial Officer **(Member)**

Insider Trading Committee Tasks:

The Insider Trading Committee's primary functions are:-

- Prepare a special and complete register for all Insiders
- Supervision of insiders' trading and their ownership.
- Conservation of official acknowledgment from the Company Insiders about the company internal information.
- Inform all the insiders about the regulations and legal responsibility through signing the official acknowledgement.
- Inform the insiders about the prohibited period.
- Notify SCA and the market of an update list of insiders.
- Submit a copy of the insiders register to the authority upon request.
- Comply with any other requirements specified by the authority.

Insider Trading Committee meetings:

The committee is required to meet once annually. The Committee held one (1) meeting during 2023, as detailed below:

Meeting Date	Vibhuti Bhushan	George Rabahie	Pramod Kumar Chand
18 May 2023	P	P	P

P: Participate

b- A Summary of Committee Activities in 2023:

- The Members had reviewed the registered insider list, and recommended to update the list for any addition or deletion of any employees or authorized person have access to any financial and materials matters.
- The Committee informed the insiders through official means of any materiality matters immediately upon their occurrence or at their knowledge, and on the dates of the prohibition period.
- The Committee reviews the monthly and periodically trading on the Company share, in order to ensure that the Insider are not trading on Company share during the prohibition period, or during the period of the materiality events.
- Submit a copy of the insiders register to the authority upon request.
- Update the Insider details on ADX website – RAK Ceramics PJSC portal.

8- Disclosure Committee:

a- Acknowledgment:

George Rabahie, Disclosure Committee Chairman acknowledges his responsibility for the activities of the committee in the Company, review of its work mechanism and ensuring its effectiveness.

b- Names of the Insider Trading Committee Members as on 31 December 2023 and their Tasks:

- George Rabahie, Group Chief Legal Officer & Board Secretary **(Chairman)**
- Vibhuti Bhushan, Group Chief Audit, Risk & Compliance Officer **(Member)**
- Pramod Kumar Chand, Group Chief Financial Officer **(Member)**

Disclosure Committee Tasks:

The Disclosure Committee's primary functions are:-

i. Ensure the accuracy, completeness and timeliness of the Disclosure of financial and non-financial information, ensuring that such information is properly communicated internally to allow timely decisions regarding required disclosure.
ii. Review and approve prior to public disclosure, the company's;
a. Annual Report and quarterly reports and any other information filed with the stock exchange/regulators.
b. Press releases containing financial information, earnings guidance, forward-looking statements, information about material transactions, or other information material to the Corporation's security holders.
c. Correspondence broadly disseminated to shareholders.
d. Other relevant communications or presentations (collectively, the "Disclosure Statements").
iii. In the case of b-d above, assess whether information concerning the Company should be disclosed to the market or not and also determine the substance of the market disclosure and when the disclosure must be made.
iv. Submit to the Board as soon as practicable (recognizing that disclosure issues are often time sensitive) the Committee's recommendations and, where appropriate, proposed disclosures to enable the Board to authorize such disclosures (modified as it may determine) or, if such is the case, to confirm that no disclosure is necessary or appropriate.
v. Review and advice on the scope and content of disclosure (including any selective disclosure permitted under applicable law).
vi. Determine on a timely basis the disclosure treatment of material information, overseeing the preparation of regulatory filings and assisting in the design, implementation and periodic evaluation of the adequacy and effectiveness of disclosure controls and procedures.
vii. Identify inside information for the purpose of maintaining the Company's insider list. viii. Determine whether to request in particular circumstances a trading halt or voluntary suspension of trading.
ix. Respond to any requirement from the stock exchange or regulators to disclose market sensitive information to correct or prevent a false market.
x. Resolve questions about the materiality and treatment of information.
xi. Evaluate and mandate website disclosure practices and other communication policies particularly with respect to financial or other market sensitive information.
xii. Ensure that a record is maintained of the Company's public disclosures.
xiii. Maintain a record of matters considered for disclosure but not disclosed.
xiv. Assess relevant and substantive market rumors or speculation concerning the Group and make recommendations as to what response, if any, should be made.
xv. Recommend appropriate employee training in respect of the handling of inside information and the Group's Disclosure Policy.

Disclosure Committee meetings:

The Committee held four (4) meetings during 2023, as detailed below:

Meeting Date	George Rabahie	Vibhuti Bhushan	Pramod Kumar Chand
07 February 2023	P	P	P
09 May 2023	P	P	P
31 July 2023	P	P	P
30 October 2023	P	P	P

P: Participate

8- Internal Controls

a- Board Responsibility

The Board assumes overall responsibility for internal controls in the Company including mandating the requirements, where appropriate, for policies, guidelines and controls (including authority levels and segregation of duties).

The executive management is responsible for the implementation of internal controls in co-ordination with the Heads of Functions, General Managers, Divisional Managers and domestic and overseas Branch Managers. The responsibility for implementing, and adhering to, efficient internal control systems in the Company rests with each employee.

b- Head of Internal Audit Department and Compliance Officer, Qualifications and the appointment date:

According to corporate governance requirements and the directions of the Securities and Commodities Authority, an Internal Audit Department has been established with sufficient independence and appropriate staffing to meet its obligations. The department reports to the Audit & Risk Committee of the Board.

The Internal Audit Department is headed by Mr. Vibhuti Bhushan, a CFA and MBA with more than 31 years of international working experience in the fields of internal audit, risk management, corporate governance and finance. Mr Bhushan also serves as Compliance Officer. **Mr. Bhushan was appointed on 14th April 2014.**

c- Work Mechanism of Internal Control and Dealing with Problems

The Board believes that the Group's internal control system provides reasonable assurance on the completeness, integrity, accuracy and presentation of financial information/ statements, safeguarding and preservation of assets, detection of fraud and compliance with applicable laws and regulations.

The Audit & Risk Committee, on behalf of the Board, reviews the system of internal control and assesses the framework by evaluating the work carried out by the internal control department and the external auditors. The Board confirms the adequacy of the existence of effective internal controls in the Group based on the recommendations and advice presented by the Audit & Risk Committee

Internal Audit Department conducts reviews of internal control systems in the Company and submits its assessment and recommendations to the Audit & Risk Committee and Board each quarter. The review process is in accordance with applicable international standards and Resolution No. 3 of 2020 of SCA concerning Corporate Governance Rules and Corporate Discipline Standards.

In 2023, the company did not face any problems with its internal controls.

d- Number of Report issued by Internal Control Department to Board of Directors:

4 Reports.

10- Violations Committed

During 2023, there were no instances of imposition of any fine for any violation by the Company.

11- Company's contributions in developing the community and protection the environment during 2023:

S. No	Sponsorship & Social activity	Amount in AED
1	Donation & Social Contributions	1,278,343
2	Medical assistance	717,739
3	Staff welfare activity for Eid Al Adha	22,025
4	CSR Activity on UAE Day	11,343
5	Sponsorship of sports tournament	10,581
6	Terry Fox Run donation & T-shirts	10,000
7	Sponsorship for RAK Municipality Magazine	4,000
8	Women's day & Christmas celebration	1,088
	Total	**2,055,118**

12- General Information

The Company reports financial results and other material information on the relevant webpage of Abu Dhabi Stock Exchange (ADX) at www.adx.ae. The Company also publishes invitations to General Assembly Meetings and other material information in English and Arabic newspapers.

The annual audited accounts and report of the Board are circulated to the shareholders at the General Assembly Meeting. The report of the Board is provided in the annual report, and includes Management Discussion and Analysis of periodic performance.

The quarterly financial statements of the Company are not sent to the individual shareholders of the Company, but are uploaded on the designated web page of Abu Dhabi Stock Exchange under Company symbol "RAKCEC" and also at the Company webpage www.rakceramics.com

a- Stock Market data for the period from 1st January to 31 December 2023 & Statement of the Performance of the Company's Share

Month	High	Low	Number of Shared Traded	Closing
January	2.92	2.76	10,274,393	2.79
February	3.00	2.76	13,069,370	2.90
March	2.90	2.65	11,762,274	2.69

Month	High	Low	Number of Shared Traded	Closing
April	2.71	2.50	11,766,065	2.62
May	2.69	2.56	19,472,987	2.60
June	2.77	2.60	13,309,291	2.68
July	2.72	2.66	12,092,108	2.69
August	2.76	2.51	29,658,548	2.53
September	2.65	2.50	14,877,847	2.60
October	2.62	2.37	8,771,498	2.43
November	2.54	2.42	9,644,301	2.46
December	2.68	2.45	10,477,422	2.67
Total			165,176,204	

b- Statement of the comparative performance of the company's share with the general market index and sector index during 2023

Index & Price	Open	Close	Difference
General Index	10,211.09	9,577.85	(623,24)
Industrial Sector Index	4028.64	3,271.41	(757.23)
RAKCEC Share	2.81	2.67	(0.16)

c- Distribution of Share Capital Ownership as on 31 December 2023:

Sr.	*Category*	*Percentage of shareholding (%)*			
		Individuals	*Companies*	*Government*	*Total*
1	*Local*	*25.62*	*48.29*	*5.02*	*78.93*
2	*Arab*	*5.53*	*7.22*	*0.00*	*12.75*
3	*Foreigner*	*0.83*	*7.49*	*0.00*	*8.32*
4	*Total*	*31.98*	*63.00*	*5.02*	*100*

d- Statement of shareholders owning 5% or more of the Company's capital as on 31 December 2023:

Sr	*Shareholders*	*Number of Shares*	*% of Holding*
1	Falcon Investment LLC.	205,182,167	20.65
2	Al Rajhi Partners LLC	75,110,169	7.56
3	Government of RAK	49,899,386	5.02
5	Other	663,512,236	66.77
	Total	**993,703,958**	**100**

e- Shareholders distribution as on 31 December 2023:

Sr	*Shares Ownership*	*Number of Shareholders*	*Number of Shares Owned*	*% of Shareholding*
1	Less than 50,000	883	7,570,231	0.77
2	From 50,000 to Less than 500,000	324	47,737,639	4.80

3	From 500,000 to Less than 5,000,000	83	131,169,620	13.20
4	More Than 5,000,000	32	807,226,468	81.23
	Total	1,322	993,703,958	100

f- Regulations of Investors Relation:

In 2015, the Company has established an Investors Relations Department and appointed a Head of Investor Relations. A separate section called Investor Center was also added to the Company's website (http://www.rakceramics.com/investors-center.php).

Head of Investor Relation Department and his Contact Details:

Investor Relations can be contacted on the following email addresses:

ir@rakceramics.com

Phone: +971 7 246 7297

The Link of the Investor Relations webpage on the website of the Company.

http://www.rakceramics.com/investors-center.php

g- Special Resolutions:

N/A

h- The Name of the Board Secretary and the date of his appointment:

In the Board of Directors Meeting held on 3rd August 2021, the Board appointed M/s BSA Ahmed Bin Hazem & Co as Board Secretary.

i- Materiality Events during 2023:

a) On 2nd August 2023, the Board of Directors approved a distribution of a semi-annual cash dividend of 10% per share for the period ended on 30th June 2023.

j- A statement of the transactions that the company has made with related parties during the year 2023 that are equal to 5% or more of the company's capital.

No Transactions

K- Statement of the percentage of Emiratisation at the company by the end of 2021, 2022 & 2023 (Percentage of Admin employees):

Year	%
2021	5%
2022	11.00%
2023	9.3%

L- Statement of innovative projects and initiatives undertaken by the company or under development in 2023:

In 2023, RAK Ceramics PJSC had Introduced innotech products :-

- Silky Matt Glazed Surface (soft matt surface finish with a nice smooth feel of touch like soft leather).
- Dry Granules Polishing for Glazed Products (a premium highly polished surface with high level of scratch hardness and stain resistance).
- Barefoot Soft (surface finish extremely pleasant to the touch and with an excellent anti-slip performance).
- Porcelain Tile Re-Use (100% Pre-Consumer Recycled Sustainable Porcelain Product).

We have been able to introduce also pressed extra large format tiles during the year :

- Pressed Extra Large Format Porcelain Tiles (Sizes : 120x120cm & 90x180cm)

Besides the use of innovative technology & special materials another area of achievement is, we are giving greater focus to our product designs taking it to the next higher level and thus we have been awarded Archiproducts Best Design International Awards during the year 2021 & 2022 & 2023 consistently for three years in a row by a jury of leading international figures in Architecture & Design, which is in recognition of design excellence.

13- Conclusion

RAK Ceramics is committed to respecting the rights of all its stakeholders through the adoption of the highest standards of governance resulting in transparency and integrity in all its dealings and disclosures.

The Board reinforces the concept of equal opportunity by the adoption of a remuneration and compensation policy that motivates all employees to continuously improve their performance in line with the strategic objectives of the Company. As a responsible corporate citizen, the Company actively promotes CSR initiatives and various other activities focused on giving back to and improving its communities. The Company continues to develop trustworthy relationships with its customers and all other stakeholders by establishing appropriate channels for receiving complaints and their resolution, enhancing its corporate governance, and managing the business with wisdom.

For RAK Ceramics PJSC,

Sheikh Saqr Bin Saud Al Qasimi Chairman of the Board of Directors	Farah Abdulla Mohamed Al Mazrui Chairperson of the Audit & Risk Committee	Fawaz Sulaiman A Al Rajhi Chairman of the Nomination and Remuneration Committee	Vibhuti Bhushan Chief Audit, Risk and Compliance Officer Director
DocuSigned by: 2451884A5ED54A0...	DocuSigned by: 8909AF1B43C549F...		

RAK CERAMICS PJSC
P.O. Box 4714
Ras Al Khaimah
U.A.E.
سيراميك رأس الخيمة ش.م.ع

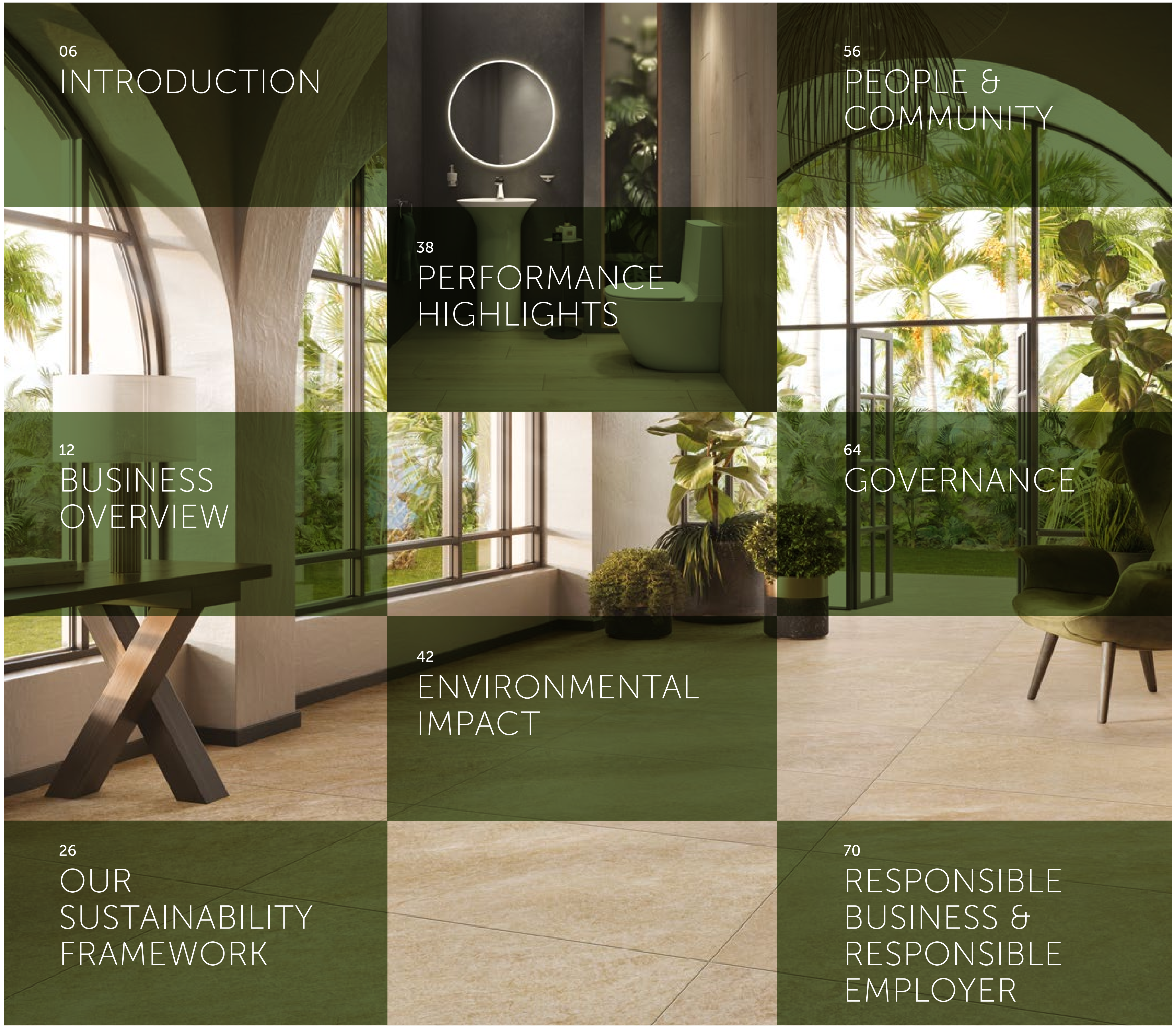

RAK
CERAMICS
ESG REPORT
2023

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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RESPONSIBLE BUSINESS & RESPONSIBLE EMPLOYER

INTRODUCTION

ABOUT THIS REPORT

Our 2023 ESG Report provides a comprehensive overview of our sustainability efforts from January 1 to December 31, 2023, primarily focusing on our UAE operations while also highlighting some of our global initiatives. It has been collaboratively curated by our Sustainability Working Group in conjunction with Senior Management and key stakeholders.

Aligned with global best practices, this report has been prepared in reference to the Global Reporting Initiative (GRI) Standards (2021). The GRI Content Index is available in the Appendix. Disclosures as per Abu Dhabi Stock Exchange's 31 Key Performance Indicators (KPIs) are given in the Appendix as well.

We continue to adhere to the United Nations Sustainable Development Goals (UN SDGs) and UAE National Strategies, such as UAE Net Zero 2050, UAE Climate Change Plan 2017-2050, and UAE Energy Strategy 2050.

