Fujairah Building Industries P.J.S.C. and its subsidiaries

Consolidated financial statements
31 December 2023

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General information

Principal office address:	P.O. Box: 383, Fujairah, United Arab Emirates T: +971 (9) 222 2051 F: +971 (9) 222 7314 Email: office@fujfbi.ae
Website:	www.fujfbi.ae
Auditor:	KPMG Lower Gulf Limited The offices 5 at One Central Level 4 , Office No. 04.01 Sheikh Zayed Road, P.O. Box: 3800 Dubai, United Arab Emirates

Report of the Board of Directors for the year ended 31 December 2023

Dear Shareholders,
It is our pleasure to present the Annual Report along with the Audited Consolidated Financial Statements for the fiscal year ended 31 December 2023 on behalf of the Board of Directors.

Principal activities of the Group:
The principal activities of the Group comprise of the manufacture, marketing and distribution of rock wool insulation materials, concrete blocks, interlocks, kerbstones, and Terrazzo tiles, cutting, polishing, supply and installation of marble products, and extraction and processing of range of gabbro quarry materials.

Financial review:
The Group has achieved revenue of AED 179.38 million from continuing operations for the year ended 2023 compared with AED 171.43 million from continuing operations for the previous year ended 2022.

The Group has achieved a net profit of AED 17.97 million in 2023 compared to a net profit of AED 17.32 million in 2022. This increase in net profit is mainly attributed to the increase in revenue, decrease in raw material input cost as well as fuel expenses. The management continues the process of reviewing the technical aspects of the production process as well as associated costs which have a significant impact on improving efficiency, increasing productivity, reducing costs and thus being able to maintain a healthy bottom line despite market circumstances.

The total assets of the Group amounted to AED 397.73 million as of 31 December 2023 compared to AED 418.57 million as of 31 December 2022, while the total shareholders' equity is AED 312.50 million as of 31 December 2023 compared to AED 331.90 million as of 31 December 2022.

Despite local and regional market volatility and challenges and the tough competition in the field of building materials industry during last few years, the Group has managed to contribute positively to the development and prosperity of the national economy and continued to strengthen its competitive position within the local and regional markets through maintaining high quality of its products and providing excellent customer service to clients. These factors have supported the company's activities providing sustainability to its operations.

Going concern basis:
The Board of Directors has reasonable expectation that the Group has adequate resources and support to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2023.

Events after the period end:
In the opinion of the Board of Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the reporting period and the date of this report, which is likely to affect, substantially the result of the operations of the Group for the year ended 31 December 2023.

Transactions with related parties:
The consolidated financial statements disclose related party transactions and balances in note 27. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

Independent auditors:

M/s. KPMG Lower Gulf Limited, Auditors, United Arab Emirates, were appointed vide Annual General Meeting held on 30 March 2023 for conducting the independent audit for the fiscal year 2023. In the next Annual General Meeting, the shareholders will decide to appoint the independent auditors for the fiscal year 2024.

Acknowledgements:

Finally to conclude, on behalf of the members of the Board of Directors, executive management and all employees of the Group, we would like to express our sincere thanks and gratefulness to His Highness Sheikh Hamad Bin Mohammed Al-Sharqi – Member of the Supreme Council and Ruler of Fujairah and H.H. Sheikh Mohammed Bin Hamad Bin Mohammed Al-Sharqi – Crown Prince of Fujairah for their permanent support and full care of the various sectors in the emirate.

We also like to extend our heartfelt thanks to H.H. Sheikh Saleh Bin Mohammad Al-Sharqi – Chairman of Department of Industry & Economy in Fujairah for his support to the company's business and growth.

Our thanks are also extended to all our shareholders, various government departments, our bankers, customers, suppliers, executive managers, general managers, divisional managers and all staff & employees of the Group for their support, and assure to continue with innovative ventures which would further enable us to reap the benefits of the Group as it grows by leaps and bounds in the nation's concepts of modernity and development.

Ahmed Saeed Mohammed Alraqbani
Chairman

06 February 2024

KPMG

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Level 4, Office No: 04.01
Sheikh Zayed Road, P.O. Box 3800
Dubai, United Arab Emirates
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Independent auditors' report

To the Shareholders of Fujairah Building Industries P.J.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Fujairah Building Industries P.J.S.C. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories

See note 13 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As described in the accounting policies in note 3 to the consolidated financial statements, inventories are carried at the lower of cost and net realisable value. As a result, the management applies judgment in determining the appropriate provisions for obsolete stock based on its ageing and its net realisable value. We identified the valuation of inventories as a key audit matter because determining appropriate provisions involves predicting the excess quantities of stocks which will remain unused or unsold after the end of the reporting period, which can be inherently uncertain and requires the exercise of significant management judgement.	• Tested, on a sample basis, whether items in the inventories ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation, which included purchase invoices, goods received notes and finished goods production notes. • On a sample basis, compared the unit cost of inventories on hand to the recent selling price and/or resulting gross margin for each product to identify evidence of negative gross margin products at risk of selling below their recorded value. • Assessed whether the provisions made at the reporting date were consistent with the Group's inventories provision policy by recalculating the provisions based on the relevant parameters in the policy. • Assessed the historical accuracy of management's judgments in making provisions for inventories by examining the utilisation or release of provisions recorded as at year end and new provisions made in the current year in respect of inventories in hand.

Key Audit Matters (continued)

Expected credit loss on trade receivables

See Note 29 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As described in the accounting policies in note 3 to the consolidated financial statements, impairment of trade receivables is determined through expected credit loss (ECL) model. Trade receivables comprise 13% of the Group's total assets at 31 December 2023 and involves significant estimates and judgments for the determination of expected credit loss on trade receivables.	• Obtained an understanding of the Group's methodology for estimating ECL and assessed the appropriateness of the ECL methodology against the requirements of IFRS 9. • Assessed management's expected credit losses model by reviewing management's analysis of historical credit losses of its receivables, testing the completeness and accuracy of data inputs in the model and evaluating the forward-looking overlay applied. • Tested key inputs of the model, such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also assessed the reasonableness of forward-looking factors used by the Group. • On a sample basis, reviewed arrangements and/ or correspondences with customers to assess the recoverability of significant overdue outstanding receivables.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Integrated Report, but does not include the consolidated financial statements and our auditors' report thereon ('Integrated Report'). We obtained the Directors' report prior to the date of our auditors' report, and the remaining sections of the Integrated Report are expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021 we report that for the year ended 31 December 2023:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of account of the Group;

v) as disclosed in note 35 to the consolidated financial statements, the Group has not purchased any shares during the year ended 31 December 2023;

vi) note 27 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;

Report on Other Legal and Regulatory Requirements (continued)

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2023; and

viii) note 6 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2023.

KPMG Lower Gulf Limited

Richard Ackland
Registration No.: 1015
Fujairah, United Arab Emirates

Date: 6 February 2024

Fujairah Building Industries P.J.S.C. and its subsidiaries

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2023

	Note	**2023 AED**	2022 AED
Continuing operations			
Revenue	*4*	**179,381,092**	171,428,926
Cost of sales	*5*	**(114,897,643)**	(110,538,581)
Gross profit		**64,483,449**	60,890,345
Administrative and general expenses	*6*	**(22,468,592)**	(20,069,896)
Selling and distribution expenses	*7*	**(25,523,803)**	(24,352,402)
(Impairment) / reversal of impairment on trade receivables	*29(a)*	**(120,417)**	470,264
Other income	*8*	**796,017**	1,835,546
Operating profit		**17,166,654**	18,773,857
Finance costs	*9*	**(2,863,214)**	(3,308,016)
Finance income	*10*	**3,580,713**	1,340,216
Dividend income	*12(ii)*	**125,000**	530,123
Profit from continuing operations		**18,009,153**	17,336,180
Loss from discontinued operation	*30*	**(40,930)**	(19,117)
Profit for the year		**17,968,223**	17,317,063
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Equity investments at FVOCI - net change in fair value	*12*	**3,425,595**	861,058
Total comprehensive income for the year		**21,393,818**	18,178,121
Earnings per share			
Basic and diluted - continuing operations	*26*	**0.132**	0.127
Basic and diluted - discontinued operation	*26*	**(0.00)**	(0.00)

The notes set out on pages 15 to 54 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 4 to 9.

