RAK

CERAMICS

# Condensed Consolidated Interim Financial Information

*31 March 2024*

# RAK Ceramics PJSC and its Subsidiaries

Condensed consolidated interim financial information
*31 March 2024*

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**Dear Members,**

It is our pleasure to present the business & operations report for the three month period ended 31 March 2024, along with the condensed consolidated financial information of RAK Ceramics PJSC, UAE (the "Group" or the "Company") as on 31 March 2024.

**Snapshots**

- **Group revenue:** Experienced a decline of 11.4% to AED 781.6 million in Q1 2024, owing to ongoing geopolitical challenges and market conditions in core markets except the UAE market.
- **Gross profit margin:** Robust improvement of +70bps year-on-year to reach 39.3% for Q1 2024, on account of production efficiencies, lower gas prices in the UAE and improved sales of premium and differentiated products.
- **EBITDA performance:** Year-on-year decrease of 3.9% in Q1 2024 to reach AED 151.0 million, accompanied by notable margin growth of +150bps.
- **Net profit after tax:** Q1 2024 net profit decreased 21.5% year-on-year to reach AED 62.9 million, with net profit margin decreasing to 8.0% compared to 9.1% in Q1 2023.
- **Financial health:** Net debt decreased by AED 54.3 million in March 2024 to 1.37 billion. The net debt to EBITDA ratio improved from 2.20x to 2.13x in Q1 2024.

This quarter witnessed significant turbulence, marked with continued global geo-political and economic challenges. Major markets worldwide have been struggling to recover from recession thus dampening consumer spending. The ongoing challenge in red sea has added to the disruption of global value chains and squeezed profit margins for all businesses. Despite these challenges, we are committed to invest in our brand, improve and strengthen our manufacturing capabilities and expanding our market outreach. Speaking about region-wise performance, the UAE market showed resilience registering an increase in market share and revenue growth.

In KSA, our revenue dipped mainly due to continued local competition specifically impacting our wholesale business. However, our gross margins improved as we continue to focus on premium products and differentiation by focusing on Projects.

While European market witnessed a decline in revenue, mainly impacted in the Sanitaryware division, our gross margins have sustained with nominal impact.

In Bangladesh, the market witnessed intense local competition, gas supply shortage, elevated costs of living and currency devaluation. We are working towards expanding our dealer networks and implementing several initiatives to increase penetration and brand visibility.

In India, despite revenue decline, the gross margin was stable, reporting nominal growth. Investments in market expansion and retail initiatives resulted in increased brand visibility and market share.

**Strategic Highlights**

- In Tiles division, the upgradation for our plant in India is closing towards completion. In the UAE we continue to invest in the latest technology to upgrade our plant to smart factories, thus increasing our production capabilities for large format Tiles. Additionally, we continue to work towards setting up production presence in Saudi Arabia.

- In sanitaryware division, we are upgrading the production facilities by adding new kilns allowing us to produce innovative products like smart toilets, aiming to enhance efficiency, decrease carbon emissions, and cut energy usage.

**Financial Highlights**

Total revenue decreased 11.4% YoY to AED 781.6m in Q1 2024, predominantly due to challenging market situation and lower sales in Tiles, Sanitaryware and Tableware segment whereas Faucets revenue increased 4.7% YoY. Q1 2024, gross profit margin increased 70bps YoY at 39.3% due to operational efficiencies and lower gas price in UAE. EBITDA decreased to AED 151.0m in Q1 2024, compared with AED 157.1m in the same period last year. EBITDA margins have improved to 19.3% compared to 17.8% in the comparable period last year. Net profit after tax decreased to AED 62.9 million, compared to AED 80.1 million in Q1 2023. The impact of 9% UAE Corporate Tax is AED 8.0 million for Q1 2024. Net profit margin is 8.0%, down from 9.1% in Q1 2023. Net profit after minority interest decreased to AED 57.6 million, compared to AED 73.4 million last year, representing a margin of 7.4% compared to 8.3% last year. Net debt decreased AED 54.3m in March 2024 at 1.37bn compared to Dec 23. Net debt to EBITDA decreased from 2.20x in Dec 23 to 2.13x in March 2024

**Segmental Performance Highlights**

- Tiles revenue saw a year-on-year decline of 14.8% to AED 443.6 million, attributed primarily to lower volumes in Saudi Arabia and Europe. The logistics challenges triggered from the Red Sea crisis have impacted business in all export markets. Despite these challenges, we have been able to mitigate any major impact to the gross margins.
- Sanitaryware revenue experienced a notable 12.7% year-on-year decline, mainly due to significant challenges faced in key markets such as Italy and the UK as Europe continues to struggle with recessionary pressures and inflationary trends impacting consumer spending. Additionally, the ongoing crisis in the Red Sea has led to a substantial rise in shipping costs and prolonged delivery timelines.
- Tableware Division registered a slowdown in revenue at AED 90 million on account of decreased hotel projects and spending due to ongoing regional conflicts. Despite a reduction in sales volume and overall revenue, Tableware segment registered a gross margins of 53.9%, a year-on-year improvement of 3.6%.
- Faucets revenue witnessed a 4.7% year-on-year increase, reaching AED 116.9 million mainly resulting from the continued efforts to enhance synergies. The gross margins also improved to 31.1%, thus registering a year-on-year growth of 4.5% due to cost efficiency and shifting production capabilities in UAE.