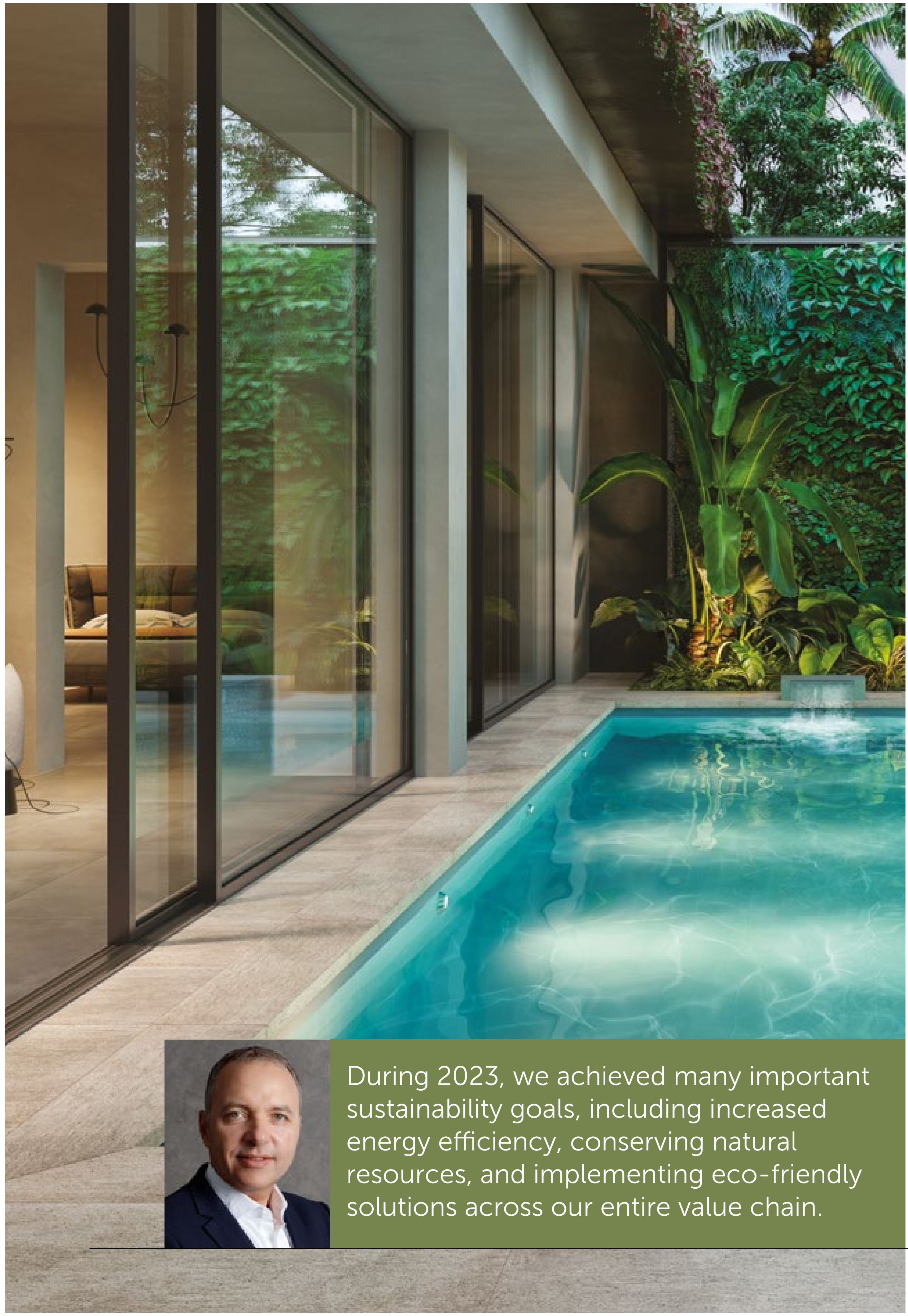
We are committed to issuing annual sustainability reports alongside our Annual Report and Corporate Governance Report, offering stakeholders a comprehensive understanding of our financial performance, governance practices, and risk management.

References to the "Group" include our operations in the UAE, Bangladesh, and India, including subsidiaries RAK Porcelain LLC, Kludi RAK LLC, and Elegance Ceramics LLC in the UAE.

We appreciate your interest in RAK Ceramics and our commitment to sustainability.

FURTHER INFORMATION

Please contact the Chief Legal Officer at **ESG.communications@rakceramics.com,** for any questions regarding this report or its contents.



During 2023, we achieved many important sustainability goals, including increased energy efficiency, conserving natural resources, and implementing eco-friendly solutions across our entire value chain.

Group CEO's Message

Dear Stakeholders,

I am pleased to share with you our Annual Summary for the year 2023, encapsulating the progress we have made in our journey towards sustainability and our commitment to Environmental, Social, and Governance (ESG) principles.

In the ever-evolving landscape of sustainability, RAK Ceramics PJSC remains committed in our dedication to making a positive impact on the world. Our shared value approach to ESG reflects our belief that success is not just measured by financial metrics but by the influence we exert on the environment and communities we operate in.

Building upon the strong foundation established in 2022, we are proud to announce ongoing investments and advancements in our manufacturing capabilities across key regions, including the UAE, Bangladesh, India, and Europe.

This strategic investment not only enhances our production capacity but also reflects our unwavering dedication to delivering excellence in quality, fostering innovation, and ensuring unparalleled customer satisfaction.

As we continue to invest and upgrade our manufacturing facilities, we not only enhance our production capacity but also broaden our product offering capabilities. This expansion allows us the flexibility to adapt our product mix in alignment with the dynamic changes in market demand and needs. This strategic approach positions us to be more responsive to market trends, ensuring that our product portfolio remains versatile and relevant.

Simultaneously, we are cognizant of our energy intensity, and, as part of our commitment to sustainability, we are actively investing in cutting-edge technologies to boost energy efficiency in our production processes.

This initiative not only aligns with our environmental stewardship goals but also contributes to increased operational efficiencies. The investment in technology enables us to optimize the consumption of energy and raw materials and also positions us at the forefront of sustainable manufacturing practices.

Our commitment to sustainability was prominently showcased at COP28 in UAE. RAK Ceramics actively participated in the Sustainability Showcase, playing a pivotal role in discussions around achieving net-zero emissions in challenging industrial sectors. We highlighted the transformative potential of innovation, emphasizing the critical role of technology in driving positive change.

As we navigate the future, our dedication to sustainability remains unwavering. We believe that our actions today will shape the world for future generations. We are committed to leading by example, continuously improving our practices, and putting humanity and nature at the core of our business.

Thank you for your continued support and partnership on this journey towards a more sustainable and responsible future.

ABDALLAH MASSAAD
Group CEO

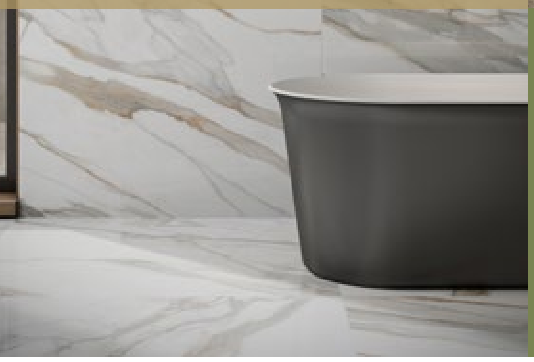
BUSINESS OVERVIEW

About RAK Ceramics

Leading lifestyle brand offering premium ceramic solutions

+30 YEARS
Ceramic expertise

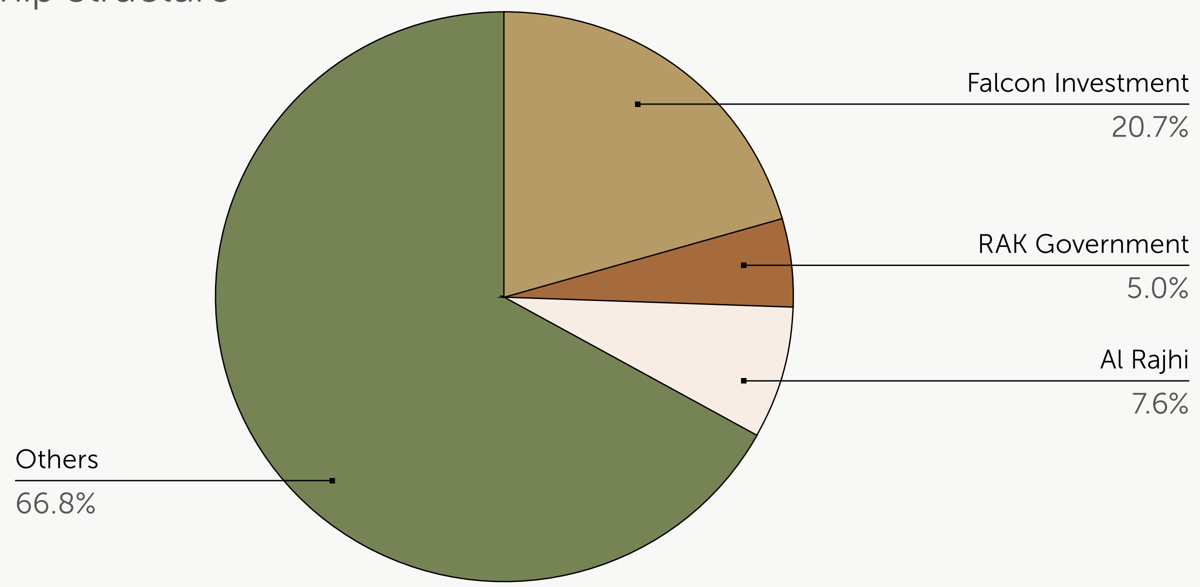
~ 11,260+
Global Workforce



US $0.8B
Market Cap.

~US $1B
Annual turnover

Ownership Structure



Product Lines

RAK
CERAMICS

TILES

We offer one of the largest collection of Ceramic and Gres Porcelain wall and floor tiles and super-sized slabs in the industry. Our Tiles are known for their premium design and quality.

SANITARYWARE

Complete solutions provider offering products designed to suit all budgets and tastes with **accessories and bathroom furniture.**

RAK
PORCELAIN

TABLEWARE

Products supplied to over **40,000** hotels in more than **165 countries** with clients including **JW Marriot, Hilton, Hyatt and Sheraton amongst others.**

KLUDI

FAUCETS

Eco-friendly faucets and bathroom fittings with a strong focus on water-saving technology, offering up to 60% saving on water consumption.

Economic Performance 2023

Positioned as a global leader in the ceramics industry, we specialize in crafting Premium Ceramic and Gres Porcelain Wall and Floor Tiles, Sanitaryware, Faucets, and Tableware. Operating from 23 state-of-the-art facilities scattered across the United Arab Emirates, India, Bangladesh, and Europe, we possess an impressive manufacturing footprint.

Based in the UAE, our outreach spans across more than 150 countries, facilitated by a robust network of operational hubs that stretch from Europe to the Middle East and North Africa, Asia, North and South America, and Australia. Our workforce, a mosaic of approximately 12,000 individuals representing over 40 nationalities, is the cornerstone of our global triumph.

As a publicly listed entity on the Abu Dhabi Securities Exchange, our yearly turnover remains sturdy, around US$1 billion.

In 2023, our journey through the post-pandemic landscape persisted with resilience and ingenuity, steering us towards strategic realignments in our business approach. This concerted effort yielded exceptional results, reaffirming our stance as an industry leader. Despite the hurdles encountered, we upheld remarkable gross margins by fine-tuning production processes and optimizing capacity utilization.

Regarding our manufacturing footprint, we continue to fortify the groundwork laid in 2022. Building upon the tiles renovation project initiated in the preceding year, in 2023 our capacity of Ceramics and Gres Porcelain (GP) Tiles manufacturing was 118 million square meters. Additionally, our Sanitary Ware capacity was 5 million pieces, while the Tableware capacity was 36 million pieces. Our steadfast dedication to delivering excellence in quality, innovation, and customer satisfaction remains unwavering as we chart the course for the future of the ceramics industry.

Economic Performance KPIs

-1.70%

Reduction in Sales (2022-23)

AED 320.9M

Net Profit

AED 647.4M

Total EBITDA

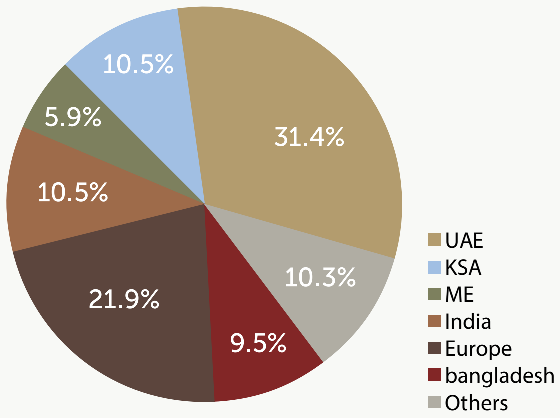
2.2x

Net Debt to EBITDA in 2023

Total Production

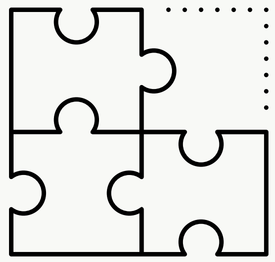
118M Square meters of tiles	5M pieces of sanitaryware
2.6M pieces of faucets	36M pieces of tableware

Total Revenue by Region



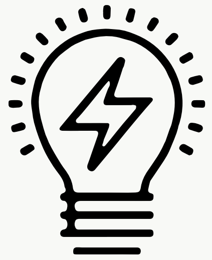
Our Philosophy Today

To become the world's leading ceramic lifestyle solutions provider



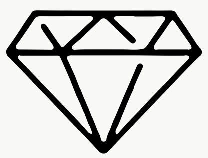
LIFESTYLE BRAND

We are a globally recognized ceramics lifestyle solutions provider.



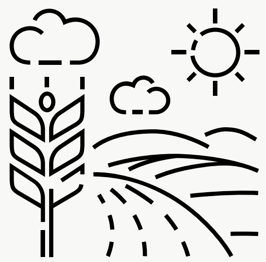
INNOVATION

Innovation is at the heart of our philosophy and we have continuously led the way in terms of product development.



HIGH-END QUALITY

We are known for our wide product range and our ability to produce premium quality products at a value price point.



SUSTAINABILITY

We operate in harmony with our local communities embracing safe and ethical work and aiming for a positive contribution to our environment.

Our History

1989

Founded by H.H. Sheikh Saud Bin Saqr Al Qasimi, Ruler of Ras Al Khaimah.

1991

Our first tile plant began operating with an annual output of 1,825,000 square meters of tiles.

1993

Our first sanitaryware plant began operating with an annual output of 350,000 pieces of sanitaryware.

2000

The opening of our tile plant in Bangladesh with an annual output of 3,650,000 sqm.

2004

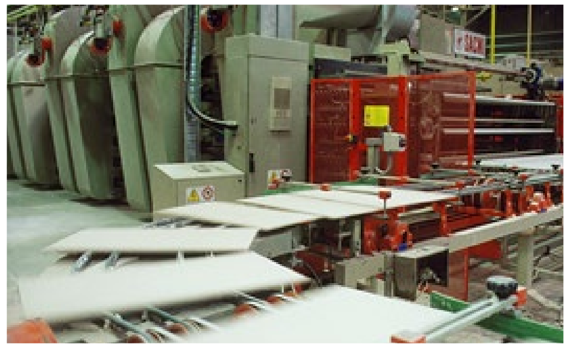
RAK Luminous, ability to glow in the dark & RAK Slim, a thickness of just 4.5mm are introduced.

2006

Our 10th UAE tile plant with an annual output of 16,425,000 square meters of tiles.

2007

Kludi RAK was established, producing exquisite designer and water saving faucets.



2010

Producing 115 million sqm. of tiles per year, we became the world's largest ceramics brand.

2012

1 billion square meters of tiles supplied to projects around the world.

Launch of Maximus Mega Slab, a super-sized slab.

2016

The launch of the new RAK Ceramics global brand identity.

2019

The partnership with sanitaryware designers.

2020

RAK Ceramics celebrates 30 years of success.

2021

RAK Ceramics collaborates with international fashion brand to launch bathroom and surface collection.

2022

RAK Ceramics inks 100% KLUDI acquisition deal.

2023

RAK Ceramics pioneers sustainable logistics by partnering with DHL and Rail Direct - Etihad.

RAK Ceramics participates in COP28

Awards 2023

IN 2023, RAK CERAMICS HAS RECEIVED RECOGNITION FOR ITS EXCELLENCE AND RECEIVED SEVERAL AWARDS SPANNING INNOVATION, SUSTAINABILITY AND INDUSTRY LEADERSHIP, AS DISCUSSED BELOW.

Middle East and North Africa Stevie Awards 2023 - Excellence and Innovation

In the Middle East and North Africa Stevie Awards 2023, RAK Ceramics clinched the Stevie Gold Honorary Award for Excellence and Good Reputation, as well as the Stevie Silver Award for Excellence in Innovation in Manufacturing Industries.

Ministry of Industry and Advanced Technology Score

RAK Ceramics achieved one of the highest digital maturity scores from the Ministry of Industry and Advanced Technology, affirming the company's commitment to technological advancement and innovation.

BKU Awards 2023 - Best Sanitaryware Brand

RAK Ceramics was honored with the prestigious title of 'Best Sanitaryware Brand' at the BKU Awards 2023, recognizing the company's excellence and leadership in the sanitaryware sector.

CEO Today ME Awards 2023 - Outstanding Leadership in Manufacturing, UAE

Group CEO of RAK Ceramics Mr. Abdallah Massaad receives Outstanding Leadership in Manufacturing, UAE from CEO Today.

Construction Innovation Awards 2023 - Ceramics and Tiles Brand of the Year

RAK Ceramics received recognition at the Construction Innovation Awards 2023, one of the region's foremost events celebrating the accomplishments of construction professionals.

Design ME Awards - Fitting Specialist of the Year and Ceramics and Tiles Brand of the Year

KLUDI was awarded the "Fitting Specialist of the Year". RAK Ceramics was recognized as the "Ceramics and Tiles Brand of the Year"

Silver Impact Seal from Majra - Environmental Stewardship

Acknowledging our dedication to environmental stewardship, RAK Ceramics was presented with the Silver Impact Seal from Majra, in recognition of our efforts to minimize environmental impact through responsible sourcing and efficient manufacturing processes.

Awards 2023 (contd.)

Archiproducts Design Awards 2023 - CookingRAK

CookingRAK, RAK Ceramics' invisible induction cooktop, was honored with the Archiproducts Design Awards 2023, underscoring the company's commitment to innovative and aesthetically pleasing product design.

The Make it in the Emirates Awards - Industrial Excellence

RAK Ceramics participated in The Make it in the Emirates Awards, a prestigious national awards program recognizing excellence and innovation in the industrial sector. Additionally, our Group CEO served as a senior jury member, contributing to the recognition of outstanding industrial achievements.

Mixology - Bathroom Product of the Year

At Mixology 2023 hosted by Mix Interiors in London, RAK-Petit was honored with the prestigious "Mixology Bathroom Product of the Year" award, recognizing its innovative design and contribution to the bathroom product industry.

Eco Label Sustainability Certificate by RAK EPDA

RAK Ceramics earned the prestigious Eco Label Sustainability Certificate from RAK EPDA, recognizing our commitment to sustainable practices and environmental responsibility.

MoIAT Certification - National In-Country Value Program

As part of our dedication to the National In-Country Value (ICV) Program, RAK Ceramics received certification from the Ministry of Industry and Advanced Technology (MoIAT), reaffirming our commitment to local economic development.


IN-COUNTRY VALUE CERTIFICATE

Certificate ID: 120442
Issue Date: 09.02.2023
Valid Until: 05.04.2023

R.A.K Ceramics P.J.S.C

53.13%

LivingEtc Style Award - Rak-Valet Bathroom Range

The Living Etc Style Award was bestowed upon RAK Ceramics for its RAK-Valet bathroom range, recognizing the range's modern and stylish design, reflecting the latest trends in bathroom aesthetics.

Luce - Ideal Home Best Kitchen Surface

RAK Ceramics' Luce product line was awarded the Ideal Home Best Kitchen Surface accolade, highlighting its excellence in kitchen surface design and functionality.

OUR SUSTAINABILITY FRAMEWORK

Our Sustainability Commitment

"We are dedicated to leveraging our products and expertise to create a sustainable world jointly in collaboration with our customers, partners and wider community. We prioritize key initiatives that have multiplier impact via decarbonization, sustainable products and circularity, high performing workforce, sustainable procurement, community investment and sustainability governance."

At RAK Ceramics, our unwavering commitment drives us to make a meaningful impact on society, extending beyond manufacturing premium-quality products. We are dedicated to fostering a sustainable society by leveraging our expertise and resources for positive change.

We are 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.

Due to the change in market demand, we have shifted our tiles manufacturing to increased GP production, which is more resource intensive. To offset this and more, we have been making strides in reducing our consumption of resources through various initiatives outlined in this report.

Innovation and creativity are ingrained in our organizational culture, fueling our pursuit of groundbreaking ideas. We cultivate an environment that encourages imagination, curiosity, and innovation, enabling us to challenge norms and drive positive change within our industry and beyond.

At RAK Ceramics, our commitment to creating a sustainable society permeates every aspect of our operations. We take pride in leveraging our products and expertise to make a positive impact, and we invite you to join us on this journey towards a better world.

Our Stakeholders

Engaging with our stakeholders is integral to our sustainability efforts. We actively collaborate with them to identify our key areas of focus and assess our progress in each of these areas.

1. STRATEGIC PARTNERS

Engagement Areas: Financial performance, value creation, transparency & disclosure, climate change and energy use, sustainable products.

Outcome of Engagement: Regular updates on strategy and developments.

