RAK

CERAMICS

Condensed Consolidated Interim Financial Information

31 March 2023

RAK Ceramics PJSC and its Subsidiaries

Condensed consolidated interim financial information
31 March 2023

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Dear Members,

It is our pleasure to present the business & operations report for the three month period ended 31 March 2023, along with the consolidated financial information of RAK Ceramics PJSC, UAE (the "Group" or the "Company") as on 31 March 2023.

Snapshots

- Total revenue increased by 12.7% to AED 882.4 million and total EBITDA increased by 21% to AED 157.1 million during Q1 2023 compared to Q1 2022.
- Total gross profit margin for Q1 2023 increased to 37.9%, an increase of 90 bps year-on-year driven by improved efficiencies.
- Reported net profit increased by 14.9% year on year to AED 80.1 million for Q1 2023 due to higher revenue and gross profit margins.
- Net debt to EBITDA increased to 2.42x in March 2023 compared to 2.26x in December 2022 mainly driven by increase in net debt due to dividend payment and increase in working capital.

The Company continues to be resilient despite the ongoing economic challenges weighing in namely due to higher rates of interest, currency devaluation, recessionary fears in major markets and increased competition.

Strategic Highlights

RAK Ceramics continues to make progress on its expansion plans across its various markets.
UAE Expansion projects: Commercial production of smart tiles factory has commenced. This factory features smart tiles automation and IoT technologies to revolutionize tile manufacturing. The tableware capacity expansion is still underway, with commercial production estimated for Q3 2023 for additional 10 million pieces.
Greenfield projects Regarding the greenfield projects in Bangladesh and Saudi Arabia, the Company is actively pursuing the necessary licenses and clearances.

Operational Review

Tiles revenue witnesses steady growth of 0.9% year on year at AED 520.9 million driven by increase in selling price due to change in product mix. The Company continues to face challenges due to rising natural gas prices, competition from regional players and increasing imports. However it has been successful in maintaining the margin by differentiated product strategy, which has allowed to strengthen its position in the retail and projects segment.
Sanitary-ware revenue witnesses a year on year decline of 16.6% at AED 129.2 million due to lower off-take in European markets given on-going economic challenges and disruption in Bangladesh business due to intermittent lower pressure in gas supply. However, the Company remains confident about the growth prospects in Europe and Bangladesh, given the declining inflation and reduction in freight rates. Tableware business registered robust performance on the back of successful launch of new series of products and benefiting from the growing demand with revenue increase of 28.9% year on year at AED 97.6 million. Faucets revenue continues to grow at AED 111.6 million in Q1 2023, out of which contribution from KLUDI Group consolidation is AED 105.1 million.

Financial Highlights

The Company delivered a strong set of results during Q1 2023 despite continued economic challenges. Total revenue for Q1 2023 increased by 12.7% compared to same period last year to AED 882.4 million. The tiles and sanitary-ware continues to contribute over 74% of the total revenue mix followed by the Kludi Group consolidation which added

AED 105.1m in Q1 2023. Total gross profit margin for Q1 2023 increased to 37.9% compared to 37% in Q1 2022 driven by increase in tiles and tableware margin. Reported net profit increased to AED 80.1 million during Q1 2023 compared to AED 69.7 million in Q1 2022 due to higher revenue & gross profit margins.

Net Debt Position

Net debt increased by AED 157.7 million to AED 1.46 billion compared to Dec 2022 mainly due to payment of dividend of AED 112 million and increase in working capital. Net debt to EBITDA increased to 2.42x in March 2023 compared to 2.26x in December 2022.

Particulars	Unit	Three months to 31 March 2023	Three months to 31 March 2022	Change
Total Revenue	AED Mio	882.4	783.1	12.7%
Gross Profit	AED Mio	334.2	289.4	15.5%
GP Margin	%	37.9%	37.0%	-90 bps
EBITDA	AED Mio	157.1	129.7	21.2%
EBITDA Margin	%	17.8%	16.6%	120 bps
Reported Net Profit	AED Mio	80.1	69.7	14.9%
Reported Net Profit margin	%	9.1%	8.9%	20 bps
Reported Profit after NCI (Minority)	AED Mio	73.4	56.6	29.7%
Reported Earnings per share	AED	0.07	0.06	0.01
		31 March 2023	**31 December 2022**	**Change**
Total Assets	AED Mio	5,395.6	5,417.6	-0.4%
Share Capital	AED Mio	993.7	993.7	-
Shareholder's Equity	AED Mio	2,117.3	2,164.6	-2.2%
Net Debt	AED Mio	1,458.8	1,301.1	12.1%
Net Debt / EBITDA*	Times	2.42	2.26	-
Cost of Debt	%	5.74%	4.10%	164 bps

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

Sustainability

Further, RAK Ceramics is deeply committed towards sustainability and reducing overall environmental footprint. Recent investments include efficient online mosaic production, environment-friendly processes for recovering and recycling tiles and an advanced scanning solution. The long-term investment includes waste utilization and energy consumption.

CSR activities, exhibitions, sponsorships and awards

Exhibitions

- Participated in ISH exhibition at Frankfurt, Germany showcasing sanitary-wares product range

Events & Sponsorships in Q1 2023

- Gold sponsor for Architect Awards 2023 – Design ME
- Ramadan campaign for tiles, sanitary-wares and faucets
- National Day campaign for tiles, sanitary-wares and faucets
- Collaboration with local artist Mohamed Ahmed Ibrahim to promote local art
- Iftar events for business partners

Awards received in Q1 2023

- Stevie Gold Honorary Award for Excellence and Good Reputation
- Stevie Silver Award for Excellence in Innovation in Manufacturing Industries

Future Outlook

Performance of the Company in the UAE market remains solid, allowing it to maintain a strong position as it encounters challenges in other major markets in the form of local competition, recessionary fears and currency devaluation. Despite these obstacles, the unwavering commitment of the Company lies in positioning itself as a trusted premium supplier and it will continue to actively expand its retail presence in the region.

