حديد الإمارات أركان
emirates steel arkan

Annual Report 2023

Contents

Chairman's Statement

"Building on our strong results, we continue to drive growth and progress in a sustainable way."

Sustaining our position as a key player in the region's steel and building material manufacturing sector, I am pleased to report another year of solid performance for EMSTEEL, despite challenging market conditions. Our commitment to excellence, innovation, and sustainability has enabled us to navigate through uncertainties and deliver value to all our stakeholders.

Throughout the year, we witnessed fluctuations in global steel markets, driven by geopolitical dynamics and economic shifts. However, our strategic focus on operational efficiency and a well-diversified product offering have positioned us well to adapt and thrive in this dynamic environment. We continued to invest in advanced technologies and streamlined processes to enhance our product offering, aiming to ensure it exceeds the expectations of our valued customers.

As we celebrate our expanding role in the UAE economy, we are acutely aware of the significant responsibility that EMSTEEL bears in positively contributing to the UAE's strategic goals. Our support for the UAE's industrial strategy, 'Operation 300 bn', decarbonisation efforts, and initiatives furthering Emiratisation, including our contribution to the National In-Country Value (ICV) Program, have played instrumental roles in promoting growth and creating a positive impact.

Our impressive results for 2023 once again underscore the importance of a flexible business model, diversified product mix, and the growing strength of our building materials segment. We capitalise on the unique strengths of our operating model, comprising two distinct business divisions – Emirates Steel and Building Materials, fostering greater diversification. This enhances our resilience and contributes to the robustness of our overall business structure.

This has proven instrumental in navigating challenging market conditions characterised by variable demand and fluctuations in raw material prices. It has supported us in achieving a revenue of AED 8.9 billion and a net profit gain of 18% year-on-year, demonstrating our resilience and strong operational model.

Our relentless pursuit of sustainability remains at the forefront of our business strategy. We have continued to build the foundations for our new low-carbon emission iron hub, through collaboration with ITOCHI, JFE Steel, the Abu Dhabi Department of Economic Development, and AD Ports Group. This project positions EMSTEEL to capture and meet the growing demand for environmentally friendly steel products while strengthening the UAE's sustainable industrial ecosystem.

Looking ahead to 2024, our focus will be on prioritising our people, fostering innovation, driving diversification, and championing sustainability to elevate shareholder value. We will aim to grow both regionally and internationally, while developing a wider range of products, all with the ultimate aim of delivering heightened value and satisfaction to our customers.

On behalf of the EMSTEEL Board of Directors, I would like to express my sincere appreciation to the management team and our employees, as well as our shareholders, customers, and all other stakeholders who have contributed to the Company's success. We are excited to share our continued journey of sustainable growth and positive impact with you all.

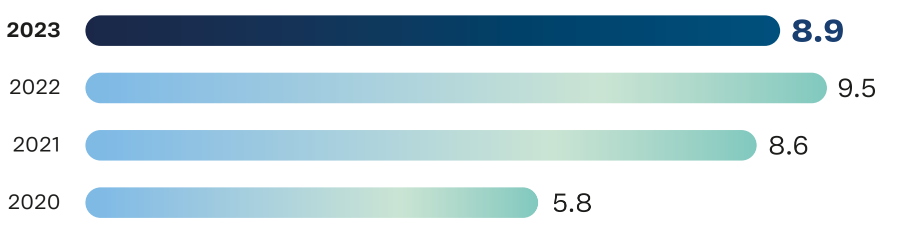
Hamad Al Hammadi
Chairman EMSTEEL

At a Glance[1]

Financial highlights

Revenue

AED bn

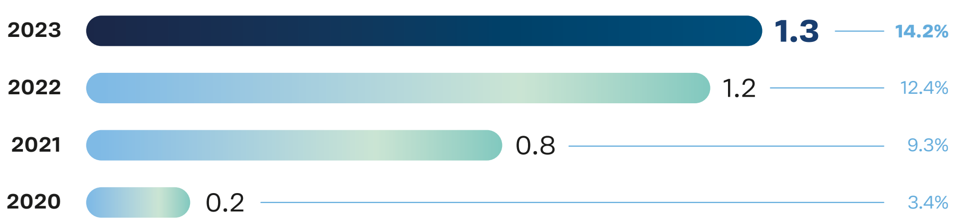


-6% year-on-year

The Group achieved a solid operational and financial performance in 2023 and recorded revenues of AED 8.9 billion, despite a challenging and volatile global economic landscape and its impact on commodity prices.

EBITDA

AED bn



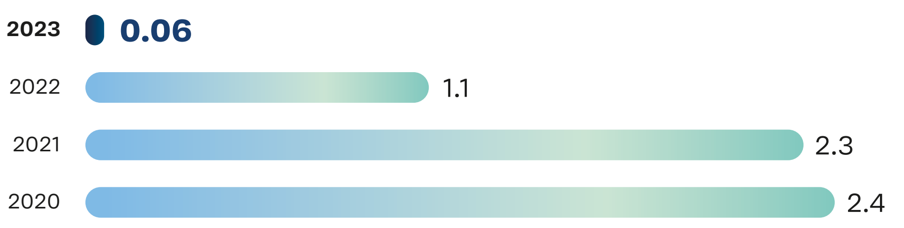
+8% EBITDA growth

+1.8 pp EBITDA margin

EBITDA increased to AED 1.3 billion, up by 8% from AED 1.2 billion in FY22. This improvement was driven by the successful launch of new value-added products for both the domestic and export markets and by growth in construction activities in the UAE. The net profit rose to AED 601.9 million compared to AED 510.2 million in FY22.

Net bank debt

AED bn



-94% year-on-year

0.05x Net bank debt/ EBITDA

Since 31 December 2022, the Group has reduced its net bank debt by 94% from AED 1.1 billion to AED 63 million as of 31 December 2023.

[1] All financial and operational results of the Group for 2021, and 2020 in this Annual Report, excluding 'Consolidated Financial Statements' chapter, are presented pro-forma.

Operational Highlights

Steel

Production (kt)	2023	2022	Change, %	2021	2020
Crude Steel	3,237	3,211	+0,8%	3,021	2,722
▸ Finished Steel Products	**2,695**	**2,711**	**-0.6%**	**2,486**	**2,275**

Sales (kt)[1]	2023	2022	Change, %	2021	2020
Finished Steel Products + Billets	3,101	3,159	-1.8%	2,835	2,661
▸ Billets	391	447	-12.5%	358	335
▸ Finished Steel Products, including:	**2,710**	**2,712**	**—**	**2,477**	**2,325**
– Rebar	1,635	1,676	-2.5%	1,552	1,359
– Wire Rod and Rebar in Coil	517	513	—	477	489
– Heavy Sections and Sheet Piles	558	523	+6.7%	448	477

[1] In 2023, the Company has also sold 518 kt of DRI and other steel products, +71.5% vs 2022.

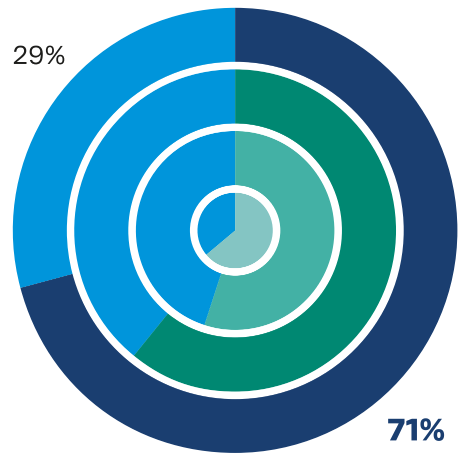
Cement and Clinker

Production (kt)	2023	2022	Change, %	2021	2020
Clinker	2,964	3,244	-8.6%	2,894	2,653
Cement	1,662	1,568	+6.0%	1,832	2,141

Sales (kt)	2023	2022	Change, %	2021	2020
Clinker	1,549	1,764	-12.2%	1,476	982
Cement	1,670	1,662	+0.5%	1,925	2,133

Sales

Sales geography, %



Domestic sales
Export sales

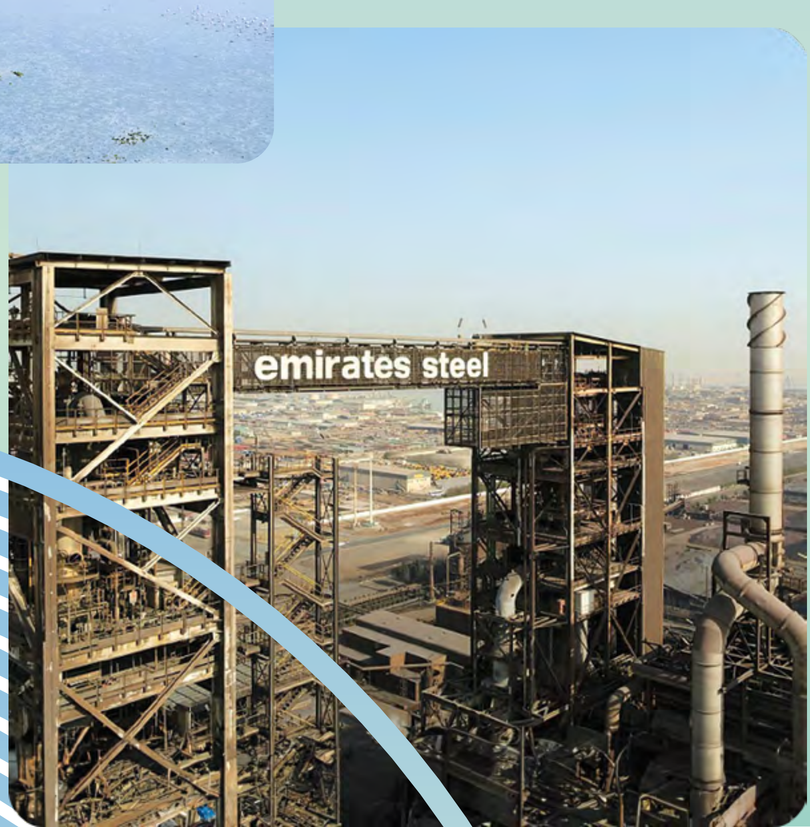
	2020	2021	2022	2023
Domestic Sales	64	55	61	71
Export Sales	36	45	39	29

2023 was a year of adverse global market conditions that led to significant pressure on profitability across steel industry. EMSTEEL managed to improve its margins in part due to enhanced UAE domestic sales.

01 Overview

About EMSTEEL

EMSTEEL Building Materials PJSC is a public joint stock Company (ADX: EMSTEEL) and the UAE's largest steel and building materials manufacturer. Utilising cutting-edge rolling mill technologies, EMSTEEL supplies both domestic and international markets with high-quality finished products, including wire rods, rebars, heavy sections and sheet piles. In addition, the Group produces premium cement, blocks, pipes, and dry mortar, creating a one-stop-shop for the manufacturing and construction sectors.



The Group was established through the combination of Emirates Steel and Arkan Building Materials in 2021. The deal, which resulted in the adoption of Emirates Steel Arkan as the Group's new intermediary brand, created the UAE's leading steel and building materials Company with significant growth potential. On AGM in April 2023, shareholders have approved change of the legal name of the Group to 'EMSTEEL Building Materials PJSC' ('EMSTEEL'). Two years after the combination, the Group is at the forefront of driving a sustainable and diversified national economy.

Currently, EMSTEEL is the largest producer of heavy and jumbo sections and the sole producer of hot rolled sheet piles in the region. It is also the fourth steelmaker in the world to receive the ASME accreditation to produce nuclear grade rebar. The Group works with customers worldwide to provide tailored solutions, delivered in a timely manner. These solutions support the construction of cleaner, safer, and more durable buildings and infrastructure. EMSTEEL's production process uses 45% less carbon than its competitors, owing to various decarbonisation initiatives, led by the efficient utilisation of its carbon capturing facility.

EMSTEEL was the first steelmaker in the world to capture its CO_2 emissions and the first manufacturing Company in the Middle East to be verified for the LEED (Leadership in Energy and Environmental Design) green building system documentation. The Group is committed to leveraging cutting-edge technologies to further reduce its carbon footprint and introduce innovative, low-carbon production to the market, including ES600, a sustainable product that will set new standards in the construction industry.

By delivering market-leading products to local industries, creating job opportunities for UAE nationals, and advancing its sustainable practices, the Group actively supports the UAE's industrial strategy 'Operation 300 billion'. With people at its core, EMSTEEL prioritises the health and well-being of its employees, aiming to set leading industry standards for safety and contribute to the professional growth and development of its workforce.

Through Senaat, EMSTEEL is majority-owned by ADQ, one of the region's largest holding companies with a broad portfolio of major enterprises spanning key sectors of Abu Dhabi's diversified economy. For more information, please visit our website: www.emiratessteelarkan.com

Highlights and Achievements in 2023

In 2023, EMSTEEL delivered strong performance, demonstrating our resilience and operational efficiency. As the UAE's largest steel and building materials Company, we follow our commitments to advancing the nation's industrial strategy, contributing to sustainable growth in line with the UAE's climate goals, and fostering a more diversified economy.

Sustainability partnerships

Moving towards low-carbon steel

The Group signed a Memorandum of Understanding (MoU) with the Abu Dhabi Department of Economic Development (ADDED) and ITOCHU Corporation to pursue studies focused on the establishment of an integrated steel production complex in Abu Dhabi. It aims to establish a new complex to produce low-carbon materials, including Hot Briquetted Iron (HBI) and Low-Carbon Emission Iron.

Also, EMSTEEL signed a MoU with DNV, Business Assurance Group, on the side-lines the 10th National Dialogue on Climate Ambition 2023. The MoU formalised the intention of both parties to collaborate on various initiatives, including steel decarbonisation, ESG and energy transition.

Developing green hydrogen projects

EMSTEEL partnered with Abu Dhabi Future Energy Company PJSC – Masdar, one of the world's leading renewable energy companies, to start using green hydrogen – instead of natural gas – to extract iron from iron ore. The pilot project, the first-of-its-kind in the MENA region, will be launched on the EMSTEEL production facilities at the Industrial City of Abu Dhabi in 2024. This collaboration marks a historic milestone, positioning the Group as the first steel company in the MENA region and a global pioneer in adopting green hydrogen for sustainable steel production.

During COP28, EMSTEEL signed a Strategic Collaboration on Hydrogen Research and Development with Ohmium International (Ohmium) and Khalifa University of Science and Technology, witnessed by the UAE Ministry of Industry and Advanced Technology (MoIAT). The collaboration, under MoIAT's 'Make it in the Emirates' initiative, will help to advance the hydrogen research and low-carbon transformation of the UAE steel sector.

Driving cement decarbonisation

EMSTEEL partnered with renowned climate consulting firm A^3&Co.® to implement a cement decarbonisation roadmap at the Al Ain Cement Factory, with a primary focus on reducing carbon emissions while lowering costs. The partnership is setting the stage for the Group's transformative approach to Green Cement production. This multi-phase initiative includes Decarbonisation Baselining, Decarbonisation Scenario Building & Roadmap, CBAM Compliance, and advisory support for SBTi Carbon Footprint Certification.

Exploring green finance opportunities

On the sidelines of COP28, the Group signed a MoU with First Abu Dhabi Bank (FAB) to identify effective strategies for hedging and trading carbon credits generated by the Group's projects. EMSTEEL and FAB will also look to strengthen and expand their respective capabilities in the areas of sustainability-linked and green financing as well as carbon markets.

Operational efficiency

Implementing a new operating model

In 2023, EMSTEEL implemented a new operating model that creates two separate business divisions: Emirates Steel and Building Materials. This strategic move aims to capitalise on the unique strengths of the two divisions. Both of them will have their dedicated leadership reporting directly to the Group CEO of EMSTEEL. The new business units will be supported by centralised Finance, Human Capital, Technology, Strategy & Transformation, and a new Projects function.

Joining the 'ResponsibleSteel' organisation

'ResponsibleSteel' is a global not-for-profit multistakeholder standard and certification initiative that serves as a driving force in the socially and environmentally responsible production of net zero steel globally. In 2023, EMSTEEL became a member of 'ResponsibleSteel' under the business category. The Group will collaborate with the initiative to develop and implement best practices for responsible steel production and consumption.

Some of the key forums and conferences

Presenting innovative solutions at COP28

In November 2023, EMSTEEL participated in the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28). The Group showcased innovative low-carbon solutions in steel and building materials, from the sourcing of raw materials to the delivery of finished products, fostering collaboration with stakeholders to drive collective actions for decarbonisation.

Contributing to the economic development of the UAE

The Group took part as a Diamond Sponsor in the 'Make it in the Emirates Forum 2023'. During the event, the Company showcased its sustainability efforts as well as its contribution to the UAE's national In-County Value (ICV) program and Emiratisation. EMSTEEL has been among the country's first companies that joined the ICV program back in 2021 and takes immense pride in achieving an impressive 11% share in Abu Dhabi's manufacturing activity output. The Group was honoured at the 'Make in the UAE' awards ceremony with the award for the best level of Emiratisation in the industrial sector.