2. BUSINESS PARTNERS

Engagement Areas: Product quality and cost, climate change and mitigation, product innovation, partnerships, customer satisfaction, relationship management.

Outcome of Engagement: Cost optimization, environmental initiatives, investment in product innovation.

3. TALENT COMMUNITY

Engagement Areas: Rewards and benefits, career development, health and safety, community involvement, employee well-being and development, diversity, equity, and inclusion.

Outcome of Engagement: Employee goal setting, induction program for new starters.

4. SUPPLY CHAIN COLLABORATORS

Engagement Areas: Reputation, building partnerships, timely payments, supply chain management, sustainability.

Outcome of Engagement: Fostering long-standing partnerships, quality control, ethical practices.

5. REGULATORY PARTNERS

Engagement Areas: Environment Vision 2030, UAE Centennial 2071, UAE Net Zero 2050, UAE Energy Strategy 2050, National Climate Change Plan of the UAE 2017-2050, UAE Strategy for the Fourth Industrial Revolution.

Outcome of Engagement: Alignment with UAE National Vision, compliance with applicable regulations.

6. COMMUNITY PARTNERS

Engagement Areas: Building partnerships, social impact, community engagement.

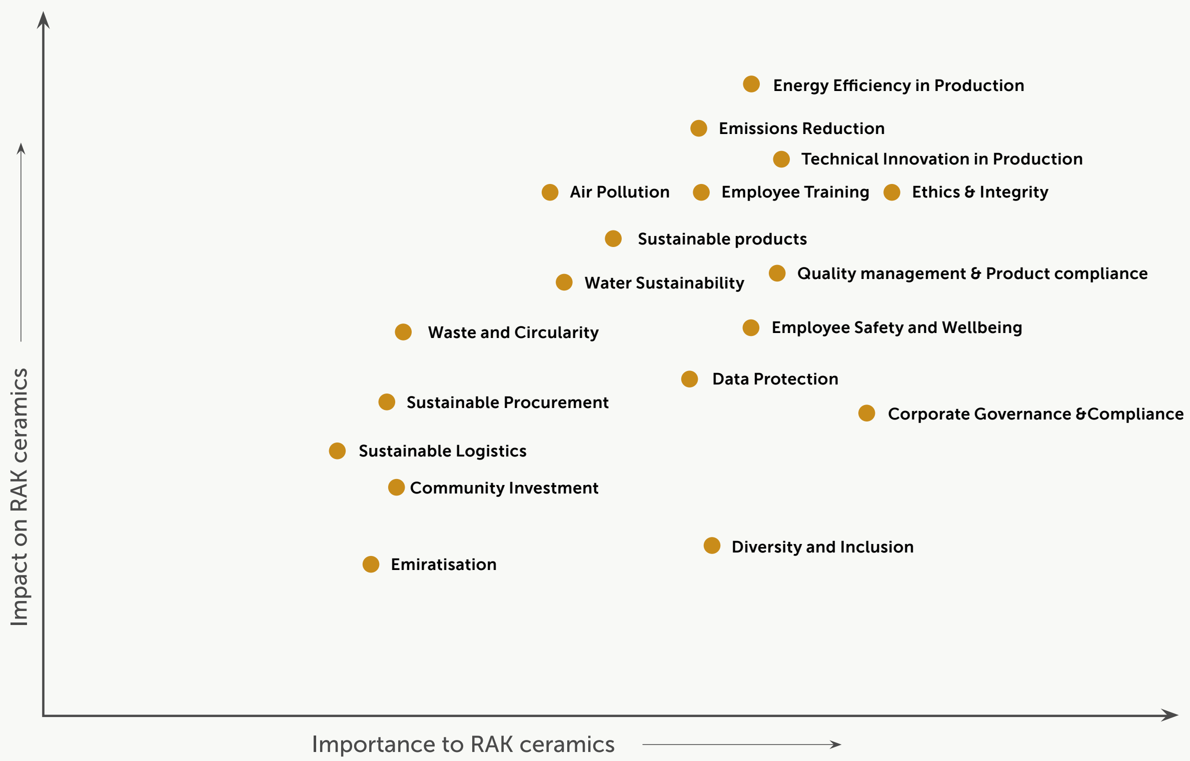
Outcome of Engagement: Sponsorship, participation in community events, volunteering.

Our Sustainability Pillars & Material Topics

Our report 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. The results of our materiality analysis highlight the profound importance we attach to all these imperatives. With our unwavering commitment to advancing sustainability, we are confident in our journey towards emerging as frontrunners in sustainability leadership in the coming years.

List of Material issues

1. Ethics & Integrity
2. Corporate Governance & Compliance
3. Energy Efficiency in Production
4. Water Sustainability
5. Waste and Circularity
6. Sustainable Logistics
7. Air Pollution
8. Emissions Reduction
9. Employee Safety and Wellbeing
10. Emiratisation
11. Diversity and Inclusion
12. Employee Training
13. Responsible & Sustainable Procurement
14. Community Investment
15. Data Protection
16. Technological Innovation in Production
17. Quality management & Product compliance
18. Sustainable products/ Environmentally friendly products

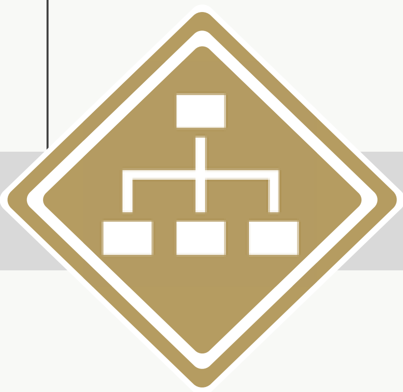


Our Sustainability Pillars & Material Topics (contd.)

Our 18 materiality topics are organized under 4 pillars, which forms the basis of our Sustainability Framework. These pillars allow us to strategically design initiatives, assign resources, and monitor & report our progress towards sustainability.

Governance & Best Practices

- Ethics & Integrity
- Corporate Governance & Compliance
- Data Protection



Our People and Community

- Employee Safety & Wellbeing
- Diversity & Inclusion
- Emiratisation
- Employee Training
- Community Investment

Environmental Impact

- Energy Efficiency
- Water Sustainability
- Waste & Circularity
- Sustainable Logistics
- Air Pollution
- Emissions Reduction

Responsible Business, Responsible Employer

- Product Quality & Compliance
- Sustainable & Responsible Procurement
- Technological Innovation in Production
- Sustainable Products

Commitments towards our Material Topics

Overview of Sustainability Investments

We are committed to continuous improvement and reviewing our sustainability performance to update our targets. In 2022, we made investments worth AED 4.5 million in state-of-the-art manufacturing technologies and sustainability programs. In 2023, we continued investing towards reducing the resource intensity of our new product mix, with a total of over AED 16.9 million in 2023 across our 4 product segments.

Overview of Commitments

Our sustainability commitments for each of our material topics are outlined below:

Sustainability Pillar & Material Topic		Commitments
Pillar 1: Environmental Impact		
1	Energy Efficiency in Production	Improve the energy efficiency of production through manufacturing innovation.
2	Water Sustainability	Optimize water consumption and improve circularity and use of treated wastewater.
3	Waste and Circularity	Innovate in manufacturing process to optimize use of raw materials and improve re-use of waste in production and final products.
4	Sustainable Logistics	Optimize shipping routes to reduce emissions.
5	Air Pollution	Implement best technologies to reduce air pollutants.
6	Emissions Reduction	Implement a range of initiatives, such as manufacturing innovation and improving accuracy and completeness of emissions calculations, to effectively reduce emissions.
Pillar 2: People & Community		
7	Employee Safety and Wellbeing	Provide a safe and healthy working environment for all our employees to thrive.
8	Employee Training	Create an environment where our employees can continuously develop and improve their capabilities and are recognized for their contributions.
9	Diversity and Inclusion	Foster a diverse and inclusive environment where every employee feels valued, respected and empowered to enable creativity, innovation and employee satisfaction.
10	Emiratisation	Invest in the development and progress of UAE nationals by providing them with employment opportunities, support with their growth, and empower them to contribute to the nation's workforce and sustainable development.
11	Community Investment	Use our position as a large global manufacturing company to serve the communities in which we operate.
Pillar 3: Governance		
12	Ethics & Integrity	Conduct business with transparency and accountability, and ensure highest standards of ethics and integrity.
13	Corporate Governance & Compliance	Maintain clear processes and procedures to ensure the the highest standards of corporate governance and compliance, in-line with international and industry best practices.
14	Data Protection	Safeguard our customer data and digital assets by embedding robust data protection processes in our operations.
Pillar 4: Responsible Business & Responsible Employer		
15	Responsible & Sustainable Procurement	Undertake initiatives to improve sustainability in our supply chains and integrate sustainability considerations in procurement processes.
16	Technological Innovation in Production	Continuously innovate and push boundaries to enhance integration of technologies in our production.
17	Product Quality and Compliance	Implement and ensure the continuous improvement of our Quality Management System to manage market needs, risks and opportunities.
18	Sustainable Products	Design and develop production processes and products that consume resources responsibly.

Alignment with SDG Targets

RAK Ceramics has aligned efforts for our business strategy and project pipeline with United Nations Sustainable Development Goals 3, 5, 6, 7, 8, 10, 12, 13 and 16.

SDG	Most relevant targets	Our Strategic Objectives
3 GOOD HEALTH AND WELL-BEING	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all 3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination	Health & Safety Policy and Governance. Health & Safety Awareness. Employee Health Benefits.
5 GENDER EQUALITY	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life	**Leadership Representation:** Increase the representation of women in leadership positions across all levels of organization, focusing on achieving gender balance in decision-making roles. **Bias-Free Environment:** Implement policies, training and initiatives to address unconscious bias, stereotypes and discrimination, ensuring a fair and inclusive work environment that provides equal opportunities for career advancement.
6 CLEAN WATER AND SANITATION	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity	Optimize water consumption and improve circularity. Aiming to achieve water stewardship certification.
7 AFFORDABLE AND CLEAN ENERGY	7. a By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.	Increase energy efficiency of production. Aiming to achieve ISO 50001 certification.
10 REDUCED INEQUALITIES	10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality	Wellbeing of our employees.
8 DECENT WORK AND ECONOMIC GROWTH	8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors	Improve economic performance YoY.
	8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead	Use resources responsibly in production processes.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.4 By 2030, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment.	Increase energy efficiency of production. Aiming to achieve ISO 50001 certification.
13 CLIMATE ACTION	13.2 Integrate climate change measures into national policies, strategies and planning	Increase energy efficiency of production. Emissions reduction & decarbonization.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	16.2 End abuse, exploitation, trafficking and all forms of violence against and torture of children 16.5 Substantially reduce corruption and bribery in all their forms 16.6 Develop effective, accountable and transparent institutions at all levels 16.b Promote and enforce non-discriminatory laws and policies for sustainable development	Sustainable & Responsible Procurement approach includes zero tolerance towards child labour. Corporate Governance present. Code of Conduct present.

Policies & Sustainability Governance

OUR SUPPORTING POLICIES

Our sustainability commitment is underpinned by a robust framework supported by comprehensive policies and procedures. We maintain various management certifications to ensure the highest standards in our manufacturing processes and sustainability endeavors. Presently, we hold ISO 9000 certification for Quality Management and ISO 14000 certification for Environmental Management, signifying our dedication to continual improvement and addressing market needs, risks, and opportunities.

- **Quality Management Policy:** Continual improvement is our focus to meet market needs effectively.
- **Environmental Health & Safety (EHS) Policy:** EHS practices are integrated into all operations, ensuring compliance and fostering continuous improvement.
- **Energy & Sustainability Policy:** We prioritize energy efficiency and sustainability through innovation and sustainable practices.
- **Waste Management Guidelines:** Comprehensive guidelines are in place to manage various waste streams effectively.

OUR SUSTAINABILITY GOVERNANCE

To ensure sustainability remains a top priority across our organization, we've established a dedicated cross-departmental sustainability group. This group strategically directs our efforts and allocates resources to promote sustainability throughout all aspects of our operations.

Our company is structured into four core segments: Tiles, Sanitaryware, Faucets, and Tableware. Each segment takes ownership of sustainability within their respective areas and implements targeted initiatives to drive positive environmental and social impact. Additionally, departments including EHS, MARCOM, HR, Internal Audit, Legal, Finance, and IT provide coordination and support as needed.

Our QHSE team manages Health & Safety, oversees Environmental Management, Quality, Compliance, and Sustainability Certifications, and plays a crucial role in managing Sustainable Products to ensure they meet high sustainability standards.

The Marketing team coordinates Sustainable Products, Product Development, Community Initiatives, and Customer Management, promoting sustainable practices and innovation while engaging stakeholders to drive positive change.

Our HR department focuses on employee training and well-being initiatives to nurture a skilled and healthy workforce, fostering an inclusive and supportive environment that empowers employees to contribute to our sustainability goals.

Governance initiatives are overseen by our Leadership and Internal Audit teams, ensuring sustainable practices are embedded throughout our organization, monitoring compliance, driving continuous improvement, and upholding governance standards aligned with our sustainability objectives.

Digital Transformation and Data Protection are managed by our IT team to optimize technological systems for efficiency and security while supporting sustainability efforts.

Each department maintains sustainability data according to their specific responsibilities, with coordination and support from our legal and EHS teams. Through comprehensive collaboration, we strive to embed sustainable practices at every level of our organization, working together to achieve sustainability goals and create a positive impact on the environment, society, and stakeholders.

Associations

RAK Ceramics is a founding member of the Emirates Green Building Council, which supports the development of sustainable buildings in the UAE. The UAE Ministry of Environment and Water (MoEW) awarded the company with the Environmental Performance Certificate (EPC) in recognition of its successful efforts to comply with environmental protection standards and regulations. We were also honoured by the Emirates Securities and Commodities Authority (SCA) for complying with good governance and transparency according to international best practices.

We also work closely with Environment Protection and Development Authority (EPDA-RAK), the local government body tasked with protecting and preserving the environment and biological diversity in its natural environment. The partnership includes joint research and making recommendations to conserve the environment within which we operate. EPDA and RAK Ceramics also deliver joint training programmes on environmental and health and safety issues.

RAK Ceramics is associated with Emirates Environmental Group (EEG) which is a professional working group devoted to protecting the environment through the means of education, action programmes and community involvement. RAK Ceramics actively participates in various CSR programmes concerned with environmental protection and responsible waste management, organized by EEG in order to contribute positively to the advancement of sustainable development in the UAE. More information on CSR programmes can be found in the section on Community Investment.

We are a Founding and Corporate member of the **Emirates Green Building Council.**

We support the promotion and development of sustainable buildings in the UAE.

Initiatives for 2024

- Continue to work toward ISO 50001 and Water Stewardship certification.
- Set up comprehensive sustainability governance across the group to manage material topics.

Key KPIs

-3.37%
Reduction in energy intensity of Tiles production compared to 2022 (per GJ/m2)

-20.46%
Reduction inenergy intensity of Sanitary Ware sales of (GJ / 000 AED)

12.17%
Increase in use of treated wastewater in Tiles production compared to 2022 (over 70% since 2020)

5.37%
Increase in treated wastewater compared to 2022 (100% of wastewater is treated and partially used on-site)

32.24%
Reduction in volume of non-hazardous waste generatedcompared to 2022

100%
Of all non-hazardous waste is either reintroduced in production or recycled by 3rd parties

36,297.8 tons
CO2e avoided by reducing imports of 276,265 tons of raw materials annually

75%
of all suppliers are locals

80%
of all our packaging is recycled and/or recyclable

120,822
hours of training completed by employees in UAE

10%
Emiratisation Rate in 2023

29.93%
Females in administrative roles

Success Stories

1. SMART FACTORIES

At RAK Ceramics, we aim to be on the forefront of technological innovation and continuously invest in state-of-the-art manufacturing technologies and sustainability programs across all our product lines.

In 2023, we launched a Smart Factory to maximise production efficiencies and enable savings in energy consumption.

2. TILES MADE FROM 100% RECYCLED MATERIAL

At RAK Ceramics, innovation is at the heart of our philosophy and we have continuously led the way in product development.

Through a high focus on Research & Development (R&D), we are now able to produce tiles that are produced from 100% recycled material. These tiles are made by recycling the generated waste from different manufacturing processes including Tiles, Sanitary Ware, Tableware, and Effluent Treatment Plant (ETP).

Our tile with 100% recycled material is called Porcelain: Reuse Quartz.

3. INCREASE INTRAINING HOURS

At RAK Ceramics, we are committed to creating an environment where our employees can continuously develop and improve their capabilities.

In 2023, we undertook several technical training programmes, both in classroom settings and on-the-job. Examples of trainings include our Casters Development Program, Manufacturing Excellence Training Programs, Sales and Service Excellence programs and Train the Trainers certification for 5S.

In 2023, our training hours totalled to 120,822.

PILLAR 1:
ENVIRONMENTAL IMPACT

Summary of Initiatives by Product Line

TILES	
Production Process	Sustainability Initiative
Muda	• Use of MUDA materials generated from Tiles, Sanitary Ware and Tableware • Use of wastewater in body preparation area and treated wastewater from ETP
Crushing	• Increase of crushing capacity through modification of existing ceramic clay crusher and installation of new crusher
Atomising/ Spraying	• R&D and gradual increment in slip density to reduce gas consumption • Cogeneration of energy • Upgradation of gas turbines • Heat recovery • Upgradation for utilization of kiln hot air
Pressing	• Recovery of powder loss
Firing	• Thermal emission refractory coating to reduce heat loss and energy consumption. • Redistributing the energy losses.
Drying	• Heat recovery from Kiln • Upgradation of heat recovery duct from kiln to vertical driers
Polishing	• Recycling the polishing sludge to use in the production
Squaring	• Recycling the squaring powder to use in the production
Packing	• Eco-wrap reduces the carton usage to pack the final products.
Electrical Overall	• Variable Frequency Drives (VFD) installations in all plants across different departments • VFDs in sea water pump house • New cooling water installation

SANITARYWARE	
Production Process	Sustainability Initiative
Sanitaryware manufacturing	
Body Preparation	• 100% recycling of greenware rejects. • Recycling of final rejects from manufacturing
Glaze Preparation	• Recycling of waste glaze
Casting	• Utilisation of waste heat from the kilns in drying wares. • Use of High pressure, Medium pressure & Low pressure (Spagless) casting methods to reduce requirement of LNG for drying moulds and to use less water per unit produced.
Kiln	• Recycling of hot combustion air by using waste heat from kilns for energy saving • Use of energy efficient burners
Moulding	• Product engineering for reducing weight (raw material) and process losses.
Sorting	• Use of recycled water for functional testing of finished products
Electrical & Mechanical	• Maximized use of Variable Frequency Drives in plant equipment • Implement energy saving opportunities in the air compressors • Energy efficient motors for higher loads
Toilet Seat and Cover manufacturing	
ABS Seat & Cover	• 100% recycling of greenware rejected materials
Packing	• Use of recyled materials to make packaging products

Summary of Initiatives by Product Line (contd.)

TABLEWARE	
Production Process	Sustainability Initiative
Body & Glaze Preparation	• Recovery of surplus raw materials • 100% production wastewater recycling • Use of finished and semi-finished products (rejections) in specified % for body preparation
Casting	• 100% production wastewater recycling • Rejections (semi-finished pieces) reuse
Biscuit Firing	• Using X-plates to improve the efficiency of firing with lesser energy consumption • Using the heat from hot pipe for aiding combustion (waste heat recovery)
Glazing	• 100% production wastewater recycling
Glost Firing	• Using X-plates to improve the efficiency of firing with lesser energy consumption • Using the heat from hot pipe for aiding combustion (waste heat recovery)
Decoration	• Make to order to avoid wastage
QC / Sorting & Foot Grinding	• 100% production wastewater recycling • 100% of rejections (finished pieces) are recycled and reused
Packing	• Packaging policy in place for use of only recyclable or compostable or reusable materials for packaging • Use of only packaging boxes/cartons made of 100% recycled paper (will be introduced soon, 2024)
Electrical & Mechanical	• Installation of Variable Frequency Drive to factory equipment for energy saving • Well planned Preventive maintenance for equipment and machines ensure the efficient working of our machines and there by optimizing emissions reduction.
General	• Dust collectors with dust filters are installed for dust generating equipment and areas • Optimized use of natural sunlight for lighting the factory. Skylight roofing are placed throughout manufacturing space, allowing natural light to pervade the workspaces and thereby reducing the energy consumption for lights.