**Income Statement Highlights**

| Particulars | Q1 23 | Q1 24 | YoY Growth |
|---|---|---|---|
| Revenue | 882.4 | 781.6 | -11.4% |
| Gross margin (%) | 38.7% | 39.3% | 0.7% |
| EBITDA | 157.1 | 151.0 | -3.9% |
| Profit before tax | 85.1 | 73.9 | -13.1% |
| Profit after tax | 80.1 | 62.9 | -21.5% |
| Capital expenditure | 44.7 | 35.2 | -21.3% |
| Net debt | 1,458.8 | 1,367.2 | -6.3% |
| Net debt / EBITDA | 2.42x | 2.13x | -12.0% |

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

**CSR activities, exhibitions, sponsorships and awards**

**Exhibitions participated in Q1 2024**

- Participated in Bath- and Wellness Exhibition Hungary (Faucets)
- Salone-Italy (Faucets)
- Expo Vienna (Faucets)

**Visits of delegates in Q1 2024**

- H. E. Mr. Satish Kumar Sivan, Consul General of India
- Italian Delegation of 28 members- As a part of an Incentive program initiated by RAK Ceramics Europe
- H.E Mr. Imanishi Jun, The Consul General of Japan
- H.E. Ngabitsinze Jean Chrysostome, Minister of Trade and Industry and H.E John Mirenge, Ambassador of the Republic of Rwanda
- IWAM Board Member Scientists
- Georgetown University MBA programme students

**Awards received in Q1 2024**

- Award for shipping over 1.000 containers in 2023 (Etihad Rail direct Project)
- Stevie Awards for Mr. Abdallah Massaad - Thought Leader of The Year - Gold Award
- Stevie Awards for CookingRAK - Achievement in Product Innovation – Gold Award
- Stevie Awards for RAK Ceramics - Award for Excellence in Innovation in Manufacturing Industries - Organizations with 100 or More Employees – Silver Award
- Stevie Awards for RAK Ceramics- Innovative Achievement in Sustainability – Bronze Award

**Future Outlook**

RAK Ceramics remains confident in the long term growth drivers of the business and will continue to ramp up its production facilities, while enhancing customer value, fortifying the brand presence, and improving production efficiency. It is well-positioned to take on the ongoing market challenges and remains positive about accelerating growth and creating value for both shareholders and customers.

**Financial Reporting**

The condensed 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.

09 MAY 2024

**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 2024*

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

Condensed consolidated interim financial information
*31 March 2024*

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# INDEPENDENT AUDITOR'S REVIEW REPORT

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

*Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of **R. A. K Ceramics P.J.S.C.** (the "Company") **and its subsidiaries** (together the "Group")**, Ras Al Khaimah, United Arab Emirates,** as at 31 March 2024 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, cash flows and changes in equity for the six months period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34: Interim Financial Reporting as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

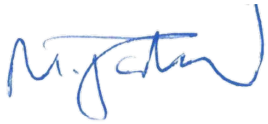
*Scope of Review*

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

*Conclusion*

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

**Deloitte & Touche (M.E.)**



Mohammad Jallad
Registration No. 1164
9 May 2024
Dubai
United Arab Emirates

Akbar Ahmad (1141), Cynthia Corby (995), Faeza Sohawon (5508), Firas Anabtawi (5482), Georges Najem (809), Jazala Hamad (1267), Mohammad Jallad (1164), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem M. Dajani (726), Nurani Subramanian Sundar (5540), 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 2024*

| | | Three month period ended 31 March | |
|---|---|---|---|
| | | **2024** | 2023 |
| | ***Notes*** | **AED'000** | AED'000 |
| **Revenue** | *5* | **781,626** | 882,378 |
| Cost of sales | *6* | **(474,164)** | (541,248) |
| **Gross profit** | | **307,462** | 341,130 |
| Administrative and general expenses | *7* | **(57,738)** | (57,796) |
| Selling and distribution expenses | *8* | **(160,530)** | (180,374) |
| Other operating income | *9* | **19,350** | 15,039 |
| Finance costs | *10* | **(35,641)** | (28,555) |
| Finance income | *10* | **7,081** | 2,247 |
| Loss on net monetary position | *26* | **(895)** | (690) |
| Share of profit in equity accounted investees | *11* | **30** | 22 |
| **Profit before impairment loss** | | **79,119** | 91,023 |
| Impairment loss on trade receivables | *7(i)* | **(5,186)** | (5,924) |
| **Profit before tax** | | **73,933** | 85,099 |
| Tax expense | *12* | **(11,033)** | (4,998) |
| **Profit for the period** | | **62,900** | 80,101 |
| *Profit attributable to:* | | | |
| Owners of the Company | | **57,609** | 73,412 |
| Non-controlling interests | | **5,291** | 6,689 |
| **Profit for the period** | | **62,900** | 80,101 |
| **Earnings per share** | | | |
| - basic and diluted (AED) | *13* | **0.06** | 0.07 |

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 2024*

| | Three month period ended 31 March | |
|---|---|---|
| | **2024** | 2023 |
| | **AED'000** | AED'000 |
| **Profit for the period** | **62,900** | 80,101 |
| **Other comprehensive income** | | |
| *Items that may be reclassified subsequently to profit or loss* | | |
| Foreign exchange differences on translation of foreign operations | **(3,229)** | (20,493) |
| Cash flow hedges – effective portion of changes in fair value (loss)/gain on hedging instruments | **(512)** | (3,497) |
| Effects of application of hyperinflation accounting (Note 26) | **1,350** | 2,630 |
| **Total comprehensive income for the period** | **60,509** | 58,741 |
| *Total comprehensive income attributable to:* | | |
| Owners of the Company | **55,501** | 55,539 |
| Non-controlling interests | **5,008** | 3,202 |
| **Total comprehensive income for the period** | **60,509** | 58,741 |