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.

11 MAY 2023

Chairman

Group Chief Executive Officer

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

Condensed consolidated interim financial information
for the three month period ended *31 March 2023*

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

Condensed consolidated interim financial information
31 March 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **R.A.K Ceramics P.J.S.C. (the "Company") Ras Al Khaimah, United Arab Emirates and its subsidiaries (together referred to as the "Group"),** as at 31 March 2023 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, cash flows and changes in equity for the three month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of the condensed consolidated interim financial information in accordance with International Accounting Standard 34: Interim Financial Reporting as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on the condensed consolidated interim financial information based on our review.

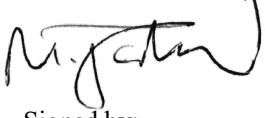
Scope of Review

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

Conclusion

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

Deloitte & Touche (M.E.)



Signed by:
Mohammad Jallad
Registration No. 1164
11 May 2023
Dubai, United Arab Emirates

Akbar Ahmad (1141), Cynthia Corby (995), Georges Najem (809), Jazala Hamad (1267), Mohammad Jallad (1164), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem M. Dajani (726), Obada Alkowatly (1056), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

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

Condensed consolidated statement of profit or loss (unaudited)

for the three month period ended 31 March 2023

		Three month period ended 31 March	
		2023	2022
	Notes	**AED'000**	AED'000
Revenue	*5*	**882,378**	783,063
Cost of sales	*6*	**(548,149)**	(493,711)
Gross profit		**334,229**	289,352
Administrative and general expenses	*7*	**(57,796)**	(50,131)
Selling and distribution expenses	*8*	**(173,473)**	(161,459)
Other operating income	*9*	**15,039**	20,144
Finance costs	*10*	**(28,555)**	(17,842)
Finance income	*10*	**2,247**	1,667
Loss on net monetary position	*25*	**(690)**	(683)
Share of profit in equity accounted investees	*11*	**22**	3,075
Profit before impairment loss		**91,023**	84,123
Impairment loss on trade receivables	*7(i)*	**(5,924)**	(7,480)
Profit before tax		**85,099**	76,643
Tax expense		**(4,998)**	(6,908)
Profit for the period		**80,101**	69,735
Profit attributable to:			
Owners of the Company		**73,412**	56,589
Non-controlling interests		**6,689**	13,146
Profit for the period		**80,101**	69,735
Earnings per share			
- basic and diluted (AED)	*12*	**0.07**	0.06

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

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

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

for the three month period ended 31 March 2023

	Three month period ended 31 March	
	2023	2022
	AED'000	AED'000
Profit for the period	**80,101**	69,735
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Foreign exchange differences on translation of foreign operations	**(20,493)**	(1,091)
Cash flow hedges – effective portion of changes in fair value (loss)/gain on hedging instruments	**(3,497)**	16,087
Effects of application of hyperinflation accounting (Note 25)	**2,630**	1,665
Total comprehensive income for the period	**58,741**	86,396
Total comprehensive income attributable to:		
Owners of the Company	**55,539**	74,419
Non-controlling interests	**3,202**	11,977
Total comprehensive income for the period	**58,741**	86,396

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

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

Condensed consolidated statement of financial position

as at 31 March 2023

	Notes	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Assets			
Non-current assets			
Property, plant and equipment	13	**1,246,318**	1,243,400
Goodwill	14	**119,964**	119,855
Right-of-use assets		**95,036**	95,697
Intangible assets		**17,475**	18,545
Investment properties	15	**899,526**	904,191
Investments in equity accounted investees	11	**10,114**	10,587
Long-term receivables	16(i)	**3,639**	3,560
Derivative financial assets	19	**7,281**	9,658
Deferred tax assets		**6,486**	6,398
Total non-current assets		**2,405,839**	2,411,891
Current assets			
Inventories	17	**1,294,496**	1,309,292
Trade and other receivables	16	**1,263,731**	1,205,067
Due from related parties	18	**29,112**	41,826
Derivative financial assets	19	**9,804**	10,924
Bank deposits with an original maturity of more than three months	20	**96,923**	117,321
Cash and cash equivalents	20	**295,747**	321,291
Total current assets		**2,989,813**	3,005,721
Total assets		**5,395,652**	5,417,612
Equity and liabilities			
Capital and reserves			
Share capital	21	**993,703**	993,703
Reserves		**1,123,591**	1,170,866
Equity attributable to owners of the Company		**2,117,294**	2,164,569
Non-controlling interests		**123,813**	133,440
Total equity		**2,241,107**	2,298,009
Non-current liabilities			
Islamic bank financing	22a(ii)	**362,624**	372,628
Interest bearing bank financing	22b(ii)	**626,218**	595,649
Provision for employees' end of service benefits		**134,259**	132,450
Lease liabilities		**72,637**	72,318
Deferred tax liabilities		**25,889**	25,397
Total non-current liabilities		**1,221,627**	1,198,442
Current liabilities			
Islamic bank financing	22a(i)	**299,103**	284,767
Interest bearing bank financing	22b(i)	**563,509**	486,686
Trade and other payables	23	**828,772**	903,666
Due to related parties	18	**39,957**	39,495
Derivative financial liabilities	19	**5,207**	4,548
Lease liabilities		**27,317**	27,626
Provision for taxation		**169,053**	174,373
Total current liabilities		**1,932,918**	1,921,161
Total liabilities		**3,154,545**	3,119,603
Total equity and liabilities		**5,395,652**	5,417,612