FAUCETS	
Production Process	Sustainability Initiative
Sand Core	• Re-using the direct scrape sand from the machine by reprocessing and reducing the waste disposal
CNC	• Peeling tools (Bull nose and ball nose) are replaced by insert tools thereby saving the cycle time. So the advance process is applied for time-saving.
Grinding	• In the grinding belt consumption of -320 grit, production qty increased by double. So the waist belt disposal is reduced.
Electroplating	• All machinery parts are equipped with sensors and control monitors for each level. Rejected parts are used for surface quality analysis. So this will reduce the wastage or rework.
ETP	• Implemented the water treatment system and reused the treated water.
Assembly	• Lean applied, for more production with timesaving.
Packing	• Some cartons are re-used for sample packing. • Use only recyclable, compostable, and reusable materials for packaging.
All waste disposals	• All wastes are separated by category and disposing by proper source. (General, Special & hazardous waste)
Electrical Overall	• Almost all the departments are equipped with Variable Frequency Drives installations in all plants across different departments
Assembly – Accessories Packing	• Reduced manpower to 2 persons from 4 person at accessories packing section by introducing automatic packing machine.

Energy Efficiency in Production

OVERVIEW

As a manufacturing company producing four product segments - Tiles, Sanitaryware, Faucets, and Tableware - we acknowledge our significant energy intensity and the pivotal role we play in energy conservation and climate change mitigation. Consequently, we prioritize efforts to reduce our energy consumption by investing in technologies that enhance the energy efficiency of our production processes.

We implement multiple environmental initiatives to enhance energy efficiency and reduce our environmental footprint. Firstly, we operate two cogeneration plants with gas turbines, maximizing efficiency by utilizing exhaust air for ceramic spray dryers, thereby significantly reducing natural gas consumption and emissions. Secondly, we recover thermal energy from roller kilns using a heat recovery system, minimizing energy loss through flue gas and cooling gas exhaust stacks. Additionally, we piloted replacing chillers with cooling towers to decrease power consumption, and we have upgraded our power plant by replacing heavy fuel oil engines with natural gas engines, reducing carbon emissions and increasing on-site electricity generation. These efforts collectively contribute to our commitment to sustainability and energy conservation.

Between 2022 and 2023, our energy consumption witnessed a 6.38% increase from 6.52 PJ to 6.94 PJ, while our energy intensity of sales increased by 8.45% from 1.86 GJ / 000 AED to 2.01 GJ / 000 AED. The increase in energy consumption is owning to several factors, but the major factor is related to the change in product mix, with more volumes of GP tiles being produced due to market demand.

GP tiles are more energy and water resource intensive to produce. In 2023, RAK UAE achieved its highest-ever GP production of 28.20 million M2, with a Red Body:GP ratio of 43:57, leading to an overall increase in energy consumption. This shift in production necessitated the closure of certain plants, resulting in a 36.4% reduction in dry milling production and subsequent impacts on power and gas usage. Additionally, the increased thickness of GP tiles by 33% has led to higher gas consumption in the GP production process.

A new frit manufacturing plant is being set up in order to reduce consumption of imported frits from different regions by in-house manufacturing through locally available raw material and material from neighbouring countries. This will be a step further towards sustainability by increasing utilization of locally available raw materials and reducing CO2e due to reduction in imported frits.

Going forward, from 2024 onwards, we will continue to place a high focus on reducing the resource intensity of GP tiles production, given the market shift. This will cement our place a dynamic sustainability leader.

6.38%

Increase in Energy Consumption compared to 2022

9.62%

Increase in Natural Gas Consumption compared to 2022

-34.25%

Reduction inDiesel Consumptioncompared to 2022

8.45%

Increase in Energy Intensity of Sales compared to 2022

-99%

Reduction in purchased electricity compared to 2022

3.15%

Increase in Electricity Intensity of sales compared to 2022

Initiatives for 2023

We are currently upgrading our procedures and policies, and in 2023, we aim to achieve the ISO 50001 certification.

TILES PRODUCTION

As one of the largest tile producers in the world, we recognize our responsibility to take active efforts to reduce our emissions and contribute to climate action.

Numerous energy efficiency initiatives have been integrated into our tile production operations to optimize resource usage and reduce environmental impact. These include the application of refractory coatings on thermal vessels to lower ambient temperatures and enhance heat absorption, as well as the implementation of auto air regulators and oxygen analyzers to ensure efficient combustion and minimize energy losses. Vulcan burners and fuel-saving catalysts have been deployed to improve fuel burning efficiency, while X-Plate technology facilitates more effective combustion within furnaces.

Despite maintaining consistent fuel intensity for GP in 2021-22, a 10% increase was observed in 2022-23, attributed to changes in product mix, market shift towards increased GP production and optimization activities.

In 2023, focusing our efforts for sustainable operations, we executed 32 projects resulting in significant fuel and energy consumption reduction. These projects saved us 17,700 MMBTU fuel and 301,000 kWh. One of our biggest initiatives in 2023 was the setting up of a new, smart, and efficient manufacturing unit (Plant 2) which gave us a productivity boost of 16%, reducing its power consumption by 5% and gas consumption by 7.2%.

Across all our plants, multiple initiatives were undertaken in order to improve sustainability in our current operations and for 23 such key initiatives undertaken in 2023 we invested close to 15.17 millio.

Looking ahead, 14 additional initiatives are planned for 2024 to further enhance energy efficiency. Moreover, the establishment of smart factory operations and the conversion of red body sizing from wet to dry milling processes demonstrate our ongoing commitment to reducing power, gas, and water consumption while increasing productivity and sustainability across our operations.

Specific initiatives to reduce energy include setting up smart factory operations, which included the installation of new production facility with single line operation. Productivity increased by 16% compared to 2018 capacity. This resulted in reduction in power and gas consumption by 5.05% and 7.22% respectively. Another initiative we undertook to reduce power and gas as well as water was conversion of red body size from Wet Milling process to dry milling process which will continue into 2024.

-3.37%

Reduction in energy intensity of tiles production compared to 2022(per GJ/m2)

POWER SAVINGS

301,000 kWh

estimated savings as a result of 10 power savings initiatives executed in 2023

62 tons CO_2e

Reduction in emissions

THERMAL SAVINGS

17,700 MMBTU

savings in gas as a result of 8 thermal savings initiatives executed in 2023

885 tons CO_2e

Reduction in emissions

Energy Efficiency in Production (contd.)

SANITARY WARE PRODUCTION

We are committed to becoming a leader in the industry with regards to bathroom solutions that are innovatively designed, are of high-end quality, and sustainably produced.

In 2022, we explored and implemented several initiatives to support reduction in power consumption. These include development of silicon carbide setters to improve volumetric efficiency, piloting ANCORA burners to reduce gas consumption, use of our patented technology – X-plates, and investing in several modifications for our equipments such as for dust collectors, spray booth, capacitor bank and pre-dryers.

In 2023, we scaled our efforts towards sustainable operations and undertook several initiatives to reduce our power consumption. Our biggest initiatives were our investment in one of the largest tunnel kilns in the industry and the retrofitting of some of our kilns with the latest technologies to reduce fuel consumption.

Other initiatives to reduce power consumption include, SMART controlled compressors, VFD installations & modifications, dust collector integration, energy efficient motors, blowers for casting, smart ceiling fans and dust collectors. We undertook several in-house modifications and fabrications of equipment such as for setters, control panels, conveyors, mold sensor support, regulators, moulding plates, slip tanks, motors and casting machines to improve productivity of production processes and energy consumption.

As a result of the aforementioned initiatives, we saw significant results in 2023. The energy intensity of sales (GJ / 000 AED) reduced by 20.46%. Our gas consumption reduced by 2.24% per unit. Another major achievement we achieved in 2023 was the electricity savings experienced in our compressors. Between Jan and Dec 2023, energy consumption in air compressors fell by nearly half. However, our overall energy consumption (GJ / unit) increased by 1.26%. This increase was largely due to base load operations that were required while adjusting to lower market demand.

-20.46%

Reduction inenergy intensity of sales (GJ / 000 AED)

1.26%

Increase in energy intensity of production (GJ / unit)

-2.24%

Reduction in fuel consumption per unit (MMBTU / unit)

FAUCETS PRODUCTION

Amidst a significant expansion in production capacities and notable productivity enhancements in chrome production, RAK Ceramics has successfully upheld similar power consumption levels and reduced energy intensity.

Despite a substantial increase in production capacities, with output rising from 0.5 million to 1.5 million units and producing 3000 pieces in 10 hours compared to 1600 previously, RAK Ceramics has managed to maintain similar power consumption levels at this elevated scale of production.

Additionally, improvements in chrome production productivity were achieved. These collective efforts resulted in an impressive 48.78% reduction in the energy intensity of faucets production, reflecting our commitment to enhancing energy efficiency while scaling up operations.

1.88x

Increase in output of pieces per hour compared to 2022

-48.78%

Reduction in energy intensity of production compared to 2022

TABLEWARE PRODUCTION

In 2023, RAK Ceramics achieved significant reductions in energy intensity within its tableware production.

There was a notable decrease of 2.84% in the energy intensity of tableware sales and a 6.31% reduction in the energy intensity of tableware production processes. To further enhance energy efficiency, we initiated the installation of Variable Frequency Drives (VFD) on 34 machines and equipment, a project initiated in 2022.

This endeavor resulted in a commendable 1.69% reduction in electricity consumption, contributing to our ongoing efforts in sustainability and resource efficiency.

-7.02%

Reduction in fuel consumption per unit compared to 2022

-2.84%

Reduction in energy intensity of sales compared to 2022

-6.31%

Reduction in energy intensity of production compared to 2022

Closed Loop Manufacturing System Overview

We have implemented a Closed Loop Manufacturing System to optimize water & waste across the production processes for all our product lines.

WE TREAT 100% OF OUR WASTEWATER AND PARTIALLY REUSE IT ON-SITE

- We have 3 Effluent Treatment Plants (ETP) that treated 0.9 M m3 and 1.03 M m3 in 2022 and 2023 respectively
- In addition, we have 1 Sewage Treatment Plant (STP) that treated 223,074 m3 and 188,081 m3 of wastewater in 2022 and 2023 respectively.
- Approximately 100-125 m3 of wastewater is discharged per hour from factories, which undergoes preliminary treatment and is injected with coagulant and flocculant. The wastewater is filtered and separated into recycled water & sludge. Part of the recycled water is distributed to the factories, and the wet sludge is dried & reused in production. Between 70-75% of sludge is used by Tiles.
- Over time, we have been reducing our freshwater consumption and since 2020, approximately 70% of all water consumption is from recycled water.

100% OF NON-HAZARDOUS WASTE IS EITHER REINTRODUCED IN PRODUCTION OR RECYCLED BY 3RD PARTIES

- In Tiles production: 85-90% of waste from Tiles is reintroduced in Tiles itself, including Fired Tiles, Green Tiles, Squaring Waste Powder and Polishing Sludge. Tiles also uses waste from other production processes and the ETP.
- In Sanitaryware production: From the total waste generated from Sanitary Ware plant, 100% Greenware Waste is recycled and reintroduced within Sanitary Ware raw material production . 16.7% of Fired Ware rejects is reprocessed and reintroduced with raw material production, while the remaining fired wastes moved to Tiles plant process. 92.5% of waste glaze materials is also recycled and introduced in Raw glaze production and the remaining is forwarded to common ETP.
- In Table Ware production: 80% of rejected pieces are reintroduced in production and 20% is forwarded to Tiles.
- In Faucets production: 100% of rejected pieces are reintroduced in Faucet production itself.

Water Sustainability

We operate 3 Effluent Treatment Plants, 1 Sewage Treatment Plant and 1 Desalination Plant

In 2023, our water sustainability efforts remained a focal point of our environmental stewardship initiatives.

Despite a 7.44% increase in water intensity of sales, reflecting the shift to the production of a more resource-intensive product GP, we demonstrated a significant commitment to managing our water resources responsibly. Notably, we treated 10.38% more wastewater in our three Effluent Treatment Plants (ETPs) and saw a 5.37% increase in total wastewater treated on-site compared to 2022. Impressively, 100% of all our wastewater continues to be treated on-site, ensuring compliance with regulatory standards and minimizing environmental impact. While there was a decrease of 15.69% in wastewater treated in our Sewage Treatment Plant (STP), this was complemented by a noteworthy 39.79% increase in desalinated water treated compared to 2022. These performance metrics underscore our ongoing commitment to water sustainability, reflecting our dedication to environmental conservation and responsible resource management.

Initiatives for 2024

Continue working towards achieving the Water Stewardship certification by SAS Global.

7.44%

Increase in water intensity of sales

10.38%

Increase in wastewater treated in our 3 ETPs compared to 2022

5.37%

Increase in total wastewater treated compared to 2022

100%

Of all our wastewater is treated on-site.

-15.69%

Reduction in wastewater treated in our STP compared to 2022

39.79%

Increase in desalinated water treated compared to 2022

Water Sustainability (contd.)

TILES PRODUCTION

Our overall water intensity of tiles production (m3 / unit) has increased from 0.027 to 0.039 between 2022-23. The increase in water consumption is attributed to greater production of GP Tiles, which is more water intensive to produce. Although the production of a more water-intensive product caused our water consumption to increase, we actively implemented initiatives to reduce water consumption, reuse water and reduce spillages and wastage of water. Examples of initiatives include reutilization of wastewater in body preparation area and setting up auto cutoff system /sensors in glaze lines and polishing.

12.17%

Increase in treated water consumption compared to 2022

SANITARY WARE PRODUCTION

We continue to strive to reduce the water intensity of our sanitary ware production and sales.

In 2023, we increased the water intensity of production by 10.24%. However, we observed a reduction in the water intensity of sales by 13.4%

10.24%

Increase in water intensity of production compared to 2022

-13.40%

Reduction in water intensity of sales compared to 2022

TABLEWARE PRODUCTION

Tableware production increased by 13.7% in 2023, accompanied by plant upgrades within our factory premises. These upgrades led to a notable 20% rise in water consumption. Despite this increase, concerted efforts were made to mitigate water usage, resulting in a marginal 5.56% rise in the water intensity of tableware production. Notably, this increase in water intensity remained lower than the overall rise in water consumption, underscoring our commitment to efficient resource management and sustainability in our operations.

5.56%

Increase in water intensity of production compared to 2022

FAUCETS PRODUCTION

Efforts were dedicated to curbing water consumption in faucets production as we expanded our capacities.

These endeavors yielded promising results, with a notable 31.8% reduction observed in the water intensity of our production processes. Moreover, to further enhance sustainability practices, we implemented a wastewater reuse system within our facility. This system repurposes wastewater for irrigation, toilet flushing, as well as for use in boilers and chillers, contributing to our environmental objectives. Consequently, there was a significant increase of 19.88% in the utilization of wastewater across various functions within the facility, reflecting our commitment to maximizing resource efficiency and minimizing environmental impact.

-31.8%

Reduction in water intensity of production compared to 2022

19.88%

Increase in wastewater utilization

Waste & Circularity

Our approach to managing waste

In 2023, we remained dedicated to waste reduction and circularity through a multifaceted approach that maximized in-house resources and minimized environmental impact. Leveraging internal capabilities such as carpentry, photo studio facilities, and skilled manpower, we undertook various marketing activities, including the production of marketing tools such as MDF and wooden base displays, showroom renovations, and creative enhancements for Tiles and Sanitaryware products. This initiative not only resulted in significant cost savings but also reduced transportation requirements, thereby minimizing CO2 emissions. Additionally, we adopted a more sustainable approach to promotional materials by reducing the printing of catalogues and reports by 40% globally. Instead, we embraced digital alternatives such as E-catalogues, USB drives, and product information delivered via email links and newsletters.

We also implemented strategic initiatives aimed at optimizing waste management processes. Introducing third-party vendors in collaboration with the central store team facilitated the collection of recyclable materials from general and special waste bins, resulting in the collection of 159 tons of recyclable waste. This endeavor not only generated revenue of 31,687 AED from the sale of recyclable waste but also led to substantial savings of 4,650 AED in municipality disposal and operational charges. Moreover, the introduction of third-party vendors for non-recyclable waste, including items like used tires and expired fire extinguishers, further bolstered the company's waste management efforts. This initiative generated additional revenue of 11,340 AED and saved 8,752 AED in disposal and operational charges. Overall, these initiatives resulted in direct revenue generation of 43,027 AED and total savings of 56,429 AED.

By embracing these initiatives, RAK Ceramics demonstrates its ongoing commitment to waste reduction, sustainability, and environmental stewardship, contributing to a more circular and environmentally responsible business model.

100%

of non-hazardous waste is either reintroduced in production or recycled by 3rd parties

We have

ZERO WASTE

to Landfill (Non-hazardous waste only)

5.82%

Increase in Raw materials in 2023 compared to 2022

-34.24%

Reduction in volume of waste generatedin 2023 compared to 2022

-32.91%

Reduction in Waste Intensity of Sales in 2023 compared to 2022

Initiatives for 2024

Continue to reduce raw material intensity and increase use of waste in production processes.

Waste & Circularity (contd.)

How we manage waste in our production processes

TILES PRODUCTION

In 2023, RAK UAE achieved its highest-ever GP Tiles production of 28.20 million m2, with a Ceramic:GP ratio of 43:57. Furthermore, there was a notable increase in the recycled content of GPG, rising from 11.30% in 2022 to 13.46% in 2023, accompanied by a 2.16% increment in the usage of MUDA from its original formulation.

In our tiles production, we prioritize the utilization of waste materials, with 85-90% of our own generated waste, including Fired Tiles, Green Tiles, Squaring Waste Powder, and Polishing Sludge, being recycled. Additionally, waste from other manufacturing processes such as Sanitary Ware, Tableware, and ETP is repurposed, marking a significant milestone achievement. We diligently monitor glaze wastage and recycle it by reintroducing it into the production process.

Through the above, we have increased the average recycled content of our tiles. In 19 of our tile products we increased recycled content from 4.8%-13% in 2022 to 5%-13.46% in 2023. Moreover, we have made strides in producing tiles made entirely from 100% recycled material, exemplified by our line, Porcelain: Reuse Quartz.

We continue our commitment to recycling MUDA, with 87.69% of generated MUDA currently being utilized, while the remaining 12.31% is stocked for future use. Out of the total 1,281,500 tons of material consumed in 2023, 15.28% constituted MUDA consumption. It's important to note that the utilization of polishing sludge decreased in 2023 due to changes in the CERAMICS:GP ratio.

87.60%

of all MUDA was recycled in 2023

Through intensive R&D

We have reduced the imported raw materials to

78.5%

With increment in local raw materials to

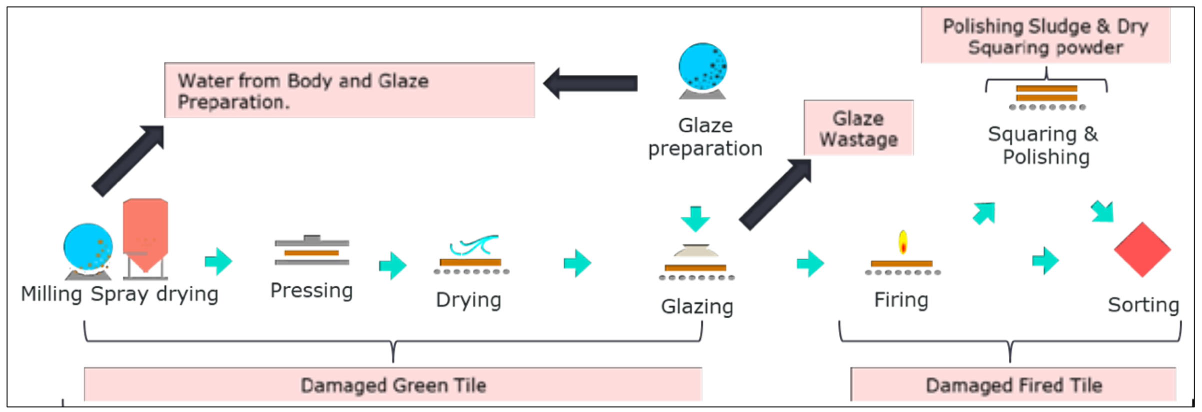
6%

and increased MUDA content to

15.4%

Recycled Input Materials (generated from Tiles production & ETP only)	2021	2022	2023
ETP sludge	90~95 %	70~75%	85~90%
Fired tiles	75~75 %	90~95%	85~90%
Polishing sludge	25~30 %	85~90%	55~60%
Green tile	90~100 %	90~95%	95~100%
Squaring waste powder	80~90 %	85~90%	95~100%

Volume of waste recycled into Tiles manufacturing



How we reintroduce waste in Tiles manufacturing

How we manage waste in our production processes

SANITARYWARE PRODUCTION

In 2023, we undertook several initiatives to improve resource efficiency, reduce waste and improve circularity within Sanitary Ware production. These include undertaking a large re-engineering project to reduce the weight our products by 12% and increase yield by 34%. This project has supported reduction in raw materials, waste as well as energy consumption.