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 2024*

| | Notes | 31 March 2024 AED'000 (unaudited) | 31 December 2023 AED'000 (audited) |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **1,345,642** | 1,354,744 |
| Goodwill | 15 | **120,098** | 120,135 |
| Right-of-use assets | | **89,929** | 87,632 |
| Intangible assets | | **13,938** | 14,932 |
| Investment properties | 16 | **900,074** | 900,742 |
| Investments in equity accounted investees | 11 | **10,551** | 11,332 |
| Long-term receivables | 17(i) | **18,630** | 21,556 |
| Derivative financial assets | 20 | **4,378** | 4,277 |
| Deferred tax assets | 12 | **6,070** | 6,041 |
| **Total non-current assets** | | **2,509,310** | 2,521,391 |
| **Current assets** | | | |
| Inventories | 18 | **1,297,633** | 1,301,903 |
| Trade and other receivables | 17 | **1,175,058** | 1,189,975 |
| Due from related parties | 19 | **43,426** | 55,734 |
| Derivative financial assets | 20 | **9,326** | 7,462 |
| Bank deposits with an original maturity of more than three months | 21 | **18,643** | 41,381 |
| Cash and cash equivalents | 21 | **289,087** | 239,245 |
| **Total current assets** | | **2,833,173** | 2,835,700 |
| **Total assets** | | **5,342,483** | 5,357,091 |
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| Share capital | 22 | **993,703** | 993,703 |
| Reserves | | **1,196,683** | 1,240,552 |
| **Equity attributable to owners of the Company** | | **2,190,386** | 2,234,255 |
| Non-controlling interests | | **126,523** | 134,495 |
| **Total equity** | | **2,316,909** | 2,368,750 |
| **Non-current liabilities** | | | |
| Islamic bank financing | 23a(ii) | **274,513** | 296,674 |
| Interest bearing bank financing | 23b(ii) | **686,155** | 620,998 |
| Due to related parties | 19 | **2,159** | 2,163 |
| Provision for employees' end of service benefits | | **116,286** | 118,453 |
| Lease liabilities | | **71,662** | 67,804 |
| Deferred tax liabilities | 12 | **28,619** | 29,973 |
| **Total non-current liabilities** | | **1,179,394** | 1,136,065 |
| **Current liabilities** | | | |
| Islamic bank financing | 23a(i) | **296,295** | 317,399 |
| Interest bearing bank financing | 23b(i) | **414,725** | 463,765 |
| Trade and other payables | 24 | **894,393** | 817,704 |
| Due to related parties | 19 | **35,656** | 44,939 |
| Derivative financial liabilities | 20 | **888** | 4,296 |
| Lease liabilities | | **32,485** | 32,846 |
| Provision for taxation | 12 | **171,738** | 171,327 |
| **Total current liabilities** | | **1,846,180** | 1,852,276 |
| **Total liabilities** | | **3,025,574** | 2,988,341 |
| **Total equity and liabilities** | | **5,342,483** | 5,357,091 |

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.

09 MAY 2024

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 2024*

| | Three month period ended 31 March | |
|---|---|---|
| | **2024** | 2023 |
| | **AED'000** | AED'000 |
| **Operating activities** | | |
| Profit for the period before tax | **73,933** | 85,099 |
| *Adjustments for:* | | |
| Share of profit in equity accounted investees | **(30)** | (22) |
| Interest expense | **16,839** | 16,378 |
| Profit expense on Islamic bank financing | **9,271** | 8,806 |
| Interest income | **(1,129)** | (1,680) |
| Profit on wakala deposits | **(67)** | (472) |
| Interest expense on lease liabilities | **2,083** | 1,778 |
| Net change in fair value of derivative financial instruments | **(5,885)** | 659 |
| Gain on disposal of property, plant and equipment | **(555)** | (207) |
| Depreciation on property, plant and equipment | **36,944** | 34,766 |
| Depreciation on investment properties | **2,806** | 2,580 |
| Amortisation of intangible assets | **1,371** | 1,654 |
| Depreciation of right-of-use assets | **9,402** | 8,461 |
| Capital work in progress written off | **78** | - |
| Provision for employees' end-of-service benefits | **5,217** | 4,192 |
| Loss on net monetary position | **895** | 690 |
| Allowance for slow moving and obsolete inventories | **3,487** | 12,106 |
| Write (up)/down of cost of finished goods | **(1,696)** | (1,340) |
| Impairment loss on trade receivables | **5,186** | 5,924 |
| | **158,150** | 179,372 |
| Changes in: | | |
| - inventories | **2,479** | 4,030 |
| - trade and other receivables (including long-term portion) | **11,117** | (69,754) |
| - due from related parties | **12,308** | 12,714 |
| - trade and other payables | **(22,682)** | (74,894) |
| - due to related parties | **(9,280)** | 462 |
| Income tax paid | **(10,465)** | (4,827) |
| Employees' end-of-service benefits paid | **(7,781)** | (2,565) |
| Currency translation adjustments | **5,448** | (7,028) |
| **Net cash generated from operating activities** | **139,294** | 37,510 |

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

| | Three month period ended 31 March | |
|---|---|---|
| | **2024** | 2023 |
| | **AED'000** | AED'000 |
| **Investing activities** | | |
| Additions to property, plant and equipment | **(35,181)** | (44,724) |
| Proceeds from disposal of property, plant and equipment | **971** | 3,034 |
| Additions to intangible assets | **(366)** | (543) |
| Additions to investment property | **(3,182)** | (1,980) |
| Dividend received from equity accounted investees | **330** | 261 |
| Interest received | **1,129** | 1,680 |
| Profit received on wakala deposits | **67** | 472 |
| Proceeds from maturity of bank deposits with an original maturity of more than three months | **22,738** | 20,398 |
| **Net cash (used in)/generated from investing activities** | **(13,494)** | (21,402) |
| **Financing activities** | | |
| Long-term bank financing availed | **136,770** | 71,178 |
| Long-term bank financing repaid | **(76,324)** | (53,821) |
| Long-term Islamic bank financing availed | **10,000** | 20,000 |
| Long-term Islamic bank financing repaid | **(32,719)** | (24,319) |
| Short-term bank financing availed | **240,952** | 389,264 |
| Short-term bank financing repaid | **(214,487)** | (374,467) |
| Short-term Islamic bank financing availed | **118,786** | 182,961 |
| Short-term Islamic bank financing repaid | **(139,332)** | (174,310) |
| Payment of lease liabilities | **(9,649)** | (12,550) |
| Interest paid | **(16,839)** | (16,378) |
| Profit paid on Islamic bank financing | **(9,271)** | (8,806) |
| Remuneration paid to board of directors | **-** | (3,444) |
| Dividend paid | **-** | (99,370) |
| Dividend paid to non-controlling interests | **(13,045)** | (12,829) |
| Long term loan from related parties | **(7)** | 22 |
| **Net cash used in financing activities** | **(5,165)** | (116,869) |
| **Net increase /(decrease) in cash and cash equivalents** | **120,635** | (100,761) |
| Cash and cash equivalents at the beginning of the period | **130,895** | 242,628 |
| **Net cash and cash equivalents at the end of the period** | **251,530** | 141,867 |
| ***Represented by:*** | | |
| Cash and cash equivalents | **289,087** | 295,747 |
| Bank overdraft | **(37,557)** | (153,880) |
| | **251,530** | 141,867 |