Supporting national manufacturers

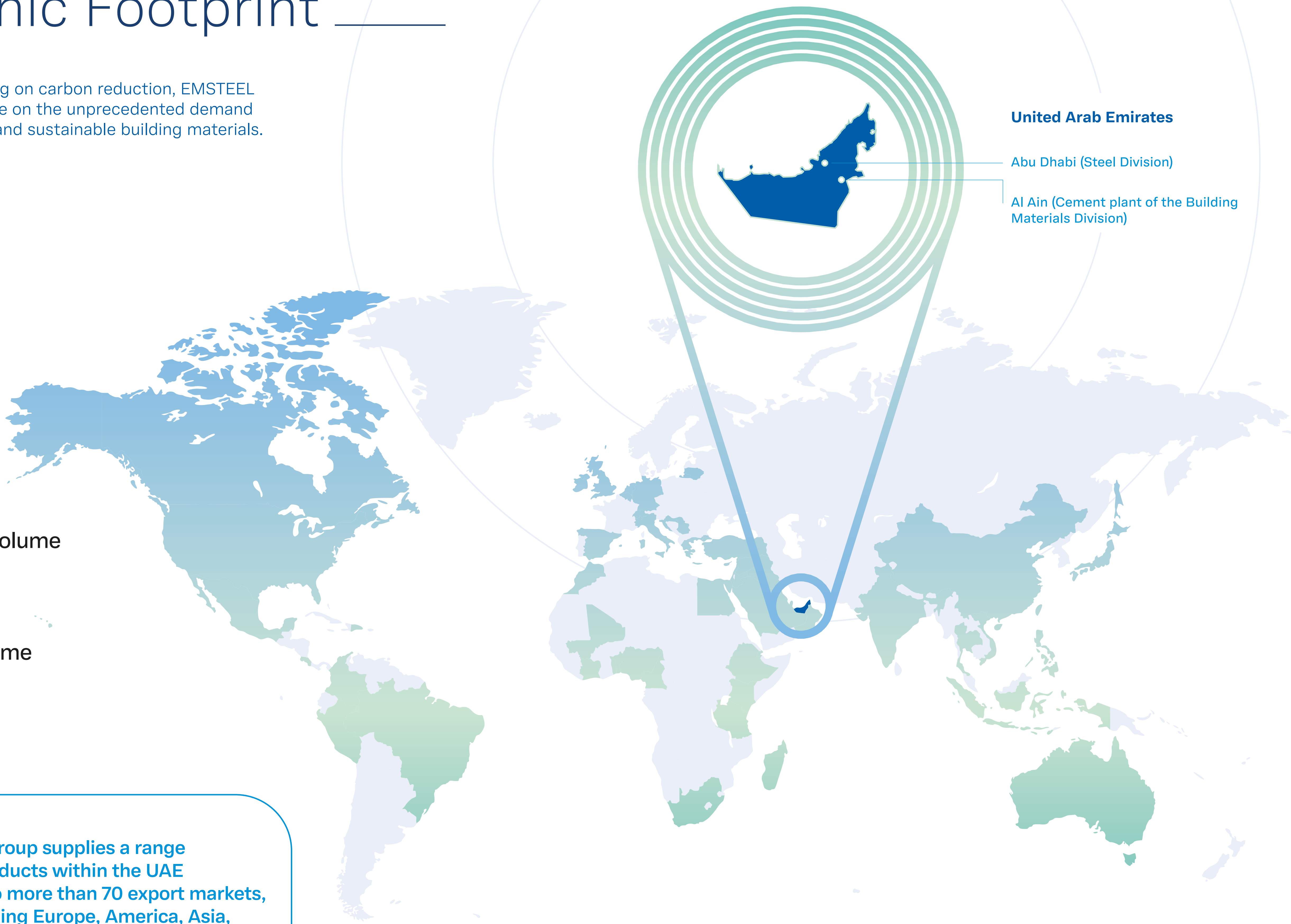
EMSTEEL was honoured to host the 26th Fastmarkets Middle East Iron and Steel Conference 2023, bringing together over 1,000 senior decision-makers from the iron and steel ecosystem. The Group's executives took part in a series of discussions on challenges and opportunities of energy transition, the impact of geopolitical environment on the steel industry, human capital management and the importance of women in the steel industry, the latest technological frontiers for the industry and other topics.

Empowering Emirati youth

In 2023, the Group's Youth Council hosted its first Youth in Manufacturing and Technology Forum. Bringing together councils from manufacturing and technology-led organisations, the event has gathered more than 20 Youth Councils from organisations like TAQA, EGA, ADNOC, e&, Etihad Airways, ENEC, and Mubadala. The participants focused on initiatives to advance the UAE's ambitious Net Zero by 2050 goal, recycling and lifestyle awareness, the use of artificial intelligence in reaching the UN SDGs, and gender equality.

Geographic Footprint

With global attention focusing on carbon reduction, EMSTEEL is well positioned to capitalise on the unprecedented demand growth for low carbon steel and sustainable building materials.



71%
Domestic steel sales volume

29%
Export steel sales volume

70
Countries

The Group supplies a range of products within the UAE and to more than 70 export markets, including Europe, America, Asia, Middle East and North Africa.

Our Value Chains

Production Process

Inputs | Process | Sales in 2023 | Value created in 2023

Steel Business

Three Direct Reduction Plants

4.2 MTPA direct reduction capacity

Iron oxide pellets

Direct reduction iron

Three Steel Making Plants

3.5 MTPA steel making capacity

Steel Rolling

Heavy section mill

Capacity 1.0 Mt

Three rebar mills

Capacity 2.0 Mt

Wire rod mill

Capacity 0.5 Mt

Cement Unit (Al Ain Cement Factory)

Limestone Quarry

- **Extraction:** raw materials used to manufacture cement (limestone and clay).
- **Transport:** raw materials are loaded into a dumper.
- **Crushing and transportation:** raw materials, after crushing, are transported to the plant by conveyor.

4.6 MTPA cement production capacity

- **Raw grinding:** the raw materials are very finely ground to produce raw mix.
- **Burning:** raw mix is preheated before it goes into the kiln. The raw mix burns at 1500 0C, producing clinker.
- **Grinding:** the clinker and the gypsum are very finely ground giving a 'pure cement'.

EMSTEEL

Steel products:

2,710 kt
finished steel products

391 kt
billets

3,101
total steel products + billets

518 kt
DRI and other steel products

Cement products:

1,549 kt
clinker

1,670 kt
cement

Financial:

AED 8.9 billion
revenue

AED 1.3 billion
EBITDA

Suppliers:

2300
UAE supplier

AED 6.1 billion
in total procurement spending (AED 2.4 billion on UAE suppliers, equivalent to 39%)

Employees:

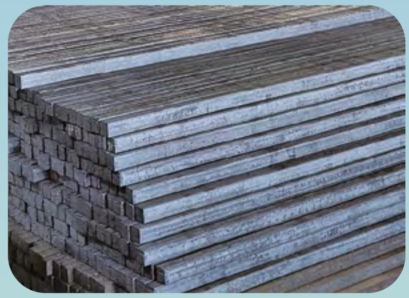
3,817
total workforce

AED 250 million
of salary paid

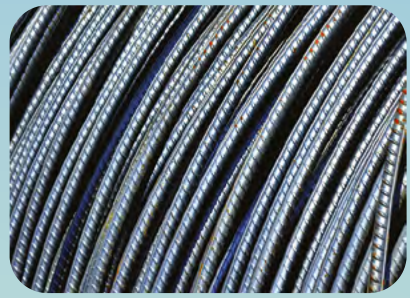
Our Products

At EMSTEEL, we deliver an extensive range of products, services and solutions that cater to a wide variety of sectors and industries, including construction, energy, and transportation. Our finished products, manufactured in Abu Dhabi, are shipped to more than 70 countries worldwide and are used in applications including maritime engineering, the construction of skyscrapers and buildings, to infrastructure projects in the United States.

A leading producer of high-quality rebar with a production capacity of **2 million tonnes** annually.

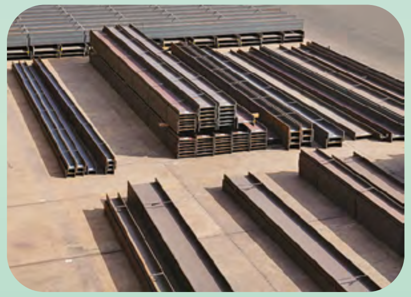


Steel billets are processed into rebar, wire rod or coil in the Group's rolling mills.



Rebar in Coils provides greater efficiencies and cost savings.

A prominent wire rod producer in the GCC with a production capacity of **550,000 tonnes** annually.



The largest producer of heavy and jumbo sections in the GCC with a production capacity of **1 million tonnes** annually.

The only producer of hot rolled sheet piles in the MENA region.

High-quality clinker with a production capacity of **3.1 million tonnes** and cement with a production capacity of **4.6 million tonnes** annually.

GRP and PVC Pipes largest centrifugal casting pipe factory in the world with **33,000 tonnes** annual capacity.

Concrete blocks with a production capacity of **85 million blocks annually** and dry mortar used in local construction.

Bags with a production capacity of **62 million sacks** annually.

Applications

Our products are used by our clients across the UAE and around the world to create some of the most important and iconic structures and developments worldwide.

Rebar


Burj Khalifa


Baraka Nuclear Power Plant


Museum of the Future


Dubai Frame

Steel Section


Golden Pass LNG Texas, USA


Dubai EXPO 2020 – Dubai, UAE


Hanmaek Power Plant – South Korea


Guggenheim Abu Dhabi

Sheet Piles


Excavation in Ijsselmeer – Netherlands


Khalifa Port (Kizad) – Abu Dhabi, UAE


Second Suez Canal – Egypt


Dubai Island – Dubai, UAE


McDermott Aramco – KSA MCCL


Service Harbour – Fujairah, UAE

02 Sustainability Snapshot

EMSTEEL is an industry market leader in innovating and embracing green solutions, setting a benchmark for sustainable and environmentally friendly steel and building materials. As a member of the Worldsteel Climate Action Programme, the Worldsteel Sustainability Charter, and the UAE Climate-Responsible Companies Pledge, the Company is dedicated to combatting climate change within the steel and building materials industries.

Sustainability goals

Net Zero
by 2050

2023 Highlights[1]

Reducing carbon intensity

EMSTEEL's carbon intensity is independently certified to be less than half of the global steel industry average, due to a range of decarbonisation initiatives and its carbon capturing facility.

8% reduction in the emissions intensity of steel production[2]

11% reduction in the Group's total carbon footprint[3]

Developing innovative products

The Group is leveraging innovation with low-carbon products that aim to reduce steel consumption in construction.

The ES600 high-strength rebar provides for:

18-24% reduction of the total steel consumption in mid- to high-rise construction[4]

390 kg less CO_2e emission reduction per tonne of ES600 steel

Read more about ES600 rebar

[1] Unless indicated otherwise, all the numbers are for FY2023 compared to FY 2022.
[2] Calculated based on Scopes 1 and 2 emissions (market-based), in tonnes of CO_2e per tonne of steel.
[3] Scopes 1, 2, and 3.
[4] Compared to B460B and B500B rebars.

Investing in technologies

Innovation is at the heart of our operations. We are focusing on investing to enhance the competitiveness of UAE products.

AED 9 million expenditure on technology and innovation

AED 34 million total savings from implementing our employees' Think Smart ideas

Advancing knowledge

We are committed to encouraging continuous learning and skill development within our workforce.

241,582 total hours of training

83 average training hours per employee

Servicing our customers

We are committed to maintaining our reputation as a reliable supplier of premium quality steel products, striving to meet and exceed our customers' expectations.

90% customer satisfaction rate for Cement Business

Empowering national talents

As a national steel and building materials manufacturing Company, we are committed to strengthening the local economy in line with the UAE Vision 2030.

21% Emiratisation rate

43% less Emirati employee turnover

Fostering diversity

We foster a diverse and inclusive work environment that promotes well-being, development, and fair treatment for all our employees.

4% female employees

63 nationalities in the workforce

Caring for our people

At EMSTEEL, the health and safety of our employees and contractors is the utmost priority.

0 fatalities recorded in 2023 across all businesses

0.05 LTIFR in the steel business[1]

[1] Employees only. The LTIFR among contractors was 0 in 2023.

Supporting our communities

At EMSTEEL, we have established a comprehensive Corporate Social Responsibility (CSR) programme to promote the well-being of the communities we operate in.

AED 516,746 total community investment

52,272 beneficiaries of our CSR programme

For details, see EMSTEEL 2023 Sustainability Report

03 Corporate Governance Report

Governance Overview

Statement of procedures taken to complete the Corporate Governance System, during 2023, and the procedures for the implementation thereof

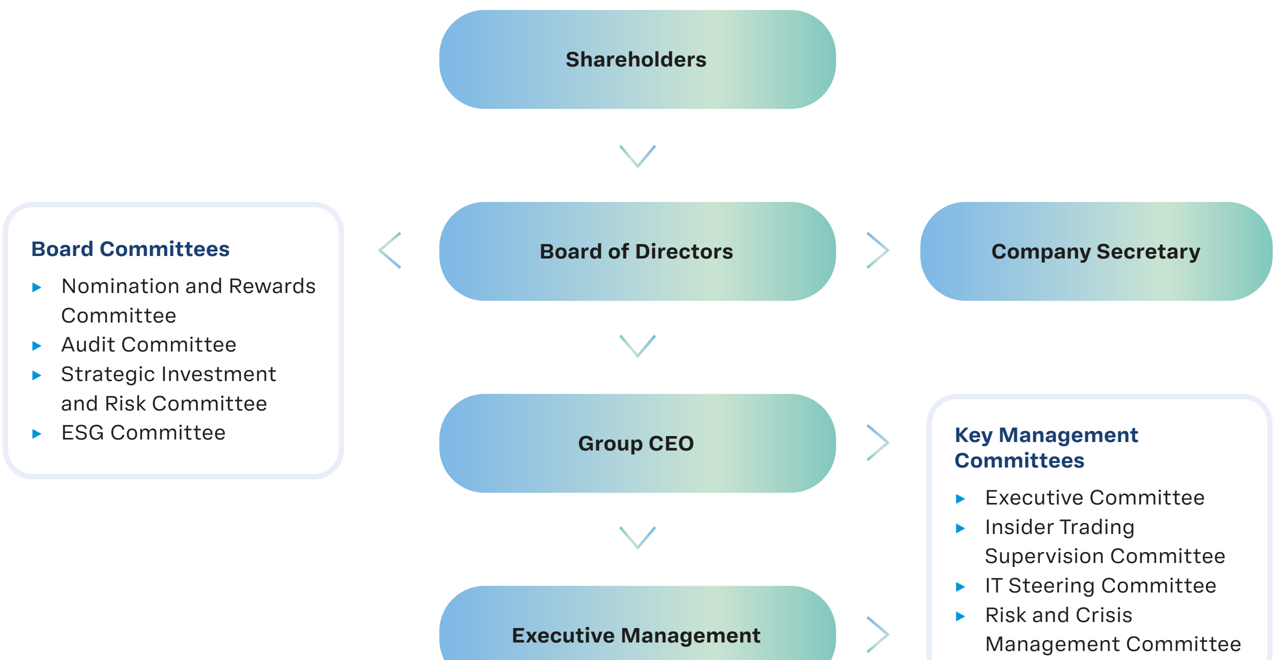
The shareholders have entrusted the affairs of the Group to the Board of Directors, The Group comprises of EMSTEEL Building Materials PJSC and its subsidiaries (including Emirates Steel Industries PJSC) and associate investments (collectively 'the Group').

The Group recognises its role as a corporate citizen and endeavours to adopt best practices and the highest standards of corporate governance through transparency in business ethics and accountability to its stakeholders. The Group's activities are carried out in accordance with good corporate practices and the Group is constantly striving to enhance them. The Group believes that governance practices enable management to direct and control the affairs of the Group in an efficient manner and to achieve its goal of maximising value for its stakeholders. The Group seeks and strives to focus its resources, strengths, and strategies to achieve its vision, while upholding the core values of transparency, integrity, honesty, and accountability, which are core to its vision. We believe that a solid foundation of good corporate governance and business ethics significantly contributes to our Group's ability to compete effectively and realise our full value potential. This means leadership by a management team of uncompromising integrity under disciplined oversight from our Board of Directors, a commitment to shareholder and stakeholder engagement, and creation of sustainable value through business fundamentals, corporate social responsibility, and health, safety environmental stewardship.

The Group complies with the requirements of the 'Chairman of Authority's Board of Directors' Resolution No. 3 of 2020 concerning the approval of joint-stock companies.

a. Group Governance Structure

An overview of the governance structure of the Group is set out below:



As of 31 December 2023

b. Elements of Corporate Governance

- All Board members except one are independent.
- Corporate Balanced Score Card is in place which is agreed with the Board of Directors at the beginning of each year. The Balanced Score Card has key financial and non-financial indicators covering all key performance dimensions.
- The Audit Committee, the Nomination and Rewards Committee and the Strategic Investment and Risk Committee comprised of independent board members have been constituted by the Board of Directors. The mandate and responsibilities of these committees are clearly defined in respective charters. These committees meet on a regular basis.
- The ESG Committee was established during Q4 of 2023 and meetings are expected to commence during 2024.
- The business plan is developed and approved by the Board of Directors.
- A detailed Delegation of Authorities Manual has been developed and approved by the Board of Directors. The document clearly establishes the authorities of the Board of Directors and various levels of management for all key transactions.
- Policies have been developed to govern all key areas of business including finance, information technology, human capital, supply chain and sales. These policies are approved by the Board of Directors. Further procedures have been developed to support the implementation of these policies. The policies and procedures are required to be reviewed every 2 years to ensure they remain current and applicable. Further work instructions have been developed for detailed tasks across support functions and operations to guide staff in the execution of their responsibilities.
- Detailed policies and procedures are in place that govern the functioning of the Executive Committee, Insider Trading Supervision Committee, Information Technology Steering Committee, Risk and Crisis Management Committee, Pricing Committee and Procurement Committee. Further detailed policies are in place around whistleblowing, code of conduct, anti-bribery and corruption, conflict of interest and related party and compliance related transactions and activities.
- A Risk and Business Continuity function is in place. The activities of the function are dictated by the Risk Policy and appropriate procedures which are benchmarked to international standards and local regulatory requirements. The Risk function is involved in carrying out risk assessments across the risk universe which covers all areas across the Group.
- A robust Internal Audit (IA) function is in place. The Group Head of Internal Audit reports directly to the Audit Committee and the activities of the Internal Audit function are carried out as per the risk based Internal Audit Plan. The IA department further carries out advisory engagements as per the request of stakeholders. Actions agreed, in response to Internal Audit findings, are followed up rigorously by the executive team on a regular basis.
- Legal, compliance, quality assurance, and health, safety and environment functions are in place and carry out their activities as mandated.

Developments during 2023

To effectively support and implement the Group Governance Structure the following documents were revised (where applicable) and rolled out during 2023 post approval of the designated authorities:

- Delegation of Authorities Manual
- Board of Directors Charter
- Audit Committee Charter
- Strategic Investment and Risk Committee Charter
- Nomination and Remuneration Committee Charter
- Environmental, Social and Governance (ESG) Committee Charter
- Environmental, Social and Governance (ESG) Policy

The above documents were developed incorporating leading practices and were reviewed by relevant stakeholders prior to approval.

A number of complaints were received via the Whistleblowing platform rolled out during 2022. All complaints received were duly investigated and reported to the concerned stakeholders as per the requirements of the approved Whistle Blowing Policy. This platform is available to all employees, customers and suppliers and is also available to other stakeholders on the Group website.

Stock Transactions with Board Members

Statement of ownership and transactions of the Board of Directors (the Board), their spouses, and their children in the Company securities during 2023

All members of the Board of Directors are committed to the provisions of the law, regulations and decisions issued pursuant to their dealings in the Company's securities. The following are the insider trades and statement reports for the year ended 31 December 2023 as provided in the letter received from Abu Dhabi Securities Exchange on 11 Jan 2024:

Name	Position/Relationship	Shares Owned as at 31 December 2023	Total Sales	Total Buying
Fatima Abdullah Muhammad Sharif Abdullah Al Fahim	Member of the Board of Directors	1,500	--	--

Board of Directors and Related Information

a. Statement of current Board of Directors

The composition of the Board of Directors of the Group was changed during the General Assembly Meeting held on 4 November 2021.