Fujairah Building Industries P.J.S.C. and its subsidiaries

Consolidated statement of financial position
at 31 December 2023

	Note	**2023 AED**	2022 AED
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	**135,223,021**	153,243,632
Long-term receivables	*15*	**476,334**	772,237
Investments carried at fair value through other comprehensive income (FVOCI)	*12*	**60,153,517**	56,727,922
Total non-current assets		**195,852,872**	210,743,791
Current assets			
Inventories	*13*	**49,949,087**	44,048,516
Trade receivables	*14*	**50,181,261**	47,885,233
Advances, deposits and other receivables	*15*	**6,704,030**	6,461,402
Contract assets	*16*	**2,289,249**	2,288,827
Other financial assets	*17*	**73,000,000**	89,500,000
Cash and cash equivalents	*18*	**19,752,615**	17,638,811
Total current assets		**201,876,242**	207,822,789
Total assets		**397,729,114**	418,566,580
EQUITY AND LIABILITIES			
Equity			
Share capital	*19*	**135,987,500**	135,987,500
Statutory reserve	*20*	**50,992,621**	50,094,210
Fair value reserve of investments carried at FVOCI	*21*	**54,268,148**	50,842,553
Retained earnings	*22*	**71,253,945**	94,980,383
Total equity		**312,502,214**	331,904,646
Liabilities			
Non-current liabilities			
Lease liabilities	*23*	**38,331,334**	42,894,122
Employees' end of service benefits	*24*	**9,575,870**	9,826,876
Total non-current liabilities		**47,907,204**	52,720,998
Current liabilities			
Lease liabilities	*23*	**3,503,018**	3,168,155
Trade and other payables	*25*	**33,816,678**	30,772,781
Total current liabilities		**37,319,696**	33,940,936
Total liabilities		**85,226,900**	86,661,934
Total equity and liabilities		**397,729,114**	418,566,580

The notes set out on pages 15 to 54 are an integral part of these consolidated financial statements.

To the best of our knowledge, the consolidated financial statements fairly present, in all material respects, the consolidated financial position, results of operation and consolidated cash flows of the Group as of, and for, the year ended 31 December 2023.

The consolidated financial statements were approved and authorised for issue by and on behalf of the Board of Directors on 6 February 2024 and signed on their behalf by:

.... Chairman

.... Director

The independent auditors' report is set out on pages 4 to 9.

Fujairah Building Industries P.J.S.C. and its subsidiaries

Consolidated statement of cash flows
for the year ended 31 December 2023

	Note	2023 AED	2022 AED
Cash flows from operating activities			
Profit for the year		**17,968,223**	17,317,063
Adjustments for:			
Loss / (gain) on disposal of property, plant and equipment	*8*	**7,958**	(114,399)
Interest expense on lease liabilities	*9*	**2,863,214**	3,185,619
Interest expense on bank borrowings	*9*	**-**	122,397
Interest income on fixed deposits	*10*	**(3,580,713)**	(1,340,216)
Depreciation on property, plant and equipment (including ROU assets)	*11(iii)*	**25,233,094**	25,821,912
Dividend income	*12(ii)*	**(125,000)**	(530,123)
Provision / (reversal of provision) for slow-moving inventories	*13*	**1,613,457**	(1,102,988)
Provision for employees' end of service benefits	*24*	**1,293,068**	991,333
Impairment / (reversal of impairment) on trade receivables	*29(a)*	**120,417**	(470,264)
		45,393,718	43,880,334
Change in inventories		**(7,514,026)**	(6,566,720)
Change in trade receivables		**(2,416,446)**	(1,340,454)
Change in advances, deposits and other receivables (including long term receivables and contract assets)		**52,853**	1,975,810
Change in trade and other payables		**3,043,897**	(44,963)
Employees' end-of-service benefits paid	*24*	**(1,544,074)**	(917,708)
Board of Directors' remuneration paid	*22*	**-**	(1,260,000)
Net cash from operating activities		**37,015,922**	35,726,299
Cash flows from investing activities			
Additions to property, plant, and equipment	*11*	**(7,221,732)**	(11,213,092)
Interest received on fixed deposits		**3,580,713**	1,340,216
Investment in fixed deposits		**(103,000,000)**	(5,000,000)
Proceeds from redemption of fixed deposits		**119,500,000**	27,000,000
Proceeds from sale of investments carried at FVOCI	*12*	**-**	7,058,318
Proceeds from sale of property, plant, and equipment		**1,290**	-
Dividend received	*12(ii)*	**125,000**	530,123
Net cash from investing activities		**12,985,271**	19,715,565
Cash flows from financing activities			
Repayment of bank borrowings		**-**	(7,111,111)
Interest paid on bank borrowings		**-**	(122,397)
Payment for interest of lease liabilities	*23*	**(2,863,214)**	(3,185,619)
Payment for principal payment of lease liabilities	*23*	**(4,227,925)**	(9,492,808)
Dividends paid	*22*	**(40,796,250)**	(40,796,250)
Net cash used in financing activities		**(47,887,389)**	(60,708,185)
Net increase / (decrease) in cash and cash equivalents		**2,113,804**	(5,266,321)
Cash and cash equivalents at the beginning of the year		**17,638,811**	22,905,132
Cash and cash equivalents at the end of the year	*18*	**19,752,615**	17,638,811

The notes on pages 15 to 54 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 4 to 9.

Fujairah Building Industries P.J.S.C. and its subsidiaries

Consolidated statement of changes in equity
for the year ended 31 December 2023

	Share capital AED	Statutory reserve AED	Fair value reserve of investments carried at FVOCI AED	Retained earnings AED	Total AED
At 1 January 2022	135,987,500	48,362,504	52,609,964	118,822,807	355,782,775
Total comprehensive income for the year					
Profit for the year	-	-	-	17,317,063	17,317,063
Other comprehensive income for the year	-	-	861,058	-	861,058
Total comprehensive income for the year	-	-	861,058	17,317,063	18,178,121
Transactions with owners of the Company					
Dividends (refer note 22)	-	-	-	(40,796,250)	(40,796,250)
Other movements					
Transfer to statutory reserve (refer note 20)	-	1,731,706	-	(1,731,706)	-
Transfer on sale of investments carried at FVOCI (refer note 21)	-	-	(2,628,469)	2,628,469	-
Board of directors' remuneration (refer note 22)	-	-	-	(1,260,000)	(1,260,000)
Total other movements for the year	-	1,731,706	(2,628,469)	(363,237)	(1,260,000)
At 31 December 2022	135,987,500	50,094,210	50,842,553	94,980,383	331,904,646

Consolidated statement of changes in equity *(continued)*
for the year ended 31 December 2023

	Share capital AED	Statutory reserve AED	Fair value reserve of investments carried at FVOCI AED	Retained earnings AED	Total AED
At 1 January 2023	135,987,500	50,094,210	50,842,553	94,980,383	331,904,646
Total comprehensive income for the year					
Profit for the year	-	-	-	17,968,223	17,968,223
Other comprehensive income for the year	-	-	3,425,595	-	3,425,595
Total comprehensive income for the year	-	-	3,425,595	17,968,223	21,393,818
Transactions with owners of the Company					
Dividends (refer note 22)	-	-	-	(40,796,250)	(40,796,250)
Other movement					
Transfer to statutory reserve (refer note 20)	-	898,411	-	(898,411)	-
At 31 December 2023	**135,987,500**	**50,992,621**	**54,268,148**	**71,253,945**	**312,502,214**

The notes on pages 15 to 54 are an integral part of these consolidated financial statements.

