



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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On financial performance during the three month period ended 31 March 2024
9 May 2024

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

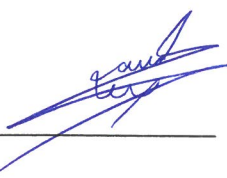
RAK Ceramics remains confident in the long term growth drivers of the business and will continue to ramp up its production facilities, while enhancing customer value, fortifying the brand presence, and improving production efficiency. It is well-positioned to take on the ongoing market challenges and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



Chairman

09 MAY 2024



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.

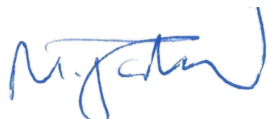
Scope of Review

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

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

	<i>Notes</i>	Three month period ended 31 March	
		2024 AED'000	2023 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
<i>Profit attributable to:</i>			
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		
<i>Items that may be reclassified subsequently to profit or loss</i>		
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
<i>Total comprehensive income attributable to:</i>		
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.

Chairman

09 MAY 2024

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
<i>Adjustments for:</i>		
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.

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 (continued)

	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											Non-controlling interests (NCI) AED'000	Total equity AED'000
	Share capital AED'000	Share premium AED'000	Legal reserve AED'000	Translation reserve AED'000	Hyper-inflation reserve* AED'000	Hedging reserve AED'000	General reserve AED'000	Capital reserve AED'000	Retained earnings AED'000	Total reserves AED'000	Total AED'000		
Balance at 1 January 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(ii))	-	-	-	-	-	-	-	-	(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										Non-controlling interests (NCI) AED'000	Total equity AED'000	
	Share capital AED'000	Share premium AED'000	Legal reserve AED'000	Translation reserve AED'000	Hyper-inflation reserve* AED'000	Hedging reserve AED'000	General reserve AED'000	Capital reserve AED'000	Retained earnings AED'000	Total reserves AED'000			Total AED'000
Balance at 1 January 2023	993,703	221,667	578,603	(182,291)	(166,881)	20,582	82,805	75,040	541,341	1,170,866	2,164,569	133,440	2,298,009
Total comprehensive income/(loss) for the period (unaudited)													
Profit for the period	-	-	-	-	-	-	-	-	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.

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

Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

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

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

Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 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

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

Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

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 (unaudited)	AED'000 (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 (unaudited)	AED'000 (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

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

Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

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

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

Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

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

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

Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

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

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

Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

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

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

Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

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).

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

Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

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

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

Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

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

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

Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

19. Related party balances and transactions(continued)

B) Other related parties	Three month period ended 31 March	
	2024 AED'000 (unaudited)	2023 AED'000 (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 AED'000 (unaudited)	2023 AED'000 (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 2024 AED'000 (unaudited)	31 December 2023 AED'000 (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 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Other related parties	2,159	2,163
	2,159	2,163

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

Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

19. Related party balances and transactions(continued)

Current Liabilities	31 March	31 December
	2024	2023
	AED'000	AED'000
	(unaudited)	(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	31 December
	2024	2023
	AED'000	AED'000
	(unaudited)	(audited)
Non-current		
Derivative financial assets		
Interest rate swaps used for hedging	4,378	4,277
	4,378	4,277

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

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

Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

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)

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

Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

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.

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

Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

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

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

Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

25. Contingent liabilities and commitments

	31 March 2024	31 December 2023
	AED'000 (unaudited)	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.

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

Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

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:

	1 January 2024 AED'000 (unaudited)	1 January 2023 AED'000 (unaudited)
Impact on condensed consolidated statement of financial position		
Increase in property, plant and equipment	402	783
Increase in investment properties – Net	434	910
Increase in other assets	514	937
	1,350	2,630
<i>Allocated to:</i>		
Increase in opening equity due to cumulative hyperinflation	1,350	2,630

	Three month period ended 31 March	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Impact on condensed consolidated statement of profit or loss		
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

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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

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Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

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

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Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

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-----				
	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
31 March 2024 (unaudited)								
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

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Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

29. Financial instruments (continued)

Accounting classifications and fair values (continued)

	-----Carrying value-----				-----Fair value-----			
	Mandatory at FVTPL* AED'000	Financial assets at amortized cost AED'000	Financial liabilities at amortised cost AED'000	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2023 (audited)								
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	-	-	-	-

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Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2024

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.