Hamad Abdullah Mohammed Al Shurafa Al Hammadi

The Chairman, Independent non-executive member

Experience
18+ yrs.

Qualifications
Bachelors in Accounting and Finance

Tenure as Company Board Member from First Election
From 4 November 2021 to date

Membership and Designations in any Other Joint Stock Companies

- Member of the Board of Directors of the Emirates Water and Electricity Company
- Member of the Board of Directors of Pure Health
- Member of the Board of Directors of the Abu Dhabi National Energy Company
- Member of the Board of Directors of T'aziz Company
- Member of the Board of Directors of Q-Holding

Designations in any Other Supervisory, Government or Other Commercial Offices Qualifications and Experience

- Deputy Group CEO of ADQ

Jamal Salim Al Dhaheri

The Deputy Chairman, Independent non-executive member

Experience
27 yrs.

Qualifications
Bachelor of Engineering Management Sciences

Master's Degree in Business Administration from Zayed University

Tenure as Company Board Member from First Election
From 29 April 2015 to date

Membership and Designations in any Other Joint Stock Companies
- Chairman of Silal Company

Designations in any Other Supervisory, Government or Other Commercial Offices Qualifications and Experience
- N/A

Saeed Ghumran Saeed Salim Al Remeithi

Non-independent executive member

Experience
23 yrs.

Qualifications
Bachelor of Science in Electrical Engineering from California State University

Tenure as Company Board Member from First Election
From 27 April 2017 to 21 April 2021 and from 4 November 2021 to date

Membership and Designations in any Other Joint Stock Companies
- Chairman of the Board of Directors of Al Gharbia Pipe Company (UAE)
- Chairman of Emirates Steel Industries PJSC
- Member of Board of Directors at Abu Dhabi Chamber of Commerce and industry
- Member of World Steel Association and Member of Audit Committee

Designations in any Other Supervisory, Government or Other Commercial Offices Qualifications and Experience
- Group CEO – Emirates Steel Arkan
- Head of the Economic Committee of the World Iron and Steel Organisation
- Deputy Treasurer on the Board of Directors of the Abu Dhabi Chamber of Commerce and Industry
- Member of the Board of Directors of the Arab Iron and Steel Union

Abdulaziz Abdulla Ismail Mohamed Alhajri

Independent non-executive member

Experience
34 yrs.

Qualifications
Bachelor's Degree in Chemical Engineering from the University of Texas at Austin

Tenure as Company Board Member from First Election
From 4 November 2021 to date

Membership and Designations in any Other Joint Stock Companies
- Member of the Board of Directors of ADNOC Distribution
- Member of the Board of Directors of Borouge

Designations in any Other Supervisory, Government or Other Commercial Offices Qualifications and Experience
- Member of the Board of Directors of ADNOC Refining

Farah Abdullah Muhammad Ali Al Mazrui

Independent Non-Executive Member

Experience
14 yrs.

Qualifications
Master's degree in Risk Management and Financial Engineering from Imperial College London

Bachelor's Degree in Economics from University of London

Tenure as Company Board Member from First Election
From 4 November 2021 to date

Membership and Designations in any Other Joint Stock Companies
- Member of the Board of Directors of RAK Ceramics
- Member of the Board of Directors at NBQ
- Member of the Board of Directors at Aliph Capital

Designations in any Other Supervisory, Government or Other Commercial Offices Qualifications and Experience
- Head of Investments at Aliph Capital Limited

Fatima Abdullah Mohamed Sharif Abdulla Al Fahim

Independent non-executive member

Experience
16 yrs.

Qualifications
Master's Degree in Business Administration from University of Pennsylvania

Bachelor's Degree in Business Administration from American University of Sharjah

Tenure as Company Board Member from First Election
From 4 November 2021 to date

Designations in any Other Supervisory, Government or Other Commercial Offices Qualifications and Experience
- Senior Principal – Technology at Mubadala Investment Company

Nabeel Qadir

Independent non-executive member

Experience
21 yrs.

Qualifications
Chartered Financial Analyst – CFA

Bachelor's Degree in Administration Studies from York University, Canada

Tenure as Company Board Member from First Election
From 4 November 2021 to date

Designations in any Other Supervisory, Government or Other Commercial Offices Qualifications and Experience
- Senior Partner, Lunate

b. Board Induction and Training

The Nominations and Remuneration Committee has established on-boarding procedures whereby all newly-appointed board members are provided with a customised and tailored induction session on the Group and its businesses as well as other subjects that will assist them in properly performing their duties.

c. Female Representation on the Group's Board of Directors for the fiscal year 2023

The female representation on the Group's Board of Directors on 31 December 2023 was 28%.

d. Board of Directors Remuneration

The remuneration of Board members is determined as per Article 29.8 of the Company's Articles of Association, which states the remuneration of the Chairman, and the Deputy Chairman and the Board members shall be a percentage of the net profits that shall not exceed 10% of the net profits for the concerned financial year. Additional amounts can be paid as expenses, fees, additional remuneration or a monthly salary in amounts determined by the Board for any of its members if such member is also a member of any committee or exerts any special efforts or carries out any additional work for the benefit of the entity that is in addition to his/her normal duties as a member of the Board. No allowance shall be paid to the Chairman or any member of the Board for attending board meetings. The Annual General Assembly at its meeting held on 10 April 2023 approved a total remuneration for the board and its committees in an amount of AED 6,102,500 for the year ended 31 December 2022.

The details of allowances for attending the meetings of the committees emanating from the Board during 2023 are set out below:

Name of Committee	Allowance (AED)	Number of meetings
Audit Committee	260,000	6
Nomination and Rewards Committee	130,000	8
Strategic Investment Committee	350,000	10

The Board is scheduled to meet on 5 March 2024 where the amounts for Board and Board Committee fees will be proposed for the year ending 31 December 2023, which will then be presented for the approval of the shareholders at the Annual General Assembly meeting, and to be validated by legal and finance.

e. Board of Directors Meetings

#	Meeting Date	No. of Attendees	No. of Attendees by Proxy	Absent Members Names
1	10 Feb 2023	7	–	
2	3 Mar 2023	7	–	
3	9 May 2023	7	–	
4	31 Jul 2023	7	–	
5	31 Oct 2023	6	–	Hamad Abdullah Mohammed Al Shurafa Al Hammadi

* The reasons for absence and acceptance of a Board member were verified by the Board

f. The number of Board resolutions passed by circular resolutions during the fiscal year 2023 with an indication of the dates of their holding.

Six Board resolutions were passed by circulation during the year as set out below:

Date	No of resolutions
6 April 23	2
17 May 23	1
29 Dec 23	3

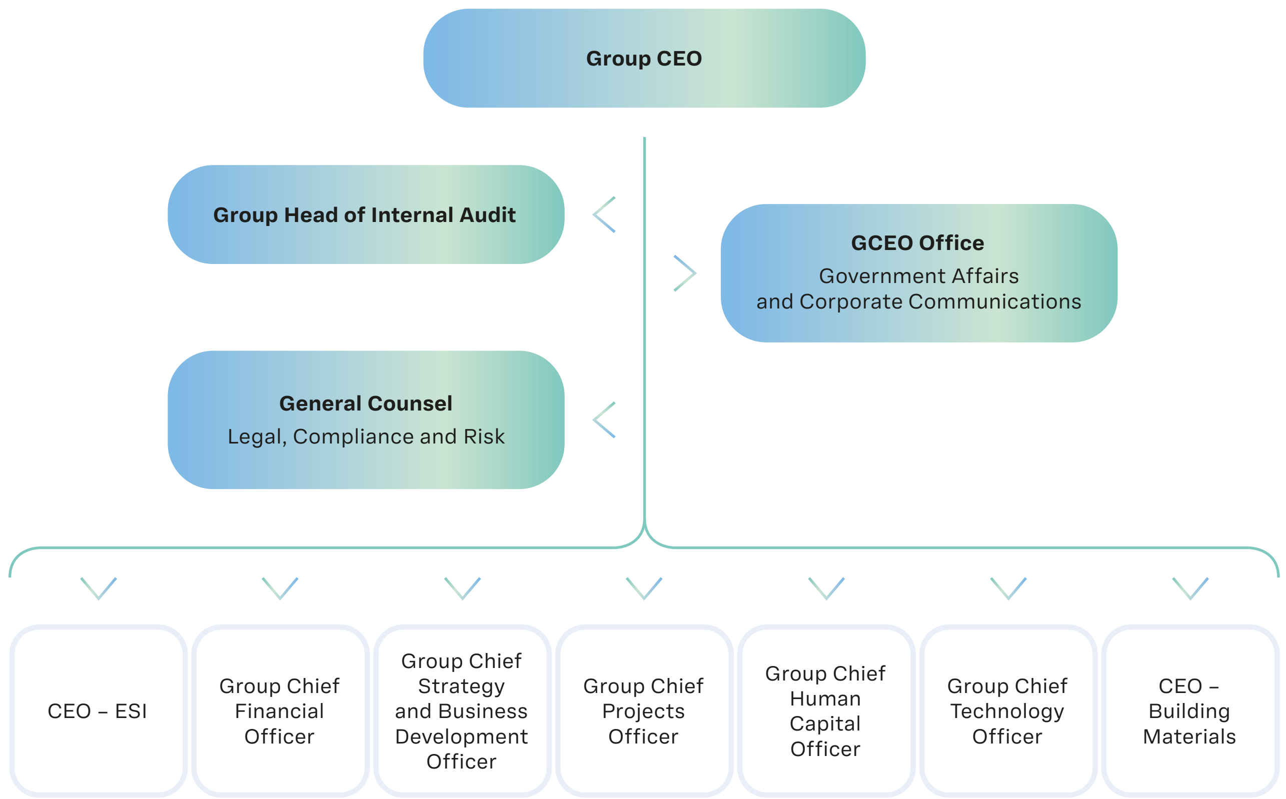
g. Statement of Board duties and mandates performed by a Board member or a member of executive management during 2023 based on Board authorisation along with identifying the term and validity of authorisation according to the following schedule.

There were no special tasks delegated to any of the Board members or executive management during 2023 other than those delegated in the normal course of business.

h. Statement of the details of the transactions that took place with related parties (stakeholders), with a description of the nature of the relationship and the type of transaction.

Statement of the Related Party	Clarification of the Nature of the Relationship	Type of Transaction	Value of the Transaction, AED
Intercompany transaction			
Abu Dhabi Distribution Company PJSC	Sister Company	Electricity and water expenses	566,453,733
Abu Dhabi Ports Company PJSC	Sister Company	Clearance and export charges	27,762,546
Abu Dhabi Marine Services Safeen LLC (ADPMS)	Sister Company	Transshipment charges	95,261,092
Zones Corp Infrastructure Fund	Sister Company	Purchase – natural gas	37,207,908
Abu Dhabi National Exhibitions Company PJSC (ADNEC)	Sister Company	Exhibitions	169,845
Al Ain Foods & Beverages PJSC	Sister Company	Drinking water	551,267
Contango Management Consultancy LLC ICP	Sister Company	Consultancy fees	3,955,836
Transaction with the related party			
Abu Dhabi National Oil Company	Under Common control	Purchase – natural gas	456,661,580
Abu Dhabi Retirement and Pension Fund	Under Common control	Pension	25,316,180
Sheikh Shakhbout Medical City LLC	Under Common control	Testing and calibration expenses	160,650
National Health Insurance Company PJSC (Daman)	Under Common control	Medical insurance cost	25,029,296

i. Organisation Chart (approved by the Board of Directors as of 31 December 2023)



The Internal Audit function reports directly to the Audit Committee and administratively to the Group CEO. Compliance and Risk functions have a direct reporting line to the Audit Committee and Strategic Investment and Risk Committees respectively.

j. Detailed statement of senior executive employees in the Company, their designations, and dates of appointment

#	Name	Major	Designation	Nationality	Date of Birth	Joining Date	Years of Experience
1	Saeed Ghumran Al Remeithi	Bachelor of Science in Electrical Engineering	Group Chief Executive Officer	UAE National	19 Jan 1975	7 Jan 01	21
2	Saeed Khalfan Ali Al Ghafri	Masters in Strategy Development	Chief Executive Officer – Emirates Steel	UAE National	22 Jan 1980	6 Jun 06	18
3	Stephen John Pope	Bachelor of Science in Business Studies	Group Chief Financial Officer	British	19 Jul 1960	5 Mar 07	38
4	Angelo Di Martino	Bachelor of Science in Mechanical Engineering	Group Chief Strategy and Business Development Officer (Acting)	Italian	2 Jun 1978	18 Oct 22	19
5	Hassan Salim Rawhi Sha'sha'a	Master's in Chemical Engineering	Group Chief Projects Officer	Jordanian	30 Jan 1954	1 Aug 07	41
6	Jasem Mohamed Rashed Al Khateri	Executive Masters in Business Administration (EMBA)	Group Chief Human Capital Officer	UAE National	13 Nov 1976	2 Apr 17	22
7	Vladimir Arshinov	Masters in Automation Engineer	Group Chief Technology Officer	Slovenian	26 Oct 1980	18 Apr 23	20
8	Hugo Losada	Masters in Business Bachelor of Science in Civil Engineering	Chief Executive Officer – Building Materials	Venezuelan	11 Feb 1974	2 Oct 23	25

#	Name	Designation	Aggregate Salaries with Allowance for 2023 AED	Annual Rewards (bonuses) paid during 2023 AED
1	Saeed Ghumran Al Remeithi	Group Chief Executive Officer	3,064,800	2,271,600
2	Saeed Khalfan Ali Al Ghafri	Chief Executive Officer – Emirates Steel	1,729,200	675,000
3	Stephen John Pope	Group Chief Financial Officer	2,004,000	742,500
4	Angelo Di Martino	Group Chief Strategy and Business Development Officer (Acting)	1,392,000	–
5	Hassan Salim Rawhi Sha'sha'a	Group Chief Projects Officer	1,824,000	639,450
6	Jasem Mohamed Rashed Al Khateri	Group Chief Human Capital Officer	1,629,600	602,100
7	Vladimir Arshinov	Group Chief Technology Officer	986,700	–
8	Hugo Losada	Chief Executive Officer – Building Materials	410,968	–

All values are actual cash paid in the year 2023 excluding gratuity, employer contribution to pension, and medical and life insurance for continuing senior executives.

External Auditor

a. About the External Auditor

Deloitte & Touche (M.E.) is one of the largest professional services firms globally and one of the 'Big 4' audit firms. Its key international place of business is in the United Kingdom. It employs approximately 457,000 personnel worldwide. The firm provides services such as audit and assurance, consulting, financial advisory, risk advisory, tax and related services. The Group appointed Deloitte & Touche (M.E.) as its external auditor on 28 June 2018 i.e., since the second quarter of 2018. During 2023, the external auditor did not provide any services other than auditing the Group consolidated financial statements, providing assurance report on internal controls over financial reporting, ICV certification, ETIP certification and an agreed upon procedures for unclaimed dividends.

b. Statement of the fees and costs of the audit or the services provided by the external auditor

Name of the firm	Deloitte & Touche (M.E.)
Number of years lapsed as Group's external auditor	6 years
Number of years lapsed for auditing of the Group accounts by the same audit partner	2 years
Total audit fees for 2023 (AED) (Arkan and Emirates Steel)	AED 882,000
Fees and costs of other special services other than auditing financial statements for 2023 (AED) (EMSTEEL Building Materials PJSC and Emirates Steel)	AED 352,000
Details and nature of other rendered services	A report on the effectiveness of the Internal Control Systems for the preparation of financial statements in accordance with the requirements of the Abu Dhabi Accountability Authority, at a cost of AED 250,000. Other assurance related services related to ETIP, ICV and unclaimed dividends at an aggregate cost of AED 102,000.
Statement of other services provided by another external auditor other than the Group's external auditor during 2023	None

c. Statement clarifying the qualifications that the Group's auditor included in the interim and annual financial statements for the year 2023 and in the absence of any reservations, this must be mentioned explicitly

- Q1, 2023: There are no qualifications included in the auditor's review report on the Group's consolidated financial statements for the first quarter of 2023.
- Q2, 2023: There are no qualifications included in the auditor's review report on the Group's interim financial statements for the second quarter of 2023.
- Q3, 2023: There are no qualifications included in the auditor's review report on the Group's interim financial statements for the third quarter of 2023.
- 2023 Annual Report: The auditor's report for 2023 has been issued with a clean opinion.

Audit Committee

a. Acknowledgement and Roles

Abdulaziz Abdulla Alhajri, the Chairman of the Audit Committee, acknowledges his responsibility for the committee system in the Company and for his review of its work mechanisms and for ensuring its effectiveness.

The current Audit Committee was constituted on 11 November 2021. The Audit Committee currently comprises the following 3 members who are all independent and non-executive Board members.

1. Abdulaziz Abdulla Alhajri – Chairman
2. Fatima Abdullah Al Fahim – Member
3. Nabeel Qadir – Member

b. Meetings of the Audit Committee during 2023

During 2023, the Audit and Risk Committee convened 6 meetings as set out below.

Name	9 Feb 23	28 Feb 23	27 Apr 23	27 Jul 23	28 Jul 23	27 Oct 23	Attendance
Abdulaziz Abdulla Alhajri	✓	✓	✓	✓	✓	✓	6/6
Fatima Abdullah Al Fahim	✓	✓	✓	✓	✓	✓	6/6
Nabeel Qadir	✓	✓	✓	✓	✓	✓	6/6

c. Key Responsibilities

The role and responsibility of the Audit Committee is defined in its Charter which is approved by the Board of Directors. The Charter defines the role of the committee in terms of:

- Review of financial statements.
- Internal controls, governance and Risk Management Framework.
- Reports from external agencies including Government.
- Compliance, whistleblowing and fraud.
- Internal Audit.
- External Auditor.
- Risk management.
- Self-evaluation.
- Reporting to the Board of Directors.

In October 2023, the responsibilities related to the oversight of the Risk function were moved to the Strategic Investment and Risk Committee.

Nomination and Rewards Committee

a. Acknowledgement and Roles

Mr. Jamal Salem Obaid Al Dhaheri, the Chairman of the Nominations and Rewards Committee, acknowledges his responsibility for the committee system in the Company and for his review of its working mechanism and ensuring its effectiveness.

The current Nomination and Rewards Committee was constituted on 11 November 2021.

The Nomination and Rewards Committee currently comprises the following 3 members who are all independent and non-executive Board members.

1. Jamal Salim Al Dhaheri – Chairman
2. Farah Abdullah Muhammad Al Mazrui – Member
3. Nabeel Qadir – Member

b. Meetings of the Nomination and Rewards Committee during 2023

During 2023, the Nomination and Rewards Committee convened 8 meetings as set out below.