1. Reporting entity

Fujairah Building Industries P.J.S.C. ("the Company") was incorporated as an establishment in 1979 in the Emirate of Fujairah, United Arab Emirates ("UAE"). Subsequently, the legal status of the Company was changed to Public Joint Stock Company in 1991. The registered address of the Company is P.O. Box 383, Fujairah, UAE. The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange (Ticker: FBI). The Company is ultimately controlled by the Government of Fujairah ("the Government").

The consolidated financial statements as at and for the year ended 31 December 2023 include financial performance and position of the Company and its subsidiaries (collectively referred to as "the Group"). Details of the Company's investment in subsidiaries are listed in note 31.

The principal activities of the Group comprise production of blocks, interlocks, kerbstones, ceramic tiles, rockwool insulation materials, marble products, terrazzo tiles and quarry products.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards ("IFRSs") and the applicable requirements of UAE Federal Decree Law No. 32 of 2021.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost convention basis except for investments carried at fair value through other comprehensive income ("FVOCI") which are stated at their fair values.

(c) Functional and presentation currency

These consolidated financial statements are presented in UAE Dirhams ("AED"), which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of consolidated financial statements, in conformity with IFRSs, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised prospectively.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 33.

2. Basis of preparation *(continued)*

(e) Measurement of fair values

A number of Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in note 12.

(f) New standards, interpretations and amendments adopted by the Group

Effective 1 January 2023, following new/ amended IFRS have become effective and have been applied in preparing these consolidated financial statements:

	Effective date
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - (Amendments to IAS 12)	1 January 2023

The application of these revised IFRS does not have any significant impact on the amounts reported for the current and prior period but may affect the accounting for future transactions or arrangements.

(g) New standards and interpretations that are effective for the current year

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. None of these new standards and amendments have been early adopted in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

	Effective date
Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants (Amendments to IAS 1	1 January 2024
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7	1 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
Lack of Exchangeability (Amendments to IAS 21)	1 January 2025

3. Material accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

In addition, the Group adopted the *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. The amendments require the disclosure of "material", rather than "significant", accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in certain instances.

(a) Basis of consolidation

These consolidated financial statements present the results of operations and financial position of the Group for the year ended 31 December 2023.

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination has been achieved in stages, the fair value of the existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity.

Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

3. Material accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group control exists when it is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in full in preparing these consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(b) Revenue from contracts with customers

The Group is in the business of manufacturing and selling a wide range of products including rockwool insulation products, concrete blocks, pavers, terrazzo tiles, marble products, kerbstones, ceramic tiles. Revenue is measured based on the consideration specified in a contract with a customer. The recognised revenue when it transfers control over a good or service to a customer.

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and discounts. Revenue comprises amounts derived from the sale of goods falling within the ordinary activities of the Group and are recognised at the time of delivery to customers when persuasive evidence exists that the control passes from the Group to the customer, and the amount of revenue can be measured reliably. Discounts are recognised as a reduction of revenue as the sales are recognised. For a sale that permits the customer to return an item, revenue is recognised to the extent that is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Accordingly, the amount of revenue recognised is adjusted for expected returns. The Group reviews its estimate of expected returns at each reporting date.

3. Material accounting policies *(continued)*

(b) Revenue from contracts with customers *(continued)*

Fit out / installation services

The Group provides fit-out / installation services mainly for marbles and tiles that are either sold separately or bundled together with the sale of marbles and tiles. The installation services do not significantly customise or modify the marbles and tiles. Contracts for bundled sales of marbles and tiles and installation services are comprised of two performance obligations because the product and installation services are both sold on a stand-alone basis and are distinct within the context of the contract. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the product and installation services.

The Group recognises revenue from installation services over time because the customer simultaneously receives and consumes the benefits provided to them. The Group uses an input method in measuring progress of the installation services.

The Group recognises revenue from contracts with customers based on a five steps model as set out in IFRS 15:

Step 1	Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2	Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3	Determine the transaction price: The transaction price is the amount of consideration the Group expects to be entitled to in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4	Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled to in exchange for satisfying each performance obligation.
Step 5	Recognize revenue when (or as) the Group satisfies a performance obligation.

(c) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

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

3. Material accounting policies *(continued)*

(c) Property, plant and equipment *(continued)*

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the profit or loss.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use.

Subsequent expenditure

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

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives. Leasehold improvements are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of property, plant and equipment for the current and comparative years are as follows:

Asset	**Estimated useful life (in years)**
Leasehold land	13 - 15
Buildings and leasehold improvements	5 - 20
Plant and equipment	5 - 15
Heavy equipment and vehicles	4 - 15
Furniture and fixtures	2 - 5

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

Capital-work-in-progress

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

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the monthly weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3. Material accounting policies *(continued)*

(e) Contract assets/ liabilities

Contracts-in-progress represent the gross amount expected to be collected from customers for contract work performed to date. They are measured at costs incurred plus profits recognised to date (refer revenue policy for contracts) less progress billings and recognised losses.

In the statement of financial position, contracts-in-progress for which costs incurred plus recognised profits exceed progress billings and recognised losses are presented as contracts assets. Contracts for which progress billings and recognised losses exceed costs incurred plus recognised profits are presented as contract liabilities. Advances received from customers are presented as billings in excess of valuation.

(f) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of Group at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

(g) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(h) Employees' end of service benefits

Pension and social security policy

The Group is a member of the pension scheme operated by the Federal Pension General and Social Security Authority which is a defined contribution plan. Contributions for eligible UAE National employees are calculated as a percentage of the employees' salaries and charged to the consolidated statement of profit or loss, in accordance with the provisions of Federal Law No. (7) of 1999 relating to Pension and Social Security Law. The Group's contribution, calculated as a percentage of the employees' salaries, is recognised as an expense in the consolidated statement of profit or loss as incurred. The Group has no legal or constructive obligation to pay any further contributions.

3. Material accounting policies *(continued)*

(h) Employees' end of service benefits *(continued)*

End of service benefits to non - UAE nationals

Terminal and retirement benefits for non-national employees, disclosed as a long-term liability, are payable in accordance with the UAE Federal Labour Law. The provision for such benefits is determined as follows:

a) making a reliable estimate of the amount of benefit that employees have earned in return for their service in the current and prior years. This requires estimating the demographic variables and financial variables that will influence the cost of the benefit;
b) discounting that benefit in order to determine the present value of the defined benefit obligation and the current service cost; and
c) any gains or losses are recognised in profit or loss in the period in which they arise.

(i) Financial instruments

(i) Non-derivative financial assets and financial liabilities - Recognition and derecognition

Trade and retention receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade or retention receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade or retention receivable without a significant financing component is initially measured at the transaction price.

(ii) Non-derivative financial assets - Classification and measurement

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI – debt instruments, at FVOCI – equity instruments or at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

3. Material accounting policies *(continued)*

(i) Financial instruments *(continued)*

(ii) Non-derivative financial assets - Classification and measurement *(continued)*

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminated or significantly reduces the accounting mismatch that would otherwise arise.