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

11 MAY 2023

Chairman

Chief Executive Officer

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

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

Condensed consolidated statement of cash flows (unaudited)

for the three month period ended 31 March 2023

	Three month period ended 31 March	
	2023	2022
	AED'000	AED'000
Operating activities		
Profit for the period before tax	**85,099**	76,643
Adjustments for:		
Share of profit in equity accounted investees	**(22)**	(3,075)
Interest expense	**16,378**	10,556
Profit expense on Islamic bank financing	**8,806**	2,192
Interest income	**(1,680)**	(1,602)
Profit on wakala deposits	**(472)**	(65)
Interest expense on lease liabilities	**1,778**	1,145
Net change in fair value of derivative financial instruments	**659**	1,339
Gain on disposal of property, plant and equipment	**(207)**	(40)
Depreciation on property, plant and equipment	**34,766**	30,521
Depreciation on investment properties	**2,580**	2,626
Amortisation of intangible assets	**1,654**	1,489
Depreciation of right-of-use assets	**8,461**	6,233
Provision for employees' end-of-service benefits	**4,192**	3,836
Loss on net monetary position	**690**	683
Allowance for slow moving and obsolete inventories	**12,106**	7,558
Write (up)/down of cost of finished goods	**(1,340)**	3,277
Impairment loss on trade receivables	**5,924**	7,480
	179,372	150,796
Changes in:		
- inventories	**4,030**	(15,934)
- trade and other receivables (including long-term portion)	**(69,754)**	15,541
- due from related parties	**12,714**	4,108
- trade and other payables	**(74,894)**	(6,748)
- due to related parties	**462**	6,100
Income tax paid	**(4,827)**	(3,545)
Employees' end-of-service benefits paid	**(2,565)**	(1,695)
Currency translation adjustments	**(7,028)**	2,123
Net cash generated from operating activities	**37,510**	150,746

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

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

Condensed consolidated statement of cash flows (unaudited)

for the three month period ended 31 March 2023 (continued)

	Three month period ended 31 March	
	2023	2022
	AED'000	AED'000
Investing activities		
Additions to property, plant and equipment	**(44,724)**	(23,654)
Proceeds from disposal of property, plant and equipment	**3,034**	155
Additions to intangible assets	**(543)**	(221)
Additions to investment property	**(1,980)**	-
Dividend received from equity accounted investees	**261**	289
Interest received	**1,680**	1,602
Profit received on wakala deposits	**472**	65
Proceeds from maturity of bank deposits with an original maturity of more than three months	**20,398**	109,193
Net cash (used in)/generated from investing activities	**(21,402)**	87,429
Financing activities		
Long-term bank financing availed	**71,178**	96,538
Long-term bank financing repaid	**(53,799)**	(51,148)
Long-term Islamic bank financing availed	**20,000**	-
Long-term Islamic bank financing repaid	**(24,319)**	(28,270)
Short-term bank financing availed	**389,264**	142,558
Short-term bank financing repaid	**(374,467)**	(164,304)
Short-term Islamic bank financing availed	**182,961**	97,901
Short-term Islamic bank financing repaid	**(174,310)**	(51,253)
Repayment of lease liabilities	**(12,550)**	(7,482)
Interest paid	**(16,378)**	(10,556)
Profit paid on Islamic bank financing	**(8,806)**	(2,192)
Remuneration paid to board of directors	**(3,444)**	(888)
Dividend paid	**(99,370)**	(99,370)
Dividend paid to non-controlling interests	**(12,829)**	(12,500)
Net cash used in financing activities	**(116,869)**	(90,966)
Net (decrease)/increase in cash and cash equivalents	**(100,761)**	147,209
Cash and cash equivalents at the beginning of the period	**242,628**	294,081
Net cash and cash equivalents at the end of the period	**141,867**	441,290
Represented by:		
Cash and cash equivalents	**295,747**	479,795
Bank overdraft	**(153,880)**	(38,505)
	141,867	441,290

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

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

Condensed consolidated statement of changes in equity (unaudited)

for the three month period ended 31 March 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 1 January 2023	**993,703**	**221,667**	**578,603**	**(182,291)**	**(166,881)**	**20,582**	**82,805**	**75,040**	**541,341**	**1,170,866**	**2,164,569**	**133,440**	**2,298,009**
Total comprehensive income/(loss) for the period (unaudited)													
Profit for the period	-	-	-	-	-	-	-	-	73,412	73,412	73,412	6,689	80,101
Other comprehensive income/(loss)													
Foreign exchange differences on translation of foreign operations	-	-	-	(9,317)	(7,689)	-	-	-	-	(17,006)	(17,006)	(3,487)	(20,493)
Changes in cash flow hedges	-	-	-	-	-	(3,497)	-	-	-	(3,497)	(3,497)	-	(3,497)
Effects of application of IAS 29 (refer Note 25)	-	-	-	-	2,630	-	-	-	-	2,630	2,630	-	2,630
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**(9,317)**	**(5,059)**	**(3,497)**	**-**	**-**	**73,412**	**55,539**	**55,539**	**3,202**	**58,741**
Other equity movements (unaudited)													
Directors' annual remuneration (refer Note 21(ii))	-	-	-	-	-	-	-	-	(3,444)	(3,444)	(3,444)	-	(3,444)
Transaction with owners (unaudited)													
Dividend paid (refer Note 21(i))	-	-	-	-	-	-	-	-	(99,370)	(99,370)	(99,370)	-	(99,370)
Dividend declared to NCI	-	-	-	-	-	-	-	-	-	-	-	(12,829)	(12,829)
Balance at 31 March 2023 (unaudited)	**993,703**	**221,667**	**578,603**	**(191,608)**	**(171,940)**	**17,085**	**82,805**	**75,040**	**511,939**	**1,123,591**	**2,117,294**	**123,813**	**2,241,107**