Name	16 Jan	23 Feb	11 Apr	24 May	14 Jul	25 Jul	6 Sep	8 Dec	Attendance
Jamal Salim Al Dhaheri	✓	✓	✓	✓	✓	✓	✓	✓	8/8
Farah Abdullah Muhammad Al Mazrui	✓	✓	✓	✓	✓	✓	✓	✓	8/8
Nabeel Qadir	✓	✓	✓	✓	✓	✓	✓	✓	8/8

c. Key Responsibilities

The role and responsibility of the Nomination and Rewards Committee is defined in its Charter which is approved by the Board of Directors. The Charter defines the role of the committee in terms of:

- Nomination of membership of the Board and executive management.
- Formulation and annually reviewing the policy on granting rewards/remuneration, benefits, incentives and salaries for Board members and Employees and make recommendations regarding the general compensation philosophy for the Group, as well as budget for annual incentives to be awarded.
- Annual performance evaluation of the Board, its members, and committees.
- Verification of independence of Board members.
- Development and awareness/induction programs for members of the Board.
- Reviewing the performance measurement framework for the Company and its Business Units, reviewing/endorsing scorecard results, and determining targets for performance-related compensation schemes.
- Endorsing and overseeing the implementation of the Company's human capital (HC) policies, as well as endorsing changes in Human Capital Policy and the high-level organisational structure.
- Self-evaluation of the committee's performance – annual basis.
- Reporting and updating the Board on significant committee activities.

Strategic Investment and Risk Committee

a. Roles

The current Strategic Investment and Risk Committee was constituted on 11 November 2021. The Strategic Investment and Risk Committee currently comprises the following 3 members who are all independent and non-executive Board members.

1. Nabeel Qadir – Chairman
2. Farah Abdullah Muhammad Al Mazrui – Member
3. Abdulaziz Abdulla Alhajri – Member

b. Meetings of the Strategic Investment and Risk Committee during 2023

During 2023, the Strategic Investment and Risk Committee convened 10 meetings as set out below.

Name	18 Jan 2023	7 Feb 2023	22 Mar 2023	16 Jun 2023	20 Sep 2023	13 Oct 2023	24 Oct 2023	30 Oct 2023	15 Nov 2023	19 Dec 2023	Attendance
Nabeel Qadir	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
Farah Abdullah Muhammad Al Mazrui	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
Abdulaziz Abdulla Alhajri	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10

c. Key Responsibilities

The key role and responsibilities of the Strategic Investment and Risk Committee in terms of the Delegation of Authority Manual of the Company includes the review and endorsement of the following prior to approval by the Board of Directors:

- Corporate strategy, medium and long-term business plans including the 5-year business plan.
- Annual plan and budget and amendments thereto (incl. assumptions).
- Project feasibility studies and budgets.
- Changes in capital structure – incremental bank / credit facilities and guarantees, issue of shares and issue of bonds/sukuks.
- Bank mandate (incl. bank signatories, limits, letters of credit, and guarantees).
- Investment protocols (investment in equity or debt instruments, derivatives, associates and others).
- Opening and closing bank accounts.
- Bank signatories and limits.

The Strategic Investment and Risk Committee Charter, approved by the Board of Directors, outlines the scope of the Strategic Investment and Risk Committee's activities by detailing its roles and responsibilities pertaining to investment activities across 3 main categories: organic growth investments, inorganic growth investments and treasury investments. The Strategic Investment and Risk Committee is not a permanent committee and is to be convened on a need basis at the discretion of the Board.

In October 2023, the mandate of the Strategic Investment Committee was enhanced to include Risk.

Insider Trading Supervision Committee

a. Roles

The current Insider Trading Supervision Committee was constituted on 11 December 2021. The Insider Trading Supervision Committee currently comprises the following 4 members.

1. Stephen John Pope (Group Chief Financial Officer) – Chairman
2. Walid El Helaly (Head of Legal and Compliance) – Member
3. Gleb Diachkov-Gertcev (Director Investor Relations) – Member
4. Vikas Puri (Group Head of Internal Audit) – Member

b. Meetings of the Insider Trading Supervision Committee during 2023

During 2023, the Insider Trading Supervision Committee convened 3 meetings as set out below:

Name	18 Apr 23	11 Jul 23	13 Nov 23	Attendance
Stephen John Pope	✓	✓	✓	3/3
Walid El Helaly	✓	✓	✓	3/3
Gleb Diachkov-Gertcev	✓	✓	✓	3/3
Vikas Puri	✓	✓	✓	3/3

c. Key Responsibilities

The Insider Trading Supervision Committee is responsible to establish, publish and enforce effective procedures applicable to the purchase and sale of the Company's shares by insiders, designed not only to prevent improper trading, but also to avoid any question of the propriety of insider purchases or sales. The Insider Trading Supervision Committee shall undertake the following roles and responsibilities:

- Preserve the reputation and integrity of the Company as well as that of all persons affiliated with the Company.
- Ensure no person with material, non-public information about the Company can purchase or sell any Company securities.
- Maintain and monitor Insiders' Register on a quarterly basis (i.e., an updated list of insiders/covered persons and their owned securities, investor numbers (if available), undertakings, pre-clearance of trade) and inform the Board regarding any changes.
- Provide an updated list of insiders/covered persons to relevant authorities at the beginning of the fiscal year and whenever amendments are made.
- Review changes to the applicable laws frequently and update the Insider Trading Policy accordingly.
- Establish a pre-clearance procedure of all trades by all officers, directors and certain employees to protect employees from insider trading liability.
- Define trading blackout periods during which employees trading is restricted (especially during announcements of financial results or transaction-based events, such as, an acquisition or merger).
- Communicate the Securities Dealing Policy (once applicable) including insider trading policies to all employees regularly and conduct routine trainings.
- Define penal consequences for violating Insider Trading Policy (i.e., disciplinary action up to termination of employment, relationship or lawsuit).

Internal Control Systems

a. Acknowledgment

The Group's Internal Control System aims to ensure the ability of the Board of Directors and management to achieve the Group's business goals and contribute to protecting shareholders' investments and the Group's assets.

The objective of the Group's Internal Control Framework is to ensure that internal controls are established, policies and procedures are properly documented, maintained, and adhered to, and are incorporated by the Group within its normal management and governance processes. It also acknowledges that this system is designed to reduce the risks of failure to achieve the Group's business goals and not eliminate them permanently and thus provides reasonable and not absolute assurance of the error of financial statements or serious losses. The Group has also established formal procedures whereby the main risks faced by the Group are continuously identified and managed with an estimate of their potential impact.

The Board of Directors acknowledges its responsibility for the Internal Control System, its independence in the Group, and its review and effectiveness.

b. Group Head of Internal Audit – Qualifications, experience and date of appointment

Vikas Puri was appointed by the Audit and Risk Committee as Group Head of Internal Audit with effect from 18 April 2022 in terms of the authority delegated to the committee by the Board of Directors. Previously, he served as the Head of Internal Audit for Emirates Steel Industries PJSC from 2012. He is a Chartered Accountant with over 31 years of professional experience including 11 years with a 'Big 4' firm. Across his career he has gained diverse experience in internal audits, internal controls, risk management, corporate governance, IFRS, finance, financial reporting, assurance, transaction services, corporate finance, business re-engineering, business plan preparation, financial advisory, financial process documentation, diagnostic business reviews, business operating model reviews, and management audit engagements across a wide range of industries. He is a Fellow Member of the Institute of Chartered Accountants of India and holds a B. Com (Hons) from the prestigious Sri Ram College of Commerce, Delhi University.

c. Compliance Officer – Qualifications, experience and date of appointment

Atif Waheed was appointed as Compliance Officer of the Company, a position he has held since 1 November 2022. He is an Associate Member of the Institute of Chartered Accountants in England and Wales (ICAEW) and a Fellow Member of the Association of Chartered Certified Accountants (ACCA). He has more than 11 years of experience in the field of audit, risk, and compliance. The Compliance Officer is supported by Walid El Helaly, Head of Legal and Compliance to oversee and manage the ethics and compliance mandates.

d. Dealing with Important Problems/Issues

Internal Audit

The Internal Audit department provides independent assurance and consulting services using a disciplined systematic approach to improve the effectiveness of risk management, internal control and governance processes across the Group's operations. It also aims to assist management in achieving its goals by making the necessary effort to positively improve the efficiency and effectiveness of operations. The Internal Audit department abides by the rules and regulations that define its work and exercises independence that enables it to perform its duties and work in accordance with the relevant requirements of the Authority Board Resolution number (03/RM) of 2020.

The scope and frequency of audits depend on several factors, including, for example: the results of previous years' audits, the results of the business risk assessment related to the various activities in the Group, materiality, the efficiency of the Internal Control Systems, and the resources available to implement internal audits. The Internal Audit department works in accordance with the directives of the Audit Committee, and the Audit Committee plays a fundamental role in matters related to auditing and governance through review, approval of the risk based annual audit plan and the participation of the Chairman, the Board of Directors and executive management in discussing the audit results. On the administrative side, the Group Head of Internal Audit reports to the Group Chief Executive Officer.

Compliance

The Compliance department is responsible for monitoring the compliance of the Group and its employees with applicable laws, regulations, statutory requirements, resolutions, policies and procedures, and rules of business through effective coordination with all internal and external stakeholders. The Compliance function has a direct reporting line to the Company's Audit Committee and reports operationally to the Group Chief Executive Officer.

The Compliance function is responsible for:

- Reviewing the employees' compliance with the Code of Business Conduct.
- Reviewing the appropriateness of practices and procedures for compliance with applicable laws, regulations, and resolutions.
- Reviewing and assessing effectiveness of the Compliance System with inclusion and disclosure requirements and other legal and legislative requirements related to the Company's activities.
- Developing and updating key compliance procedures related to Anti Money Laundering (AML) and Sanctions Screening of key counterparties.

The Group's Compliance function has launched the following policies and procedures in 2022:

- Whistleblowing and Speaking-up Policy: provides guidance to encourage stakeholders to report unethical activities within the Group and to reiterate the Group's zero tolerance towards wrong-doing.
- Anti-Bribery and Corruption Policy: sets out guidance for identifying and dealing with bribery and corruption issues.
- Conflict of Interest and Related Party Policy: provides guidance on how to effectively manage all conflicts of interest and how to make required disclosures.

Risk

The Group has implemented an effective Risk Management Framework that is consistent with the Group achieving its corporate and departmental objectives. Risk Management deals with understanding, documenting, and managing the Company's risk environment and taking measures, where necessary, to ensure those risks are contained to acceptable levels consistent with the Group's risk appetite. Risk Management is a critical function of the Group's management. The Risk Policy is applicable for all business lines, departments, and sections. It is also applicable for strategic and corporate governance activities that are undertaken by the Executive Committee (EXCO) and senior management.

The Board of Directors has an oversight responsibility pertaining to the Company's Risk Management Framework. The Board of Directors has approved the Risk Policy and provides the necessary support to ensure that risk management is incorporated into the culture of the Group. The Risk Management section has been established to facilitate the implementation of the Risk Management Framework and Risk Policy.

The Strategic Investment and Risk Committee provides oversight to the Risk Management section. The Risk function has a direct reporting line to the Company's Strategic Investment and Risk Committee and reports operationally to the General Counsel.

Until October 2022, this oversight was provided by the Audit and Risk Committee.

e. The number of reports issued by the internal control department of the Company's Board of Directors

During 2023, reports related to 23 engagements were issued by the Internal Audit department based on the Group Internal Audit Plans approved by the Audit Committee.

Details of Violations during 2023

The Group observes all applicable laws, resolutions and regulations and was not subject, during the year 2023, to any sanctions, limitations, or violations whether from the Securities and Commodities Authority or any other regulatory body.

Statement of Monetary and In-kind Contributions

Below is a statement of monetary and in-kind contributions made by the Company during 2023:

Throughout the year, our Group actively participated in several impactful Corporate Social Responsibility (CSR) initiatives, benefiting a total of 52,272 beneficiaries. These activities were carried out with the assistance of 337 volunteers, incurring a total cost of AED 517,000.

We Give You Smile: We packed and distributed food boxes to needy families in Abu Dhabi, Al Ain, and Dubai. This initiative touched the lives of 500 individuals with the support of 20 volunteers.

ES600 Building Church: Our contribution went towards the renovation of a church, impacting 2,500 people.

Kids Summer Camp: ESA sponsored a summer camp in collaboration with the Abu Dhabi Municipality from July to August 2023. The camp included an educational program, fun activities for children, and a story-teller workshop. 60 children benefited from this initiative.

Storytelling Collaboration: ESA collaborated with the Family Development Foundation to organise storytelling sessions for 50 children, promoting creativity and learning.

UAE Environment Day Clean-Up Campaign: We actively participated in a clean-up campaign during UAE Environment Day, involving 500 volunteers.

Enable Workshop: ESA sponsored a workshop for People of Determination, focusing on planting. 83 participants benefited from this initiative.

Reducing Paper: In collaboration with Tadweer, we recycled paper, contributing to environmental sustainability. 10 volunteers were involved in this effort.

Trahum: In partnership with Emirates Red Crescent, we volunteered in packing food supplies for refugees in Palestine. 50 volunteers participated in this humanitarian cause.

Bridge of Giving: We donated to support victims of earthquakes in Syria and Turkey, collaborating with Emirates Red Crescent. 25 individuals received aid through this initiative, with the help of 80 volunteers.

Labor's Day: We distributed metal lunch boxes and insulated lunch bags to keep food hot for 550 workers. 3 volunteers assisted in this endeavour.

Drop of Giving: In collaboration with SEHA, Emirates Steel Arkan organised blood donation campaigns named 'Drop of Giving.' 63 employees participated in this life-saving initiative.

Emirati Women's Day: We celebrated Emirati Women's Day by arranging a site visit, distributing gifts to victims, and honouring Ewaa team members with flowers and chocolates. 31 women were impacted by this gesture, with the support of 3 volunteers.

Pink Month: We collaborated with Tawam Hospital to sponsor an awareness campaign for breast cancer. We distributed mirrors with motivational messages to patients and nurses. Additionally, we participated in Walkathons at Tawam Hospital and Bawadi Mall, involving 600 participants.

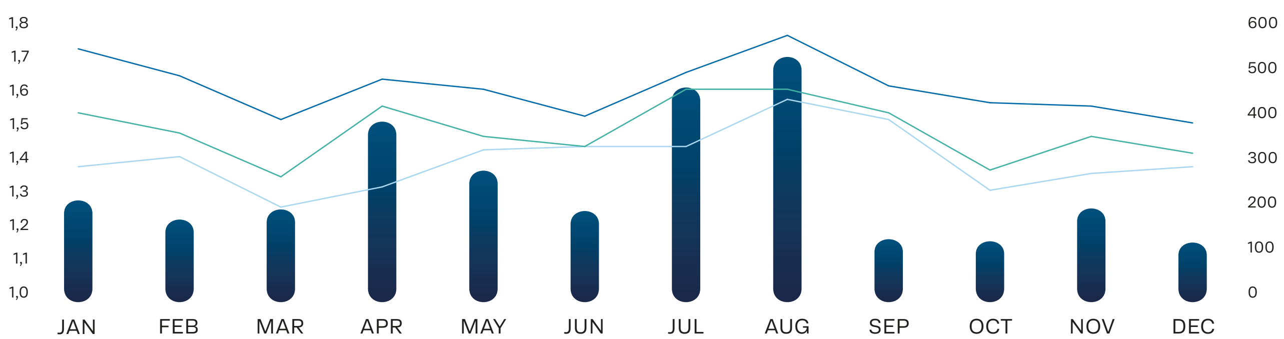
These initiatives reflect the Group's commitment to social responsibility, community well-being, and environmental stewardship.

General Information

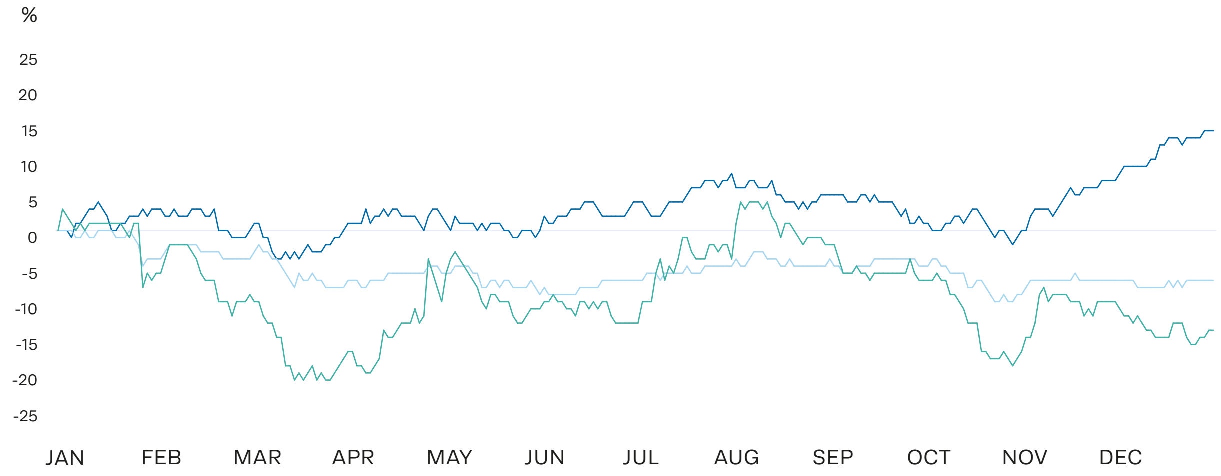
a. Share price on the market (the highest price, the lowest price and the closing price) for each month during the fiscal year 2023

Month	Close AED	High AED	Low AED	Total Value Traded per Month AED million	Total Volume per Month (# of shares, million)
January	1.52	1.71	1.36	176	116
February	1.46	1.63	1.39	131	90
March	1.33	1.50	1.24	155	117
April	1.54	1.62	1.30	360	234
May	1.45	1.59	1.41	245	169
June	1.42	1.51	1.42	151	106
July	1.59	1.64	1.42	440	277
August	1.59	1.75	1.56	512	322
September	1.52	1.60	1.50	85	56
October	1.35	1.55	1.29	80	59
November	1.45	1.54	1.34	157	108
December	1.40	1.49	1.36	77	55
				2,570	**1,709**

EMSTEEL Performance during 2023



b. Statement of comparative performance of share to the general market index and a relevant industrial index



c. Statement of the ownership distribution of shareholders on 31 December 2023 (individuals, companies, government entities) classified as follows: Local, Gulf, Arab, and Foreign)