Non-derivative financial assets - Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
FVOCI – debt investment	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI – equity instruments	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and never reclassified to profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Non-derivative financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost and are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3. Material accounting policies *(continued)*

(i) Financial instruments *(continued)*

(iii) Non-derivative financial assets and financial liabilities - Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not recognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Non-derivative financial assets and financial liabilities - Offsetting

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

(j) Impairment

(i) Non-derivative financial assets – Financial instruments and contract assets

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost, which are disclosed as part of trade receivables, retention receivables and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for:

- debt securities that are determined to have low credit risk at the reporting date: and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables, retention receivables and contract assets are always measured at an amount equal to lifetime ECLs.

3. Material accounting policies *(continued)*

(j) Impairment *(continued)*

*(i) **Non-derivative financial assets – Financial instruments and contract assets*** *(continued)*

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such realising security (if any is held).

Lifetime ECLs are the ECLs that result from default events that are possible over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or debtor;
- a breach of contract (such as a default);
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

3. Material accounting policies *(continued)*

(j) Impairment *(continued)*

(i) Non-derivative financial assets – Financial instruments and contract assets *(continued)*

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses are assessed for related trade and retention receivables, contract assets, cash at banks, refundable deposits and certain other receivables and are presented separately in the consolidated statement of profit or loss and comprehensive income.

Assets that are individually significant are tested individually whereas others are grouped together with financial assets of similar credit risk characteristics and assessed collectively.

Impairment loss is reversed if the reversal can be objectively related to an event that have occurred after the impairment loss was recognised. For financial assets that are measured at amortised cost, the reversal is recognised in statement of profit or loss.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For its customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit ("CGU"). All impairment losses are recognised in profit or loss.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Material accounting policies *(continued)*

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(l) Finance income and costs

Finance income comprises interest income on fixed deposits. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprises interest expense on bank borrowings and lease liabilities and are recognised as it accrues using the effective interest method.

All borrowing costs are recognised in the profit or loss except for those costs that are directly attributable to the acquisition, construction or production of qualifying assets that are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably. The capitalisation of borrowing costs commences from the date of incurring the expenditure relating to the qualifying asset and ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Borrowing costs relating to the period after acquisition, construction or production are expensed.

(m) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any material initial direct costs incurred and an estimate of material costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3. Material accounting policies *(continued)*

(m) Leases *(continued)*

As a lessee *(continued)*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets under 'property plant and equipment' and lease liabilities separately in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(n) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3. Material accounting policies *(continued)*

(o) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

4. Revenue

	2023	2022
	AED	AED
Sale of goods - *point in time*	**172,360,053**	166,453,317
Contract revenue - *over time*	**7,021,039**	4,975,609
	179,381,092	171,428,926

4. Revenue *(continued)*

Disaggregation of revenue by major product / service line and geographical market

	2023 AED	2022 AED
Major product / service line		
Concrete Products	**76,086,475**	73,506,344
Rockwool Products	**76,827,986**	71,099,865
Quarry Products	**7,461,835**	9,812,322
Marbles and tiles	**19,004,796**	17,010,395
	179,381,092	171,428,926
Geographical markets		
Within UAE	**172,574,502**	167,551,886
Outside UAE	**6,806,590**	3,877,040
	179,381,092	171,428,926

5. Cost of sales

	2023 AED	2022 AED
Raw materials at the beginning of the year	**5,891,969**	6,961,502
Purchases during the year	**47,151,584**	48,845,037
Raw materials at the end of the year (refer note 13)	**(6,360,030)**	(5,891,969)
Raw materials consumed	**46,683,523**	49,914,570
Labour costs	**16,450,914**	16,259,070
Depreciation on property, plant and equipment (including ROU assets) (refer note 11(iii))	**16,971,022**	17,761,859
Manufacturing overheads	**36,711,349**	34,299,643
Provision / (reversal of provision) for slow-moving inventories (refer note 13)	**1,613,457**	(1,102,988)
Cost of goods manufactured	**118,430,265**	117,132,154
Finished goods at the beginning of the year	**29,801,357**	23,207,784
Finished goods at the end of the year (refer note 13)	**(33,333,979)**	(29,801,357)
Cost of sales	**114,897,643**	110,538,581

6. Administrative and general expenses

	2023 AED	2022 AED
Salaries and related benefits	**13,783,462**	12,570,778
Depreciation on property, plant and equipment (including ROU assets) (refer note 11(iii))	**3,785,416**	3,811,545
Board of director's remuneration (refer note 22)	**1,260,000**	-
Utilities	**859,601**	546,123
Legal, visa and professional expense (refer note (i) below)	**636,761**	705,780
Social contribution (refer (ii) below)	**368,865**	539,888
Vehicle expense	**201,530**	209,960
Insurance expense	**136,621**	131,965
Others	**1,436,336**	1,553,857
	22,468,592	20,069,896

(i) Professional expense includes auditors' remuneration of AED 377,045 *(2022: AED 335,000)*.

(ii) This represents social contributions in the form of free of cost goods issued to Fujairah Foundation for Regional Development for the development of local communities based in the Fujairah.

7. Selling and distribution expenses

	2023 AED	2022 AED
Salaries and related benefits	**9,279,519**	8,475,241
Vehicle expense	**8,175,068**	8,504,938
Depreciation on property, plant and equipment (including ROU assets) (refer note 11(iii))	**4,476,656**	4,248,508
Government fees on quarry sales (refer note 27)	**715,369**	1,014,593
Telephone and communication expense	**557,089**	465,865
Advertisement and business promotion expense	**452,378**	496,461
Legal, visa and professional expense	**387,779**	408,079
Insurance expense	**223,079**	221,634
Rent on short-term leases (refer note 23)	**129,715**	246,364
Others	**1,127,151**	270,719
	25,523,803	24,352,402

8. Other income

	2023 AED	2022 AED
Sale of scrap	**739,327**	824,715
(Loss) / gain on sale of property, plant and equipment	**(7,958)**	114,399
Other miscellaneous income	**64,648**	896,432
	796,017	1,835,546

9. Finance costs

	2023 AED	2022 AED
Interest on lease liabilities (refer note 23)	**2,863,214**	3,185,619
Interest on bank borrowing	**-**	122,397
	2,863,214	3,308,016

10. Finance income

	2023 AED	2022 AED
Interest income on fixed deposits	**3,580,713**	1,340,216

11. Property, plant and equipment

	Leasehold land AED	Buildings and leasehold improvements AED	Plant and machinery AED	Heavy equipment and vehicles AED	Furniture and fixtures AED	Capital-work-in-progress (CWIP) AED	Total AED
Cost							
At 1 January 2022	61,523,549	126,818,282	327,308,610	59,503,600	15,646,199	12,445,634	603,245,874
Additions	-	-	2,355,792	225,000	290,859	8,341,441	11,213,092
Transfers from CWIP	-	-	140,588	-	-	(140,588)	-
Disposals	-	(6,328,663)	(325,697)	(747,500)	(43,059)	-	(7,444,919)
At 31 December 2022	61,523,549	120,489,619	329,479,293	58,981,100	15,893,999	20,646,487	607,014,047
At 1 January 2023	61,523,549	120,489,619	329,479,293	58,981,100	15,893,999	20,646,487	607,014,047
Additions	-	16,250	912,186	1,349,188	242,226	4,701,882	7,221,732
Transfer from CWIP	-	12,114,537	5,121,238	882,000	1,710,271	(19,828,046)	-
Disposals	-	(282,839)	(167,435)	(2,293,416)	(342,344)	-	(3,086,034)
At 31 December 2023	61,523,549	132,337,567	335,345,282	58,918,872	17,504,152	5,520,323	611,149,745