Our circularity efforts are evidenced by the % of waste we reuse in our production. In 2023, we reused 16.7% of fired sanitaryware rejects, 100% of greenware sanitary ware rejects and 92.5% of reclaimed glaze that we generated.

Further, we made efforts to reduce raw materials as evidenced by the reduction of engobe usage by 31% and reduction in glaze consumption by 2.4 tons. To reduce end-user waste, we reformulated our Fireclay products to make them "craze" resistant. We are piloting a new project "RAK-Skin" that aims to upcycle products into higly decorative pieces by transforming the classic sw aesthetic into a unique, modern and very trendy concrete look.

Additionally, we set up the RAK Ceramics Sanitary Ware Training Academy and trained employees on yield improvement and reducing defects and losses. We also set up the 5S improvement system to monitor and support H&S and reduce losses.

100%

Greenware sanitaryware rejects are reintroduced in production

-31%

Reduction in engobe usage in 2023

Recycled Input Materials		2021	2022	2023
Fired Sanitaryware	Re-used Fired Sanitary ware rejects (as % of production)	2%	2%	2%
	Re-used Fired Sanitary ware rejects (Tons)	1,066.6	1,143.5	842.5
	Total Fired Sanitaryware rejects generated (Tons)	4,059	6,593	5,046
	Re-used Fired Sanitary ware rejects (as % of total generated)	**26.3%**	**17.3%**	**16.7%**
Green Sanitaryware	Re-used Greenware Sanitary ware (as % of production)	20%	25%	25%
	Re-used Greenware Sanitary ware (Tons)	13,332	19,210.8	14,154
	Total Green Sanitaryware rejects generated (Tons)	13,332	19,210.8	14,154
	Re-used Greenware Sanitary ware rejects (as % of total generated)	**100%**	**100%**	**100%**
Raw Glazes	Re-used reclaimed glaze (as % of production)	45.94%	44.14%	40.02%
	Re-used reclaimed glaze (Tons)	2,458.96	2,660.2	2,001.5
	Total reclaimed glaze generated (Tons)	Data not available	2,665.55	2,164.1
	Re-used reclaimed glaze (as % of total generated)	**N/A**	**99.8%**	**92.5%**

Waste & Circularity (contd.)

How we manage waste in our production processes

FAUCETS PRODUCTION

We utilize all raw materials, and reintroduce 100% of all rejected pieces back into production.

In 2024, we focused heavily on circularity initiatives, for example reusing 100% of our scrap sand, 90% of quartz sand, reusing grinding belts and dead stock in our production. These have enabled use to reduce raw material consumption and improve diversion.

100%

of all rejected pieces are reintroduced in faucets production

TABLEWARE

100%

Of all rejected pieces are reintroduced in Tableware production, with 20% being forwarded to tiles

7%

Recycled waste in products in 2023, an increase from 5% in 2022.

Additional initiatives include restructuring damaged cartons to be used for supporting packing as separators, fillers etc. Additionally, in 2024, we aim to reduce and optimize our packaging.

Sustainable Logistics & Air Pollution

SUSTAINABLE LOGISTICS

E-BIKES INITIATIVE

We have 85-bikes around all our plants to support our employees with convenient travel and to minimize the usage of regular cars. This reduces car emissions, noise pollution, poor air quality and urban congestion.

-1.4M KM

reduction in road movement resulting in

-1,844.9 tons

CO_2e emissions avoided in 2023

Achieved reduction of material movement by

-0.89M KM

through substitution towards multi-modal transport in 2023

REDUCTION IN ROAD MOVEMENT

We focus optimising logistics and warehousing in addition to enhancing inventory control and management.

In 2022, we achieved a reduction in road movement of 1.4 million kilometers, leading to a reduction in ~150,000 imperial gallons of diesel and savings of 1,884.9 tons CO2e of emissions. Further, in 2022, we saved 182.6 tons CO2e of emissions, by replacing 3 diesel operated forklifts with battery operated trucks.

In 2023, we further reduced movement of materials by 0.89 million kilometers, by engaging in multi-model transport and including sea and rail in routes.

AIR POLLUTION

In 2023, we have intensified our efforts to maintain superior air quality standards and minimize dust emissions within our operations. Proactive measures undertaken throughout the year have led to notable improvements in pollutant levels compared to 2022. Our comprehensive air emissions monitoring program continues to ensure compliance with regulatory requirements. Key findings reveal significant decreases in pollutant concentrations across various processes and the power generation facility. Notably, concentrations of , Sulphur dioxide (SO2) and Nitrogen Oxides (NOx) have decreased compared to the previous year. This demonstrates our unwavering commitment to environmental stewardship and underscores our dedication to maintaining a clean and healthy environment for all stakeholders. The reason for the increase in CO and TSP levels is due to the increased in natural gas consumption, and increase in material handling and transport due to additional factories in operation respectively.

Pollutants	mg/Nm3 Ave./hr.	
	2022	2023
NOX	3713.1	2351.03
SOX	417.86	346.68
Total Suspended Particles (TSP)	425.17	446.24
CO	1417.5	1946.87

Emissions

OVERVIEW

As a manufacturing company, we recognize our role in reducing emissions to combat climate change. Hence, our efforts are geared towards improving our environmental stewardship throughout our value chain, sourcing our raw materials sustainably, and operating our manufacturing processes as efficiently as possible. Our choices on equipment and production processes are centered around reduction and efficient management of resources.

EMISSIONS RESULTS 2021-23

We have been reporting our carbon emissions since 2019. In 2022, we updated our emission calculation methodology to align with the UNFCCC calculator. In 2023, we calculated our emissions as per this methodology as well.

In 2021-22, our emissions increased by 1.98% and emissions intensity of sales decreased by 17.14%. In 2022-23, our emissions increased by 4.48% and our emissions intensity of sales increased by 6.60%. Key highlights on our emissions 2021-23 are discussed below:

SCOPE 1 EMISSIONS

Between 2021-22, our Scope 1 emissions increased by 9.97% and compared to 2022, our Scope 1 emissions increased by 7.84%. This is due to an increase in natural gas, owing to several factors:

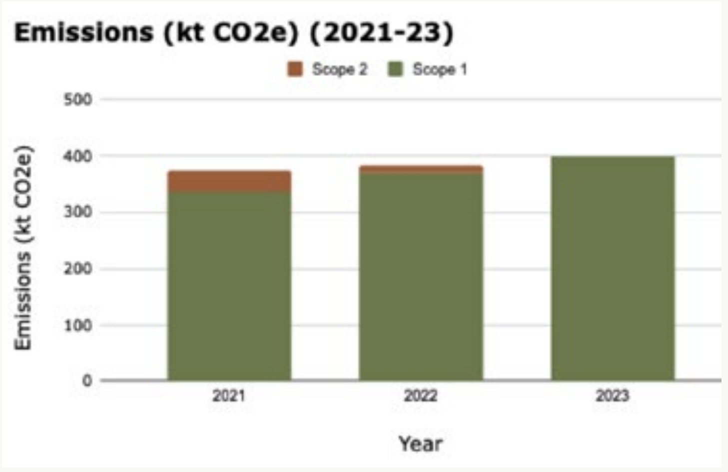
- In 2022, we replaced out HFO engines, with natural gas, and in 2023, we completely phased them out, which increased our natural gas consumption.
- In 2023, owing to changes in market demand, we changed our tiles product mix, and produced higher ratio of GP tiles. GP tiles are resource intensive, and thus consume more energy to produce. While we actively undertook measures to reduce the intensity of GP tiles production (see Section on Energy Efficiency), the year was marked with plant optimization to manage these changes, and thus emissions increased.
- Additionally, our new Sanitary Ware plant, which we set up in mid 2022, became fully operational in 2023, further increasing our natural gas consumption.
- However, in 2023, we saw a decline in emissions from refrigerants due to investments in improved and efficient HVAC systems.

Emissions in 2021 & 2022 by Scope (kt CO2e)

Year	Unit	2021	2022	2023	2022-23 % Change
Natural Gas	kt CO2e	308.04	353.20	387.18	9.62%
Diesel	kt CO2e	20.51	11.70	7.69	-34.25%
Fuel Oil	kt CO2e	0.85	0.76	0.00	-100.00%
Petrol	kt CO2e	0.03	0.03	0.11	216.90%
Refrigerants	kt CO2e	7.93	5.31	5.11	-3.93%
Total Scope 1	**kt CO2e**	**337.36**	**371.01**	**400.08**	**7.84%**
Electricity purchased	kt CO2e	38.14	11.92	0.01	
Total Scope 2	kt CO2e	38.14	11.92	0.01	-99.92%
Total Operational Emissions	**kt CO2e**	**375.50**	**382.93**	**400.09**	**4.48%**
Total Revenue	Billion AED	2.86	3.52	3.45	
Emissions Intensity	**kg CO2e / 000 AED**	**131.29**	**108.79**	**115.97**	**6.60%**

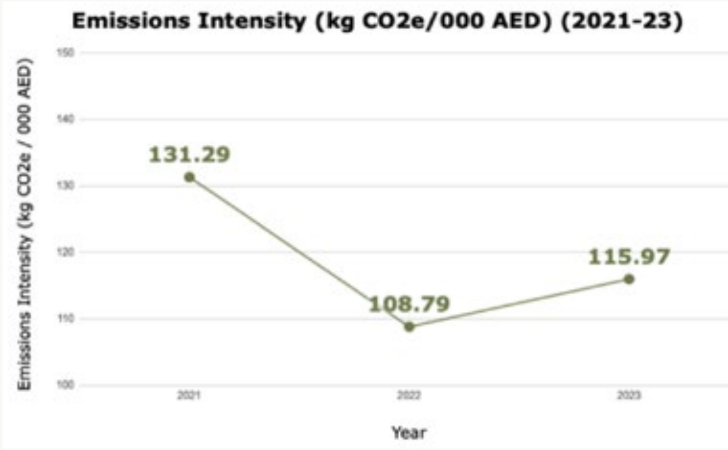
SCOPE 2 EMISSIONS

Between 2021-22, our Scope 2 emissions decreased by by 68.76% and compared to 2022, our Scope 2 emissions increased by 99.9%. In our Scope 2, we only calculate electricity purchased, and exclude electricity generated from our power plant, as the natural gas used to fuel the power plant, is included in our Scope 1 emissions.



PROGRESS TOWARDS CLIMATE ACTION

We have taken several strides in the last few years to reduce and optimize our energy consumption, which includes, but is not limited to setting up 2 cogeneration plants, undertaking heat recovery, and replacing our chillers with cooling towers. We aim to continue these efforts in the future, with all our divisions exploring and undertaking the latest energy efficiency measures on an annual basis.



PROGRESS TOWARDS CLIMATE ACTION

Further, we are working towards Carbon Capture, Utilization and Storage (CCUS) in an industrial symbiosis context as well, which we aim to make operational in the coming years.

6.60%

Increase in emissions intensity of sales compared to 2022

4.48%

Increase in emissions compared to 2022

Initiatives for 2024

- Continue to work towards capturing our global carbon footprint, and Scope 3 emissions.
- Continue our efforts & investments towards energy savings across all our product lines.
- Continue to work towards CCUS operationalization.

PILLAR 2:
PEOPLE & COMMUNITY

Diversity & Inclusion | Emiratization

OVERVIEW

We have approximately 12,000 employees across the group, with 5,530 employees working in our factories at our headquarters in Ras Al Khaimah. We strive to provide a workplace where individuals have an equal opportunity to work and contribute to the Company's growth. We offer equal employment, advancement opportunity and remuneration to all individuals without discrimination based on age, color, race, religion, gender or disability. In 2023, we successfully onboarded 319 professionals, optimizing our workforce to enhance production capacities, which resulted in 762 employees transitioning to new opportunities.

EMIRATIZATION

We continue to focus our efforts on employing national talent to align with the UAE's 2021 vision of Emiratization. Our Human Resources team works closely with the Ministry of Human Resources and Emiratization to increase the number of Emiratis in our workforce. In 2023, the percentage of Emiratis in our administrative functions was 10%.

DIVERSITY & INCLUSION

In 2023, women accounted for 29.93% of administrative employees. We have increased the headcount of females by 10 employees in 2023, despite a reduction in overall headcount of the company. We also do not tolerate a gender pay gap, and women in our company, on average, were paid 2.56 times more than men in 2023.

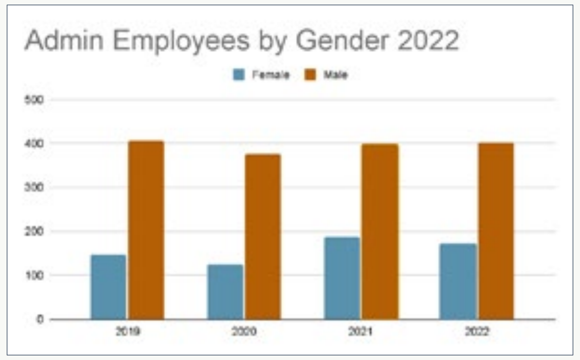
Ratio of Total Remuneration – Women to Men		
	2022	2022
Band 1 (para professionals)	2.34	2.46
Band 2 (professionals)	1.62	1.67
Band 3 (middle management)	1.11	1.09
Average	**2.56**	**2.56**

5,530
Employees in UAE

10%
Emiratisation rate in 2022

29.93%
Females in Administrative Roles

319
New hires in 2022



Initiatives for 2024

- We are ramping our efforts towards diversity and aim to add 20 more women to our team in 2024
- Increase the number of man-hours by 10% through education
- Extend the formal career development program – ASCEND, to the remaining Sales Organization

Employee Safety & Wellbeing

EMPLOYEE HEALTH & SAFETY OVERVIEW

At RAK Ceramics, the safety and well-being of our employees remain paramount. We firmly believe that a secure and healthy work environment is fundamental to their happiness and productivity. Here's an overview of our Health & Safety Framework:

1. **Health and Safety Policy:** Our comprehensive policy aligns with UAE Regulations, including ISO 45001 and OSHAD Code of Practice, alongside international best practices. It extends to all employees, contractors, and visitors across our production units, office buildings, workers' accommodations, and workshops, aiming to prevent accidents, injuries, and occupational illnesses.
2. **Health & Safety Governance:** Our dedicated EHS and Facility Management team oversee the day-to-day management of our health and safety systems. A Safety Committee comprising representatives from various departments meets regularly to address safety concerns and propose necessary controls.
3. **Monitoring & Audits:** Our NEBOSH certified safety officers and technical team conduct daily monitoring, semi-annual internal audits, and routine inspections to identify hazards, control risks, and identify areas for improvement. All machinery moving parts are properly guarded, and regular risk assessments and plant inspections are conducted.
4. **Safety Protection, Trainings & Awareness**: We prioritize employee safety through comprehensive safety induction training for all employees, visitors, and contractors. Strategic display of safety bulletins and hazard posters enhances awareness, while provision of dust masks and earplugs mitigates health risks associated with dust, noise, and silica exposure. Regular safety trainings further enhance awareness and knowledge. This year, we increased the topics of Environmental, health and safety tool box talks.
5. **Employee Reporting:** OOur EHS team operates a 24-hour hotline for reporting unsafe conditions, accidents, or incidents. Upon receiving a report, internal investigations are promptly conducted, and appropriate control measures are implemented to prevent recurrence.

6 **Managing Specific Safety Risks:** Measures to mitigate specific safety risks include air quality testing, dust collector systems, and provision of personal protective equipment (PPE) such as dust masks for respiratory protection against dust and chemical exposure. Installation of silencers and provision of earplugs address high noise levels to prevent hearing problems.

Our ongoing efforts have yielded positive results. Major work-related injuries remained the same as in 2022 at 12, while recorded minor work-related injuries increased to 208 in 2023 from 167 in 2022. This increase is due to enhanced monitoring and reporting, and the inclusion of the group of companies incident report. Our audits have identified and resolved 208 EHS hazards in 2023.

Through these initiatives and continuous improvement, we remain committed to fostering a safe and healthy workplace for all our employees.

Audits conducted	Total Findings
General	2,844
Electrical	1,139
Mechanical	533
Environmental	81

EHS Hazards identified & resolved in 2023

Initiatives for 2024

Continue to make efforts towards our Health & Safety framework, by identifying & resolving hazards, and eliminating work related injuries.

Employee Safety & Wellbeing

EMPLOYEE WELLBEING OVERVIEW

At RAK Ceramics, we understand that our employees are our greatest assets. We are dedicated to ensuring their safety and well-being by providing comprehensive medical insurance to all staff and implementing various healthcare initiatives year-round. By prioritizing the welfare of our team, we cultivate a positive working environment where employees can thrive. This commitment not only benefits our workforce but also aligns with our ambition to lead globally in providing ceramic lifestyle solutions.

Employee Benefits	Description
Life Insurance	All employees are covered under the Company's group life insurance policy, which covers disabilities due to work accidents or a work-related demise.
Medical Insurance	All employees are provided with medical insurance covering all work-related and non work-related ill health or injuries and free health check-ups.
Workman Compensation Insurance	All employees are covered under the Company's Group Workman Compensation Insurance, which covers loss of salary due to a work-related accident/injury.
Annual Health Screening	We partner with RAK Medical Center to provide annual health screening and eye examinations for those employees who work in hazardous conditions inside the factories. Any individuals who are identified as "high risk" are provided with one-on-one counselling and briefed on how to improve their health and lifestyle.
Monthly Wellness Campaigns	We organize monthly awareness campaigns on a variety of topics including how to avoid heatstroke, and the common signs of Hepatitis A and C.
Employee Welfare Fund	A welfare fund has been established by the company to help and support employees in serious need of monetary help due to accidents, medical emergencies for self and/ or immediate family members and other approved expenses to the extent not covered by insurance or any other source. The welfare fund is managed by a committee formed for this purpose and is the authority for sanctioning of financial help for those in need. The management of the welfare fund is governed by the Employee Welfare Fund Policy.
Transportation and Accommodation	Employees are provided with accommodation in accordance with the Accommodation Policy. If no accommodation is provided, employees are provided with an accommodation allowance determined by their respective pay grades. Free transportation or allowance is provided to employees as applicable basis their grade.
Other Leave	All female employees are eligible for 90 days of maternity leave in accordance with UAE Laws (45 days paid and 45 days unpaid). We also provide special leave for Haji/Umrah and on a case-by-case basis.
End of Service Benefits	Employees are provided end of service compensation in accordance with UAE Laws.
Travel Allowance	All employees are granted leave travel allowance, graded according to their Company designation, paid at prevalent market rates.
Counselling for employees	Counselling of employees as per requirement.
Sports Activities	We provide recreational facilities including a gym, basketball, volleyball, badminton courts and a football field and organize regular sports tournaments.

Employee Training

OVERVIEW

At RAK Ceramics, we are committed to nurturing a culture of continuous learning and development to empower our employees. In 2023, every member of our workforce underwent regular performance reviews, ensuring alignment with organizational goals and personal growth objectives. Our dedication to training extends across administrative and factory roles, with a comprehensive range of programs designed to enhance skills and foster professional advancement.