Shareholder	% of Shares Held			
	Individuals	Corporates	Government	Total
UAE	8.20%	2.51%	88.25%	98.96%
Arabs	0.45%	0.04%	–	0.49%
Others	0.12%	0.43%	–	0.55%
Total	**8.77%**	**2.98%**	**88.25%**	**100%**

d. Statement of shareholders holding 5% or more of the Company's share capital

Shareholder	Quantity	Citizenship	%
General Holding Corporation PJSC ('SENAAT')	5,992,500,000	UAE	87.48%

e. Statement of shareholding distribution according to the volume of shares held as of 31 December 2023

Shareholding (shares)	No. of Shareholders	Shares Held	Held Shares Ratio to Total Capital
Less than 50,000	77,524	164,032,288	2.39%
From 50,000 to less than 500,000	560	82,225,643	1.20%
From 500,000 to less than 5,000,000	129	160,336,162	2.34%
More than 5,000,000	27	6,443,405,907	94.06%
Total	**78,240**	**6,850,000,000**	**100%**

f. Statement of actions taken pertaining to investors relations

- **Investor relations in-charge and contact details:**

Gleb Diachkov-Gertcev is Director of Investor Relations. The Investor Relations department can be contacted via ir@emiratessteel.com

- **Investor relations web pages on Company website:**

A webpage designated for investors relations has been developed within the Company's website, available via the link www.emiratessteelarkan.com/investor-relations/. It is updated and maintained to keep abreast with international best practice including investors relations information and contact details together with all reports and presentations relating to the Company's financial results, General Assembly minutes, annual corporate governance reports and any other significant information of assistance to existing shareholders and potential investors.

g. Statement of special resolutions proposed within the General Assembly convened during 2023 and key actions

The following Special Resolutions were proposed in General Assembly meeting convened during 2023:

- **Amendment of Articles of Association:** Approval of the amendment to the Articles of Association in accordance with Federal Decree-Law No. (32) of 2021 regarding commercial companies.
- **Change of Name:** Authorisation to change the Company's trade name from 'Arkan Building Materials (Arkan) PJSC' to 'EMSTEEL BUILDING MATERIALS PJSC.'
- **Amendment of Article (2):** Consent to modify Article (2) of the Company's Articles of Association to read as follows: "The name of the Company is 'EMSTEEL BUILDING MATERIALS PJSC'."

h. Board of Directors Secretary

Name of Board's Secretary	Mahmoud El Ghrabawy
Appointment Date	3 March 2023
Qualification and Experience	▸ Mahmoud is a Partner in the Corporate Commercial practice at Hadef & Partners' Abu Dhabi office. ▸ Mahmoud has over 17 years of experience in the legal field, during which he focuses mainly on corporate, commercial, capital markets, M&A and financing transactions. ▸ Mahmoud has extensive experience in corporate, merger and acquisitions and capital markets, including restructuring, IPOs, private placements, bonds/sukuk issuance, tender offers and rights issues.
Job Description	▸ Proposing the agenda of board meetings, organising and recording the activities of Board meetings and sub-committees. ▸ Provide sound and professional advice to the Chairman of the Board on matters related to corporate governance. ▸ Ensure that the quorum of the Board and its committees is achieved and that the related documents are distributed in a timely manner. ▸ Ensure effective management of all logistical arrangements related to the Board's activities. ▸ Ensure accurate and effective records are kept of Board decisions in compliance with legal requirements. ▸ Record the minutes of all meetings of the Board as well as the records of any committees, ensuring that all procedures have been duly observed, recording the time and place of the meeting, the names of the attendees or representatives at the meeting in the minutes and retain the original copies of the minutes at the Company's headquarters. ▸ Keeping the Board and Company executives fully informed of current and new legislative requirements. ▸ Prepare for the Annual General Meeting of shareholders. ▸ Follow up on Board affairs (decision and requests), track and coordinate Board requests between the Board and management. ▸ Maintain strict confidentiality of all tasks performed. ▸ Perform all duties that may be required by the Law, the Company's Articles of Association or internal regulations, and any other matters which may be assigned to him from time-to-time by the Board.

i. A detailed statement of the major events and important disclosures that the Company encountered during 2023

No significant events and disclosures to report outside usual business activities.

j. Statement of Emiratisation percentage in the Company at the end of 2021, 2022 and 2023 (workers are excluded for companies working in the field of contracting)

Year	Emiratisation
2021	19%
2022	20%
2023	21%

k. Statement of innovative projects and initiatives undertaken by the Group or being developed during 2023

The management presented several initiatives that would add value to the Group's business and are under review and evaluation by the executive management and the Board of Directors. Selected initiatives are set out below:

2023

Initiative	Impact Category	Description	Benefits	Status
Refractory design in Heavy Section Mill Re-heating Furnace – HSM RHF Gas Consumption #1183	Energy Saving (Gas)	Following actions were taken to reduce gas consumption in HSM RHF: 1. Replaced walking beam refractory lining of the skids from casted to complete pre-shaped blocks, in order to achieve uniformity of the technical solution (no additional cost incurred due to the modification). 2. Increased thickness of ceramic fibre and refractory of the pre-shaped blocks (no additional cost incurred due to the modification). 3. Changed refractory material type to Mullite to achieve better mechanical and thermal properties.	Reduction of specific gas consumption by 0.05 MBTU/ton	Started generating benefits from September 2023.
Tundish performance practice and life enhancement #171	Availability improvement	Extending sequence length by improving tundish performance; sequence change 30-60min every 40hr; New design for Caster tundish, aiming to increase sequence length; Conducted a study to enhance SMP1 tundish design, as after >10yrs of operation, SMP1 needs to progressively start renewing the whole fleet of tundishes.	Reduction of refractory cost expected -0.04$/t (67,000$/year) due to longer sequence (expected 45 heats/ tundish vs current 33 heats/tundish) Increase of production expected 6508tpy = 260331 $/y	Recurring cost savings overachieved in 2023.

2023

Initiative	Impact Category	Description	Benefits	Status
Rolling Mill #3 BGV Online Monitoring System – #722	Digitalisation – Online condition monitoring	Online condition monitoring of BGV in RM03 to early detect any abnormalities in shafts/gears and take early action to prevent BGV failure.	Reduction in BGV repair time by replacing individual shaft instead of complete BGV (8 shafts). Reduction from 130hrs to 50hrs plant downtime.	Cost savings recorded in 2023.
Rolling Mill #3 – QTR/Water Box area and alignment with operational/ maintenance practice. Improvement to reduce delay – #155	Availability improvement	In 2023 year a lot of internal work and improvement done to change and update the process parameters and training to enhance operation & maintenance skills & practice to deal with the equipment.	Water box delays reduction by 50%.	Cost savings recorded in 2023.

Hamad Abdullah Mohammed Al Shurafa Al Hammadi

Chairman – Board of Directors

Abdulaziz Abdulla Ismail Mohamed Alhajri

Chairman – Audit Committee

Jamal Salim Al Dhaheri

Chairman – Nomination and Rewards Committee

Vikas Puri

Group Head of Internal Audit

04 Financial statements

EMSTEEL BUILDING MATERIALS PJSC
(formerly Arkan Building Materials Company (Arkan) PJSC)

Reports and consolidated financial statements for the year ended 31 December 2023

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EMSTEEL BUILDING MATERIALS PJSC
(formerly Arkan Building Materials Company (Arkan) PJSC)

Reports and consolidated financial statements for the year ended 31 December 2023

EMSTEEL BUILDING MATERIALS PJSC
(formerly Arkan Building Materials Company (Arkan) PJSC)

Board of Directors' Report to the Shareholders for the year ended 31 December 2023

On behalf of EMSTEEL Building Materials PJSC's (formerly Arkan Building Materials Company (Arkan) PJSC) Board of Directors ("EMSTEEL", the "Company" or the "Group"), I am pleased to present the Board of Directors' report and the audited consolidated financial statements for the year ended 31 December 2023.

The change of the legal name of the Company to EMSTEEL Building Materials PJSC, from Arkan Building Materials Company (Arkan) PJSC, was approved at the General Meeting of Shareholders held on 10 April 2023. The name EMSTEEL better reflects the nature of our expanded business following the integration of Emirates Steel Industries PJSC ("Emirates Steel") into the Group in October 2021.

The acquisition of Emirates Steel created the largest steel and building materials manufacturing and distribution business in the UAE, a regional champion that is globally competitive. The transaction facilitated a significant expansion in the scope of the Group's scale and provided diversification in the scope of its operations. Despite the global economic headwinds, the increasing reach of our products is a clear testament to consumers' trust and preference for 'Made in UAE' products.

The Group's performance in 2023 reflected its resilience and efficiency amidst challenging market conditions. The financial performance for the year underscores the Group's strengths across the value chain, differentiating it from other players in the steel and building materials sectors and reinforcing the Group's commitment to 'Operation 300 billion', the UAE's Industrial Strategy.

This performance has been delivered without losing sight of ensuring the most rigorous health, safety, and environmental protocols across the business units. As evidence of this, during 2023 the Group preserved its Lost Time Injury Frequency Rate at a record low of 0.18, significantly lower than the World Steel Association average of 0.65 as well as the average of the top twenty-five cement producers globally which stands at 0.69.

During the year, the Group has made continuous progress in mapping its comprehensive Net Zero plans following the appointment of a global sustainability advisory firm. The Group is working closely with its advisors to ensure its Net Zero plan is fully aligned to the UAE's carbon reduction targets.

Overall Group revenues in 2023 totalled AED 8,899.4 million, compared to AED 9,452.6 million for the year 2022.

The Group recorded a net profit of AED 601.9 million for the year; this compares with a net profit of AED 510.2 million as reported in 2022.

Review of Operations

Steel Division
Despite the head-winds faced by the global steel sector, on a stand-alone basis the Steel division generated revenues of AED 8,028.5 million in 2023 compared to AED 8,565.2 million in 2022; generated earnings before interest, tax, depreciation and amortisation of AED 1,022.8 million, compared to AED 988.6 million in 2022; and a net profit for the year of AED 457.2 million compared to a net profit of AED 593.1 million in 2022, the latter being stated after the partial reversal of an impairment loss, initially recorded in 2020, in an amount of AED 150 million.

EMSTEEL BUILDING MATERIALS PJSC
(formerly Arkan Building Materials Company (Arkan) PJSC)

Board of Directors' Report to the Shareholders for the year ended 31 December 2023 (continued)

Review of Operations (continued)

Cement, Blocks and Head Office
Revenue from the Cement and Blocks division was AED 691.6 million in 2023, compared to AED 710.0 million in 2022. The Group projects that its mining rights relating to its captive quarry in Al Ain provides access to sufficient reserves of limestone, taken together with the available feedstock held, to maintain cement production for the duration of 2024. In 2023, the Group identified an alternate quarry, in the Al Ain area. Quarrying activities commenced at this location in the final quarter of 2023 and it is estimated that this new quarry will supply the requirements of the plant for a further five years. Management continues to assess alternative sources of feedstock for its longer-term operations.

In 2021, as a consequence of the uncertainty associated with the longer-term operating model for the cement plant, the Group booked an impairment loss of AED 700 million against the related goodwill and assets. Following a similar assessment at 31 December 2023 management determined that no additional impairment provision was required and a release of AED 83.45 million was made from the impairment provision carried.

As a result of significant over-supply in the domestic market an impairment loss of AED 150 million was booked in 2022 against the goodwill and operating assets associated with Emirates Blocks, the division's downstream business comprising the manufacture of blocks, paving stones and dry mortar. Following a similar assessment at 31 December 2023, management determined that an additional impairment provision of AED 83.45 million is required against this business.

Before the impairment charges in both 2023 and 2022 the division recorded a net profit of AED 118.4 million as compared to a profit of AED 54.4 million in 2022. The improvement in the underlying profitability has resulted from cost optimisation initiatives and enhanced sales prices.

Other
The Group's other businesses comprise the manufacture and distribution of PVC pipes, GRP pipes and paper sacks. Collectively these businesses reported revenues of AED 179.3 million in 2023, compared with AED 177.5 million in 2022. The businesses generated a profit of AED 15.9 million in the year, against a profit of AED 12.8 million in 2022.

Liquidity
Bank borrowings totaled AED 489.3 million as at 31 December 2023 (31 December 2022: AED 1,451.0 million). In addition, the Group held cash and cash equivalents of AED 425.8 million as of 31 December 2023 (31 December 2022: AED 357.0 million), giving net gearing levels of 0.8% and 14.2% as at 31 December 2023 and 2022 respectively.

EMSTEEL BUILDING MATERIALS PJSC
(formerly Arkan Building Materials Company (Arkan) PJSC)

Board of Directors' Report to the Shareholders
for the year ended 31 December 2023 (continued)

Total Assets & Shareholders' Equity

The Group's total assets were AED 11.0 billion as at 31 December 2023 (31 December 2022: AED 11.5 billion). The value of shareholders' equity was AED 8.3 billion as of 31 December 2023 compared to AED 7.7 billion as at 31 December 2022.

Investments

The share of profit from associates was AED 16.5 million in 2023, compared to a profit of AED 7.8 million in 2022. The Group received a cash dividend of AED 10 million during the year (2022: no dividend received).

Directors

The Directors who held office during the financial year subject to audit, and through to the date of this report, are detailed below.

Hamad A. Al Hammadi	- Chairman
Jamal S. Al Dhaheri	- Vice Chairman
Abdulaziz Al Hajri	
Farah Abdulla Al Mazrui	
Fatima Abdulla Al Fahim	
Nabeel Qadir	
Saeed G. Al Remeithi	- Group Chief Executive Officer

Auditor

The Directors release from liabilities the external auditor, Deloitte & Touche (M.E.), in connection with their duties for the year ended 31 December 2023.

For and on behalf of the Board of Directors

Hamad A. Al Hammadi
Chairman
5 March 2024

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF EMSTEEL BUILDING MATERIALS PJSC
(FORMERLY ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of EMSTEEL Building Materials PJSC (formerly Arkan Building Materials Company (Arkan) PJSC) (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the applicable requirements of Abu Dhabi Accountability Authority ("ADAA") Chairman Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. The key audit 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.

Akbar Ahmad (1141), Cynthia Corby (995), Faeza Sohawon (5508), Firas Anabtawi (5482), Georges Najem (809), Jazala Hamad (1267), Mohammad Jallad (1164), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem M. Dajani (726), Nurani Subramanian Sundar (5540), Obada Alkowatly (1056), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF EMSTEEL BUILDING MATERIALS PJSC
(FORMERLY ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC)
(continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Carrying value of cash generating unit relating to cement and blocks business	
As at 31 December 2023, the carrying value of the cash generating unit of the cement business and blocks business were AED 992 million and AED 70 million, respectively, which comprised 9.6% of the total assets. Management determined that the recoverable amount of the blocks business was less than its carrying amount and consequently recognised an impairment charge of AED 83 million in the consolidated statement of profit or loss. No impairment charge was recognised for the cement business. A partial reversal of previously recognised impairment losses relating to the cement business of AED 83 million was recorded in the consolidated statement of profit or loss. We considered the determination of the recoverable amount of the cement and blocks business as a key audit matter as management is required to apply significant judgements and make significant estimates including the estimated value of future cash flows, associated discount rates and long-term growth rates based on management's view of future business prospects. Refer to note 6 in the consolidated financial statements for more details relating to this matter.	We have performed the following procedures, inter alia, in response to the key audit matter identified: • Assessed the design and tested the implementation of the Group's controls relating to the determination of the recoverable amount of the cement and blocks business; • Reconciled the net carrying amount of the CGU to the Group's accounting records; • Engaged our valuation specialist to assess the discount rate and growth rates applied by benchmarking against independent data; • Challenged each of the key assumptions with management, including budget estimates underlying the cash flows used in the valuation models are based. For this purpose, we also compared the estimates of cash flow projections of previous periods with actual corresponding results, to assess the pertinence and reliability of the process for making forecasts; • Reviewed management's sensitivity analysis in relation to the key inputs used in the model used to determine the recoverable amount, as well as performing our own sensitivity analysis of the factors and assumptions used; • Reperformed the arithmetical accuracy of the valuations used by the Group; and • Assessed the method of allocating the impairment charge for the blocks business and the reversal of the impairment provision for cement business to the various asset classes within this business. We also assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF EMSTEEL BUILDING MATERIALS PJSC
(FORMERLY ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC)
(continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Impairment of property, plant and equipment of Emirates Steel Industries PJSC	
As at 31 December 2023, the carrying amount of the Group's property, plant and equipment was AED 6,564 million. AED 5,453 million of this amount relates to the Group's subsidiary, Emirates Steel Industries PJSC ("ESI"), representing 49% of total assets. No impairment charge or reversal was recorded in the consolidated statement of profit or loss relating to this matter. As a result of the Ukraine-Russia conflict and the conflict in Middle East, along with other economic factors, demand for the Group's products in both its regional and international markets was impacted. These matters are considered to be external macro-economic impairment indicators. We considered this to be a key audit matter as the determination of the recoverable amount requires management to apply significant judgements and make significant estimates that are affected by expected future market or economic conditions including, inter alia, expected future cash flows, utilisation rates, the associated discount rate applied and long-term growth rates based on management's view of future business prospects. Refer to note 6 in the consolidated financial statements for more details relating to this matter.	We have performed the following procedures in response to the key audit matter: ▪ Assessed the design of relevant controls over the process of determining the allowance for impairment of property, plant and equipment and determined if they had been appropriately implemented. These controls included, inter alia, controls over the accuracy and completeness of the impairment assessment model and controls over management's annual preparation of the impairment assessment, including calculations performed and estimates applied; ▪ Engaged our internal valuation specialists to assess the impairment model, including the discount rate used to discount the future cash flows attributable to property, plant and equipment; ▪ Evaluated whether the impairment model used by management to calculate the value in use of each cash-generating unit complies with the requirements stipulated in IFRSs; ▪ Assessed the inputs into the impairment assessment models to determine whether they are reasonable and supportable; ▪ Challenged the growth rates and other key cash flow assumptions used in the impairment models; ▪ Reviewed management's sensitivity analysis in relation to key inputs used in the model in addition to performing our own sensitivity analysis over the key estimates applied by management to ascertain the extent of change in those assumptions that either individually or collectively would be required for an additional impairment charge; ▪ Reperformed the mathematical accuracy of the impairment models; ▪ Agreed the results of the impairment models to the amounts reported in the consolidated financial statements; and ▪ Assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF EMSTEEL BUILDING MATERIALS PJSC
(FORMERLY ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC)
(continued)

Other Information

The Board of Directors is responsible for the other information. The other information comprises the Board of Directors' Report to the Shareholders, which we obtained prior to the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we will read the Group's Annual Report, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, the applicable provisions of the articles of association of the Company and the UAE Federal Law No. 32 of 2021, and for such internal control as management determine 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 have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the applicable requirements of ADAA Chairman Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities 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.