11. Property, plant and equipment *(continued)*

	Leasehold land AED	Buildings and leasehold improvements AED	Plant and machinery AED	Heavy equipment and vehicles AED	Furniture and fixtures AED	Capital-work-in-progress (CWIP) AED	Total AED
Accumulated depreciation							
At 1 January 2022	14,898,471	90,305,689	258,841,055	55,181,698	14,335,759	-	433,562,672
Depreciation (refer note (iii) below)	4,215,455	6,808,506	13,063,809	1,228,204	505,938	-	25,821,912
On disposals	-	(4,497,911)	(325,699)	(747,500)	(43,059)	-	(5,614,169)
At 31 December 2022	19,113,926	92,616,284	271,579,165	55,662,402	14,798,638	-	453,770,415
At 1 January 2023	19,113,926	92,616,284	271,579,165	55,662,402	14,798,638	-	453,770,415
Depreciation (refer note (iii) below)	4,229,531	6,157,673	13,152,021	1,031,735	662,134	-	25,233,094
On disposals	-	(282,839)	(161,077)	(2,293,416)	(339,453)	-	(3,076,785)
At 31 December 2023	23,343,457	98,491,118	284,570,109	54,400,721	15,121,319	-	475,926,724
Net book value							
At 31 December 2023	**38,180,092**	**33,846,449**	**50,775,173**	**4,518,151**	**2,382,833**	**5,520,323**	**135,223,021**
At 31 December 2022	42,409,623	27,873,335	57,900,128	3,318,698	1,095,361	20,646,487	153,243,632

(i) Buildings are constructed on plots of land obtained on lease from the Government of Fujairah and are renewable on an annual basis (refer note 27(a)).

(ii) Capital-work-in-progress mainly comprises installation of firefighting system *(2022: plant and machinery under installation and labour camp under construction)*

11. Property, plant and equipment *(continued)*

(iii) *Depreciation*

Depreciation for the year (including ROU assets) has been allocated as follows:

	2023 AED	2022 AED
Cost of sales (refer note 5)	**16,971,022**	17,761,859
Selling and distribution expenses (refer note 7)	**4,476,656**	4,248,508
Administrative and general expenses (refer note 6)	**3,785,416**	3,811,545
	25,233,094	25,821,912

(iv) *Right-of-use-assets*

Right-of-use assets (ROU) are presented under 'leasehold land' category and 'building and leasehold improvements' categories. Movement in these are as follows:

	2023 AED	2022 AED
Cost		
At 1 January	**61,523,549**	65,772,868
Less: termination of lease	**-**	(4,249,319)
	61,523,549	61,523,549
Accumulated depreciation		
At 1 January	**19,113,926**	13,750,325
Charge for the year	**4,229,531**	5,363,601
At 31 December	**23,343,457**	19,113,926
Carrying amount at 31 December	**38,180,092**	42,409,623

Depreciation charge on the ROU assets is based on the lease terms of the respective leases and has been allocated to profit or loss for the year as follows:

	2023 AED	2022 AED
Cost of sales	**1,445,926**	2,414,389
Selling and distribution expenses	**2,124,062**	2,065,643
Administrative and general expenses	**659,543**	883,569
	4,229,531	5,363,601

12. Investments carried at fair value through other comprehensive income (FVOCI)

	2023 **AED**	2022 AED
Investment in equity securities:		
- Quoted	**58,567,517**	55,141,922
- Unquoted (refer (iv) below)	**1,586,000**	1,586,000
	60,153,517	56,727,922

Movement in investments carried at FVOCI is as follows:

	2023 **AED**	2022 AED
At 1 January	**56,727,922**	62,925,182
Disposals during the year (refer (iii) below)	**-**	(7,058,318)
Change in fair value	**3,425,595**	861,058
At 31 December	**60,153,517**	56,727,922

(i) *Classification of investment in equity securities at FVOCI*

The Group designated the above investments as equity securities carried at FVOCI, as these equity securities represent investments that the Group intends to hold for long-term strategic purpose.

(ii) *Dividend income*

During the current year, dividend income of AED 125,000 *(2022: AED 530,123)* has been recognised in 'statement of profit or loss' from investments in equity securities carried at FVOCI.

(iii) *Disposal of investments carried at FVOCI*

During the previous year, the Group sold certain quoted investments carried at FVOCI for a sales consideration of AED 7,058,318. The fair value reserve of AED 2,628,469 pertaining to these investments was transferred to retained earnings upon disposal (refer note 21). No such sale of investment took place in the current year.

(iv) *Measurement of fair values – Unquoted securities*

Unquoted securities held by the Group are listed below:

	2023 **AED**	2022 AED
Fujairah Fresh Water Production Company (Private Joint Stock Company) (refer below)	**1,500,000**	1,500,000
ESCAN	**86,000**	86,000
	1,586,000	1,586,000

12. Investments carried at fair value through other comprehensive income *(continued)*

(iv) Measurement of fair values - Unquoted securities (continued)

Valuation of Fujairah Fresh Water ("FFW")

Valuation technique

The fair value of FFW has been performed internally by management, based on comparable market price approach having regards to transactional sales evidence of the said equity security.

Significant unobservable input:

Estimated market price of the un-quoted equity security having regards to the sales evidence.

Inter-relationship between key unobservable inputs and fair value measurement

Fair valuation of the un-quoted equity security would increase or decrease if there is a change in the type and number of the sales transactions of similar securities.

13. Inventories

	2023 AED	2022 AED
Raw materials	**6,360,030**	5,891,969
Finished goods	**33,333,979**	29,801,357
Spare parts	**22,471,999**	19,974,862
Consumables	**3,428,389**	2,412,181
	65,594,397	58,080,369
Less: provision for slow-moving inventories	**(15,645,310)**	(14,031,853)
	49,949,087	44,048,516

Movement in provision for slow-moving inventories is as follows:

	2023 AED	2022 AED
At 1 January	**14,031,853**	15,134,841
Provision / (reversal) for the year (refer note 5 and (i) below)	**1,613,457**	(1,102,988)
At 31 December	**15,645,310**	14,031,853

(i) The provision and reversal of the inventories are included in cost of sales (refer note 5).

14. Trade receivables

	2023 AED	2022 AED
Trade receivables	**68,243,733**	65,827,288
Less: impairment loss on trade receivables	**(18,062,472)**	(17,942,055)
	50,181,261	47,885,233

15. Advances, deposits and other receivables

		2023 AED	2022 AED
Prepayments *		**2,271,430**	2,168,324
Advances *		**1,269,730**	2,095,533
Retention receivables		**1,793,602**	1,589,015
Interest receivable		**1,476,478**	795,609
Refundable deposits		**254,208**	539,938
Other receivables		**114,916**	45,220
Total advances, deposits and other receivables	(a)	**7,180,364**	7,233,639
Less: non-current portion			
Refundable deposits		**(201,105)**	(391,334)
Retention receivable		**(275,229)**	(380,903)
Non-current portion classified under long-term receivables	(b)	**(476,334)**	(772,237)
Current portion of advances, deposits and other receivables	(a) – (b)	**6,704,030**	6,461,402

* Represents non-financial assets.

16. Contract assets

	2023 AED	2022 AED
Costs plus attributable profit less foreseeable losses	**9,578,054**	4,149,054
Less: progress billings received and receivable	**(7,288,805)**	(1,860,227)
	2,289,249	2,288,827

17. Other financial assets

	2023 AED	2022 AED
Short-term deposits with an original maturity of more than 3 months	**73,000,000**	89,500,000

Short-term deposits are made for varying periods upto twelve months and earn interest at the respective short-term fixed deposit rates.