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

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

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

Condensed consolidated statement of changes in equity (unaudited)

for the three month period 31 March 2023 (continued)

	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 1 January 2022	**993,703**	**221,667**	**568,803**	**(130,569)**	**(168,321)**	**(9,010)**	**82,805**	**75,040**	**597,441**	**1,237,856**	**2,231,559**	**226,535**	**2,458,094**
Total comprehensive income/(loss) for the period (unaudited)													
Profit for the period	-	-	-	-	-	-	-	-	56,589	56,589	56,589	13,146	69,735
Other comprehensive income/(loss)													
Foreign exchange differences on translation of foreign operations	-	-	-	(2,268)	2,346	-	-	-	-	78	78	(1,169)	(1,091)
Changes in cash flow hedges	-	-	-	-	-	16,087	-	-	-	16,087	16,087	-	16,087
Effects of application of IAS 29 (refer Note 25)	-	-	-	-	1,665	-	-	-	-	1,665	1,665	-	1,665
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**(2,268)**	**4,011**	**16,087**	**-**	**-**	**56,589**	**74,419**	**74,419**	**11,977**	**86,396**
Other equity movements (unaudited)													
Directors' annual remuneration (refer Note 21(ii))	-	-	-	-	-	-	-	-	(3,574)	(3,574)	(3,574)	-	(3,574)
Transaction with owners (unaudited)													
Dividend paid (refer Note 21(i))	-	-	-	-	-	-	-	-	(99,370)	(99,370)	(99,370)	-	(99,370)
Dividend declared to NCI	-	-	-	-	-	-	-	-	-	-	-	(19,814)	(19,814)
Balance at 31 March 2022 (unaudited)	**993,703**	**221,667**	**568,803**	**(132,837)**	**(164,310)**	**7,077**	**82,805**	**75,040**	**551,086**	**1,209,331**	**2,203,034**	**218,698**	**2,421,732**

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

1. General information

R.A.K Ceramics P.J.S.C. (the "Company" or the "Holding Company") was incorporated under Emiri Decree No. 6/89 dated 26 March 1989 as a limited liability company in the Emirate of Ras Al Khaimah, UAE. Subsequently, under Emiri Decree No. 9/91 dated 6 July 1991, the legal status of the Company was changed to a Public Shareholding Company. The registered address of the Company is P.O. Box 4714, Al Jazeerah Al Hamra City, Ras Al Khaimah, United Arab Emirates. The Company is listed on Abu Dhabi Securities Exchange, UAE.

The condensed consolidated interim financial information as at and for the three month period ended 31 March 2023 comprises the financial information of the Company and its subsidiaries (collectively referred to as the "Group" and individually as "Group entities") and the Group's interest in equity accounted investees.

The principal activities of the Group are the manufacturing and sale of a variety of ceramic products including tiles, bathroom sets, sanitary wares, table wares and faucets. The Company and certain Group entities are also engaged in investing in other entities, within the UAE as well as globally, that undertake similar or ancillary activities. Accordingly, the Company also acts as a Holding Company of the Group entities. The Group is also engaged in contracting and other industrial manufacturing activities.

Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and has come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law"). The Company abides by the New Companies Law of the UAE.

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

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

2.1 New and revised IFRSs adopted by the Group

In the current period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2023. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current period but may affect the accounting for the Group's future transactions or arrangements.

- IFRS 17 'Insurance Contracts' relating to providing a more uniform measurement and presentation approach for all insurance contracts.
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture (effective date deferred indefinitely, early adoption permitted).
- IAS 1 'Presentation of Financial Statements' – Amendments on classifications of liabilities.
- IFRS 4 'Insurance contracts' relating to amendments relating to the expiry date of the deferral approach. The fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 was 1 January 2023.
- Amendments regarding Disclosure of Accounting policies (IAS 1 and IFRS practice statement 2), amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'—Definition of Accounting Estimates and Amendments to IAS 12 'Income Taxes'—Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

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

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

2.2 New and revised IFRS in issue but not yet effective and not early adopted

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

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

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

3 Summary of significant accounting policies

Basis of preparation

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard ("IAS") No. 34 *'Interim Financial Reporting'.*

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

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

The accounting policies used in the preparation of this condensed consolidated interim financial information are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2022.

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

4. Changes in judgements and estimation uncertainty

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

5. Revenue

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

	Three month period ended 31 March	
	2023	2022
	AED'000	AED'000
	(unaudited)	(unaudited)
Sale of goods	**880,128**	778,009
Others	**2,250**	5,054
	882,378	783,063

6. Cost of sales

	Three month period ended 31 March	
	2023	2022
	AED'000	AED'000
	(unaudited)	(unaudited)
Raw materials consumed	**314,928**	254,755
Change in inventory of finished goods	**(53,638)**	(2,699)
Allowance for slow moving inventories	**12,106**	7,558
Direct labor	**74,082**	53,607
Power and fuel	**37,968**	26,880
LPG and natural gas	**59,528**	59,889
Depreciation on property, plant and equipment	**27,499**	25,007
Depreciation of right-of-use assets	**726**	13
Amortization of intangible assets	**299**	-
Repairs and maintenance expense	**29,218**	26,653
Packing material expenses	**29,324**	29,866
Others	**16,109**	12,182
	548,149	493,711