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF EMSTEEL BUILDING MATERIALS PJSC
(FORMERLY ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC)
(continued)

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

As part of an audit in accordance with ISAs and the applicable requirements of ADAA Chairman Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMSTEEL BUILDING MATERIALS PJSC (FORMERLY ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC) (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Federal Law No. 32 of 2021;
- The Group has maintained proper books of account;
- The financial information included in the Board of Directors' Report to the Shareholders is consistent with the books of account and records of the Group;
- The Group has not purchased or invested in any shares during the financial year ended 31 December 2023;
- Note 13 to the consolidated financial statements discloses material related party balances, transactions and the terms under which they were conducted;
- Note 25 to the consolidated financial statements discloses the social contribution made during the financial year ended 31 December 2023; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the Federal Law No. 32 of 2021 or, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023.

Further, as required by the ADAA Chairman Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities, we report, in connection with our audit of the consolidated financial statements for the year ended 31 December 2023, that nothing has come to our attention that causes us to believe that the Group has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the consolidated financial statements as at 31 December 2023:

- Ministerial resolution No. 228 for the year 2006;
- Company's article of association; and
- Relevant provisions of the applicable laws, resolutions and circulars organizing the Group's operations.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
5 March 2024
Abu Dhabi
United Arab Emirates

EMSTEEL BUILDING MATERIALS PJSC
(formerly Arkan Building Materials Company (Arkan) PJSC)

Consolidated statement of financial position as at 31 December 2023

	Notes	2023 AED'000	2022 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**6,563,831**	6,903,559
Right-of-use assets	14	**228,557**	381,279
Investment in associates	7	**94,018**	87,539
Investment property	8	**12,555**	13,264
Intangible assets	9	**10,345**	5,901
Total non-current assets		**6,909,306**	7,391,542
Current assets			
Inventories	10	**1,935,147**	2,066,613
Trade and other receivables	11	**1,758,551**	1,656,171
Cash and cash equivalents	12	**425,808**	357,042
Total current assets		**4,119,506**	4,079,826
Total assets		**11,028,812**	11,471,368
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	**6,850,000**	6,850,000
Statutory reserve	16	**196,661**	136,469
Merger reserve	17	**1,092,817**	1,092,817
Capital reserve	17	**3,783**	3,783
Other reserves	17	**47,907**	45,760
Retained earnings/(accumulated losses)		**141,268**	(400,456)
Net equity		**8,332,436**	7,728,373
Non-current liabilities			
Lease liabilities	21	**333,017**	461,215
Provision for employees' end of service benefits	18	**200,772**	189,143
Bank borrowings	19	**-**	134,934
Total non-current liabilities		**533,789**	785,292
Current liabilities			
Bank borrowings	19	**489,307**	1,316,102
Trade and other payables	20	**1,662,084**	1,609,619
Loan from a related party	13	**-**	18,361
Lease liabilities	21	**11,196**	13,621
Total current liabilities		**2,162,587**	2,957,703
Total liabilities		**2,696,376**	3,742,995
Total equity and liabilities		**11,028,812**	11,471,368

To the best of our knowledge, the financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of 31 December 2023, and for the periods presented in the report.

Hamad A. Al Hammadi	**Saeed G. Al Remeithi**	**Stephen J. Pope**
Chairman	Director and Group Chief Executive Officer	Group Chief Financial Officer

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

EMSTEEL BUILDING MATERIALS PJSC
(formerly Arkan Building Materials Company (Arkan) PJSC)

Consolidated statement of profit or loss
for the year ended 31 December 2023

	Notes	2023 AED'000	2022 AED'000
Revenue	22	**8,899,393**	9,452,642
Cost of sales	23	**(7,802,085)**	(8,483,242)
Gross profit		**1,097,308**	969,400
Selling and distribution expenses	24	**(53,580)**	(53,114)
General and administrative expenses	25	**(390,162)**	(357,984)
Share of profit of associates	7	**16,479**	7,811
Finance income	26	**7,805**	5,331
Finance cost	26	**(105,366)**	(89,504)
Other income	27	**29,432**	28,265
Profit for the year		**601,916**	510,205
Basic and diluted profit per share (AED)	32	**0.088**	0.074

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

EMSTEEL BUILDING MATERIALS PJSC
(formerly Arkan Building Materials Company (Arkan) PJSC)

Consolidated statement of comprehensive income
for the year ended 31 December 2023

	Note	2023 AED'000	2022 AED'000
Profit for the year		**601,916**	510,205
Other comprehensive income *Items that will not be reclassified subsequently to profit or loss:*			
Re-measurement of provision for employees' end of service benefits	18	**2,147**	39,059
Total comprehensive income for the year		**604,063**	549,264

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

EMSTEEL BUILDING MATERIALS PJSC
(formerly Arkan Building Materials Company (Arkan) PJSC)

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

	Share capital AED'000	Statutory reserve AED'000	Merger reserve AED'000	Capital reserve AED'000	Other reserves AED'000	Retained earnings/ (accumulated losses) AED'000	Net equity AED'000
As at 1 January 2022	6,850,000	85,448	1,092,817	3,783	(2,297)	(850,642)	7,179,109
Profit for the year	-	-	-	-	-	510,205	510,205
Other comprehensive income	-	-	-	-	39,059	-	39,059
Total comprehensive income for the year	-	-	-	-	39,059	510,205	549,264
Transfer to statutory reserve	-	51,021	-	-	-	(51,021)	-
Transfer to other reserves	-	-	-	-	8,998	(8,998)	-
As at 1 January 2023	6,850,000	136,469	1,092,817	3,783	45,760	(400,456)	7,728,373
Profit for the year	-	-	-	-	-	601,916	601,916
Other comprehensive income	-	-	-	-	2,147	-	2,147
Total comprehensive income for the year	-	-	-	-	2,147	601,916	604,063
Transfer to statutory reserve	-	60,192	-	-	-	(60,192)	-
As at 31 December 2023	**6,850,000**	**196,661**	**1,092,817**	**3,783**	**47,907**	**141,268**	**8,332,436**

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

EMSTEEL BUILDING MATERIALS PJSC
(formerly Arkan Building Materials Company (Arkan) PJSC)

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

	Notes	2023 AED'000	2022 AED'000
Cash flows from operating activities			
Profit for the year		**601,916**	510,205
Adjustments for:			
Depreciation of property, plant and equipment	5	**532,811**	535,242
Depreciation of right-of-use assets and remeasurement	14	**135,447**	34,690
Depreciation of investment property	8	**709**	709
Amortisation of intangible assets	9	**2,961**	4,923
Impairment of property, plant and equipment and right-of-use assets	5, 14	**83,450**	135,950
Impairment of goodwill	6	**-**	14,050
Reversal of impairment of property, plant and equipment and right-of-use assets	5, 14	**(83,450)**	(150,000)
Impairment loss on financial assets (net)	11	**(233)**	(4,639)
Employees' end of service benefits charge	18	**23,757**	23,039
Share of profit of associates	7	**(16,479)**	(7,811)
(Gain)/loss on disposal of property, plant and equipment		**(7,067)**	4,874
Finance income	26	**(7,805)**	(5,331)
Finance cost	26	**105,366**	89,504
Impairment loss on inventories (net)	10	**439**	(6,096)
Operating cash flows before movements in working capital		**1,371,822**	1,179,309
Decrease in inventories	10	**131,027**	228,276
Increase in trade and other receivables	11	**(102,147)**	(14,766)
Decrease in amounts due from related parties		**-**	184
Increase in trade and other payables	20	**54,932**	88,962
Cash generated from operations		**1,455,634**	1,481,965
Employees' end of service benefits paid	18	**(9,981)**	(11,912)
Net cash generated from operating activities		**1,445,653**	1,470,053
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	5	**(182,449)**	(155,828)
Payments for purchase of intangible assets	9	**(7,405)**	(6,022)
Proceeds from sale of property, plant and equipment		**13,708**	-
Interest received	26	**7,805**	5,331
Dividends received from associates	7	**10,000**	-
Net cash used in investing activities		**(158,341)**	(156,519)
Cash flows from financing activities			
Repayment of borrowings	19	**(4,280,627)**	(5,501,642)
Proceeds from borrowings	19	**3,318,898**	4,329,230
Repayment of shareholder loan	13	**(18,361)**	-
Interest paid		**(88,078)**	(63,422)
Principal repayment and re-measurement of lease liabilities	21	**(130,623)**	(35,995)
Interest paid on lease liabilities	21	**(19,755)**	(20,251)
Net cash used in financing activities		**(1,218,546)**	(1,292,080)
Net increase in cash and cash equivalents		**68,766**	21,454
Cash and cash equivalents at beginning of year	12	**357,042**	335,588
Cash and cash equivalents at end of year	12	**425,808**	357,042

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

EMSTEEL BUILDING MATERIALS PJSC
(formerly Arkan Building Materials Company (Arkan) PJSC)

Notes to the consolidated financial statements
for the year ended 31 December 2023

1 General information

EMSTEEL Building Materials PJSC (formerly Arkan Building Materials Company (Arkan) PJSC) ("EMSTEEL" or the "Company") was incorporated in Abu Dhabi, United Arab Emirates ("UAE") as a Public Joint Stock Company pursuant to Ministerial Resolution No. 228 for the year 2006.

The legal name of the Company was approved to be changed to EMSTEEL Building Materials PJSC from Arkan Building Materials Company (Arkan) PJSC during the General Meeting of Shareholders held on 10 April 2023. The use of the new legal name was adopted once the associated legal formalities were finalised.

General Holding Corporation PJSC (SENAAT) (the "Parent Company") owned 51% of the Company's shares; this ownership interest was increased to 87.5% on 6 October 2021 as a result of the sale of SENAAT's 100% interest in the issued share capital of Emirates Steel Industries PJSC to the Company for the issue of 5.1 billion additional ordinary shares. The ultimate parent company of EMSTEEL is Abu Dhabi Developmental Holding Company PJSC ("ADQ") which is wholly owned by the Government of Abu Dhabi.

The principal activities of the Group include operating, trading and investing in industrial projects and commercial companies involved in the steel and building materials sectors.

These consolidated financial statements include the performance and financial position of the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in associates.

The principal activity, country of incorporation and operation, and ownership interest of the Company in the subsidiaries is set out below:

Name of subsidiary	Country of incorporation	Proportion of ownership interest and voting held by the Group		Principal activity
		2023	2022	
Emirates Steel Industries PJSC[1]	UAE	100%	100%	Production and sale of long steel products
Emirates Blocks Factory*	UAE	100%	100%	Production and sale of cement blocks
Emirates Cement Factory*[2]	UAE	100%	100%	Production and sale of packed and bulk cement
Al Ain Cement Factory*	UAE	100%	100%	Production and sale of packed and bulk cement
Anabeeb Pipes Manufacturing Factories*	UAE	100%	100%	Production and sale of pipes and paper bags

[1] Emirates Steel Industries PJSC ("Emirates Steel") was acquired on 6 October 2021 from a related party for the issue of 5,100,000,000 ordinary shares (note 15).

[2] The operations of the Emirates Cement Factory were discontinued in December 2016 and currently this business is not operational.

* These subsidiaries are all operating divisions of the Company.

The Group made no purchases or investments in shares during the financial year ended 31 December 2023 or 31 December 2022.

EMSTEEL BUILDING MATERIALS PJSC
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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

2 Application of new and revised International Financial Reporting Standards (IFRS Accounting Standards) (IFRSs)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)

The Group has adopted IFRS 17 and the related amendments for the first time in the current year. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Group does not have any contracts that meet the definition of an insurance contract under IFRS 17.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies

The Group has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

EMSTEEL BUILDING MATERIALS PJSC
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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

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

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

Amendments to IAS 12 Income Taxes - International Tax Reform - Pillar Two Model Rules

The Group has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Group is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

The Group has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted.

EMSTEEL BUILDING MATERIALS PJSC
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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

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

2.2 New and revised IFRSs in issue but not yet effective

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

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date not yet decided
The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.	
Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current	1 January 2024
The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.	
The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.	

EMSTEEL BUILDING MATERIALS PJSC
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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

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

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IAS 1 Presentation of Financial Statements - Non-current Liabilities with Covenants	1 January 2024

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

EMSTEEL BUILDING MATERIALS PJSC
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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

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

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements	1 January 2024

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:
- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

EMSTEEL BUILDING MATERIALS PJSC
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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

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

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendment to IFRS 16 Leases - Lease Liability in a Sale and Leaseback	1 January 2024
The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.	
The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.	
As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15, is a lease liability.	
IFRS S1 General Requirements for Disclosure of Sustainability - related Financial Information	1 January 2024, subject to adoption by the jurisdiction
IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.	
IFRS S2 Climate-related Disclosures	1 January 2024, subject to adoption by the jurisdiction
IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.	

EMSTEEL BUILDING MATERIALS PJSC
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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

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

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendment to IAS 27- Lack of Exchangeability	1 January 2025
The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.	

The above stated new standards and amendments are not expected to have any significant impact on the consolidated financial statements of the Group.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the consolidated financial statements of the Group.

3 Material accounting policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS Accounting Standards) (IFRSs) and applicable provisions of UAE Federal Law No. (32) of 2021.

Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis except for provision for employees' end of service benefits which are measured on an actuarial basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of a financial asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

EMSTEEL BUILDING MATERIALS PJSC
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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3 Material accounting policies (continued)

Basis of preparation (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which is described as follows:

- Level 1 input are quoted price (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The material accounting policies adopted by the Group are set out in the subsequent pages.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

EMSTEEL BUILDING MATERIALS PJSC
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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3 Material accounting policies (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and consolidated statement of comprehensive income from the date when the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest even if this results in the non-controlling interest having deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flow relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries

Subsidiaries are investees that are controlled by the Group. The Group controls the investee if it meets the control criteria. The Group reassesses whether it has control if, there are changes to one or more of the elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases.

Business combinations

Acquisition accounting
Business combinations falling within the scope of IFRS 3 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed in consolidated statement of profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of profit or loss.

EMSTEEL BUILDING MATERIALS PJSC
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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3 Material accounting policies (continued)

Business combinations (continued)

Acquisition accounting (continued)
Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed an asset or liability will be recognised in accordance with IFRS 9 either in consolidated statement of profit or loss or as a charge to consolidated statement of comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated statement of profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognised as of that date.

The measurement period ends as soon as the Group receives the necessary information about the facts and circumstances that existed as of the acquisition date or learns that the information is not obtainable. However, the measurement period cannot exceed one year from the acquisition date.

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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3 Material accounting policies (continued)

Business combination (continued)

Business combinations between entities under common control
Acquisition of interest in entities that are under common control of the ultimate shareholder which lack commercial substance and are based on a decision by the shareholder are accounted for in accordance with the pooling of interest method of accounting using predecessor values method. Under the pooling of interests method, the consolidated financial statements of the combined entities are presented as if the business had been combined from the date when the combining entities were first brought under common control, without restating and presenting prior periods. The assets and liabilities are accounted for at the carrying amounts previously recorded in the books of the transferor, except for necessary adjustments related to adopting the Group's accounting policies.

The financial information for periods prior to the business combination are not restated, the transferred business continues within the combined entity as if pooling had been applied since the combining parties were under common control of the same controlling party (or parties). The pre-combination history of the assets and liabilities of the transferred business are carried over as at the date of transaction and are reflected in the post-combination consolidated financial statements of the receiving entity.

Associated transaction costs paid for such combinations is recognised directly in equity and any difference between the fair value of the consideration paid and the corresponding net assets acquired is recognised in equity as merger reserve.

Disposals of interest in entities to parties under common control of the shareholder, which lack commercial substance and are based on a decision by the shareholder are accounted for on the date of transfer without restatement of prior years. Any gain or loss arising on such transaction is recorded directly in equity.

Acquisition of interest in entities that are under common control of the Shareholder which have commercial substance are accounted for using the acquisition accounting method.

Revenue recognition

For contracts determined to be within the scope of revenue recognition, the Group is required to apply a five-step model to determine when to recognise revenue, and at what amount. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group recognises revenue from contracts with customers based on the five-step model set out in IFRS 15:

Step 1: Identify the 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 the performance obligations in the contract
A performance obligation is a unit of account and a promise in a contract with a customer to transfer a good or service to the customer.

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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3 Material accounting policies (continued)

Revenue recognition (continued)

Step 3: Determine the transaction price
The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring 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 will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation
The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as and when the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue is measured at an amount that reflects the considerations, to which an entity expects to be entitled in exchange for transferring goods or services to customer, excluding amounts collected on behalf of third parties. Revenue is adjusted for expected discounts and volume discounts, which are estimated based on the historical data or forecast and projections. The Group recognises revenue when it transfers control over goods or services to its customers.

Revenue is recorded net of value added tax (VAT).

Based on IFRS 15, management concluded that, it would be more appropriate to reflect transportation services as principal rather than agent, impacting revenue, direct costs and other income. Accordingly, for revenue contracts where the control of the goods transfers to customer on receipt by the customer (e.g. FOB destination), the Group considers to be the principal in the transportation service.

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Notes to the consolidated financial statements
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3 Material accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to profit or loss in the period in which they are incurred.

Depreciation is calculated so as to write off the cost of fixed assets over their estimated useful lives using the straight-line method on the following basis:

	Years
Leasehold improvements and buildings	4 - 40
Plant and equipment	2 - 25
Furniture and fixtures	4 - 6
Motor vehicles	4 - 7

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

Capital work in progress

Properties or assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the asset including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment or intangible asset category and is depreciated or amortised in accordance with the Group's policies.

Investment property

The investment property is a property held to earn rental income and for capital appreciation, but not for sale in the ordinary course of business, for use in the production or supply of goods or services or for administrative purposes. The investment property was evaluated by a third-party professional valuer on initial recognition and subsequently at revalued amount less accumulated depreciation. Depreciation on the investment property, excluding the value of the freehold land, is calculated using the straight-line method to bring it to the residual value, assumed at AED nil, over the estimated useful life of 20 years.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the consolidated statement of profit or loss.

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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3 Material accounting policies (continued)

Intangible assets

Intangible assets acquired separately
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets primarily comprise the Group's investment in its SAP based ERP systems and are amortised over 4 years. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

De-recognition of intangible assets
An intangible asset is de-recognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is de-recognised.

Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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3 Material accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill (continued)

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

Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3 Material accounting policies (continued)

Investment in associates (continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of. When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Leases

The Group as lessee

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

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Notes to the consolidated financial statements
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3 Material accounting policies (continued)

Leases (continued)

The Group as 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 by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the consolidated statement of financial position.