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 2024*

| | 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 2024** | **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** |
| ***Total comprehensive income/(loss) for the period (unaudited)*** | | | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | - | - | 57,609 | 57,609 | 57,609 | 5,291 | 62,900 |
| ***Other comprehensive income/(loss)*** | | | | | | | | | | | | | |
| Foreign exchange differences on translation of foreign operations | - | - | - | 2,184 | (5,130) | - | - | - | - | (2,946) | (2,946) | (283) | (3,229) |
| Changes in cash flow hedges | - | - | - | - | - | (512) | - | - | - | (512) | (512) | - | (512) |
| Effects of application of IAS 29 (refer Note 26) | - | - | - | - | 1,350 | - | - | - | - | 1,350 | 1,350 | - | 1,350 |
| **Total comprehensive income/(loss) for the period** | **-** | **-** | **-** | **2,184** | **(3,780)** | **(512)** | **-** | **-** | **57,609** | **55,501** | **55,501** | **5,008** | **60,509** |
| **Other equity movements** | | | | | | | | | | | | | |
| Transfer to retained earnings | - | - | (82,260) | - | - | - | (82,805) | - | 165,065 | - | - | - | - |
| **Transaction with owners (unaudited)** | | | | | | | | | | | | | |
| Funds invested by NCI | - | - | - | - | - | - | - | - | - | - | - | 65 | 65 |
| Dividend paid (refer Note 22(i)) | - | - | - | - | - | - | - | - | (99,370) | (99,370) | (99,370) | - | (99,370) |
| Dividend declared to NCI | - | - | - | - | - | - | - | - | - | - | - | (13,045) | (13,045) |
| **Balance at 31 March 2024 (unaudited)** | **993,703** | **221,667** | **496,852** | **(194,385)** | **(166,615)** | **11,226** | **-** | **75,040** | **752,898** | **1,196,683** | **2,190,386** | **126,523** | **2,316,909** |

* 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 2024 (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 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 26) | - | - | - | - | 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 22(ii)) | - | - | - | - | - | - | - | - | (3,444) | (3,444) | (3,444) | - | (3,444) |
| **Transaction with owners (unaudited)** | | | | | | | | | | | | | |
| Dividend paid (refer Note 22(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 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 2024 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.

## 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 2023, 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 IFRS Accounting Standards applied by the Group

In the previous financial year, 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 2024. 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.

- 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.
- 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.
- 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.
- IAS 1 'Presentation of Financial Statements' – Amendments on classifications of liabilities.
- IFRS S1, 'General requirements for disclosure of sustainability-related financial information and IFRS S2, 'Climate-related disclosures'.
- 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.

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 2024.

**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 IFRS Accounting Standards that have been issued but are not yet effective:

- Amendment to IFRS 17 - comparative information at first time adoption of IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments.
- 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 18 Presentation and disclosures in financial statements - The new standard contains requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. (effective 1 January 2027).
- 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).
- The International Sustainability Standards Board (ISSB) has issued amendments to the Sustainability Accounting Standards Board (SASB) standards to enhance their international applicability. The amendments remove and replace jurisdiction-specific references and definitions, without substantially altering industries, topics or metrics (effective from 1 January 2025).

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 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 2023.

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 2023. 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 2024 and 31 March 2023. In addition, results for the three month period ended 31 March 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

**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 2023.

**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 | |
|---|---|---|
| | **2024** | 2023 |
| | **AED'000** | AED'000 |
| | **(unaudited)** | (unaudited) |
| Sale of goods | **780,221** | 880,128 |
| Others | **1,405** | 2,250 |
| | **781,626** | 882,378 |

## 6. Cost of sales

| | Three month period ended 31 March | |
|---|---|---|
| | **2024** | 2023 |
| | **AED'000** | AED'000 |
| | **(unaudited)** | (unaudited) |
| Raw materials consumed | **235,410** | 308,028 |
| Direct labor | **66,211** | 74,082 |
| Power and fuel | **33,063** | 37,968 |
| LPG and natural gas | **29,048** | 59,528 |
| Depreciation on property, plant and equipment | **28,287** | 27,499 |
| Repairs and maintenance expense | **25,764** | 29,218 |
| Packing material expenses | **24,015** | 29,324 |
| Change in inventory of finished goods | **10,311** | (53,638) |
| Allowance for slow moving inventories | **3,487** | 12,106 |
| Insurance | **1,586** | 1,906 |
| Depreciation of right-of-use assets | **661** | 726 |
| Amortization of intangible assets | **271** | 299 |
| Hire charges on machinery & equipment | **234** | 75 |
| Clearing charges on trading goods | **54** | 118 |
| Other Costs | **15,762** | 14,009 |
| | **474,164** | 541,248 |

## 7. Administrative and general expenses

| | Three month period ended 31 March | |
|---|---|---|
| | **2024** | 2023 |
| | **AED'000** | AED'000 |
| | **(unaudited)** | (unaudited) |
| Staff salaries and other associated costs | **29,101** | 27,092 |
| Depreciation on property, plant and equipment | **4,524** | 3,234 |
| Legal and professional fees | **3,013** | 4,026 |
| Depreciation on investment properties | **2,806** | 2,580 |
| Information technology licenses and consultancy expenses | **2,482** | 4,661 |
| Expenses on investment properties | **2,386** | 1,454 |
| Repairs and maintenance expenses | **2,262** | 1,730 |
| Utility expenses | **1,717** | 1,463 |
| Telephone, postal and office supplies | **1,620** | 1,591 |
| Amortization of intangible assets | **1,100** | 1,355 |
| Directors' remuneration | **925** | 925 |
| Insurance | **758** | 744 |
| Travelling expenses | **660** | 674 |
| Rates and taxes | **571** | 714 |
| Security charges | **433** | 131 |
| Consultancy and outsourcing fees | **283** | 356 |
| Vehicles and equipment hire charges | **255** | 624 |
| Depreciation of right-of-use assets | **181** | 154 |
| Social contribution expenses | **43** | 218 |
| Rental charges | **42** | 73 |
| Others | **2,576** | 3,997 |
| | **57,738** | 57,796 |