7. Administrative and general expenses

	Three month period ended 31 March	
	2023	2022
	AED'000	AED'000
	(unaudited)	(unaudited)
Staff salaries and other associated costs	**27,092**	22,948
Depreciation on property, plant and equipment	**3,234**	2,904
Depreciation on investment properties	**2,580**	2,626
Depreciation of right-of-use assets	**154**	182
Amortization of intangible assets	**1,355**	1,489
Telephone, postal and office supplies	**1,591**	1,153
Repairs and maintenance expenses	**1,730**	1,627
Legal and professional fees	**4,026**	3,573
Utility expenses	**1,120**	1,016
Security charges	**131**	408
Directors' remuneration*	**925**	-
Information technology licenses and consultancy expenses	**4,406**	3,014
Expenses on investment properties	**1,454**	1,598
Others	**7,998**	7,593
	57,796	50,131

* From 1 January 2023 the remuneration of members of the Board of Directors has been recognized as an administrative expense on an accrual basis. In previous years, such remuneration was accounted for on a cash basis as a distribution of profits. Had it been recognized as an administrative expense on the accrual basis in 2022, the profit for the three month period ended 31 March 2022 would have been lower by AED 925 thousand, with an immaterial impact on the basic and diluted earnings per share for that period.

7(i) Impairment loss on trade receivables

	Three month period ended 31 March	
	2023	2022
	AED'000	AED'000
	(unaudited)	(unaudited)
Impairment loss on trade receivables	**5,924**	7,480
	5,924	7,480

8. Selling and distribution expenses

	Three month period ended 31 March	
	2023	2022
	AED'000	AED'000
	(unaudited)	(unaudited)
Staff salaries and other associated costs	**56,943**	37,644
Freight and transportation	**61,725**	88,155
Agents' commission	**4,932**	8,258
Advertisement and promotions expenses	**22,546**	11,644
Rental expenses	**1,516**	593
Travel and entertainment expenses	**3,038**	1,099
Depreciation on property, plant and equipment	**4,033**	2,610
Depreciation of right-of-use assets	**7,581**	6,038
Others	**11,159**	5,418
	173,473	161,459

9. Other operating income

	Three month period ended 31 March	
	2023	**2022**
	AED'000	AED'000
	(unaudited)	(unaudited)
Rental income from investment properties	**7,389**	7,768
Sale of scrap and miscellaneous items	**979**	1,817
Insurance claims	**759**	131
Net gain on disposal of property, plant and equipment	**207**	40
Discounts earned on purchases and freight	**2,431**	3,804
Dividend received from equity accounted investees	**261**	289
Other miscellaneous income	**3,013**	6,295
	15,039	20,144

10. Finance costs and income

	Three month period ended 31 March	
	2023	2022
	AED'000	AED'000
Finance costs		
Interest on bank financing	**16,378**	10,546
Profit expense on Islamic financing	**8,806**	2,192
Interest on amount due to related parties	**-**	10
Interest expense on lease liabilities	**1,778**	1,145
Net change in the fair value of derivatives	**659**	1,339
Bank charges	**934**	1,047
Net foreign exchange loss	**-**	1,563
Total (A)	**28,555**	17,842
Finance income		
Interest on bank deposits	**1,680**	1,602
Profit on wakala deposits	**472**	65
Net change in the fair value of derivatives	**95**	-
Total (B)	**2,247**	1,667
Net finance costs (A-B)	**26,308**	16,175

11. Investments in equity accounted investees

The Group's share of profit in equity accounted investees for the three month period ended 31 March 2023 amounted to AED 0.02 million (unaudited) (three month period ended 31 March 2022 (unaudited): AED 3.08 million).

The Group received AED 0.26 million (unaudited) as dividends during the current period from its equity accounted investees (three month period ended 31 March 2022 (unaudited): AED 0.29 million).

12. Earnings per share

	Three month period ended 31 March	
	2023	2022
	(unaudited)	(unaudited)
Profit attributable to the owners of the Company (AED'000)	**73,412**	56,589
Weighted average number of ordinary shares ('000s)	**993,703**	993,703
Basic and diluted earnings per share (AED)	**0.07**	0.06

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

13. Property, plant and equipment

Additions, disposals and depreciation (unaudited)

During the three month period ended 31 March 2023, the Group has acquired property, plant and equipment and made additions to capital work in progress amounting to AED 44.72 million (three month period ended 31 March 2022: AED 23.65 million).

Property, plant and equipment with a carrying amount of AED 2.83 million was disposed of during the current period (three month period ended 31 March 2022: AED 0.12 million) resulting in a gain on disposal of AED 0.21 million (gain on disposal, three month period ended 31 March 2022: AED 0.04 million) which is included in other income in the condensed consolidated statement of profit or loss (also refer Note 9).

Depreciation on property, plant and equipment for the current period amounted to AED 34.77 million (three month period ended 31 March 2022: AED 30.52 million). Below is the breakdown of property, plant and equipment inside and outside the U.A.E:

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Inside U.A.E	**797,275**	791,503
Outside U.A.E	**449,043**	451,897
	1,246,318	1,243,400

14. Goodwill

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Opening balance	**119,855**	120,500
Effects of movements in exchange rate	**109**	(645)
Closing balance	**119,964**	119,855

14. Goodwill (continued)

Goodwill comprises AED 50.36 million, AED 5.31 million, AED 5.84 million, and AED 58.45 million recognized on acquisition, respectively of Ceramin FZ LLC, RAK Ceramics UK Limited, RAK Distribution Europe S.A.R.L, and the entities in Saudi Arabia namely ARK International Trading Company Limited (AED 27.0 million), and RAK Saudi LLC (AED 31.5 million).