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

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3 Material accounting policies (continued)

Leases (continued)

The Group as lessee (continued)

The right-of-use of assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the consolidated statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

The Group as lessor

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

Net realisable value represents the estimated selling price, less the estimated cost of completion and costs to be incurred in marketing, selling and distribution.

Provision for employees' end of service benefits

End of service benefits obligation is estimated using the Projected Unit Credit method. Under this method each participant's benefits under the plan are attributed to years of service, taking into consideration future salary increases.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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3 Material accounting policies (continued)

Provision for employees' end of service benefits (continued)

(a) Bonus and long-term incentive plans

The Group recognises the liability for bonuses and long-term incentives in profit and loss on an accrued basis. The benefits for the management are subject to the Board's approval and are linked to business performance.

(b) Defined contribution plan

Monthly pension contributions are made in respect of UAE National employees, who are covered by the Law No. 2 of 2000. The pension fund is administered by the Government of Abu Dhabi, Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund.

(c) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group currently operates an unfunded scheme for defined benefits in accordance with the applicable provisions of the UAE Federal Labour Law and is based on periods of cumulative service and levels of employees' final basic salaries. The Group's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods discounted to determine its present value. Any unrecognised past service costs are deducted. The discount rate is the yield at the valuation date on US AA-rated corporate bonds, which in the absence of a deep market in corporate bonds within the UAE is the relevant proxy market as determined by the actuaries.

The calculation of defined benefit obligation is performed regularly by a qualified actuary using the projected unit credit method. When benefits of the plan are improved, the portion of the increased benefit related to past service by employees is recognised in the profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the profit or loss. The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans within profit or loss.

Foreign currencies

For the purpose of these consolidated financial statements, UAE Dirhams (AED) is the functional and the presentation currency of the Group.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

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3 Material accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

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

Classification of financial assets and liabilities

Initial recognition

On initial recognition, a financial asset is classified as measured at: amortised cost or fair value through profit or loss (“FVTPL”).

Financial assets at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss account:

- 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.

Financial assets at FVTPL
On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial assets are classified as measured at FVTPL.

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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3 Material accounting policies (continued)

Financial instruments (continued)

Classification of financial assets and liabilities (continued)

Initial recognition (continued)

Business model assessment
The Group entities make an assessment of the objective of a 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. The information considered includes:

- the frequency, volume and timing of trades of financial assets in prior periods, the reasons for such trades and its expectations about the future trading activity, however; information about trading activity is not considered in isolation, but as part of an overall assessment of how the Group’s stated objective for managing the financial assets is achieved and how cash flows are realised;
- how the performance of the portfolio is evaluated and reported to the management; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows, nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition.

‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the outstanding principal.

In assessing whether the contractual cash flows are solely payments of principal and interest on the outstanding principal, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial liabilities
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3 Material accounting policies (continued)

Financial instruments (continued)

Classification of financial assets and liabilities (continued)

Initial recognition (continued)

Financial liabilities (continued)
Financial liabilities, at initial recognition, may be designated at FVTPL if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
- the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or
- the financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in consolidated statement of profit or loss.

Subsequent measurement and gain or 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 the consolidated statement of profit or loss. Any gain or loss on derecognition is recognised in the consolidated statement of 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 the consolidated statement of profit or loss.

Financial liabilities at FVTPL
These liabilities are subsequently measured at fair value and net gains or losses are recognised in the consolidated statement of profit or loss.

Financial liabilities at amortised cost
Mainly includes borrowings and trade and other payables. After initial recognition, the aforementioned liabilities are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in the statement of profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3 Material accounting policies (continued)

Financial instruments (continued)

Reclassification

Financial assets
The Group reclassifies financial assets if, and only if, the objective of the business model for managing those financial assets is changed. Such changes are expected to be very infrequent as these changes must be significant to the Group's operations and demonstrable to external parties.

Financial liabilities
The Group determines the classification of financial liabilities on initial recognition. Subsequent reclassification is not permitted.

Modifications of financial assets and financial liabilities

Financial assets
If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is de-recognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated statement of profit or loss.

Financial liabilities
If the terms of a financial liability are modified and the cash flows of the modified liability are substantially different then, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the consolidated statement of profit or loss.

De-recognition

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but assumes an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Any interest in transferred financial assets that qualify for de-recogniton that is created or retained by the Group is recognised as a separate asset or liability.

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3 Material accounting policies (continued)

Financial instruments (continued)

De-recognition (continued)

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not de-recognised.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Measured at amortised cost
Any gain or loss on derecognition of financial assets measured at amortised cost is recognised in the consolidated statement of profit or loss.

Financial liabilities
The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model under IAS 39 with a forward-looking 'expected credit losses' ('ECL') model. Assessing how changes in economic factors affect ECL requires considerable judgement. ECL are determined on a probability-weighted basis.

The Group recognises loss allowances for ECLs on the following instruments that are not measured at FVTPL:

- financial assets measured that are debt instruments carried at amortised cost or FVOCI; and
- financial guarantee contracts issued.

The Group measures loss allowances either using a general or simplified approach as considered appropriate.

Under the general approach, loss allowances are measured at an amount equal to 12-month expected credit loss except when there has been a significant increase in credit risk since inception. In such cases, the Group measures loss allowances at an amount equal to lifetime expected credit loss.

Under the simplified approach, loss allowances are always measured at an amount equal to lifetime expected credit loss.

Lifetime ECL: These losses are the ECL that result from all possible default events over the expected life of a financial instrument, if there is significant increase in credit risk or under simplified approach.

12-month ECL: These losses are the portion of ECL 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).

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3 Material accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive); and
- financial assets that are credit-impaired: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Definition of default

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

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

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Reversals of impairment
If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the consolidated statement or profit or loss.

Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-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.

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4 Critical accounting judgments and key sources of estimation uncertainty

While applying the accounting policies as stated in note 3, management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The critical accounting judgment and significant estimates made by management are summarised below.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Provision for rehabilitation and restoration of cement quarry

Management has considered the provisions of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* in respect of provision for rehabilitation and restoration of the limestone quarry. Management has concluded that the costs relating to the rehabilitation will be negligible and therefore has not recognised any provision.

Capitalisation of capital work in progress

In determining the timing of the transfer of property, plant and equipment from capital work in progress to operational assets management consider the principles of IAS 16, *Property*, *Plant and Equipment*, Management critically considers the capability of the assets to operate in the manner intended by management, taking into consideration the levels of performance in the commissioning period.

Capitalisation of expenses

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off to the consolidated statement of profit or loss and other comprehensive income. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of profit or loss when the expense is incurred.

Leases

Judgement in identifying whether a contract includes a lease
The Group has entered into various contracts with The Higher Corporation for Specialized Economic Zones (ZonesCorp) for the lease of land. Management have assessed whether or not the Group has contracted for the rights to substantially all of the land and whether the contracts contain leases such that the Group does have the right to obtain substantially all of the economic benefits from the use of the land. As a result, the Group has concluded that the contracts do contain leases.

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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Critical judgments in applying accounting policies (continued)

Leases (continued)

<u>*Determining the lease term*</u>
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

<u>*Determination of the appropriate rate to discount the lease payment*</u>
The lease payments are discounted using the Group's incremental borrowing rate ("IBR"). Management estimated the IBR by using its credit spread from similar arrangements and the Emirates Interbank Offered Rate applicable to the remaining lease term as a reference yield.

Significant increase in credit risk

As explained in note 3, expected credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill, property, plant and equipment and right-of-use assets

Determining whether the Group's assets, including allocated goodwill, are impaired requires an estimation of the value in use of the cash generating units. The value in use calculations require Group management to estimate the future cash flows for which certain assumptions are required, including management's expectation of:

- long term growth rates in cash flows;
- future sales volumes and price forecasts; and
- the selection of discount rates to reflect the risks involved.

Cement Division
In 2021 management assessed the remaining volumes of limestone that could be extracted from its captive quarry in Al Ain. It was estimated that the continuing mining operations could be sustained, on a commercially viable basis up to 2024, after which the further extraction of the limestone feedstock would no longer be economically viable. The inventories of limestone and clinker then held at the plant and the continuance of quarrying up to 2024 were expected to support the normal production volumes through to the end of 2024. From 2025 it was assumed that the business would have to source its limestone feedstock from an alternate provider and transport it to the Al Ain plant.

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Notes to the consolidated financial statements
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4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Impairment of goodwill, property, plant and equipment and right-of-use assets (continued)

Cement Division (continued)
Management assessed the future cash flows of the business, based on this revised business model, and impairments were booked in 2021 on the allocated goodwill, the associated right-of-use assets and the plant's property, plant and equipment (notes 5, 6 and 14) in a total amount of AED 700 million. A similar assessment was completed at the end of 2022 and management concluded that no further impairment losses were required to be recognised over and above the losses booked in 2021.

The Group has subsequently identified an alternate quarry, in the Al Ain area and quarrying activities commenced at this location in the final quarter of 2023. It is estimated that this new quarry will supply the requirements of the plant for five years. Management continues to assess alternative sources of feedstock for its longer-term operations.

At 31 December 2023, following an impairment assessment of the Cement business by management, it was determined that no additional impairment losses were required and a partial release of AED 83.45 million was made from the impairment provision established in 2021.

Blocks Division
Similarly, management assessed the recoverability of the carrying value of the Block's business assets and the key assumptions used are detailed in notes 5, 6 and 14 of these consolidated financial statements. At 31 December 2022, Management determined that given the deterioration in the performance of the business in 2022, as a result of significant over-supply to the market married with a failure of the business to be able to pass on the price increases in its feedstock to its customers in increased sales prices, that an impairment loss on the associated allocated goodwill, the business's property, plant and equipment and right-of-use assets should be recorded. An impairment loss, in total of AED 150 million was recorded at 31 December 2022.

At 31 December 2023, following an impairment assessment of the Blocks business by management, it was determined that additional impairment losses were required and a further provision of AED 83.45 million has been recorded in these consolidated financial statements.

Steel Division
As a result of the COVID-19 pandemic, and other economic factors, demand for the Steel division's products in both its regional and international markets was adversely impacted in both 2020 and 2021. As a consequence, decisions were taken to moth-ball certain of the group's plants in 2020 and to reduce production volumes in others. This situation continued in 2021, although certain of the moth-balled plants were re-commissioned in the year but were operated at sub-capacity levels.

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4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Impairment of goodwill, property, plant and equipment and right-of-use assets (continued)

Steel Division (continued)
Management assessed the impairment of property, plant and equipment and right-of-use assets during the year ended 31 December 2020 which led to the full impairment of the moth-balled facilities and a partial impairment provision on certain other assets (notes 5 and 6). These impairment losses were reviewed at 31 December 2021 and 31 December 2022 and, as a result of the continuing uncertainties faced in the market, it was concluded that whilst no additional impairment losses were required the impairment losses as established in 2020 should be retained in full on the moth-balled facilities. The partial provision booked against certain of the division's other assets was retained at 31 December 2021, management however concluded that in the context of the general recovery in performance as witnessed in 2022 that this reserve could be released in part (a release of AED 150 million was recorded); the balance of the reserve being retained in the context of the continuing element of uncertainty and volatility faced across the global steel sector.

At 31 December 2023, following an impairment assessment of this business by Management, it was determined that in spite of the global head-winds facing the global steel sector that no additional impairment losses were required, the balance of the impairment reserves carried has however been retained in full.

Impairment of investments in associates

Management regularly reviews its investments in associates for indicators of impairment. The determination of whether investments in associates are impaired entails management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and in the foreseeable future. Any adverse changes in the investees future profitability, liquidity, solvency and ability to generate future cash flows could lead to an impairment of investments in associates and associated goodwill. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in consolidated statement profit or loss.

Based on management's evaluation in 2021, an impairment loss of AED 50 million was recognised on its investments in associates (note 7). Similar reviews were undertaken by management at 31 December 2022 and 2023 and it was determined that no further impairment provisions were required over and above the losses booked in 2021.

Changes in the key assumptions and forecasts could result in different conclusions as to whether impairment provisions are required and the quantum of such provisions.

Allowance for impairment of inventories

When inventories become old or obsolete, an estimate is made of their net realisable value. Inventory items are categorized based on their movements during the year, their physical condition and their expected future use, and accordingly, different proportions of the value of each category are recognised as an allowance for impaired inventory. Management performed a review of the spare parts and consumables which involved a line-by-line physical inspection of each inventory item to assess obsolescence and usability. The allowance for obsolete inventories at 31 December 2023 is AED 93.0 million (2022: AED 108.1 million).

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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Calculation of expected credit loss (ECL) allowance

The Group assesses the impairment of its trade and other receivables based on ECL.

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As at 31 December 2023, the Group's allowance for impairment of trade receivables amounted to AED 157.83 million (2022: AED 227.86 million).

Decommissioning cost

The Group does not record any obligations with respect to the decommissioning of its property, plant and equipment and the associated rehabilitation of the surrounding areas unless there is a specific plan to discontinue the operation of a particular asset, since any such significant costs would be incurred no earlier than when the facility is closed. The Group's plants are currently expected to operate for a significantly longer period due to the perpetual nature of the manufacturing and processing plants and the continuing maintenance and upgrade programmes resulting in the fair values of any such liabilities being negligible.

End of service benefits

The determination of the Group's employee defined benefit liabilities depends on certain assumptions, which include selection of the discount rate. According to IAS 19, the rate used to discount liabilities should be determined by reference to market yield at the balance sheet date on high quality bonds. As there is no deep market in corporate bonds in UAE, management decided to rely on US AA rated corporate bonds market as proxy for determining as appropriate discount rate. The discount rate was determined to be 5.40% - 5.45% per annum (2022: 5.20% - 5.25% per annum). The assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Group's consolidated financial statements within the next year. Further information on the carrying amounts of the Group's defined benefit and the sensitivity of those amounts to changes in discount rate are provided in note 18.

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5 Property, plant and equipment

	Land, leasehold improvements and buildings AED'000	Plant and equipment AED'000	Furniture and fixtures AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost						
1 January 2022	1,979,052	13,334,430	196,953	155,524	29,711	15,695,670
Additions	3,416	128,857	8,614	231	14,710	155,828
Transfers	-	1,892	-	-	(1,892)	-
Disposals	-	(10,360)	-	-	-	(10,360)
1 January 2023	1,982,468	13,454,819	205,567	155,755	42,529	15,841,138
Additions	2,649	153,729	1,500	700	23,871	182,449
Transfers	-	13,205	-	-	(13,205)	-
Disposals	(12,750)	-	-	(300)	-	(13,050)
31 December 2023	**1,972,367**	**13,621,753**	**207,067**	**156,155**	**53,195**	**16,010,537**
Accumulated depreciation						
1 January 2022	721,324	5,806,565	169,334	139,318	664	6,837,205
Charge for the year	33,077	485,231	7,230	9,704	-	535,242
Disposals	-	(5,486)	-	-	-	(5,486)
1 January 2023	754,401	6,286,310	176,564	149,022	664	7,366,961
Charge for the year	31,075	491,638	6,318	3,780	-	532,811
Disposals	(6,109)	-	-	(300)	-	(6,409)
31 December 2023	**779,367**	**6,777,948**	**182,882**	**152,502**	**664**	**7,893,363**
Impairment						
1 January 2022	69,935	1,549,708	-	-	-	1,619,643
Charge for the year (note 6)	36,512	61,009	-	-	-	97,521
Release (note 6)	-	(146,546)	-	-	-	(146,546)
1 January 2023	106,447	1,464,171	-	-	-	1,570,618
Charge for the year (note 6)	28,816	31,094	-	-	-	59,910
Release (notes 6)	(10,695)	(66,490)	-	-	-	(77,185)
31 December 2023	**124,568**	**1,428,775**	**-**	**-**	**-**	**1,553,343**
Carrying amount						
31 December 2023	**1,068,432**	**5,415,030**	**24,185**	**3,653**	**52,531**	**6,563,831**
31 December 2022	1,121,620	5,704,338	29,003	6,733	41,865	6,903,559

At 31 December 2023, properties with a carrying amount of AED 917.53 million (2022: AED 868 million) have been pledged as security against certain bank loans (note 19).

Plant and equipment include an amount of AED 103.6 million (2022: AED 98.4 million) pertaining to spare parts.

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5 Property, plant and equipment (continued)

Capital work in progress

At 31 December 2023, capital work in progress amounting to AED 52.5 million (2022: AED 42.1 million) relates to construction of additional storage facilities at Al Ain Cement Factory, a new extruder line for the PVC Pipes business together with various upgrades to Emirates Steel's plants.

6 Goodwill and impairment

Goodwill
Goodwill balances were previously held in relation to the Al Ain Cement Plant, Emirates Blocks and the Group's investment in its associates. Goodwill previously allocated to Cement of AED 114.28 million was fully impaired in 2021 and goodwill previously allocated Blocks of AED 14.05 million was fully impaired in 2022. No goodwill had been allocated to the Steel, PVC Pipes, GRP Pipes or the Bags businesses.

Cement Division – Impairment
In 2021, the recoverable amount of the Cement cash-generating unit was determined to be less than the carrying amount; accordingly, the associated goodwill was impaired. In addition, management also recorded impairment losses against the associated property, plant and equipment amounting to AED 541.14 million and right-of-use assets amounting to AED 44.48 million.

Management re-assessed the recoverable amount of the Cement cash generating unit at 31 December 2022 using value in use methodologies. Management concluded that no further impairment losses were required and that impairment provision as established in 2021 be retained in full.

At 31 December 2023, the recoverable amount of the cash generating unit was re-assessed by management using value in use methodologies. Management concluded that no further impairment losses were required and that in the context of the enhanced profitability of the division and the identification of an additional source of limestone in the Al Ain locality, a partial release of AED 83.45 million was made from the impairment provision established in 2021. The release was allocated to property, plant and equipment, AED 77.19 million, and right-of-use assets, AED 6.26 million (note 5 and 14).

Blocks Division – Impairment
In 2022, the recoverable amount of the Blocks cash-generating unit was determined to be less than the carrying amount; accordingly, the associated goodwill was fully impaired.

In addition to the full impairment loss against the goodwill, management also recorded impairment losses against the associated property, plant and equipment amounting to AED 97.52 million and right-of-use assets amounting to AED 38.43 million (note 5 and 14).

At 31 December 2023, following a similar review, management have recorded further impairment losses against the Blocks cash generating unit, in a total value of AED 83.45 million.

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6 Goodwill and impairment (continued)

Blocks Division – Impairment (continued)

In summary, management have recorded the following impairment provisions, based on a comparison of the recoverable amounts against the assets comprising the cash generating units:

	2023 AED'000	2022 AED'000
Property, plant and equipment (note 5)	**59,910**	97,521
Right-of-use assets (note 14)	**23,540**	38,429
Goodwill	**-**	14,050
	83,450	150,000

Steel Division – Impairment
As a result of the COVID-19 pandemic, and other economic factors, demand for the Steel division's products in both its regional and international markets was adversely impacted in both 2020 and 2021. As a consequence, decisions were taken to moth-ball certain of the Group's plants and to reduce production volumes in others. Accordingly, management assessed the impairment of property, plant and equipment and right-of-use assets.