## 7(i) Impairment loss on trade receivables

| | Three month period ended 31 March | |
|---|---|---|
| | **2024** | 2023 |
| | **AED'000** | AED'000 |
| | **(unaudited)** | (unaudited) |
| Impairment loss on trade receivables | **5,186** | 5,924 |
| | **5,186** | 5,924 |

## 8. Selling and distribution expenses

| | Three month period ended 31 March | |
|---|---|---|
| | **2024** | 2023 |
| | **AED'000** | AED'000 |
| | **(unaudited)** | (unaudited) |
| Staff salaries and other associated costs | **57,376** | 56,943 |
| Freight and transportation | **54,845** | 68,625 |
| Advertisement and promotions expenses | **16,908** | 22,546 |
| Depreciation of right-of-use assets | **8,560** | 7,581 |
| Agents' commission | **5,524** | 4,932 |
| Depreciation on property, plant and equipment | **4,211** | 4,033 |
| Travel and entertainment expenses | **1,585** | 3,038 |
| Rental expenses | **1,303** | 1,516 |
| Repairs, maintenance & consumables | **905** | 590 |
| Vehicle maintenance | **844** | 846 |
| Postal, courier charge and stationary | **663** | 853 |
| Consultancy & outsourcing charges | **533** | 798 |
| Telephone & office supplies | **360** | 340 |
| Testing and certification charges | **206** | 86 |
| Royalty | **184** | 184 |
| Others | **6,523** | 7,463 |
| | **160,530** | 180,374 |

## 9. Other operating income

| | Three month period ended 31 March | |
|---|---|---|
| | **2024** | **2023** |
| | **AED'000** | AED'000 |
| | **(unaudited)** | (unaudited) |
| Rental income from investment properties | **11,781** | 7,389 |
| Sale of scrap and miscellaneous items | **2,730** | 979 |
| Discounts earned on purchases and freight | **1,091** | 2,431 |
| Provisions write back | **564** | 552 |
| Net gain on disposal of property, plant and equipment | **555** | 207 |
| Lease rental for property, plant and equipment | **351** | 290 |
| Duty drawback and subsidy received | **203** | 124 |
| Insurance claims | **140** | 759 |
| Other miscellaneous income | **1,935** | 2,308 |
| | **19,350** | 15,039 |

## 10. Finance costs and income

| | Three month period ended 31 March | |
|---|---|---|
| | **2024** | 2023 |
| | **AED'000** | AED'000 |
| | **(unaudited)** | (unaudited) |
| **Finance costs** | | |
| Interest on bank financing | **16,764** | 16,302 |
| Profit expense on Islamic financing | **9,271** | 8,806 |
| Net foreign exchange loss | **6,444** | - |
| Interest expense on lease liabilities | **2,083** | 1,778 |
| Bank charges | **1,004** | 934 |
| Interest on amount due to related parties | **75** | 76 |
| Net change in the fair value of derivatives | **-** | 659 |
| **Total (A)** | **35,641** | 28,555 |
| **Finance income** | | |
| Net change in the fair value of derivatives | **5,885** | - |
| Interest on bank deposits | **1,129** | 1,680 |
| Profit on wakala deposits | **67** | 472 |
| Net foreign exchange gain | **-** | 95 |
| **Total (B)** | **7,081** | 2,247 |
| **Net finance costs (A-B)** | **28,560** | 26,308 |

## 11. Investments in equity accounted investees

The Group's share of profit in equity accounted investees for the three month period ended 31 March 2024 amounted to AED 0.03 million (unaudited) (three month period ended 31 March 2023 (unaudited): AED 0.02 million).

The Group received AED 0.33 million (unaudited) as dividends during the current period from its equity accounted investees (three month period ended 31 March 2023 (unaudited): AED 0.26 million).

## 12. Income tax

Local and 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.

| | Three month period ended 31 March | |
|---|---|---|
| | **2024** | 2023 |
| | **AED'000** | AED'000 |
| | **(unaudited)** | (unaudited) |
| **Current tax** | | |
| In respect of current year | **11,932** | 4,641 |
| **Deferred tax** | | |
| (Reversal)/ origination of temporary tax differences during the year | **(899)** | 357 |
| **Tax expense for the year** | **11,033** | 4,998 |

**12. Income tax (continued)**

| | **31 March 2024 AED'000 (unaudited)** | 31 December 2023 AED'000 (audited) |
|---|---|---|
| Provision for tax | **171,738** | 171,327 |
| Deferred tax liabilities | **28,619** | 29,973 |
| Deferred tax assets | **6,070** | 6,041 |

The Group's consolidated effective tax rate for the three month ended 31 March 2024 is 14.92% *(*three month period ended 31 March 2023 5.87%*)* the increase is due to the 9% UAE Corporate Tax which became effective from 1 January 2024.

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 through the implementation of the global minimum tax. The impact cannot yet be measured reliably. These rules are already effective in certain jurisdictions where the Group operates.

**13. Earnings per share**

| | **Three month period ended 31 March** | |
|---|---|---|
| | **2024 (unaudited)** | 2023 (unaudited) |
| Profit attributable to the owners of the Company (AED'000) | **57,609** | 73,412 |
| Weighted average number of ordinary shares ('000s) | **993,703** | 993,703 |
| **Basic and diluted earnings per share (AED)** | **0.06** | 0.07 |

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.

**14. Property, plant and equipment**

***Additions, disposals and depreciation (unaudited)***

During the three month period ended 31 March 2024, the Group has acquired property, plant and equipment and made additions to capital work in progress amounting to AED 35.18 million (three month period ended 31 March 2023: AED 44.72 million).

Property, plant and equipment with a carrying amount of AED 0.49 million was disposed of during the current period (three month period ended 31 March 2023: AED 2.83 million) resulting in a gain on disposal of AED 0.56 million (gain on disposal, three month period ended 31 March 2023: AED 0.21 million) which is included in other income in the condensed consolidated statement of profit or loss (also refer Note 10).