During the current period, Management has performed an analysis of the sensitivity of the impairment test to changes in key assumptions used to determine the recoverable amount of each cash generating unit to which goodwill is allocated and concluded there are no indicators of impairment.

15. Investment properties

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Inside U.A.E	**875,314**	877,181
Outside U.A.E	**24,212**	27,010
	899,526	904,191

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

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

The fair value of the Group's investment properties as at 31 December 2022 and the prior years has been arrived at on the basis of an independent property valuation as of those dates. The valuers possess appropriate qualifications and recent experience in the valuation of properties in the location and category of the property being valued.

The fair value measurement has been categorized as a Level 3 fair value based on the inputs to the valuation technique used and in estimating the fair value, the highest and best use of the properties in their current use (31 December 2022: Level 3).

16. Trade and other receivables

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Trade receivables	**1,086,967**	1,076,543
Less: Allowance for expected credit loss	**(164,059)**	(211,859)
Subtotal (A)	**922,908**	864,684
Other receivables	**123,997**	129,730
Less: Allowance for expected credit loss	**(33,791)**	(33,791)
Subtotal (B)	**90,206**	95,939
Advances and prepayments (C)	**223,247**	214,495
Deposits (D)	**27,370**	29,949
Total (A+B+C+D)	**1,263,731**	1,205,067

16(i) Long-term receivables

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Trade receivables	**4,664**	4,570
Less: Allowance for expected credit loss	**(213)**	(272)
	4,451	4,298
Less : current portion included in trade receivables	**(812)**	(738)
Long-term receivables	**3,639**	3,560

s

17. Inventories

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Finished goods (net of net realizable value adjustments)	**951,306**	907,383
Less : Allowance for slow moving inventories	**(160,607)**	(152,962)
Subtotal (A)	**790,699**	754,421
Raw materials	**259,259**	301,923
Consumables, stores and spares	**256,450**	254,125
	515,709	556,048
Less : Allowance for slow-moving inventories	**(82,700)**	(80,170)
Subtotal (B)	**433,009**	475,878
Goods-in-transit (C)	**17,542**	23,255
Work-in-progress (D)	**53,246**	55,738
Total (A+B+C+D)	**1,294,496**	1,309,292

At 31 March 2023, the Group has recognized a cumulative loss due to write-down of finished goods inventories of AED 165.02 million against cost of AED 456.00 million *(31 December 2022 (audited): AED 165.96 million against cost of AED 425.99 million)* to bring it to its net realizable value which was lower than the cost. The difference in the write down of AED (0.94) million (unaudited) *(three month period ended 31 March 2022 (unaudited): AED 3.28 million*) is included in cost of sales in the condensed consolidated statement of profit or loss with a currency loss of AED 0.31 million for the period (unaudited) *(three month period ended 31 March 2022 (unaudited): AED 0.28 million*).

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

18. Related party balances and transactions

The significant transactions entered into by the Group with related parties during the period, other than those disclosed elsewhere in this condensed consolidated interim financial information, are as follows:

Equity accounted investees and companies under common management:

	Three month period ended 31 March	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)
Sale of goods and services and construction contracts	**28,167**	36,666
Purchase of goods and rendering of services	**60,880**	61,584
Royalty	**25**	48
Interest expense	**-**	10

18. Related party balances and transactions (continued)

Key management personnel compensation

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

	Three month period ended 31 March	
	2023	2022
	AED'000	AED'000
	(unaudited)	(unaudited)
Short-term benefits	**3,226**	2,919
Staff terminal benefits	**58**	60
Board of Directors' remuneration	**3,444**	3,574

Due from related parties

	31 March	31 December
	2023	2022
	AED'000	AED'000
	(unaudited)	(audited)
Equity accounted investees	**41,743**	39,807
Other related parties	**27,577**	42,235
	69,320	82,042
Less : Allowance for expected credit loss	**(40,208)**	(40,216)
	29,112	41,826

Due to related parties

	31 March	31 December
	2023	2022
	AED'000	AED'000
	(unaudited)	(audited)
Other related parties	**39,957**	39,495
	39,957	39,495

19. Derivative financial instruments

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

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

	31 March	31 December
	2023	2022
	AED'000	AED'000
	(unaudited)	(audited)
Non-current		
Derivative financial assets		
Interest rate swaps used for hedging	**7,281**	9,658
	7,281	9,658

19. Derivative financial instruments (continued)

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Current		
Derivative financial assets		
Interest rate swaps used for hedging	**9,804**	10,924
	9,804	10,924

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Current		
Derivative financial liabilities		
Forward exchange contracts	**2,634**	570
Other currency and interest rate swaps	**2,573**	3,978
	5,207	4,548

20. Bank balances and cash

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Cash in hand	**1,980**	2,024
Cash at bank		
- in bank deposits with maturity of less than three months	**3,867**	76,545
- in Wakala deposits with maturity less than three months	**-**	25,000
- in current accounts	**253,204**	194,301
- in margin deposits	**1,154**	1,536
- in call accounts	**35,975**	22,318
Cash and cash equivalents (excluding allowance for expected credit loss)	**296,180**	321,724
Less : Allowance for expected credit loss	**(433)**	(433)
Cash and cash equivalents (A)	**295,747**	321,291
Bank deposits with an original maturity of more than three months (B)	**96,923**	117,321
Bank balances and cash (A+B)	**392,670**	438,612

Cash in hand and cash at bank includes AED 0.37 million (*31 December 2022 (audited): AED 0.50 million*) and AED 138.00 million (*31 December 2022 (audited): AED 123.15 million*) respectively, held outside UAE.