18. Cash and cash equivalents

	2023 AED	2022 AED
Cash in hand	**322,227**	280,319
Bank balances - current accounts	**19,430,388**	17,358,492
	19,752,615	17,638,811

19. Share capital

	2023 AED	2022 AED
Authorised, issued and paid-up		
135,987,500 shares of AED 1 each	**135,987,500**	135,987,500

20. Statutory reserve

In accordance with UAE Federal Decree Law No. 32 of 2021 and the Company's Articles of Association, 5% *(2022: 10%)* of net profit for the year is required to be transferred to statutory reserve till the reserve reaches 50% of Company's paid-up share capital. The reserve is not available for distribution except as stipulated by the Law. During the current year, transfer of AED 898,411 *(2022: AED 1,731,706)* has been made to the statutory reserve, which represents 5% of net profit for the year.

21. Fair value reserve of investments carried at FVOCI

The fair value reserve comprises the cumulative net change in the fair value of investments in equity securities carried at FVOCI until the respective investment is derecognised.

Upon disposal of certain investments during the previous year, reserve amounting to AED 2,628,469 pertaining to these investments was transferred to retained earnings (refer note 12(iii)).

22. Retained earnings

Dividend

At the annual general meeting held on 30 March 2023, the shareholders approved a 30% cash dividend *(2022: 30%)* of AED 40,796,250 *(2022: AED 40,796,250),* which has been paid during the year.

Board of directors' remuneration

At the Annual General Meeting held on 30 March 2023, the shareholders approved the directors' remuneration amounting to AED 1,260,000 for the year ended 31 December 2023 *(2022: AED 1,260,000 million)*. During the previous year, such remuneration was recorded in the retained earnings directly. Such remuneration has been recorded under general and administrative expenses during the current year (refer note 6).

23. Lease liabilities

Leases as lessee

The Group leases a number of land and staff accommodations under operating leases. Lease terms and rental calculations vary significantly between different lease agreements. The leases typically run for a period of 1 to 25 years.

The Group also leases IT equipment and office spaces with contract terms of one or less than one year. These leases are short-term and / or leases of low value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Lease liabilities included in the statement of financial position

	2023 AED	2022 AED
At 1 January	**46,062,277**	57,385,837
Add: interest on lease liabilities (refer note 9)	**2,863,214**	3,185,619
Less: termination of lease	**-**	(1,830,752)
Less: payments made against lease liabilities	**(7,091,139)**	(12,678,427)
At 31 December	**41,834,352**	46,062,277
Less: current portion of lease liabilities	**(3,503,018)**	(3,168,155)
Non-current portion of lease liabilities	**38,331,334**	42,894,122

Amounts recognised in profit or loss

	2023 AED	2022 AED
Interest on lease liabilities (refer note 9)	**2,863,214**	3,185,619
Depreciation expense (refer note 11(iv))	**4,229,531**	5,363,601
Rent expense relating to short-term leases (refer note 7)	**129,715**	246,364
	7,222,460	8,795,584

23. Lease liabilities *(continued)*

Leases as lessee *(continued)*

Amounts recognised in statement of cash flows

	2023 AED	2022 AED
Total cash outflows for leases (refer note 27)	**7,091,139**	12,678,427

24. Employees' end of service benefits

	2023 AED	2022 AED
At 1 January	**9,826,876**	9,753,251
Charge for the year	**1,293,068**	991,333
Payments made during the year	**(1,544,074)**	(917,708)
At 31 December	**9,575,870**	9,826,876

25. Trade and other payables

	2023 AED	2022 AED
Trade payables (refer below)	**23,458,434**	25,683,666
Accruals	**6,618,796**	3,098,031
Advances from customers *	**2,582,949**	874,384
Staff provisions	**803,611**	852,746
VAT payable	**352,888**	228,093
Dividends payable	**-**	35,861
	33,816,678	30,772,781

* Represents non-financial liabilities.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 29.

26. Earnings per share

	2023	2022
Weighted average number of shares	**135,987,500**	135,987,500
Continuing operations		
Profit for the year (AED)	**18,009,153**	17,336,180
Earnings per share (AED) - basic and diluted	**0.132**	0.127
Discontinued operation		
Loss for the year (AED)	**(40,930)**	(19,117)
Loss per share (AED) - basic and diluted	**(0.00)**	(0.00)

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

27. Related party transactions and balances

The Group, in the ordinary course of business, enters into transactions with other business enterprises which fall within the definition of related parties as contained in IAS 24 *Related Party Disclosures*. Related parties comprise entities under common ownership and/or common management and control; their partners and key management personnel.

Management approves prices and terms of payment for these transactions, and these are carried out at mutually agreed rates.

(a) Related party transactions

Significant related party transactions during the year were as follows:

	2023 AED	2022 AED
Sales to entities under common control	**14,446,905**	11,334,358
Purchases from entities under common control	**628,781**	77,563
Government fees on quarry sales (refer note 7)	**715,369**	1,014,593
Payment of lease rent to Government (refer note 23)	**7,091,139**	12,678,427

The Group enters into transactions, in the normal course of business, with Government-owned entities. In accordance with the exemption available in IAS 24, management has elected not to disclose such transactions, which are primarily in nature of financing and operational related activities entered in the normal course of business at commercial terms.

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

(b) Key management personnel compensation

Key management received the following remuneration during the year, which is included in salaries and related benefits (refer note 6):

	2023 AED	2022 AED
Short-term employee benefits	**2,123,366**	4,773,707
Provision towards staff terminal benefits	**21,295**	203,340
Board of Directors remuneration	**1,260,000**	1,260,000
	3,404,661	6,237,047

(c) Related party balances

	2023 AED	2022 AED
Due from related parties (included in trade receivables)		
Siji Ready Mix LLC	**1,236,679**	1,023,394
Fujairah National Construction and Transport LLC	**966,772**	350,561
East Coast Contracting and Trading LLC	**792,730**	5,400,629
Build Right Construction LLC	**306,111**	-
Decortech LLC	**9,389**	33,836
Fujairah Cement Industries PJSC	**1,974**	4,431
Fujairah Cement Industries FZE	-	4,620
Rawasi Al Sharq Building Construction LLC	-	14,635
	3,313,655	6,832,106

Due to related party (included in trade payables)

Fujairah National Advertising Company LLC	**15,289**	9,476

The above related party balances are non-interest bearing, has no minimum contractual term and are repayable on demand.

28. Contingent liabilities and commitments

	2023 AED	2022 AED
Capital commitments (refer below)	**944,502**	2,097,240
Letter of credit	**6,850,748**	2,995,125

In 2023, the company entered into a contract to upgrade the Oracle system. These commitments are anticipated to be fulfilled in 2024.

29. Financial risk management

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by the Internal Audit Department. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly attributable to trade receivables, deposits and other receivables, contract assets, other financial assets and cash at banks. The exposure to credit risk on trade receivables and contract assets are monitored on an ongoing basis by management and these amounts are considered recoverable by the Group's management. The Group's cash is placed with banks of repute.