Depreciation of property, plant and equipment for the current period amounted to AED 36.94 million (three months period ended 31 March 2023: AED 34.77 million). Below is the breakdown of property, plant and equipment inside and outside the U.A.E:

| | **31 March 2024 AED'000 (unaudited)** | 31 December 2023 AED'000 (audited) |
|---|---|---|
| Inside U.A.E | **889,889** | 885,325 |
| Outside U.A.E | **455,753** | 469,419 |
| | **1,345,642** | 1,354,744 |

## 15. Goodwill

| | **31 March 2024 AED'000 (unaudited)** | 31 December 2023 AED'000 (audited) |
|---|---|---|
| Opening balance | **120,135** | 119,855 |
| Effects of movements in exchange rate | **(37)** | 280 |
| Closing balance | **120,098** | 120,135 |

As at 31 December 2023, Goodwill comprised 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.

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.

## 16. Investment properties

| | **Inside UAE** | | **Outside UAE** | | **Total** | |
|---|---|---|---|---|---|---|
| | **31 March 2024 (unaudited)** | 31 December 2023 (audited) | **31 March 2024 (unaudited)** | 31 December 2023 (audited) | **31 March 2024 (unaudited)** | 31 December 2023 (audited) |
| | | | **AED'000** | | | |
| Net book value | **875,299** | 874,982 | **24,775** | 25,760 | **900,074** | 900,742 |
| Fair value | **1,025,590** | 1,025,590 | **47,800** | 47,800 | **1,073,390** | 1,073,390 |

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 2023 (audited) amounted to AED 1,073.39 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 2024.

The fair value of the Group's investment properties as at 31 December 2023 has been determined by an independent property valuations at that date. 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 2023: Level 3).

## 17. Trade and other receivables

| | 31 March 2024 AED'000 (unaudited) | 31 December 2023 AED'000 (audited) |
|---|---|---|
| Trade receivables | **984,397** | 1,020,964 |
| Less: Allowance for expected credit loss | **(173,080)** | (170,587) |
| **Subtotal (A)** | **811,317** | 850,377 |
| Other receivables | **197,304** | 189,747 |
| Less: Allowance for expected credit loss | **(103,588)** | (105,588) |
| **Subtotal (B)** | **93,716** | 84,159 |
| Advances and prepayments (C) | **246,497** | 231,988 |
| Deposits (D) | **23,528** | 23,451 |
| **Total (A+B+C+D)** | **1,175,058** | 1,189,975 |

## 17(i) Long-term receivables

| | 31 March 2024 AED'000 (unaudited) | 31 December 2023 AED'000 (audited) |
|---|---|---|
| Trade receivables | **33,612** | 35,971 |
| Less: Allowance for expected credit loss | **(6,357)** | (4,718) |
| | **27,255** | 31,253 |
| Less : current portion included in trade receivables | **(14,718)** | (14,874) |
| **Long-term receivables (A)** | **12,537** | 16,379 |
| Other receivables | **6,093** | 5,177 |
| **Long-term other receivables (B)** | **6,093** | 5,177 |
| **Long-term receivables (A+B)** | **18,630** | 21,556 |

**18. Inventories**

| | **31 March 2024 AED'000 (unaudited)** | 31 December 2023 AED'000 (audited) |
|---|---|---|
| Finished goods (net of net realizable value adjustments) | **955,416** | 970,675 |
| Less : Allowance for slow moving inventories | **(162,281)** | (161,594) |
| **Subtotal (A)** | **793,135** | 809,081 |
| Raw materials | **233,753** | 236,153 |
| Consumables, stores and spares | **276,587** | 273,665 |
| | **510,340** | 509,818 |
| Less : Allowance for slow-moving inventories | **(84,951)** | (89,668) |
| **Subtotal (B)** | **425,389** | 420,150 |
| Goods-in-transit (C) | **23,222** | 18,627 |
| Work-in-progress (D) | **55,887** | 54,045 |
| **Total (A+B+C+D)** | **1,297,633** | 1,301,903 |

At 31 March 2024, the Group has recognized a cumulative loss due to write-down of finished goods inventories of AED 154.71 million against cost of AED 437.57 million *(31 December 2023 (audited): AED 153.01 million against cost of AED 418.62 million)* to bring it to its net realizable value which was lower than the cost. The difference in the write down of AED 1.70 million (unaudited) *(three month period ended 31 March 2023 (unaudited): AED 0.94 million*) is included in cost of sales in the condensed consolidated statement of profit or loss with a currency loss of AED 0.04 million for the period (unaudited) *(three month period ended 31 March 2023 (unaudited): AED 0.31 million*).

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

**19. 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:

**A) Equity accounted investees and companies under common management:**

| | **Three month period ended 31 March** | |
|---|---|---|
| | **2024 AED'000 (unaudited)** | 2023 AED'000 (unaudited) |
| Sale of goods and services and construction contracts | **1,527** | 2,150 |
| Royalty | **92** | 25 |

**19. Related party balances and transactions(continued)**

**B) Other related parties**

| | Three month period ended 31 March | |
|---|---|---|
| | **2024** | 2023 |
| | **AED'000** | AED'000 |
| | **(unaudited)** | (unaudited) |
| Sale of goods and services and construction contracts | **19,628** | 26,017 |
| Purchase of goods and rendering of services | **32,479** | 60,880 |
| Interest expenses (refer Note 10) | **75** | 76 |

**Key management personnel compensation**

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

| | Three month period ended 31 March | |
|---|---|---|
| | **2024** | 2023 |
| | **AED'000** | AED'000 |
| | **(unaudited)** | (unaudited) |
| Short-term benefits | **3,244** | 3,226 |
| Staff terminal benefits | **58** | 58 |
| Board of Directors' remuneration | **925** | 925 |

**Due from related parties**

| | **31 March** | 31 December |
|---|---|---|
| | **2024** | 2023 |
| | **AED'000** | AED'000 |
| | **(unaudited)** | (audited) |
| Equity accounted investees | **3,239** | 3,640 |
| Other related parties | **43,814** | 53,731 |
| | **47,053** | 57,371 |
| Less : Allowance for expected credit loss | **(3,627)** | (1,637) |
| | **43,426** | 55,734 |

**Due to related parties**

**Long-term loan**

| | **31 March** | 31 December |
|---|---|---|
| | **2024** | 2023 |
| | **AED'000** | AED'000 |
| | **(unaudited)** | (audited) |
| Other related parties | **2,159** | 2,163 |
| | **2,159** | 2,163 |