RECRUITMENT POLICY - GRADUATE ENGINEER TRAINEES (GETS) AND MANAGEMENT TRAINEES (MTs)

In 2023, we implemented a Recruitment Policy for Graduate Engineer Trainees (GETs) and Management Trainees (MTs) to diversify our workforce and bring fresh perspectives. This initiative aims to attract talented graduates from esteemed universities worldwide and provide them with comprehensive career path spanning 3 to 4 years. By investing in their development, we ensure a continuous pipeline of future leaders who embody our values of excellence and innovation. This commitment reflects our belief in individual potential and our dedication to fostering a culture of growth and learning.

PROFESSIONAL TRAININGS FOR CAREER ADVANCEMENT

In 2023, our commitment to employee training reached new heights as we invested significantly in initiatives across our manufacturing plants, fostering a culture of excellence and innovation. Comprehensive programs aimed at enhancing both technical and behavioral competencies equipped our workforce with the skills necessary to thrive in a dynamic environment. With a focus on technical competencies, including Lean manufacturing principles, Six Sigma, and Total Productive Maintenance, coupled with programs targeting soft skills such as Sales & Service Excellence. We also developed a skill development academy to develop casters in-house. A total of 1,000 unique participants were trained under the Casters Development Program resulting in a total of 80,000 man-hours of training. Our training efforts totaled to 120,822 man-hours, reaching 4,021 unique participants. These initiatives underscore our unwavering dedication to continuous learning and employee development, key drivers of sustainable growth and long-term success.

ASCEND: DRIVING SUSTAINABLE PROGRESS

The ASCEND program at RAK Ceramics embodies our dedication to empowering employee growth and driving sustainable progress. Introduced to support career advancement in our Retail division, ASCEND offers clear pathways for employees, encouraging professional development through two distinct career paths: Managerial and Specialist. By investing in employee growth, ASCEND fosters a culture of continuous learning and inclusivity, promoting equal access to opportunities and strengthening organizational resilience. As a cornerstone of our commitment to sustainable business practices, ASCEND enhances employee engagement, retention, and productivity, contributing to a more dynamic and agile workforce. This program will be scaled to all divisions in 2024.

ENVIRONMENT, HEALTH & SAFETY TRAININGS

In 2023, we maintained a strong focus on ensuring the safety and well-being of our workforce through comprehensive training sessions covering environmental, health, and safety protocols. With 78 topics covered in our training sessions, we provided essential knowledge and skills to navigate potential risks effectively, encompassing areas such as hazard identification, emergency procedures, and general maintenance, reinforcing our commitment to upholding the highest standards of workplace safety.

ASCEND
Program introduced in Retail division

78
Topics covered in EHS training sessions

72.21%
Unique employees trained in 2023

120,822
Training hours achieved in 2023

Initiatives for 2024

Expand ASCEND - Progress with Purpose to all divisions in the company.

Community Investment

OVERVIEW

Aligned with the Company's strategic objectives and our commitment to corporate responsibility, we remain dedicated to promoting and investing in CSR initiatives and community improvement activities. We are pleased to announce that in 2023, we have sustained our momentum in advancing our CSR endeavors, achieving progress across all strategic pillars. In 2023, we invested 0.06% of our revenues in CSR initiatives to support communities. Our unwavering commitment to enhancing the quality of life in our beneficiary communities and fostering responsible and sustainable innovation continues to drive the growth of our businesses.

CONTRIBUTION TO TURKEY AND SYRIA EARTHQUAKE RELIEF

In response to the devastating earthquake in Turkey and Syria, we at RAK Ceramics swiftly partnered with the Khalifa Bin Zayed Al Nahyan Foundation to provide crucial aid to the affected communities. Pledging our support, we committed over 1,000 pallets of tiles and sanitaryware products for construction assistance, aiming to facilitate the rebuilding process. Our contribution will play a vital role in reconstructing homes, schools, and public infrastructure, offering much-needed support to those striving to recover from the tragedy.

In addition to our direct contribution of over 1,000 pallets of Tiles and Sanitaryware products, we have successfully raised AED 100,000, which we have forwarded to the Emirates Red Crescent UAE and UNICEF to support their ongoing relief efforts in the affected areas. We are immensely proud of our employees for their kindness, generosity, and empathy towards those affected by this natural disaster. Through these initiatives, we demonstrate our unwavering commitment to social responsibility and stand in solidarity with the earthquake victims, striving to help them rebuild stronger and more resilient communities.

UAE Flag Day Celebration

Breast Cancer Awareness Programme

Clean UAE Campaign

Tin Can Collection Day

'For Our Emirates We Plant' with Emirates Environmental Group (EEG)

Earth Day Annual Tree Planting

PILLAR 3: GOVERNANCE

Corporate Governance

OVERVIEW

We consider sound corporate governance to be one of the pillars of running a responsible, profitable and sustainable business that creates value. An organizational commitment to corporate governance drives enhanced management accountability, creation of value for shareholders and protecting the interests of all stakeholders and our community. We have adopted a comprehensive set of corporate governance policies and procedures that draws upon global best practices and is in accordance with all relevant UAE legislation including Resolution No. 3 of 2020 of Securities and Commodities Authority (SCA) concerning Corporate Governance Rules and Corporate Discipline Standards. This assures that utmost vigilance is exerted by the Board of Directors (the "Board"), Executive Management and employees of our Company.

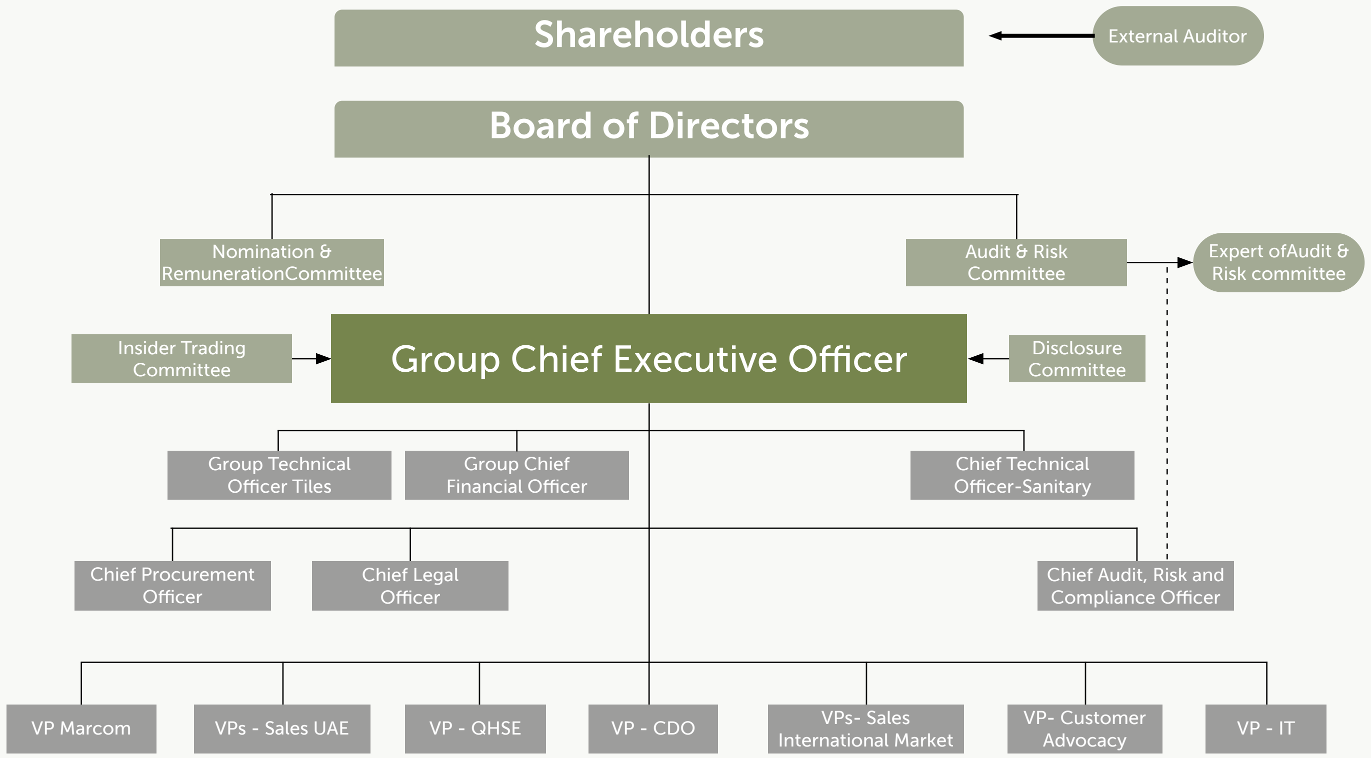
BOARD

The Board is accountable to the Company's shareholders for creating and delivering sustainable value through prudent management of its business and associated risks. In particular, the Board is responsible for strategic direction, supervision of management and adequate controls to drive success and long-term value creation. The Board plays a central role in the Corporate Governance Framework by ensuring that the Company complies with obligations arising from its legal and regulatory requirements; its memorandum and Articles of Association and duties towards the shareholders.

Composition of the Board of Directors: The current Board consists of seven members:

- The Chairman (Non-Executive, Independent)
- The Vice Chairman (Non-Executive, Independent)
- Four Non-Executive & Independent Directors
- One Executive Director

Company Structure



RAK CERAMICS ORGANIZATIONAL CHART

INDEPENDENCE OF BOARD MEMBERS

The Board consists of 6 non-executive, independent members and one executive member, satisfying the requirements of Article (9/5) of Resolution No. 3 R.M of 2020 of SCA concerning Corporate Governance. The Board members are elected every 3 years. In case of any vacancy during this period, the Board selects members based on recommendations of the Nomination and Remuneration Committee (NRC). The term of the current Board Members expires on 29 March 2024.

BOARD COMMITTEES

The Board has 2 permanent committees: The Audit & Risk Committee (ARC) and the Nomination and Remuneration Committee (NRC). Together, they strengthen the Board's oversight of the Group.

BOARD DIVERSITY

Our Board consists of 6 male members and 1 female member, who is also the Chairperson of the Audit and Risk Committee.

BOARD PERFORMANCE

The Board undertakes self-evaluation on a routine basis regarding their performance.

CONFLICT OF INTEREST

We maintain Conflict of Interest policies at the Board- and workforce-level. Additionally, we investigate potential concerns regarding conflict of interest among our workforce and communicate the same to the Board. The Board members are also required to disclose any potential conflicts of interest prior to Board meetings.

FURTHER INFORMATION ABOUT OUR CORPORATE GOVERNANCE IS DETAILED IN OUR CORPORATE GOVERNANCE REPORT.

SUSTAINABILITY GOVERNANCE

There is two-way communication of information regarding sustainability including impacts and critical concerns. The Executive Management raises issues and concerns to the Board, and the Board communicates their direction and inputs to address these to the Executive Management, and delegates responsibilities accordingly. These communication channels are set up on a quarterly and annual basis to complement discussions on performance updates. These meetings can be conducted as and when required. Monitoring and feedback loops are also present to communicate progress as per direction given on sustainability concerns. The ESG Report is also communicated to the Board.

REMUNERATION POLICIES

We maintain a comprehensive and transparent Remuneration Framework to determine the compensation of different bands and grades of employees.

Ethics

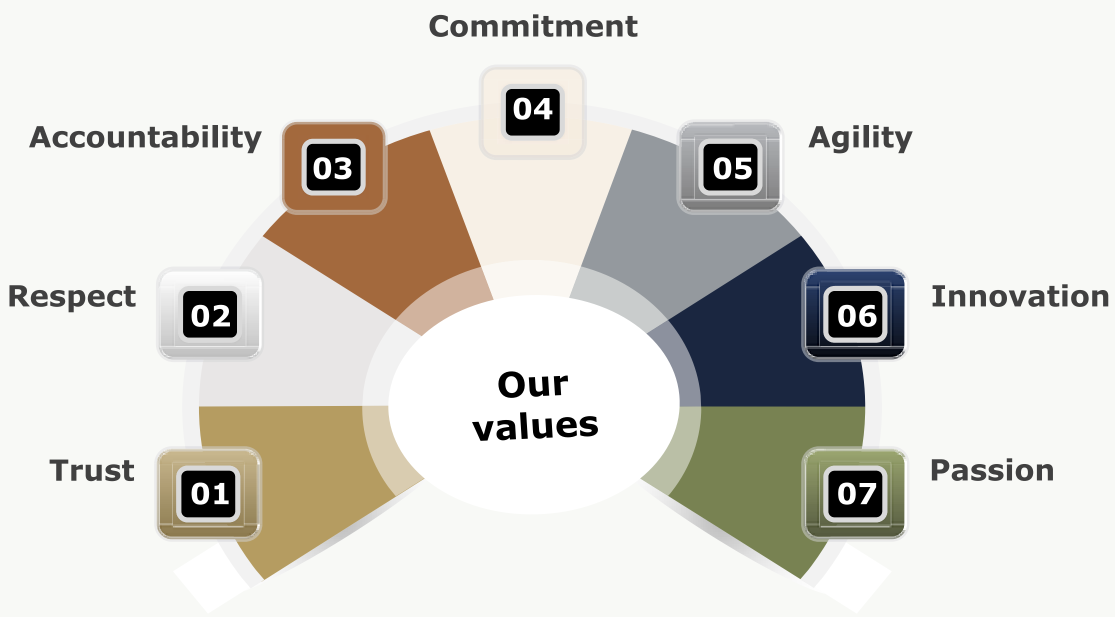
From a corporate governance perspective, the main focus in 2023 was to ensure continuing compliance with the applicable laws of the United Arab Emirates, regulations governed by the Securities and Commodities Authority (SCA), the Abu Dhabi Securities Exchange (ADX) and the Articles of Association of the Company (AoA). We regularly update our policies, such as the Code of Conduct, Conflict of Interest, Whistleblowing Policies, and Dividend Policy. We are committed to respecting the rights of all stakeholders through the adoption of the highest standards of governance resulting in transparency and integrity in all our dealings and disclosures.

Members of the Board of Directors, executive management and employees ("Our People") in the Company are aware of the Anti-Corruption Policies and must adhere to the guidelines noted in the Anti-Corruption Policies during their employment with our Company. In particular, the Company's Code of Conduct outlines the minimum standards of business and ethical conduct that we expect our people to adhere to, in order to maintain our vision of zero corruption. The Code of Conduct does not cover all possible situations that may occur, but provides guidance on day-to-day activities, so that our people can 'do the right thing'. Any person who fails to comply with the Anti-corruption Policies will be subject to disciplinary measures, including but not limited to warning, or termination. To emphasize the importance of the Anti-Corruption policies, management routinely communicates the key details from the Anti-Corruption Policies, through emails, memos and in Company meetings.

We maintain a comprehensive grievance reporting mechanism that is accessible to all our employees. We ensure that employees are made aware of this mechanism and the process of utilizing it to report concerns.

List of aspects covered in our Code of Conduct

- Purpose of global code of conduct
- Guiding principles
- Statutory compliance, rules and regulations
- Conflict of interest
- Corporate commitment
- Customer relation
- Dealing with suppliers
- Accounting records maintenance
- Public communications



Data Protection

In 2023, RAK Ceramics remained steadfast in its commitment to safeguarding customer privacy and upholding data security standards. Building upon previous efforts, new initiatives were implemented to further enhance cybersecurity measures. Notably, RAK Ceramics successfully passed the ISMS surveillance audit, demonstrating continued adherence to international security standards. Additionally, significant security enhancements were made, including enabling disk encryption for endpoints and implementing Multi-Factor Authentication for remote access. These measures aim to fortify our defenses against cyber threats and protect sensitive information. Our dedication to customer trust remains paramount, and we continue to prioritize the confidentiality and security of personal data.

Furthermore, our cybersecurity strategy is bolstered by a comprehensive set of policies and standards aligned with ISO 27001:2013, ensuring a robust framework for data protection across our operations. We regularly review and update our cybersecurity protocols to address evolving threats, and disaster recovery drills are conducted annually to strengthen our response capabilities. As we adapt to changing work environments and embrace cloud-based services, we remain vigilant in safeguarding digital assets and maintaining the integrity of our systems. Through these ongoing efforts, we affirm our commitment to maintaining the highest standards of cybersecurity and protecting the interests of our customers and stakeholders.

Network Security

Protect networks from attack, filter out unauthorized access and malicious content.

Malware Prevention

Anti-malware defenses across the organisation.

User Education & Awareness

Educating users on security policies and create awerness of cyber risk.

Removablemedia Controls

Controll all access to removable media. Scanall media for malware before importing onto the corporate system.

Managing user Privileges

Limit the number of privileged accounts, user privileges plus monitor and control user activity.

Patch Management

Keeping software on computers and network devices up to date and capable of resisting low-level cyber attacks.

Incident management

Incident response and disaster recovery capabilitiey.

Monitoring

Continuously monitoring all systems and networks. Analyze logs for unusual activities.

Home and Mobile Working

Protect data both in transit and at rest.

Risk Management

Risk identification and migration.

PILLAR 4: RESPONSIBLE BUSINESS & RESPONSIBLE EMPLOYER

Sustainable & Responsible Procurement

OVERVIEW

Our raw materials are procured locally from Ras Al Khaimah, and from Europe, India, Indonesia, Thailand & Malaysia. We focus on procuring raw materials of the highest standard that meet our sustainability criteria. Our Sustainable & Responsible Procurement efforts are focused on 4 different streams.

- First, we ensure verification of all our new suppliers through self assessment questionnaires to ensure our requirements for quality, health & safety and labour practices are being met, such as zero child labour. Further, we conduct audits of all our strategic suppliers.
- Second, we work towards increasing the % of our our local suppliers and local raw materials.
- Third, we undertake R&D to reduce the volume of imports in our production.
- Fourth, we place a heavy focus on procuring packaging material that is recycled or recyclable.

1. SUPPLIER VERIFICATION & AUDITS

We place high importance on dealing with suppliers who conduct ethical business practices and our focus is ensuring that at a minimum our suppliers have adequate health and safety stands in place and do not partake in child labor. Prior to becoming a supplier for our Company, it is mandatory for all key suppliers to complete a Supplier Assessment Questionnaire, which outlines the minimum requirements for quality, environmental practices, health and safety and ethical standards. We will continue to work on our supply chain strategy, so it continues to meet the demands of the business and is in line with our stakeholder values.

Questions are related to availability of Health and Safety Policy, risk assessments, monitoring, MSDS, accident reporting and records, PPE, evacuation procedures,on-site machinery safeguards, first aid, fire & safety precautions, noise pollution control and worker training. We also conduct audits of all our strategic suppliers such as our high volume and high risk suppliers

2. LOCAL PROCUREMENT

75% of our suppliers were local in 2023. Further, in 2022, we also reduced our freight emissions by 35,170.6 tons CO2e, by avoiding imports of 256,265 tons of raw materials per annum. This initiative continued into 2023. Additionally, in 2023, we avoided imports of 20,000 tons of raw materials, bringing our total savings in freight emissions to 36,297.8 tons.

3. R&D TO REDUCE IMPORTS

In 2023, we have reduced the overall imported raw materials consumption by 4.07% (GP) compared to 2022. Through R&D and intensive formulations we have successfully reduced the imported raw materials o 78.5% along with increment in Local raw materials to 6%.

4. PACKAGING

In 2023, all 80% of all our packaging material is recycled and/or recyclable, and we are working towards increasing this figure.

36,297.8 tons

CO_2e saved from avoiding imports of 256,265 tons of raw materials annually

Reduction of imported materials to

78.50%

through intensive R&D

80%

of all our packaging is recycled and/or recyclable

75%

of our suppliers are local.

Initiatives for 2024

We are currently working towards developing Supplier Guiding Principles to improve sustainability within our supply chains.

Technological Innovation in Production

SMART FACTORY

We continuously invest in state-of-the-art manufacturing technologies and sustainability programs, as outlined in the Environment section of this report. Improving energy and water efficiency, and increasing the application of circular economy in our operations has been a primary focus.