All bank deposits carry interest at normal commercial rates and include AED 0.55 million (*31 December 2022 (audited): AED 0.45 million*) which are held by bank under lien against bank facilities availed by the Group.

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

21. Share Capital

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

(i) Dividend

At the Annual General Meeting (AGM) held on 10 March 2023, the shareholders approved a cash dividend of 10% amounting to AED 99,370 thousand apart from the interim cash dividend of 10% amounting to AED 99,370 thousand for the year 2022; (For the year 2021: cash dividend of 7.5% amounting to AED 74,528 thousand).

(ii) Directors' remuneration

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

22. Bank financing arrangements

(a) Islamic bank financing

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
(i) Short-term		
Mudaraba facilities (A)	**96,474**	48,379
Commodity Murabaha facilities (B)	**88,398**	127,842
Current portion of long-term financing (refer note 22(a)(ii) below)	**114,231**	108,546
	299,103	284,767

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
(ii) Long-term – Islamic bank financing		
Mudaraba facilities(A)	**140,000**	120,000
Commodity Murabaha facilities (B)	**169,581**	183,404
Ijarah facilities (C)	**167,274**	177,770
Less : current portion of long-term financing (refer Note 22 (a)(i)	**(114,231)**	(108,546)
	362,624	372,628

22. Bank financing arrangements (continued)

(a) Islamic bank financing

(ii) Long-term – Islamic bank financing

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Movement:		
Balance as at 1 January	**481,174**	404,421
Availed during the period/ year	**20,000**	193,447
Repaid during the period/ year	**(24,319)**	(116,694)
Balance as at end of the period/ year	**476,855**	481,174
Less : current portion included in short-term (refer 22 (a)(i))	**(114,231)**	(108,546)
	362,624	372,628

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

(A) Mudaraba is a mode of Islamic financing where a contract is entered into by two parties whereby one party (Bank) provides funds to 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

		31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
(i)	**Short-term**		
	Bank overdraft	**153,880**	78,663
	Short-term loan	**177,101**	162,305
	Current portion of long-term financing (refer note 22 (b)(ii) below)	**232,528**	245,718
		563,509	486,686

22. Bank financing arrangements (Continued)

(b) Interest bearing bank financing

		31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
(ii)	**Long-term bank loans**		
	Balance as at 1 January	**841,367**	697,811
	Availed during the period/ year	**71,178**	412,555
	Repaid during the period/ year	**(53,799)**	(268,999)
	Balance as at end of the period/ year	**858,746**	841,367
	Less : current portion of long-term financing (refer 22 (b)(i))	**(232,528)**	(245,718)
		626,218	595,649

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

23. Trade and other payables

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Trade payables	**355,564**	417,804
Accrued and other expenses	**257,255**	249,795
Advance from customers	**80,042**	106,394
Commission and rebates payable	**70,364**	73,898
Other payables	**65,547**	55,775
	828,772	903,666

24. Contingent liabilities and commitments

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Contingent liabilities		
Letters of guarantee	**63,517**	65,820
Letters of credit	**94,926**	60,931
Value added tax and other tax contingencies	**62,806**	62,979
Commitments		
Capital commitments	**59,514**	83,382

25. Hyperinflationary economy

The Group has a subsidiary in the Islamic Republic of Iran, which did not have material operations during the year ended 31 December 2022 or during the three month period ended 31 March 2023. The total assets of the Iranian subsidiary were 0.42% of the Group's consolidated total assets as at 31 March 2023 *(31 December 2022 (audited): 0.53%*)

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

	Index	**Conversion factor**
31 March 2023	**620.00**	1.1012
31 December 2022	**563.00**	1.4847
31 December 2021	**379.20**	1.3514
31 December 2020	**280.60**	1.4479
31 December 2019	**193.80**	1.2775
31 December 2018	**151.70**	1.3558

The above mentioned restatement is affected as follows:

- Hyperinflation accounting was applied as of 1 January 2020;
- The condensed consolidated statement of profit or loss is adjusted at the end of each reporting period using the change in the general price index and is converted at the closing exchange rate of each period (rather than the year to date average rate for non-hyperinflationary economies), thereby restating the year to date condensed consolidated statement of profit or loss accounts both for inflation index and currency conversion;
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the date of the condensed consolidated statement of financial position. Monetary items are money held and items to be recovered or paid in money; and
- Non-monetary assets and liabilities are stated at historical cost (e.g. property plant and equipment, investment properties etc.) and equity of the subsidiary is restated using an inflation index. The hyperinflation impact resulting from changes in the general purchasing power until 31 December 2022 are reported in Hyperinflation reserve directly as a component of equity and the impacts of changes in the general purchasing power from 1 January 2023 are reported through the condensed consolidated statement of profit or loss in a separate line as a loss on net monetary position, besides having the impact on depreciation charge for the period.
- All items in the consolidated statement of profit or loss are restated by applying the relevant quarterly average or year-end conversion factors.