**19. Related party balances and transactions(continued)**

| **Current Liabilities** | **31 March 2024 AED'000 (unaudited)** | 31 December 2023 AED'000 (audited) |
|---|---|---|
| Other related parties | **34,577** | 43,857 |
| Current portion of long-term loan | **1,079** | 1,082 |
| | **35,656** | 44,939 |

**20. 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 2024 AED'000 (unaudited)** | 31 December 2023 AED'000 (audited) |
|---|---|---|
| **Non-current** | | |
| **Derivative financial assets** | | |
| Interest rate swaps used for hedging | **4,378** | 4,277 |
| | **4,378** | 4,277 |

| | **31 March 2024 AED'000 (unaudited)** | 31 December 2023 AED'000 (audited) |
|---|---|---|
| **Current** | | |
| **Derivative financial assets** | | |
| Interest rate swaps used for hedging | **6,849** | 7,462 |
| Forward exchange contracts | **2,477** | - |
| | **9,326** | 7,462 |

| | **31 March 2024 AED'000 (unaudited)** | 31 December 2023 AED'000 (audited) |
|---|---|---|
| **Current** | | |
| **Derivative financial liabilities** | | |
| Forward exchange contracts | **168** | 3,669 |
| Other currency and interest rate swaps | **720** | 627 |
| | **888** | 4,296 |

## 21. Bank balances and cash

| | **31 March 2024 AED'000 (unaudited)** | 31 December 2023 AED'000 (audited) |
|---|---|---|
| Cash in hand | **2,455** | 2,742 |
| Cash at bank | | |
| - in bank deposits with maturity of less than three months | **12,951** | 5,787 |
| - in current accounts | **238,266** | 207,028 |
| - in margin deposits | **22,234** | 14,870 |
| - in call accounts | **13,364** | 9,251 |
| Cash and cash equivalents (excluding allowance for expected credit loss) | **289,270** | 239,678 |
| Less : Allowance for expected credit loss | **(183)** | (433) |
| Cash and cash equivalents (A) | **289,087** | 239,245 |
| Bank deposits with an original maturity of more than three months (B) | **18,643** | 41,381 |
| Bank balances and cash (A+B) | **307,730** | 280,626 |

Cash in hand and cash at bank includes AED 0.71 million (*31 December 2023 (audited): AED 0.96 million*) and AED 113.57 million (*31 December 2023 (audited): AED 107.49 million*) respectively, held outside UAE.

All bank deposits carry interest at normal commercial rates and include AED 4.16 million (*31 December 2023 (audited): AED 5.64 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.

## 22. Share Capital

| | **31 March 2024 AED'000 (unaudited)** | 31 December 2023 AED'000 (audited) |
|---|---|---|
| 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 26 March 2024, the shareholders approved a cash dividend of 10% amounting to AED 99,370 thousand (paid in April 2024) apart from the interim cash dividend of 10% amounting to AED 99,370 thousand (paid on August 2023) for the year 2023; (For the year 2023: interim cash dividend of 10% amounting to AED 99,370 thousand).

### (ii) Directors' remuneration

At the Annual General Meeting (AGM) held on 26 March 2024, the shareholders approved the Directors' remuneration amounting to AED 3,700 thousand for the year ended 31 December 2023, (for the year ended 31 December 2022: approved AED 3,700 thousand and paid AED 3,444 thousand based on the number of Directors in post).(Refer note 7)

**23. Bank financing arrangements**

**(a) Islamic bank financing**

| | **31 March 2024 AED'000 (unaudited)** | 31 December 2023 AED'000 (audited) |
|---|---|---|
| **(i) Short-term** | | |
| Mudaraba facilities (A) | **46,392** | 64,935 |
| Commodity Murabaha facilities (B) | **126,291** | 128,294 |
| Current portion of long-term financing (refer note 22(a)(ii) below) | **123,612** | 124,170 |
| | **296,295** | 317,399 |

| | **31 March 2024 AED'000 (unaudited)** | 31 December 2023 AED'000 (audited) |
|---|---|---|
| **(ii) Long-term – Islamic bank financing** | | |
| Mudaraba facilities(A) | **155,833** | 160,833 |
| Commodity Murabaha facilities (B) | **117,035** | 124,261 |
| Ijarah facilities (C) | **125,257** | 135,750 |
| Less : current portion of long-term financing (refer Note 22 (a)(i) | **(123,612)** | (124,170) |
| | **274,513** | 296,674 |

| | **31 March 2024 AED'000 (unaudited)** | 31 December 2023 AED'000 (audited) |
|---|---|---|
| **Movement:** | | |
| Balance as at 1 January | **420,844** | 481,174 |
| Availed during the period/ year | **10,000** | 45,000 |
| Repaid during the period/ year | **(32,719)** | (105,330) |
| **Balance as at end of the period/ year** | **398,125** | 420,844 |
| Less : current portion included in short-term (refer 22 (a)(i)) | **(123,612)** | (124,170) |
| | **274,513** | 296,674 |

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 2023.

(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.

**23. Bank financing arrangements(continued)**

**(b) Interest bearing bank financing**

| | **31 March 2024 AED'000 (unaudited)** | 31 December 2023 AED'000 (audited) |
|---|---|---|
| **(i) Short-term** | | |
| Bank overdraft | **37,557** | 108,350 |
| Short-term loan | **167,329** | 140,865 |
| Current portion of long-term financing (refer note 22 (b)(ii) below) | **209,839** | 214,550 |
| | **414,725** | 463,765 |

| | **31 March 2024 AED'000 (unaudited)** | 31 December 2023 AED'000 (audited) |
|---|---|---|
| **(ii) Long-term bank loans** | | |
| Balance as at 1 January | **835,548** | 838,104 |
| Availed during the period/ year | **136,770** | 238,683 |
| Repaid during the period/ year | **(76,324)** | (241,239) |
| Balance as at end of the period/ year | **895,994** | 835,548 |
| Less : current portion of long-term financing (refer 22 (b)(i)) | **(209,839)** | (214,550) |
| | **686,155** | 620,998 |

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 2023.