The Group establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade receivables, retention receivables and contract assets. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

29. Financial risk management *(continued)*

a) Credit risk *(continued)*

Exposure to credit risk

The carrying amounts of the financial assets (net of impairment losses), represents the Group's maximum exposure to credit risks. The maximum exposure to credit risk at the reporting date was:

	2023 AED	2022 AED
Trade receivables (refer note 14)	**50,181,261**	47,885,233
Deposits and other receivables*	**3,639,204**	2,969,782
Contract assets (refer note 16)	**2,289,249**	2,288,827
Other financial assets (refer note 17)	**73,000,000**	89,500,000
Cash at banks (refer note 18)	**19,430,388**	17,358,492
	148,540,102	160,002,334

** excluding prepayments and advances*

The maximum exposure to credit risk towards trade receivables at the reporting date by geographic region was as follows:

	2023 AED	2022 AED
UAE	**47,952,222**	47,491,364
GCC region (excluding UAE)	**2,229,039**	393,869
	50,181,261	47,885,233

The Group's management has established a credit policy under which each new customer is analysed individually for credit worthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from senior Group management. These limits are reviewed periodically.

In monitoring credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, geographic location, industry, aging profile, maturity and evidence of previous financial difficulties.

Expected credit loss assessment

The Group uses an allowance matrix to measure the ECLs of trade receivables. Loss rates are calculated based on the probability of a receivable progressing through successive stages of delinquency to write-off.

29. Financial risk management *(continued)*

a) Credit risk *(continued)*

Expected credit loss assessment (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables:

	Weighted average loss rate	Gross AED	Impairment AED	Credit impaired
31 December 2023				
0 - 180 days past due	**-**	**47,327,573**	**-**	**No**
181 - 365 days past due	**31%**	**3,661,508**	**1,169,413**	**Yes**
More than 365 days past due	**97%**	**17,254,652**	**16,893,059**	**Yes**
		68,243,733	**18,062,472**	
31 December 2022				
0 - 180 days past due	1%	42,963,065	120,840	No
181 - 365 days past due	5%	6,003,909	960,901	Yes
More than 365 days past due	94%	16,860,314	16,860,314	Yes
		65,827,288	17,942,055	

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

Movement in the allowance for impairment in respect of trade and retention receivables during the year was as follows:

	2023 AED	2022 AED
At 1 January	**17,942,055**	18,412,319
Charge for the year	**120,417**	16,268
Write-offs	**-**	(486,532)
At 31 December	**18,062,472**	17,942,055

Balances with banks

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short term maturities of the exposures. Given the profile of its bankers, management does not expect any counter party to fail to meet its obligations, as the bank balances are held with the banks of repute.

29. Financial risk management *(continued)*

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk mainly relates to trade and other payables (excluding advances), bank borrowings and lease liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount AED	Contractual cash flows AED	Less than 1 year AED	1 to 5 Years AED	5 years and above AED
At 31 December 2023					
Non-derivative financial liabilities					
Trade and other payables*	**31,233,729**	**31,233,729**	**31,233,729**	**-**	**-**
Lease liabilities	**41,834,352**	**57,143,032**	**6,653,101**	**31,456,684**	**19,033,247**
	73,068,081	**88,376,761**	**37,886,830**	**31,456,684**	**19,033,247**
At 31 December 2022					
Non-derivative financial liabilities					
Trade and other payables*	29,898,397	29,898,297	29,898,297	-	-
Lease liabilities	46,062,277	69,104,908	6,822,103	25,026,598	37,256,207
	75,960,674	98,003,205	36,720,400	25,026,598	37,256,207

* Excludes advances from customers

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk is primarily on its fixed deposits and bank borrowings.

29. Financial risk management *(continued)*

c) Market risk *(continued)*

Interest rate risk (continued)

At the reporting date, the profile of the Group's interest-bearing financial instruments was:

	2023 AED	2022 AED
Fixed rate instruments		
Financial assets	**73,000,000**	89,500,000
Financial liabilities	**(41,834,352)**	(46,062,277)
Net exposure	**31,165,648**	43,437,723

Fair value sensitivity analysis for fixed rate instruments

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

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group does not have any significant exposure to foreign currency risk as substantially most financial assets and financial liabilities are denominated in US Dollars or UAE Dirhams to which the US Dollars is fixed.

Equity risk

Equity price risk arises from marketable equity securities measured at FVOCI. Management of the Group monitors the mix of equity securities in its investment portfolio to maximise investment returns, which is the primary goal of the Group's investment strategy.

The Group's quoted and unquoted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

The primary goal of the Group's investment in equity securities is to hold the investments for the long term for strategic purposes.

Equity risk - Sensitivity analysis

All of the Group's listed equity investments are listed on either the Abu Dhabi Stock Exchange ("ADX") or the Dubai Financial Markets ("DFM"). For such listed investments classified at FVOCI, a 10% decrease in the fair value of these investments in ADX and DFM at the reporting date would have resulted in a decrease in equity by AED 5.8 million *(2022: AED 5.5 million)* and an equal change in the opposite direction would have resulted in an increase in equity by the same amount.

The Group's unquoted equity securities have been valued using comparable sales method and are exposed to a risk of change in value due to changes in price of comparable equity securities. For such unquoted investments classified at FVOCI, a 10% decrease in the comparable sale price would have resulted in a decrease in equity by AED 0.16 million *(2022: AED 0.16 million)* and an equal change in the opposite direction would have resulted in an increase in equity by the same amount.

29. Financial risk management *(continued)*

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to the shareholder. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

There were no changes in the Group's approach to capital management during the year.

Fair value of financial instruments

The Group measures fair values using the following fair value hierarchy as stated in note 2.

The tables below shows financial instruments, measured at fair value at the end of the reporting periods, by the level in the fair value hierarchy into which the fair value measurement is categorised. 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.

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2023				
Investments in equity securities carried at FVOCI	**58,567,517**	**-**	**1,586,000**	**60,153,517**
31 December 2022				
Investments in equity securities carried at FVOCI	55,141,922	-	1,586,000	56,727,922

The fair value of other financial assets and financial liabilities approximate their carrying amounts as at the reporting date.

30. Discontinued operation

During 2015, to curtail losses incurred by a subsidiary, Emirates Ceramic Factory ("ECF"), the Board of Directors approved the closure of the subsidiary's plant operations. Accordingly, the management has classified operational results of the subsidiary separately as discontinued operation. Results of the discontinued operation are as follows:

Summary of financial performance

	2023 AED	2022 AED
Revenue	**-**	-
Cost of sales	**-**	-
Administrative expenses	**(35,558)**	(13,791)
Selling and distribution expenses	**(5,372)**	(5,326)
Loss for the year from discontinued operation	**(40,930)**	(19,117)

30. **Discontinued operation** *(continued)*

Summary of cashflows

	2023 AED	2022 AED
Net cash from operating activities	**36,415**	297,682
Net cashflows for the year	**36,415**	297,682

Summary of financial position

	2023 AED	2022 AED
Inventories (refer below)	**-**	-
Advances	**2,625**	2,743
Cash at banks	**35,907**	72,322
Assets related to discontinued operation	**38,532**	75,065
Liabilities related to discontinued operation (other payables)	**(4,444)**	(5,424)
Net assets related to discontinued operation	**34,088**	69,641

Break-up of inventories is as set out below:

	2023 AED	2022 AED
Finished goods	**108,907**	108,907
Spare parts	**2,487,054**	2,487,054
	2,595,961	2,595,961
Less: provision for slow-moving inventories	**(2,595,961)**	(2,595,961)
Inventories relating to discontinued operation	**-**	-

31. List of subsidiaries

The financial position and the results of operations of the following subsidiaries are included in these consolidated financial statements:

Name of Subsidiary	**Country of incorporation**	**Ownership interest (%) 2023**	**2022**	**Principal activities**
Fujairah Concrete Products	UAE	**100%**	100%	Manufacturing and selling of concrete blocks, interlocks and kerbstones
Fujairah National Quarry	UAE	**100%**	100%	Manufacturing and selling of quarry products
Fujairah Marbles and Tiles Factory	UAE	**100%**	100%	Manufacturing and selling of marble and tiles and contracting for installation of marbles
Fujairah Rockwool Factory	UAE	**100%**	100%	Manufacturing and selling of rockwool products
Emirates Ceramics Factory (refer note 30)	UAE	**100%**	100%	Manufacturing and selling of ceramic tiles

32. Segment reporting

Basis for segmentation

The Group has the following three strategic divisions, which are its reportable segments. These divisions offer different products and services and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment:

Reportable segments	**Operations**
Quarrying	Includes mining and sale of quarry products.
Manufacturing	Includes manufacturing and supply of blocks, interlocks, kerbstones, ceramic tiles, rockwool insulation materials and marble and terrazzo tiles. Also includes contracting for supply and installation of marbles and terrazzo tiles.
Others	Other operations include treasury and investment management functions.
Discontinued operation	Comprise of discontinued operation, 'Emirates Ceramics Factory', which has been discontinued since 2015 to curtail losses. Refer note 30.