25. Hyperinflationary economy

The impact of hyperinflationary accounting on the condensed consolidated interim financial information due to the subsidiary in Iran is as follows:

Impact on condensed consolidated statement of financial position	**1 January 2023 AED'000 (unaudited)**	1 January 2022 AED'000 (unaudited)
Increase in property, plant and equipment	**783**	494
Increase in investment properties – Net	**910**	587
Increase in other assets	**937**	584
Increase in equity	**2,630**	1,665
Allocated to:		
Increase in opening equity due to cumulative hyperinflation	**2,630**	1,665

Impact on condensed consolidated statement of profit or loss	**Three month period ended 31 March 2023 AED'000 (unaudited)**	2022 AED'000 (unaudited)
Increase in depreciation charge for the period	**379**	422
Loss on net monetary position	**690**	683
	1,069	1,105

26. Other Information

Acquisitions during the year 2022

(a) In March 2022, the Group signed a Share Purchase Agreement to acquire 100% of the shares of KLUDI Group, including the balance of 49% shares in KLUDI RAK LLC, UAE, it did not own, at a purchase consideration of EUR 18.8 million (AED 76 million). The transaction concluded on 31 May 2022.

(b) During the last year the Group acquired (i) further 42% interest in one of its subsidiary, RAK Porcelain LLC, UAE, for a consideration of AED 231 million, thereby increasing the shareholding of the Group to 92% and (ii) through RAK Porcelain LLC, UAE, the remaining 9% stake in its subsidiary, RAK Porcelain Europe for a consideration of AED 3.46 million.

Corporate Income Tax

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

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

The Group/Company is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.

27. Segment reporting

Basis for segmentation

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

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

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

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.

	Ceramic products AED'000	Faucets AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
Three month period ended 31 March 2023 (unaudited)						
External revenue	**754,090**	**105,137**	**21,366**	**1,785**	**-**	**882,378**
Intersegment revenue	**165,079**	**9,950**	**35,766**	**465**	**(211,260)**	**-**
Segment revenue	**919,169**	**115,087**	**57,132**	**2,250**	**(211,260)**	**882,378**
Segment profit/(loss)	**105,194**	**(10,811)**	**2,983**	**1,406**	**(18,671)**	**80,101**
Segment EBITDA	**173,487**	**(2,706)**	**4,322**	**1,845**	**(19,854)**	**157,094**
At 31 March 2023 (unaudited)						
Segment assets	**6,771,515**	**518,863**	**162,644**	**285,559**	**(2,342,929)**	**5,395,652**
Segment liabilities	**3,804,280**	**457,785**	**68,511**	**98,324**	**(1,274,355)**	**3,154,545**

27. Segment reporting (continued)

	Ceramic products AED'000	Faucets AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
Three month period ended 31 March 2022 (unaudited)						
External revenue	753,468	-	24,541	5,054	-	783,063
Intersegment revenue	154,068	-	24,177	439	(178,684)	-
Segment revenue	907,536	-	48,718	5,493	(178,684)	783,063
Segment profit/(loss)	87,801	-	7,280	2,688	(28,034)	69,735
Segment EBITDA	146,114	-	8,630	4,062	(29,108)	129,698
At 31 December 2022 (audited)						
Segment assets	6,775,248	483,804	155,298	282,547	(2,279,285)	5,417,612
Segment liabilities	3,743,743	411,181	64,693	96,613	(1,196,627)	3,119,603

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

Reconciliation of reportable segment

	Three month period ended 31 March	
	2023	2022
	AED'000	AED'000
	(unaudited)	(unaudited)
Total profit or loss for reportable segments	**98,750**	94,694
Elimination of inter-segment profits	**(18,671)**	(28,034)
Share of profit of equity accounted investees	**22**	3,075
Reported profit	**80,101**	69,735

28. Financial instruments

Accounting classifications and fair values

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

	Carrying value					Fair value			
31 March 2023 (unaudited)	**Fair value hedging instruments AED'000**	**Mandatory at FVTPL* AED'000**	**Financial assets at amortised cost AED'000**	**Financial liabilities at amortised cost AED'000**	**Total AED'000**	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Financial assets measured at fair value									
Interest rate swaps used for hedging	-	-	**17,085**	-	**17,085**	-	**17,085**	-	**17,085**
	-	-	**17,085**	-	**17,085**	-	**17,085**	-	**17,085**
Financial assets measured at amortised cost									
Long-term receivables	-	-	**3,639**	-	**3,639**	-	-	-	-
Trade and other receivables	-	-	**1,040,484**	-	**1,040,484**	-	-	-	-
Due from related parties	-	-	**29,112**	-	**29,112**	-	-	-	-
Bank balances and cash	-	-	**392,670**	-	**392,670**	-	-	-	-
	-	-	**1,465,905**	-	**1,465,905**	-	-	-	-
Financial liabilities measured at fair value									
Forward exchange contracts / Options	-	**2,634**	-	-	**2,634**	-	**2,634**	-	**2,634**
Other currency and interest rate swaps	-	**2,573**	-	-	**2,573**	-	**2,573**	-	**2,573**
	-	**5,207**	-	-	**5,207**	-	**5,207**	-	**5,207**
Financial liabilities measured at amortised cost									
Islamic bank financing	-	-	-	**661,727**	**661,727**	-	-	-	-
Interest bearing bank financing	-	-	-	**1,189,727**	**1,189,727**	-	-	-	-
Trade and other payables	-	-	-	**748,730**	**748,730**	-	-	-	-
Due to related parties	-	-	-	**39,957**	**39,957**	-	-	-	-
Lease liabilities	-	-	-	**99,954**	**99,954**	-	-	-	-
	-	-	-	**2,740,095**	**2,740,095**	-	-	-	-

**FVTPL: fair value through profit or loss*

28. Financial instruments (continued)

Accounting classifications and fair values (continued)

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

29. Approval of the condensed consolidated interim financial information

This condensed consolidated interim financial information was approved by the Board of Directors and authorized for issue on 11 May 2023.