**24. Trade and other payables**

| | **31 March 2024 AED'000 (unaudited)** | 31 December 2023 AED'000 (audited) |
|---|---|---|
| Trade payables | **332,112** | 349,321 |
| Accrued and other expenses | **253,476** | 262,583 |
| Advance from customers | **75,814** | 104,325 |
| Commission and rebates payable | **61,390** | 54,278 |
| Dividends payable | **103,161** | - |
| Other payables | **68,440** | 47,197 |
| | **894,393** | 817,704 |

## 25. Contingent liabilities and commitments

| | **31 March 2024 AED'000 (unaudited)** | 31 December 2023 AED'000 (audited) |
|---|---|---|
| **Contingent liabilities** | | |
| Letters of guarantee | **57,618** | 58,719 |
| Letters of credit | **36,895** | 39,066 |
| Value added tax and other tax contingencies | **63,078** | 61,919 |
| **Commitments** | | |
| Capital commitments | **30,349** | 34,113 |

## 26. 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 2023 or during the three month period ended 31 March 2024. The total assets of the Iranian subsidiary were 0.51% of the Group's consolidated total assets as at 31 March 2023 *(31 December 2023 (audited): 0.42%*)

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 follows1:

| | **Index** | **Conversion factor** |
|---|---|---|
| 31 March 2024 | **911.41** | 1.1076 |
| 31 December 2023 | **822.86** | 1.4616 |
| 31 December 2022 | **563.00** | 1.4847 |
| 31 December 2021 | **379.20** | 1.3514 |
| 31 December 2020 | **280.60** | 1.4479 |
| 31 December 2019 | **193.80** | 1.2775 |

The above mentioned restatement is affected as follows:

- Hyperinflation accounting was applied as of 1 January 2020;
- The 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 2024 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.

**26. Hyperinflationary economy(continued)**

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 2024 AED'000 (unaudited)** | 1 January 2023 AED'000 (unaudited) |
|---|---|---|
| Increase in property, plant and equipment | **402** | 783 |
| Increase in investment properties – Net | **434** | 910 |
| Increase in other assets | **514** | 937 |
| Increase in equity | **1,350** | 2,630 |
| *Allocated to:* | | |
| Increase in opening equity due to cumulative hyperinflation | **1,350** | 2,630 |

| | **Three month period ended 31 March** | |
|---|---|---|
| ***Impact on condensed consolidated statement of profit or loss*** | **2024 AED'000 (unaudited)** | 2023 AED'000 (unaudited) |
| Increase in depreciation charge for the period | **376** | 379 |
| Loss on net monetary position | **895** | 690 |
| | **1,271** | 1,069 |

**27. 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***

| | **31 March 2024 AED'000 (unaudited)** | 31 December 2023 AED'000 (audited) |
|---|---|---|
| Less than one year | **11,599** | 11,599 |
| Between two and five years | **34,000** | 34,003 |
| | **45,599** | 45,602 |

## 28. 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 2024 (unaudited)** | | | | | | |
| **External revenue** | **654,226** | **111,003** | **15,501** | **896** | **-** | **781,626** |
| **Intersegment revenue** | **123,472** | **21,872** | **28,704** | **509** | **(174,557)** | **-** |
| **Segment revenue** | **777,698** | **132,875** | **44,205** | **1,405** | **(174,557)** | **781,626** |
| **Segment profit/(loss)** | **77,012** | **(3,050)** | **1,558** | **3,719** | **(16,339)** | **62,900** |
| **Segment EBITDA** | **151,547** | **8,709** | **3,333** | **5,506** | **(18,119)** | **150,976** |
| **At 31 March 2024 (unaudited)** | | | | | | |
| **Segment assets** | **6,874,193** | **578,040** | **137,419** | **158,649** | **(2,405,818)** | **5,342,483** |
| **Segment liabilities** | **3,722,505** | **539,199** | **56,838** | **92,375** | **(1,385,343)** | **3,025,574** |

**28. 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 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 December 2023 (audited)** | | | | | | |
| 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 |

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** | |
|---|---|---|
| | **2024** | 2023 |
| | **AED'000** | AED'000 |
| | **(unaudited)** | (unaudited) |
| Total profit or loss for reportable segments | **79,209** | 98,750 |
| Elimination of inter-segment profits | **(16,339)** | (18,671) |
| Share of profit of equity accounted investees | **30** | 22 |
| **Reported profit** | **62,900** | 80,101 |

## 29. 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 2024 (unaudited)** | **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 | **11,227** | - | - | **11,227** | - | **11,227** | - | **11,227** |
| Forward exchange contracts / Options | **2,477** | - | - | **2,477** | - | **2,477** | - | **2,477** |
| | **13,704** | | | **13,704** | - | **13,704** | - | **13,704** |
| **Financial assets measured at amortised cost** | | | | | | | | |
| Long-term receivables | - | **18,630** | - | **18,630** | - | - | - | - |
| Trade and other receivables | - | **928,561** | - | **928,561** | - | - | - | - |
| Due from related parties | | **43,426** | | **43,426** | - | - | - | - |
| Bank balances and cash | - | **307,730** | - | **307,730** | - | - | - | - |
| | - | **1,298,347** | - | **1,298,347** | - | - | - | - |
| **Financial liabilities measured at fair value** | | | | | | | | |
| Forward exchange contracts / Options | **168** | - | - | **168** | - | **168** | - | **168** |
| Other currency and interest rate swaps | **720** | - | - | **720** | - | **720** | - | **720** |
| | **888** | - | - | **888** | | **888** | - | **888** |
| **Financial liabilities measured at amortised cost** | | | | | | | | |
| Islamic bank financing | - | - | **570,808** | **570,808** | - | - | - | - |
| Interest bearing bank financing | - | - | **1,100,880** | **1,100,880** | - | - | - | - |
| Due to Related Parties Long Term Loans | - | - | **2,159** | **2,159** | - | - | - | - |
| Trade and other payables | - | - | **715,418** | **715,418** | - | - | - | |
| Due to related parties | - | - | **35,656** | **35,656** | - | - | - | - |
| Lease liabilities | - | - | **104,147** | **104,147** | - | - | - | - |
| | - | - | **2,529,068** | **2,529,068** | - | - | - | - |

**FVTPL: fair value through profit or loss*

**29. Financial instruments (continued)**
**Accounting classifications and fair values (continued)**

| | Carrying value | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|
| **31 December 2023 (audited)** | **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 | 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 | - | - | - | - |

**30. 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 9 May 2024.