For the purpose of segment reporting, discontinued operation has been presented separately from the Group's continuing operations.

Integration between quarrying and manufacturing segments includes transfers of raw materials (quarry). Inter-segment pricing is determined on mutually agreed terms.

The Group's chief executive officer reviews the internal management reports of each division at least quarterly.

Notes *(continued)*

32. Segment reporting *(continued)*

Information regarding the operations of each separate segment is included below:

	Continuing operations						Discontinued operation	
	Quarrying AED	Manufacturing AED	Other* AED	Total AED	Eliminations AED	Total AED	Discontinued operation AED	Total AED
31 December 2023								
External revenue	**7,461,835**	**171,919,257**	-	**179,381,092**	-	**179,381,092**	-	**179,381,092**
Inter segment revenue	**7,914,971**	**1,690**	-	**7,916,661**	**(7,916,661)**	-	-	-
Segment revenue	**15,376,806**	**171,920,947**	-	**187,297,753**	**(7,916,661)**	**179,381,092**	-	**179,381,092**
Segment (loss)/ profit	**(1,696,854)**	**20,479,373**	**(773,366)**	**18,009,153**	-	**18,009,153**	**(40,930)**	**17,968,223**
Finance income	-	**3,226,730**	**353,983**	**3,580,713**	-	**3,580,713**	-	**3,580,713**
Finance costs	-	**(2,863,214)**	-	**(2,863,214)**	-	**(2,863,214)**	-	**(2,863,214)**
Impairment loss	-	**(120,417)**	-	**(120,417)**	-	**(120,417)**	-	**(120,417)**
Depreciation expense	**896,939**	**24,336,155**	-	**25,233,094**	-	**25,233,094**	-	**25,233,094**
Segment assets	**21,552,998**	**311,754,467**	**295,503,408**	**628,810,873**	**(231,120,291)**	**397,690,582**	**38,532**	**397,729,114**
Segment liabilities	**18,249,852**	**217,197,985**	**1,839,058**	**237,286,895**	**(152,064,439)**	**85,222,456**	**4,444**	**85,226,900**
Segment net assets	**3,303,146**	**94,556,482**	**293,664,350**	**391,523,978**	**(79,055,852)**	**312,468,126**	**34,088**	**312,502,214**
31 December 2022								
External revenue	9,812,322	161,616,604	-	171,428,926	-	171,428,926	-	171,428,926
Inter segment revenue	8,386,103	500	-	8,386,603	(8,386,603)	-	-	-
Segment revenue	18,198,425	161,617,104	-	179,815,529	(8,386,603)	171,428,926	-	171,428,926
Segment (loss)/ profit	(101,291)	16,531,173	906,298	17,336,180	-	17,336,180	(19117)	17,317,063
Finance income	-	977,543	362,673	1,340,216	-	1,340,216	-	1,340,216
Finance costs	-	(3,308,016)	-	(3,308,016)	-	(3,308,016)	-	(3,308,016)
Impairment (loss) / reversal on trade receivables	(11,118)	481,382	-	470,264	-	470,264	-	470,264
Depreciation expense	793,003	25,028,909	-	25,821,912	-	25,821,912	-	25,821,912
Segment assets	18,498,781	312,442,622	317,400,941	648,342,344	(229,850,829)	418,491,515	75,065	418,566,580
Segment liabilities	13,489,409	222,002,775	1,907,033	237,399,217	(150,742,707)	86,656,510	5,424	86,661,934
Segment net assets	5,009,372	90,439,847	315,493,908	410,943,127	(79,108,122	331,835,005	69,641	331,904,646

* Segment assets in 'others' category mainly comprises of the Group's treasury function which mainly includes investment in equity securities carried at FVOCI of AED 60.15 million *(2022: AED 56.72 million)*, fixed deposits of AED 2 million *(2022: AED 28 million)* and cash and bank balances of AED 0.2 million *(2022: AED 1 million)*.

33. Significant accounting estimates and judgements

Management has reviewed the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. Critical accounting estimates used by management in the preparation and presentation of these consolidated financial statements (other than those disclosed in the notes to the accounts) mainly relate to the below:

Provision for slow moving and obsolete inventories

The Group reviews its inventory to assess loss on account of obsolescence and any write down for net realisable value adjustment on a regular basis. In determining whether a provision for obsolescence should be recorded in profit and loss, the Group makes judgments as to whether there is any observable data indicating that there is any future saleability of the product and the net realisable value for such product. Provision for net realisable value write down is made where the net realisable value is less than cost based on best estimates by management. The provision for obsolescence of inventory is based on its ageing and the past trend of consumption.

Impairment losses on receivables

The Group reviews its receivables to assess impairment at least on an annual basis. The Group's credit risk is primarily attributable to its trade and retention receivables. In determining whether impairment losses should be reported in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group's estimation process for the determination of provision for impairment loss on trade receivables based on the ECL model is disclosed in note 3(j).

34. UAE corporate tax law

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective from 1 June 2023 and accordingly, it has an income tax related impact on the consolidated financial statements for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116/2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to the 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. With the publication of this Decision, the UAE CT Law is considered to be substantively enacted for the purposes of accounting for Income Taxes. The UAE CT Law shall apply to the Group with effect from 1 January 2024.

The Ministry of Finance continue to issue supplemental Decisions of the Cabinet of Ministers of the UAE (Decisions) to further clarify certain aspects of the UAE CT Law. Such Decisions, and other interpretive guidance of the UAE Federal Tax Authority, are required to fully evaluate the impact of the UAE CT Law on the Group. Since the provisions of UAE CT law will apply to Tax Periods commencing on or after 1 June 2023, the related current taxes shall be accounted for in the consolidated financial statements for the period beginning 1 January 2024. However, the related deferred tax accounting impact has been considered for the year ended 31 December 2023. Following assessment of the potential impact of the UAE CT Law on the consolidated statement of financial position, the Group's management has concluded that there is no material temporary differences on which deferred taxes should be accounted.

The Group's management will continue to monitor the publication of subsequent decisions and related guidance, as well as continuing its more detailed review of its financial matters, to consider any changes to this position for the subsequent reporting dates.

35. Purchase of shares

During the current year ended 31 December 2023, the Group has not purchased or invested in any shares *(2022: Nil)*. Also refer note 12.

36. Subsequent event

There have been no significant events subsequent to the reporting date and up to the date of authorisation, which would have a material effect on the consolidated financial statements.

37. Comparative amounts

Certain comparative figures have been regrouped/reclassified, where necessary, to conform to the presentation adopted in these consolidated financial statements. This does not impact the previously reported profit, net assets and equity of the Group.