To support our efforts, in 2023, we launched a Smart factory in Ras Al Khaimah. The factory will support maximizing and optimizing efficiency during production and enable us to realise significant savings in energy consumption and emissions.

We also invested in a digital plant for our sanitary ware division, that includes up-to-date heat exchanger kiln systems, that give us capabilities for hydrogen conversion and waste heat recycling in the future. This plant will be operational in 2024.

DIGITAL TRANSFORMATION ROADMAP

In 2023, our focus on digital transformation remained steadfast, guided by the principles of innovation, productivity enhancements, and cost optimization. Building upon the Industry 4.0 framework, we continued to deliver strategic IT initiatives aimed at enhancing our global footprint and streamlining processes. Notably, we achieved significant milestones, including the consolidation of SAP instances in India, Bangladesh, and the UK. This consolidation facilitated better resource allocation and utilization within our IT infrastructure, leading to improved efficiency and reduced environmental impact. As a result, we successfully decreased our approximate CO_2 equivalent emissions by 18.075 kg per day.

Moreover, our commitment to information security was reinforced with the attainment of ISO 27001:2013 certification, further bolstering our resilience against cyber threats. Additionally, our global IT team underwent restructuring to align roles with organizational goals and foster collaboration across regions. Leveraging the Cloud First/Multi Cloud policy, we continued the migration of IT infrastructure to cloud environments, enhancing reliability and availability. Initiatives such as the implementation of Metaverse for the retail segment underscored our commitment to embracing emerging technologies. Furthermore, our strategic focus on consolidating ERPs to SAP S4 HANA was reinforced through rollout and implementation projects in the UK, India, and Bangladesh, signaling our dedication to modernizing IT processes and infrastructure on a global scale.

Quality and Product Compliance

OVERVIEW

At RAK Ceramics, providing the best quality products that are sustainable are our top most priorities. For this purpose, we strive to achieve several certifications and participate in platforms related to quality, compliance and sustainability. Key highlights and full list of certifications and platforms that we participated in are discussed below:

Quality & Sustainability Certification	Description
EPD THE INTERNATIONAL EPD® SYSTEM	All RAK Ceramics Tiles & Sanitarywares products have Environmental Product Declarations (EPD) following the CEN Norm EN 15804 standard, serves as the core PCR. Independent verification of the declaration according to ISO 14025 and ISO 21930, verified and certified by a third party. The product life cycle analysis was concluded following ISO 14040:2006, ISO 14044:2016, ISO 21930:2017 in line with the requirements of product category rules (PCR) regarding EN 15804 +A2:2019. **In 2023, we updated our EPDs, to include environmental impact of product end-of-life, recovery and recycling. Our EPD results for 2023 indicate that we reduced the emissions of our product lifecycle by 98.91% from 516 to 5.61 kg CO2e.**
eco Label	ECO Label Certification is a voluntary method of environmental performance certification and labelling that is practiced around the world for products or services proven to be environmentally preferable within a specific category. **In 2023, we were the first company in the UAE to receive the EcoLabel award by the RAK Environmental Protection and Developmental Authority**
MANUFACTURE 2030	Platform to measure, monitor and take action on Scope 1, 2 and 3 emissions. We are now a part of this platform and utilize their tools to support our emission reduction efforts.
ecovadis	Ecovadis focuses on supply chain sustainability, and provide a range of solutions, including assessing suppliers on sustainability performance and rating them on the same. In 2023, we participated in the Ecovadis supplier rating system as well.
Kingfisher	Kingfisher Packaging Sustainability Application is a platform that assess the sustainability of packaging materials. In 2023, we participated on the Kingfisher Platform as well.
ISO 9001:2015	ISO 9001:2015 by internationally recognized UK certification body Ceramic Research Institute Certification Scheme for ceramic tiles and sanitary ware. This certification verifies that we have a quality management system in place that is compliant with the requirements of the standard, which covers design, development, production and supply of ceramics and sanitary ware.
ISO 13006 EN 14411	ISO 13006, EN 14411 and ANSI A137.1. We manufacture ceramic tiles in accordance with these standard specifications from the UK, Europe and USA.
ISO 17025	Our testing laboratory operates in accordance with ISO/IEC 17025 accredited by the National Association of Testing Authorities, Australia.
Health Product DECLARATION	Given for Ceramic, Porcelain Tiles, Sanitary wares. The Health Product Declaration (HPD) Open Standard provides for the disclosure of product contents and potential associated human and environmental health hazards. Hazard associations are based on the HPD Priority Hazard Lists, the GreenScreen List Translator, and when available, full Green Screen assessments.

Quality & Sustainability Certification	Description
upcyclea	Given for Tiles, Sanitary ware & Kludi: RAK Ceramics declarable substances list is regularly reviewed to include applicable regulations and customer requirements and to ensure that our suppliers are in line with our rules regarding the use of chemicals and hazardous substances. It defines RAK Ceramics declarable substances that our suppliers and subcontractors have to report in addition to regulated substances declarations.
CQY CERTIQUALITY	COY Certiquality Certification: DT55 ED 100915 (ISO/IEC 17067:2013) – This certification is given to construction products with a specified percentage of recycled materials. This has been awarded to Porcelain tiles produced from waste generated during the manufacturing process of tiles.
NFPA	NFPA 285: Standard Fire Test Method for Evaluation of Fire Propagation Characteristics of Exterior Wall Assemblies Containing Combustible Components.
floor score	FloorScore: FloorScore is an independent certification program that test and certifies hard surface flooring and the materials they are made with, to ensure they are in compliance with stringent indoor air quality emissions.
ISO 14001	ISO 14001:2015 Environmental Management System, is a voluntary standard for designing, implementing and maintaining an environmental management system
CERTIFIED RECYCLED CONTENT	SCS Global - Certain Series of tiles are manufactured with 100% recycled materials from wastes generated during the manufacturing process of ceramic tiles, sanitaryware and tableware.
Sedex SMETA	SMETA is the world's most widely used audit. Businesses use SMETA to understand and make improvements to working conditions and standards of labour, health and safety, environmental performance, and ethics in their business and supply chain. RAK Ceramics has completed the SMETA audit.
Synesgy	Synesgy enables companies to collect and manage sustainability information through an ESG self-assessment, complete with evaluation, benchmarks, and guidance on the development plan to be undertaken. RAK Ceramics has completed the Synesgy survey.
WATER STEWARDSHIP WAVE VERIFIED	SCS Global certifies companies on Water Stewardship. Criteria includes responsible planning and management of water resources and using water in a way that is socially equitable, environmentally sustainable and economically beneficial. We are currently working towards this certification and aim to achieve this in 2024.
ISO 50001 ENERGY MANAGEMENT	ISO 50001:2018 Energy Management System is a voluntary standard for designing, implementing and maintaining an energy management system. We are currently working towards this certification and aim to achieve this in 2024.

Sustainable Products

Our strategic initiatives in providing our customers with sustainable and innovative products and solutions that improve their quality of life centers on the principle of constant change and improvement. Our innovative prowess can be seen in the wide range of products we offer, which spans product types, styles, designs and price points to cater to the varying requirements and preferences of our customers. Some of our sustainable product offerings are discussed below:

Sustainable and Innovative Products (contd.)

SURFACE, BATHROOM AND KITCHEN SOLUTIONS 2023

RAK REEL FLUSH - THE "REEL FLUSH"

RAK Reel Flush is an innovative flushing system introduced in the latest RAK-Remal collection. It represents a leap forward in hygiene and toilet comfort. With its spiral water flush, it enhances the already excellent rimless system while reducing noise and achieving significant water savings.

MICA

A new finish named MICA was introduced to the market and applied on the washbasin collection RAK-Batu and bathroom solution RAK-Plano. Mica is an artistic glaze obtained by innovation process of adding mix particles of Mica (a family of minerals of which muscovite is part).

RE-USE QUARTZ

Re-use Quartz is the world's first tile with 100% recycled material. In our R&D laboratories, we continuously work towards improving the sustainability of our operations and focus on circularity through reduce, reuse and recycle of waste materials. Re-use Quartz is our latest innovation from these efforts. The tiles are manufactured from wastes generated in our production processes.

RAKSOLITE

RAKSOLITE is an innovative material manufactured from a similar mix of natural minerals and resins but lighter than our durable solid surface material RAKSOLID. RAK-Ether is one of the finest innovation shower trays in RAKSOLITE which present slate like aesthetical characteristics while granting anti-slip safety.

COOKING-RAK

Cooking-RAK is an innovative hidden induction cooktop from RAK Ceramics. In 2023, Cooking-RAK won the internationally acclaimed design competition, the Archiproducts Design Awards.

RAK-CLEON

RAK-Cleon is our newest bathroom solution. It is integrated with bidet functionality for improved personal comfort and cleansing. It is an all-in-one solution that combines design and technology, enabling superior hygiene standards for bathrooms.

COP28 and other Sustainability Engagements in 2023

COP28

At COP28 UAE, RAK Ceramics took significant strides in advancing sustainability initiatives, reinforcing its commitment to environmental stewardship. As a prominent participant in the Sustainability Showcase: Ras Al Khaimah's Journey, RAK Ceramics played a pivotal role in shaping discussions around achieving net-zero emissions in challenging industrial sectors. Leveraging its position as the largest company by turnover in Ras Al Khaimah, RAK Ceramics joined industry leaders to explore innovative pathways towards sustainability.

Collaborating with SAP, RAK Ceramics showcased the transformative potential of innovation at the SAP stand within the COP28 Green Zone. By presenting practical, real-world scenarios, RAK Ceramics underscored the importance of measuring and managing sustainable outcomes, emphasizing the critical role of technology and innovation in driving positive change.

The organization's commitment to sustainable business practices was further recognized at COP28, as RAK Ceramics was honored with the prestigious EcoLabel Certification Award by the Ras Al Khaimah Environmental Protection & Development Authority. This esteemed recognition underscores RAK Ceramics' exceptional dedication to environmental sustainability and underscores its leadership in fostering sustainable practices within the industry.

Arabic CSR Forum

RAK Ceramics was part of the sustainability forum organized by Arabia CSR Network in association with Emirates Environmental Group under the patronage of Ministry of Climate Change and Environment

During this event, key sustainability stakeholders discussed how to collaborate to translate sustainability targets into actions to save the planet.

The theme of the session, "Unlocking Sustainable Transformation: Breaking Barriers, Creating Solutions".

Conclusion: Sustainability Leader in the Industry **OUR FORWARD-LOOKING STATEMENT**

OVERVIEW

In 2023, RAK Ceramics continued its unwavering commitment to sustainability, striving to set new standards in ceramic manufacturing while prioritizing environmental responsibility and social impact. Building upon the foundation laid in previous years, our focus remained on integrating sustainable practices into every aspect of our operations. Through this exercise, we have identified various areas of improvement. As we forge ahead into the future, RAK Ceramics remains steadfast in our commitment to advancing sustainability across all facets of our operations, building upon the progress achieved in 2023.

ENVIRONMENTAL IMPACT

In alignment with our dedication to minimizing environmental impact, we continue to prioritize energy efficiency in production through ongoing manufacturing innovation. Furthermore, our focus on optimizing water consumption and enhancing circularity has seen significant strides, with notable improvements in the utilization of treated wastewater. We remain dedicated to innovating in manufacturing processes to optimize raw material usage and enhance the re-use of waste in both production and final products, further strengthening our commitment to waste reduction and circularity. Additionally, our efforts to optimize shipping routes for sustainable logistics have contributed to a reduction in emissions, showcasing our ongoing commitment to minimizing our carbon footprint. In addressing air pollution and emissions reduction, we have implemented the latest technologies and initiatives to effectively reduce emissions across our operations, reflecting our continued dedication to environmental stewardship and sustainability.

PEOPLE & COMMUNITY

In our unwavering commitment to fostering a thriving community, we have continued to prioritize the safety and wellbeing of our employees, with ongoing efforts to provide a safe and healthy working environment. Through continuous training and development opportunities, we empower our employees, ensuring they feel valued and recognized for their contributions. Our commitment to diversity and inclusion remains resolute, as we strive to cultivate an environment where every employee feels valued, respected, and empowered to drive creativity, innovation, and employee satisfaction. Furthermore, our dedication to Emiratization has seen tangible progress, with ongoing initiatives aimed at providing employment opportunities and support for the growth of UAE nationals, contributing to sustainable development. Leveraging our position as a global manufacturing company, we have continued to invest in serving the communities in which we operate, reinforcing our commitment to community investment and social responsibility.

GOVERNANCE

In the realm of governance, ethics, and integrity, we continue to uphold the highest standards, conducting business with transparency, accountability, and ethical integrity. Our commitment to corporate governance and compliance remains unwavering, with clear processes and procedures in place to ensure adherence to international and industry best practices. Furthermore, we remain steadfast in safeguarding customer data and digital assets, embedding robust data protection processes into our operations to ensure data security and privacy.

RESPONSIBLE BUSINESS & RESPONSIBLE EMPLOYER

As responsible business owners and employers, we remain dedicated to driving sustainability in our supply chains and integrating sustainability considerations into our procurement processes. Our ongoing efforts to enhance technological innovation in production have resulted in greater efficiency and sustainability. Additionally, our commitment to product quality and compliance is reflected in the ongoing improvement of our Quality Management System, ensuring the effective management of market needs, risks, and opportunities. Our dedication to sustainable products continues to drive us forward, as we design and develop production processes and products that consume resources responsibly, furthering our commitment to environmental stewardship and sustainable practices in all aspects of our business.

APPENDIX

ESG Data Tables

Material Topic	KPIs	2021	2022	2023	Units	% Change 2022-23
Pillar: Environmental Impact						
Energy Efficiency	Total Energy Consumption	6.12	6.53	6.94	PJ	6.38%
	Energy Intensity of Sales	2.14	1.85	2.01	GJ / 000 AED	8.45%
	Natural Gas consumption	5,379,480.50	6,168,143.00	6,761,550.00	MMBTU	9.62%
	Diesel consumption	7,580,850.75	4,323,913.87	2,843,169.80	litres	-34.25%
	Petrol consumption	13,165.00	14,302.00	45,322.74	litres	216.90%
	HFO consumption	268,285.00	240,864.00	0.00	litres	-100.00%
	Total Direct Energy Consumption	5.72	6.40	6.94	PJ	8.42%
	Direct Energy Intensity of Sales	2.00	1.82	2.01	GJ / 000 AED	10.62%
	Total Electricity Consumption	261,457,753.00	268,932,792.00	264,065,111.00	kWh	1.09%
	Electricity Consumption Intensity of Sales	91.42	76.40	76.54	kWh / 000 AED	3.15%
	Electricity purchased	107,949,039.89	34,723,792.00	28,609.00	kWh	99.00%
	% of Total Energy - Natural Gas	89.05%	95.57%	98.54%	%	3.04%
	% of Total Energy - Diesel	4.42%	2.36%	1.46%	%	-38.19%
	% of Total Energy - Petrol	0.01%	0.01%	0.02%	%	197.88%
	% of Total Energy - HFO	0.18%	0.15%	0.00%	%	-100.00%
	% of Total Energy - Electricity purchased	6.36%	1.91%	0.00%	%	-99.92%
	Electricity generated	153,508,713.11	234,209,000.00	264,036,502.00	kWh	16.07%
	% of electricity purchased	41.29%	12.91%	0.01%	%	-99.92%
	% of electricity generated	58.71%	87.09%	99.99%	%	14.81%
	Energy Intensity of Tiles Production (Fuel) (GP)	0.070	0.070	0.077	MMBTU / m2	10.00%
	Energy Intensity of Tiles Production (Electricity) (GP)		4.405	4.291	kWh / m2	-2.59%
	Energy Intensity of Tiles Production (Fuel) (Red Body)	0.049	0.047	0.045	MMBTU / m2	-4.26%
	Energy Intensity of Tiles Production (Electricity) (Red Body)	2.358	2.21	2.252	kWh / m2	1.90%
	Total Energy Intensity of Tiles Production	0.06	0.06	0.05	GJ /m2	-3.37%
	Total Energy Intensity of Tiles Sales	2.76	2.43	2.11	GJ / 000 AED	-13.36%

Material Topic	KPIs	2021	2021	2023	Units	% Change 2022-23
Pillar: Environmental Impact (Contd.)						
Energy Efficiency	Energy intensity of Sanitary Ware Production (Fuel)	N/A	0.26	0.25	MMBTU / unit	-2.24%
	Energy intensity of Sanitary Ware Production (Electricity)	N/A	9.24	11.88	kWh / unit	28.54%
	Total Energy intensity of Sanitary Ware Production	N/A	0.29	0.30	GJ / unit	1.26%
	Total Energy intensity of Sanitary Ware Sales	N/A	1.96	1.56	GJ / 000 AED	-20.46%
	Energy intensity of Tableware Production	0.0194	0.0172	0.0161	GJ / unit	-6.31%
	Energy intensity of Tableware Sales	1.05	1.22	1.18	GJ / 000 AED	-2.84%
	Energy intensity of Faucets Production	32.8	41	21.00	GJ / unit	-48.78%
	Energy intensity of Faucets Sales	0.091	0.092	0.10	GJ / 000 AED	8.70%
Water Sustainability	Water Consumption	2,157,000.00	2,588,000.00	2,745,787.00	m3	6.10%
	Water Intensity of Sales	0.75	0.74	0.80	m3 / 000 AED	7.44%
	Desalination Water Treated	769,190.00	896,504.00	1,253,180.00	m3	39.79%
	Water Purchased	549,040.00	567,643.00	269,240.00	m3	-52.57%
	ETP Water Treated	884,467.00	937,955.00	1,035,286.00	m3	10.38%
	STP Water Treated	225,270.00	223,074.00	188,081.00	m3	-15.69%
	Total wastewater treated	1,109,737.00	1,161,029.00	1,223,367.00	m3	5.37%
Waste & Circularity	Input / material consumption	1,215,433.00	1,165,668.00	1,233,528.00	tons	5.82%
	Waste (non-hazardous)	85,134.00	62,415.00	41,041.00	tons	-34.24%
	Waste (hazardous)	5.68	33.62	28.77	tons	-14.43%
	Waste Intensity of Sales	29.77	17.73	11.90	kg / 000 AED	-32.91%
	Raw material intensity of sales	424.98	331.16	357.54	kg / 000 AED	7.97%
Sustainable Logistics	Emissions savings from reduction in road movement	N/A	1,844.9	1,844.9	tons CO2e	N/A
Air Pollution	NOX	N/A	3,713.10	2,351.03	mg/Nm3 Ave./hr.	-36.68%
	SOX	N/A	417.86	346.68	mg/Nm3 Ave./hr.	-17.03%
	Total Suspended Particles (TSP)	N/A	425.17	446.24	mg/Nm3 Ave./hr.	4.96%
	CO	N/A	1,417.50	1,946.87	mg/Nm3 Ave./hr.	37.35%

ESG Data Tables (contd.)

Pillar: Environmental Impact								
Material Topic: Emissions Reduction - Emissions Breakdown								
Emission Sources	**Amount Units**	**2021**		**2022**		**2023**		**% change (2022-23)**
		Amount	**kt CO_2e**	**Amount**	**kt CO_2e**	**Amount**	**kt CO_2e**	
Scope 1								
Natural Gas	m3	103,359,801.20	208.93	105,332,629.00	212.91	191,545,325.78	387.18	9.62%
Natural Gas Power Plant	m3	49,033,414.00	99.11	69,402,291.00	140.29			
Diesel	litres	7,580,847.34	20.51	4,323,913.87	11.70	2,843,169.80	7.69	-34.25%
Fuel Oil	litres	268,285.00	0.85	240,864.00	0.76	0.00	0.00	-100.00%
Petrol	litres	13,165.24	0.03	14,302.00	0.03	45,322.74	0.11	216.90%
Refrigerants	kgs	4,253.60	7.93	2,899.10	5.31	2,774.90	5.11	-3.93%
Total			337.36		371.01		400.08	7.84%
Scope 2								
Electricity purchased	kWh	107,949,039.90	38.14	33726086.31	11.92	28,609.00	0.01	
Total			38.14		11.92		0.01	-99.92%
Total Operational Emissions			**375.50**		**382.93**		**400.09**	**4.48%**
Emissions Intensity of Sales	kg CO_2e / 000 AED		**131.29**		**108.79**		**115.97**	**6.60%**

ESG Data Tables (contd.)

Material Topic	KPIs	2021	2022	2023	Units	% change (2022-23)
Pillar: Our People & Community						
Employees	Total employees	5,663	6,064	5,530	No	-8.81%
	% of Full Time Equivalent (FTE) Employees	100.00	100.00	100	%	0.00%
Health & Safety	Total injuries Minor	213	167	208.00	No	24.5%
	Total injuries Major	19	12	12.00	No	0.00%
Emiratisation	% of Emiratis	5.0%	11.0%	10%	%	-9.09%
	Increase in % of Emiratis in Administrative roles in 2022		8%		%	
Employee Turnover	Total New Employees	1137	1404	319	No	-77.28%
	Employees that have left		677	762	No	12.56%
Employee Training	Administrative Trainings	411	213	1,914	hours	798.59%
	Factory Training	1,200	10,584	120,822	hours	917.10%
Community Investment	Amount invested in the community, as a percentage of company revenues.	0.04%	0.02%	0.06%	%	200%
Gender Headcount	Total Employees - Male	5,454	5,874	5,330	No	-9.26%
	Total Employees - Female	209	190	200	No	5.26%
	Number of Employees - Admin - Female	188	171	182	No	6.43%
	Number of Employees - Admin - Male	397	403	426	No	5.71%
	Number of Employees - Plant - Female	21	19	18	No	-5.26%
	Number of Employees - Plant - Male	5,057	5,471	4,904	No	-10.36%
	% of females in Administration	32.14%	29.79%	29.93%	%	0.48%
	Entry level & Middle Management - Female	8.49%	8.17%	8.8%	%	8.06%
	Entry level & Middle Management - Male	91.51%	91.83%	91.2%	%	-0.72%
	Senior management - Women	0	0	0	No	-
	Middle Management, Senior Management & Executives - Male	46	45	50	No	11.11%

Material Topic	KPIs	2021	2021		Units	% change (2022-23)
Pillar: Our People & Community (Contd.)						
Gender Pay Ratio	Band 1 Para Professionals	2.19	2.34	2.46	Ratio	5.19%
	Band 2 Professionals	1.58	1.62	1.67	Ratio	2.95%
	Band 3 Middle Management	1.11	1.11	1.09	Ratio	-1.35%
	Total Gender Pay Ratio	2.32	2.56	2.56	Ratio	0.00%
Pillar: Governance & Best Practices						
CEO Compensation	Ratio of CEO total compensation to median FTE total compensation	70	88	83	Ratio	-
Pillar: Responsible Business, Responsible Employer						
Local Procurement	Total tons of imports substituted with local procurement per annum		256,265	276,265	ton	7.88%
	Total nautical miles reduced from local procurement per annum		21,715	23,523	nautical miles	8.33%
	Total emissions saved from substituting imports with local procurement per annum		35,170.68	36,297.9	tons CO2e	3.21%

ADX ESG Disclosures

ESG Metric	GRI Standards	Calculation	2021	2022	2023	Units	% change (2022-23)	Comments / Discloser
Category: Environmental								
E1 GHG Emissions	GRI 305: Emissions 2016	E1.1) Total amount in CO2 equivalents, for Scope 1	337.36	371.01	400.08	kt CO2e	7.84%	Data tables (Pillar: Environmental Impact, Topic: Emissions Reduction)
		E1.2) Total amount, in CO2 equivalents, for Scope 2	38.14	11.92	0.01	kt CO2e	-99.92%	Emissions Reduction & Data tables (Pillar: Environmental Impact, Topic: Emissions Reduction)
E2 Emissions Intensity	GRI 305: Emissions 2016	E2.1) Total GHG emissions per output scaling factor	131.29	108.79	115.97	kg / 000 AED	6.60%	Emissions Reduction & Data tables (Pillar: Environmental Impact, Topic: Emissions Reduction)
E3 Energy Usage	GRI 302: Energy 2016	E3.1) Total amount of energy directly consumed	5.72	6.40	6.94	PJ	8.42%	Data tables (Pillar: Environmental Impact, Topic: Energy Efficiency)
		E3.2) Total amount of energy indirectly consumed	0.39	0.12	0.0001	PJ	-99.92%	Data tables (Pillar: Environmental Impact, Topic: Energy Efficiency)
E4. Energy Intensity	GRI 302: Energy 2016	Total direct energy usage per output scaling factor	2.00	1.82	2.01	GJ / 000 AED	10.62%	Data tables (Pillar: Environmental Impact, Topic: Energy Efficiency)
E5. Energy Mix	GRI 302: Energy 2016	Percentage: Energy usage by generation type						
		% of electricity purchased	41.29%	12.91%	0.01%	%	-99.92%	Data tables (Pillar: Environmental Impact, Topic: Energy Efficiency)
		% of electricity generated	58.71%	87.09%	99.99%	%	14.81%	
E6. Water Usage	GRI 303: Water and Effluents 2018	E6.1) Total amount of water consumed	2.1	2.5	2.7	Million m3	6.10%	Data tables (Pillar: Environmental Impact, Topic: Water Sustainability)
		E6.2) Total amount of water reclaimed	1.1	1.1	1.2	Million m3	5.37%	Data tables (Pillar: Environmental Impact, Topic: Water Sustainability)
E7. Environmental Operations	GRI 103: Management Approach 2016*	E7.1) Does your company follow a formal Environmental Policy? Yes/ No						Yes, Policies & Sustainability Governance
		E7.2) Does your company follow specific waste, water, energy, and/ or recycling policies? Yes/No						Yes, Policies & Sustainability Governance
		E7.3) Does your company use a recognized energy management system?						Yes, Policies & Sustainability Governance
E8. Environmental Oversight	GRI 102: General Disclosures 2016	Does your Management Team oversee and/or manage sustainability issues? Yes/No						Yes, Policies & Sustainability Governance
E9. Environmental Oversight	GRI 102: General Disclosures 2016	Does your Board oversee and/ or manage sustainability issues? Yes/No						Yes, Policies & Sustainability Governance
E10. Climate Risk Mitigation		Total amount invested, annually, in climate-related infrastructure, resilience, and product development	-	4.5	16.9	AED Million	275.56%	Yes, Commitments towards Material Topics

ADX ESG Disclosures (contd.)

ESG Metric	GRI Standards	Calculation		2021	2022	2023	Units	% change (2022-23)	Comments / Discloser
Category: Social									
S1. CEO Pay Ratio	GRI 102: General Disclosures 2016	S1.1) Ratio: CEO total compensation to median Full Time Equivalent (FTE) total compensation		70	88	83	Ratio	-	Data tables (Pillar: Governance)
		S1.2) Does your company report this metric in regulatory filings? Yes/No		-	-	-	-	-	No
S2. Gender Pay Ratio	GRI 405: Diversity and Equal Opportunity 2016	Ratio: Median male compensation to median female compensation		2.32	2.56	2.56	Ratio	0.00%	Data tables (Pillar: Social)
S3. Employee Turnover	GRI 401: Employment 2016	S3.1) Percentage: Year-over-year change for full-time employees		5416	6064	5,530	No	-8.81%	Data tables (Pillar: Social)
		S3.2) Percentage: Year-over-year change for part-time employees		-	-		-	-	N/A
		S3.3) Percentage: Year-over-year change for contractors/ consultants		-	-		-	-	N/A
S4. Gender Diversity	GRI 102: General Disclosures 2016 GRI 405: Diversity and Equal Opportunity 2016	S4.1) Percentage: Total enterprise headcount held by men and women							Data tables (Pillar: Social, Topic: Gender Headcount)
		Female		96.31%	3.13%	3.62%	%	15.43%	
		Male		3.69%	96.87%	96.38%	%	-0.50%	
		S4.2) Percentage: Entry-and mid-level positions held by men and women							
		Female		8.49%	8.17%	8.8%	%	8.06%	
		Male		91.51%	91.83%	91.2%	%	-0.72%	
		S4.3) Percentage: Senior- and executive- level positions held by men and women							
		Female		0	0	0	No	-	
		Male		46	45	50	No	11.11%	
S5. Temporary Worker Ratio	GRI 102: General Disclosures 2016	S5.1) Percentage: Total enterprise headcount held by part-time employees		0	0	0	No	-	N/A
		S5.2) Percentage: Total enterprise headcount held by contractors and/ or consultants		0	0	0	No	-	N/A
S6. Non-Discrimination	GRI 103: Management Approach 2016*	Does your company follow non- discrimination policy? Yes/No							Yes, Ethics
S7. Injury Rate	GRI 403: Occupational Health and Safety 2018	Percentage: Frequency of injury events relative to total workforce time							Data tables (Pillar: Social, Topic: Health & Safety)
		Total injuries Minor		213	167	208.00	No	24.5%	
		Total injuries Major		19	12	12.00	No	0.00%	
S8. Global Health & Safety		Does your company follow an occupational health and/or global health & safety policy? Yes/ No							Yes, Employee Safety & Wellbeing
S9. Child & Forced Labour		S9.1) Does your company follow a child and/or forced labor policy? Yes/No							Yes, Sustainable & Responsible Procurement
		S9.2) If yes, does your child and/or forced labor policy also cover suppliers and vendors? Yes/No							Yes, Sustainable & Responsible Procurement
S10. Human Rights		S10.1) Does your company follow a human rights policy? Yes/No							No. We do not have a formal Human Rights Policy in place, but we operate in accordance with all UAE Laws governing human rights.
		S10.2) If yes, does your human rights policy also cover suppliers and vendors? Yes/No							Yes, Sustainable & Responsible Procurement
S11. Nationalisation	Percentage of national employees	Percentage of national employees		5.0%	11.0%	10%	%	-9.09%	Yes, Emiratization
S12. Community Investment	Amount invested in the community, as a percentage of company revenues.	Amount invested in the community, as a percentage of company revenues.		0.04%	0.02%	0.06%	%	200%	Data tables (Pillar: Social, Topic: Community Investment

ADX ESG Disclosures (contd.)

ESG Metric	GRI Standards	Calculation	2021	2022	2023	Units	% change (2022-23)	Comments / Discloser
Category: Governance								
G1. Board Diversity	GRI 405: Diversity and Equal Opportunity 2016	G1.1) Percentage: Total board seats occupied by men and women						N/A
		Women	16.67%	14.29%	14.29%	No	0.00%	
		Men	83.33%	85.71%	85.71%	No	0.00%	
G2. Board Independence		G1.2) Percentage: Committee chairs occupied by men and women						N/A
		Women	0%	25%	50%	No	100%	
		Men	100%	75%	50%	No	33.33%	
		G2.1) Does company prohibit CEO from serving as board chair? Yes/No						Yes
		G2.2) Percentage: Total board seats occupied by independent board members	85.71%	85.71%	85.71%	%	0.00%	Section: Corporate Governance, Report pg 74-75
G3. Incentivized Pay		Are executives formally incentivized to perform on sustainability						Under evaluation
G4. Supplier Code of Conduct		G4.1) Are your vendors or suppliers required to follow a Code of Conduct? Yes/ No						No
		G4.2) If yes, what percentage of your suppliers have formally certified their compliance with the code?						N/A
G5. Ethics & Prevention of Corruption		G5.1) Does your company follow an Ethics and/or Prevention of Corruption policy? Yes/No						Yes
		G5.2) If yes, what percentage of your workforce has formally certified its compliance with the policy						100%
G6. Data Privacy		G6.1) Does your company follow a Data Privacy policy? Yes/No						Yes, Data Protection
		G6.2) Has your company taken steps to comply with GDPR rules? Yes/No						Yes
G7. Sustainability Reporting		Does your company publish a sustainability report? Yes/No						Yes
G8. Disclosure Practices		G8.1) Does your company provide sustainability data to sustainability reporting frameworks? Yes/No						Yes, GRI 1 Foundation 2021
		G8.2) Does your company focus on specific UN Sustainable Development Goals (SDGs)? Yes/No						Yes, Alignment with SDG Targets
		G8.3) Does your company set targets and report progress on the UN SDGs? Yes/ No						Yes, Alignment with SDG Targets
G9. External Assurance	GRI 103: Management Approach 2016 is to be used in combination with the topic specific Standards	Are your sustainability disclosures assured or verified by a third-party audit firm? Yes/ No						No external assurance was sought for this report.

GRI Content Index

GRI Standard	Disclosure	Location
Material topics		
GRI 2: General Disclosures 2021	2-1 Organizational details	About RAK Ceramics, Pg 14
	2-2 Entities included in the organization's sustainability reporting	About this Report, Pg 8
	2-3 Reporting period, frequency and contact point	About this Report, Pg 8
	2-4 Restatements of information	We have made 3 Restatements in our 2023 ESG Report. • Waste - We have updated our hazardous waste generated figures for 2022. • Emiratization - In 2021 and 2022, we reported Emiratization rate in Administration only. In this report, we have updated the figures to reflect Emiratization another divisions including Marketing & Sales, and Advocacy. • Air Pollution - We have updated our air pollution figures (NOX, SOX, TSP, CO) for 2022.
	2-5 External assurance	No external reassurance was sought for this report.
	2-6 Activities, value chain and other business relationships	About RAK Ceramics, Report pg 14 -15 & Product Lines Pg 16-17
	2-7 Employees	Diversity & Inclusion Pg 66
	2-9 Governance structure and composition	Corporate Governance, Pg 74
	2-10 Nomination and selection of the highest governance body	Corporate Governance, Pg 74
	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance, Pg 74
	2-13 Delegation of responsibility for managing impacts	Policies & Sustainability Governance, Pg 36
	2-22 Statement on sustainable development strategy	Our Sustainability Commitment, Pg 28-29
	2-23 Policy commitments	Commitments towards Material Topics, Pg 34
	2-24 Embedding policy commitments	Policies & Sustainability Governance Pg 36
	2-25 Processes to remediate negative impacts	Policies & Sustainability Governance Pg 36
	2-26 Mechanisms for seeking advice and raising concerns	Ethics, Pg 76
	2-27 Compliance with laws and regulations	Corporate Governance, Pg 74
	2-28 Membership associations	Associations, Pg 37
	2-29 Approach to stakeholder engagement	Our Stakeholders, Pg 30
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Our Sustainability Pillars & Material Topics, Pg 31
	3-2 List of material topics	Our Sustainability Pillars & Material Topics, Pg 31

GRI Standard	Disclosure	Location
Economic performance		
GRI 3: Material Topics 2021	3-3 Management of material topics	Economic Performance 2023, Pg 18
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Economic Performance 2023, Pg 18
Procurement practices		
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainable & Responsible Procurement, Pg 80
Anti-corruption		
GRI 3: Material Topics 2021	3-3 Management of material topics	Ethics, Pg 76
	205-2 Communication and training about anti-corruption policies and procedures	Ethics, Pg 76
Materials		
GRI 3: Material Topics 2021	3-3 Management of material topics	Waste & Circularity, Pg 57-59 & Data Tables (Topic: Waste & Circularity)
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Waste & Circularity, Pg 57-59 & Data Tables (Topic: Waste & Circularity)
	301-2 Recycled input materials used	Waste & Circularity, Pg 57-59 & Data Tables (Topic: Waste & Circularity)
	301-3 Reclaimed products and their packaging materials	Waste & Circularity, Pg 57-59 & Data Tables (Topic: Waste & Circularity)
Energy		
GRI 3: Material Topics 2021	3-3 Management of material topics	Energy Efficiency in Production, Pg 50-53 & Data Tables (Topic: Energy Efficiency)
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy Efficiency in Production, Pg 50-53 & Data Tables (Topic: Energy Efficiency)
	302-3 Energy intensity	Energy Efficiency in Production, Pg 50-53 & Data Tables (Topic: Energy Efficiency)
	302-4 Reduction of energy consumption	Energy Efficiency in Production, Pg 50-53 & Data Tables (Topic: Energy Efficiency)
	302-5 Reductions in energy requirements of products and services	Energy Efficiency in Production, Pg 50-53 & Data Tables (Topic: Energy Efficiency)
Water and effluents		
GRI 3: Material Topics 2021	3-3 Management of material topics	Water Sustainability, Pg 55 & Data Tables (Topic: Water Sustainability)
	303-2 Management of water discharge-related impacts	Water Sustainability, Pg 55 & Data Tables (Topic: Water Sustainability)
	303-4 Water discharge	Water Sustainability, Pg 55 & Data Tables (Topic: Water Sustainability)
	303-5 Water consumption	Water Sustainability, Pg 55 & Data Tables (Topic: Water Sustainability)

GRI Content Index (contd.)

GRI Standard	Disclosure	Location
Emissions		
GRI 3: Material Topics 2021	3-3 Management of material topics	Emissions Reduction, Pg 62 & Data Tables (Topic: Emissions Reduction)
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Emissions Reduction, Pg 62 & Data Tables (Topic: Emissions Reduction)
	305-2 Energy indirect (Scope 2) GHG emissions	Emissions Reduction, Pg 62 & Data Tables (Topic: Emissions Reduction)
	305-4 GHG emissions intensity	Emissions Reduction, Pg 62 & Data Tables (Topic: Emissions Reduction)
	305-5 Reduction of GHG emissions	Emissions Reduction, Pg 62 & Data Tables (Topic: Emissions Reduction)
Waste		
GRI 3: Material Topics 2021	3-3 Management of material topics	Waste & Circularity, Pg 57-59 & Data Tables (Topic: Waste & Circularity)
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Waste & Circularity, Pg 57-59 & Data Tables (Topic: Waste & Circularity)
	306-2 Management of significant waste-related impacts	Waste & Circularity, Pg 57-59 & Data Tables (Topic: Waste & Circularity)
	306-3 Waste generated	Waste & Circularity, Pg 57-59 & Data Tables (Topic: Waste & Circularity)
	306-4 Waste diverted from disposal	Waste & Circularity, Pg 57-59 & Data Tables (Topic: Waste & Circularity)
	306-5 Waste directed to disposal	Waste & Circularity, Pg 57-59 & Data Tables (Topic: Waste & Circularity)
Employment		
GRI 3: Material Topics 2021	3-3 Management of material topics	Pillar 2: People & Community Pg 66-71
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Data Tables (Topic: Employee Turnover)
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Safety & Wellbeing, Pg 67 (Note: we do not have part-time employees)
	401-3 Parental leave	Data Tables (Topic: Parental Leave)
Training and education		
GRI 3: Material Topics 2021	3-3 Management of material topics	Employee Training Pg 69
	404-2 Programs for upgrading employee skills and transition assistance programs	Employee Training Pg 69
	404-3 Percentage of employees receiving regular performance and career development reviews	Employee Training Pg 69
Diversity and equal opportunity		
GRI 3: Material Topics 2021	3-3 Management of material topics	Diversity & Inclusion, Pg 66
	405-2 Ratio of basic salary and remuneration of women to men	Diversity & Inclusion, Pg 66 & Data Tables (Topic: Gender Pay Ratio)

GRI Standard	Disclosure	Location
Occupational health and safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	Employee Safety & Wellbeing, Pg 67
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Employee Safety & Wellbeing, Pg 67
	403-2 Hazard identification, risk assessment, and incident investigation	Employee Safety & Wellbeing, Pg 67
	403-3 Occupational health services	Employee Safety & Wellbeing, Pg 67
	403-4 Worker participation, consultation, and communication on occupational health and safety	Employee Safety & Wellbeing, Pg 67
	403-5 Worker training on occupational health and safety	Employee Safety & Wellbeing, Pg 67 & Employee Training Pg 69
	403-6 Promotion of worker health	Employee Safety & Wellbeing, Pg 67
	403-9 Work-related injuries	Employee Safety & Wellbeing, Pg 67
	403-10 Work-related ill health	Employee Safety & Wellbeing, Pg 67
Local communities		
GRI 3: Material Topics 2021	3-3 Management of material topics	Community Investment, Pg 70
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Community Investment, Pg 70
	413-2 Operations with significant actual and potential negative impacts on local communities	Community Investment, Pg 70
Supplier social assessment		
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainable & Responsible Procurement, Pg 80
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Sustainable & Responsible Procurement, Pg 80

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