Management assessed the recoverable amounts of these facilities at 31 December 2020, using value in use methodologies, and the division recorded an AED 1,078.5 million impairment loss on property, plant and equipment together with an impairment loss of AED 55.4 million on associated right-of-use assets. This assessment was also undertaken at 31 December 2021 and management concluded that no further impairment losses were required and that, in the context of the continuing uncertainties faced by the business, that the impairment losses as established in 2020 be retained in full.

Similarly, an assessment was completed as at 31 December 2022 and management concluded that no further impairment losses were required and that, in the context of the continuing uncertainties faced by the business, that the impairment losses as established in 2020 on the moth-balled assets be retained in full and that a partial release of the impairment loss recorded on the division's other assets be released: a release of AED 146.5 million on property, plant and equipment (notes 5 and 28) together with a release of AED 3.5 million on the associated right-of-use assets (note 14 and 28).

At 31 December 2023, similar assessment was completed and management concluded, based on the continuing challenges facing the global steel industry that whilst no impairment losses were required, the impairment losses carried at 31 December 2022 be retained in full.

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Notes to the consolidated financial statements
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6 Goodwill and impairment (continued)

Sensitivity analysis

The Group has conducted an analysis of the sensitivity of the impairment tests to changes in the key assumptions used to determine the recoverable amounts for each cash generating unit. Management believes that any reasonably possible changes in the key assumptions on which the recoverable amounts of the Cement, Blocks and Steel cash generating units is based would crystallise differences in the aggregate recoverable amounts and accordingly the conclusions drawn on the impairment adjustments recorded. The key assumptions utilised by management are summarised as follows:

	Cement	**Blocks**	**Steel**
Projected annual sales volumes	3.4m Mt	80.4 (units)	3.5m Mt
Discount rate applied	10.83%	10.83%	10.83%
Growth rate	2.5%	2.5%	2.0%

Cement Division

- A 10% under-performance against the division's assumed EBITDA is considered possible based on recent experience (and can be caused by a number of factors including reduced sales volumes, reduced prices and/or increased electricity tariff) and would lead to an incremental impairment charge of AED 156 million (2022: AED 80 million).
- A growth rate of 1.5% would lead to an incremental impairment charge of AED 71.69 million (2022: AED 55 million).
- Each 1% increase in the discount rate applied would lead to an incremental impairment charge of AED 95.83 million (2022: AED 74 million).

Blocks Division

- A 10% under-performance against the division's assumed EBITDA is considered possible based on recent experience (and can be caused by a number of factors including reduced sales volumes, reduced prices and/or increased electricity tariff) and would lead to an incremental impairment charge of AED 27 million (2022: AED 27 million).
- A growth rate of 1.5% would lead to an incremental impairment charge of AED 11 million (2022: AED 11 million).
- Each 1% increase in the discount rate applied would lead to an incremental impairment charge of AED 12 million (2022: AED 17 million).

Steel Division

- The key sensitivity is in relation to the discount rate applied and it is noted that a 1% increase in the assumed WACC, to 11.83%, would lead to a reduction in the headroom with no incremental impairment charge (2022: AED 1,312 million).

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7 Investment in associates

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of associate	**Principal activities**	**Proportion of ownership interest and voting rights held by the Group**		**Place of incorporation and principal place of business**
		2023	2022	
Vision Hotel Apartment LLC	Ownership and management of hotel apartments	**40%**	40%	UAE
Deco Vision Company WLL	Property fit outs, decorations, ownership, and management of apartments	**40%**	40%	UAE
Vision Furniture and Decoration Factory LLC	Carpentry of household, decoration, loose furniture, and other woodwork	**40%**	40%	UAE
Deco Vision Properties LLC	Real estate enterprises investment	**40%**	40%	UAE
Vision Links Hotel Apartments LLC	Deluxe hotel apartments	**40%**	40%	UAE

All of the above associates are accounted for using the equity method in these consolidated financial statements as set out in the Group's material accounting policies in note 3.

The movements in the carrying value of the Group's investment in associates is as follows:

	2023 AED'000	2022 AED'000
As at 1 January	**87,539**	79,728
Share of profit of associates for the year	**16,479**	7,811
Dividends received during the year	**(10,000)**	-
As at 31 December	**94,018**	87,539

Dividends of AED 10,000 thousand were received from the Group's associates during the year (2022: AED nil).

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for the year ended 31 December 2023 (continued)

7 Investment in associates (continued)

In 2021, in the context of the associate investments having historically reported shortfalls against their projected annual budgets and projections management determined, to moderate the projected profitability data as prepared by management and approved by the directors of the associate companies. On the basis of this moderation procedure, it was determined that the current value of the expected future cash flows from the investments (discounted at a weighted average cost of capital of 10%) was less than their then current carrying values; accordingly, an impairment provision of AED 50 million was made against the carrying values recorded.

The future profitability and projected cash flows of the associates have been similarly assessed at 31 December 2023, and management have concluded that no further impairment provisions are required over and above the AED 50 million as recorded in the year ended 31 December 2021.

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7 Investment in associates (continued)

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts in associates' management accounts prepared in accordance with IFRSs.

	Deco Vision Company WLL		Vision Furniture and Decoration Factory LLC		Vision Hotel Apartments LLC		Others		Total	
	2023 AED'000	2022 AED'000	**2023 AED'000**	2022 AED'000	**2023 AED'000**	2022 AED'000	**2023 AED'000**	2022 AED'000	**2023 AED'000**	2022 AED'000
Total assets	**255,365**	220,649	**86,783**	88,882	**6,044**	6,044	**3,585**	3,585	**351,777**	319,160
Total liabilities	**168,393**	143,877	**42,161**	50,257	**1,944**	1,944	**14,133**	14,133	**226,631**	210,211
Net assets/(liabilities)	**86,972**	76,772	**44,622**	38,625	**4,100**	4,100	**(10,548)**	(10,548)	**125,146**	108,949
Group's share of net assets	**34,789**	30,709	**17,849**	15,450	**1,640**	1,640	**-**	-	**54,278**	47,799
Goodwill on acquisition	**79,883**	79,883	**9,857**	9,857	**28,821**	28,821	**-**	-	**118,561**	118,561
Impairment on goodwill	**(44,579)**	(44,579)	**(5,421)**	(5,421)	**(28,821)**	(28,821)	**-**	-	**(78,821)**	(78,821)
Carrying amount	**70,093**	66,013	**22,285**	19,886	**1,640**	1,640	**-**	-	**94,018**	87,539
Revenue	**193,375**	228,642	**84,267**	68,301	**-**	-	**-**	-	**277,642**	296,943
Profit for the year	**25,200**	12,523	**15,997**	7,004	**-**	-	**-**	-	**41,197**	19,527
Group's share of profit for the year at 40%	**10,080**	5,009	**6,399**	2,802	**-**	-	**-**	-	**16,479**	7,811

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7 Investment in associates (continued)

Unrecognised share of losses of an associate

	2023 AED'000	2022 AED'000
Unrecognised share of loss of an associate for the year	**-**	-
Cumulative share of loss of an associate	**7,538**	7,538

The Group has discontinued recognising share of losses from its associates Deco Vision Properties LLC and Vision Links Hotel Apartments LLC as the Group does not have any legal or constructive obligation to fund further losses.

8 Investment property

	Land AED'000	**Buildings AED'000**	**Plant and machinery AED'000**	**Total AED'000**
Cost				
At 1 January 2023 and 31 December 2023	**4,000**	**10,000**	**4,175**	**18,175**
Accumulated depreciation				
At 1 January 2022	-	3,000	1,202	4,202
Charge for the year	-	500	209	709
At 1 January 2023	-	3,500	1,411	4,911
Charge for the year		500	209	709
At 31 December 2023	**-**	**4,000**	**1,620**	**5,620**
Net carrying value				
At 31 December 2023	**4,000**	**6,000**	**2,555**	**12,555**
At 31 December 2022	4,000	6,500	2,764	13,264

The investment property represents a rebar processing and distribution facility, comprising freehold land, buildings and equipment. The property was leased to a third party from 4 December 2016 on a five-year full on a full repairing lease arrangement. After the expiry of this lease in December 2021, the investment property has not been leased to any other party. The Group is currently assessing the possibility of operating the plant in its own right. An independent valuation conducted during the year ended 31 December 2023 indicated a market value (same location and condition as the existing assets) of AED 17,319 thousand.

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9 Intangible assets

Intangible assets comprise the Group's investment in computer software, in particular its SAP based ERP systems.

	2023 AED'000	2022 AED'000
Cost		
As at 1 January	**46,219**	40,197
Additions	**7,405**	6,022
As at 31 December	**53,624**	46,219
Accumulated amortisation		
As at 1 January	**40,318**	35,395
Charge for the year	**2,961**	4,923
As at 31 December	**43,279**	40,318
Net carrying amount	**10,345**	5,901

10 Inventories

	2023 AED'000	2022 AED'000
Finished goods and by-products	**402,505**	521,598
Semi-finished products: steel billets and direct reduced iron	**387,655**	277,104
Raw materials	**309,024**	549,295
Goods in transit	**233,375**	198,252
Spare parts and consumables	**695,610**	628,489
	2,028,169	2,174,738
Less: allowance for impairment of inventories	**(93,022)**	(108,125)
	1,935,147	2,066,613

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10 Inventories (continued)

The movement in the allowance for impairment of inventories is as follows:

	2023 AED'000	2022 AED'000
As at 1 January	**108,125**	114,221
Reversal for the year	**(15,542)**	(16,167)
Impairment during the year	**439**	10,071
As at 31 December	**93,022**	108,125

11 Trade and other receivables

	2023 AED'000	2022 AED'000
Non-current portion		
Trade receivables	**-**	69,797
Less: allowance for expected credit loss	**-**	(69,797)
	-	-
Current portion		
Trade receivables	**1,622,068**	1,561,820
Less: allowance for expected credit loss	**(157,830)**	(158,063)
	1,464,238	1,403,757
Prepayments	**55,262**	34,125
Advances to suppliers	**152,197**	93,047
Other receivables	**86,854**	125,242
	1,758,551	1,656,171

The normal credit period on sale of goods or services rendered is up to 60 - 180 days (2022: 60 – 120 days) depending on the business segment, security provided and the credit standing of the customer. No interest is charged on outstanding trade receivables.

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11 Trade and other receivables (continued)

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, the security held (letter of credit, bank guarantees, post-dated cheques, etc.) adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the customer operates and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 365 days past due since historical experience has indicated that these receivables are generally not recoverable.

The Group writes off a trade receivable when there is information indicating that the debtor is in financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The Group has adopted a policy of dealing only with creditworthy counterparties. Adequate credit assessments are made before accepting an order for services or sale of goods from any counterparty. As of the reporting date, an amount of AED 644 million representing 40% of the trade receivables (2022: 599 million representing 36% of the trade receivables) is due from the Group's five largest customers (2022: five largest customers). The Group considers these customers to be reputable and creditworthy with the balance receivable from the top five customers at 31 December 2023 being supported by irrevocable letters of credit. There are no other customers which represent more than 2.5% of the total balance of the receivables.

The following tables detail the risk profile of trade receivables (for which there are no associated bank guarantees) based on the Group's provision matrix. As the Group's historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is further distinguished between the Group's different customer base.

Cement, Blocks, Pipes and Bags

31 December 2023

	Trade receivables - days past due							
	Not past due AED'000	**< 30 AED'000**	**31 - 60 AED'000**	**61 -90 AED'000**	**91-120 AED'000**	**120 - 365 AED'000**	**> 365 AED'000**	**Total AED'000**
Weighted average loss rates	**0.8%**	**3.3%**	**4.3%**	**6.1%**	**8.6%**	**23.9%**	**100.0%**	**45.5%**
Exposure at default	**115,366**	**23,260**	**19,109**	**11,893**	**7,921**	**20,514**	**148,976**	**347,039**
Lifetime ECL	**974**	**761**	**815**	**722**	**682**	**4,900**	**148,976**	**157,830**

Expected credit loss rates are based on actual credit loss experience over the past five years.

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11 Trade and other receivables (continued)

Cement, Blocks, Pipes and Bags (continued)

31 December 2022

	Trade receivables - days past due							
	Not past due AED'000	**< 30 AED'000**	**31 - 60 AED'000**	**61 -90 AED'000**	**91-120 AED'000**	**120 - 365 AED'000**	**> 365 AED'000**	**Total AED'000**
Weighted average loss rates	0.96%	3.58%	4.68%	6.83%	9.39%	31.32%	100%	43.24%
Exposure at default	135,287	23,348	19,563	9,117	6,329	26,420	145,515	365,576
Lifetime ECL	1,305	836	916	623	594	8,274	145,515	158,063

Steel

Apart from certain long outstanding receivable balances, which are carrying appropriate provisions, the Steel division has not had any instances of significant defaults on its trade receivables in the recent past; principally all current trading is undertaken on the basis of irrevocable letters of credit issued by the customer prior to the despatch of materials. The following table details the risk profile of the Steel division's trade receivables:

	Up to 60 days AED'000	**61-180 days AED'000**	**181-365 days AED'000**	**Over one year AED'000**	**Total AED'000**
31 December 2023					
Expected credit loss rate	**0.00%**	**0.00%**	**0.00%**	**-**	**0.00%**
Estimated total gross carrying amount at default	**1,110,195**	**5,193**	**1,696**	**-**	**1,117,084**
Lifetime expected credit loss	**-**	**-**	**-**	**-**	**-**

	Up to 60 days AED'000	**61-180 days AED'000**	**181-365 days AED'000**	**Over one year AED'000**	**Total AED'000**
31 December 2022					
Expected credit loss rate	0.00%	0.00%	0.00%	99.64%	6.12%
Estimated total gross carrying amount at default	1,065,325	2,035	2,797	70,047	1,140,204
Lifetime expected credit loss	-	-	-	69,797	69,797

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11 Trade and other receivables (continued)

The following table shows the movement in the allowance for expected credit loss:

	2023 AED'000	2022 AED'000
Balance as at 1 January	**227,860**	234,442
Net remeasurement of loss allowance	**(233)**	(4,639)
Receivable balances written-off	**(69,797)**	(1,943)
Balance as at 31 December	**157,830**	227,860

12 Cash and cash equivalents

	2023 AED'000	2022 AED'000
Cash in hand	**276**	191
Cash at banks in current accounts	**425,532**	356,851
	425,808	357,042

13 Related parties

In the ordinary course of business, the Group enters into transactions at agreed terms and conditions which are carried out on commercially agreed terms, with other business enterprises or individuals that fall within the definition of a related party contained in International Accounting Standard 24 (IAS 24). Related parties comprise shareholders, directors, key management staff and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

The Government of Abu Dhabi indirectly owns 87.5% (2022: 87.5%) of the Company's issued shares. The Group has elected to use the exemption under IAS 24 for government related entities on disclosing transactions and related outstanding balances with government related entities owned by the Government of Abu Dhabi other than the Parent Company and entities it owns and controls. The Group's significant transactions with the Government of Abu Dhabi and other entities controlled, jointly controlled or significantly influenced by the Government of Abu Dhabi represent a large portion of its direct cost, lease rental payments and interest payments on certain loans.

The Group also has, at 31 December 2023, loans and cash balances with banks under the common control of the Government of Abu Dhabi, lease liabilities with and payables to Government municipalities and payables to a distribution company owned by the Government of Abu Dhabi.

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13 Related parties (continued)

Balances with these related parties generally arise from commercial transactions in the normal course of business on arm's length basis. Balances with related parties reflected in the consolidated statement of financial position at the reporting date comprised:

	2023 AED'000	2022 AED'000
Loan from a related party - Parent Company		
Current	**-**	18,361

During 2011, the Group obtained a loan of USD 40 million (AED 146.9 million equivalent) from SENAAT (the "Shareholder Loan") with interest at prevailing market rates. The Group renegotiated the terms of the loan with the parent company on 30 November 2016.

The original maturity of the loan was a bullet payment due on 31 December 2016. Subsequently, the loan was restructured to be paid over four-years, semi-annually, commencing from December 2016 carrying interest at prevailing market rates.

An amount of USD 5 million (AED 18.369 million equivalent) was repaid in the year ended 31 December 2020. As part of the amendment agreement entered into with its Term Loan 1 lenders in the prior year, the Group did not repay any principal or interest under the Shareholder Loan up to 17 December 2022.

The loan was repaid in full during the year ended 31 December 2023.

Significant transactions with related parties during the year are as follows:

	2023 AED'000	2022 AED'000
Settlement of loan from Parent Company	**18,361**	-
Interest on loan from the Parent Company	**-**	644
Key management personnel compensation		
Short term benefits	**19,283**	19,129
Post-employment benefits	**569**	1,175
	19,852	20,304
Financial guarantees provided to associates (note 29)	**53,400**	53,400

Fees totalling AED 6,103 thousand were paid to the Directors of the Group during the year (2022: AED nil).

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13 Related parties (continued)

Terms and conditions of transactions with related parties

The sales to and services from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

There were no loans provided to Directors in either the year ended 31 December 2023 or 2022.

14 Right-of-use assets

Group as a lessee
The Group leases several assets including land and motor vehicles. The lease term of these contracts are as follows:

	Years
Land and land rights	15 - 30
Motor vehicles	2 - 3

The Group's obligations are secured by the lessor's title to the leased assets for such leases.

	Land AED'000	Motor vehicles AED'000	Land rights* AED'000	Total right-of-use assets AED'000
Carrying amount				
As at 1 January 2023	**351,315**	**-**	**29,964**	**381,279**
Disposals/re-measurement	**(110,141)**	**-**	**-**	**(110,141)**
Depreciation expense	**(19,515)**	**-**	**(5,791)**	**(25,306)**
Impairment (note 6)	**(10,400)**	**-**	**(13,140)**	**(23,540)**
Impairment release (note 6)	**6,265**	**-**	**-**	**6,265**
As at 31 December 2023	**217,524**	**-**	**11,033**	**228,557**

	Land AED'000	Motor vehicles AED'000	Land rights* AED'000	Total right-of-use assets AED'000
Carrying amount				
As at 1 January 2022	374,015	75	76,854	450,944
Disposals/re-measurement	(4,555)	-	-	(4,555)
Depreciation expense	(21,599)	(75)	(8,461)	(30,135)
Impairment (note 6)	-	-	(38,429)	(38,429)
Impairment release (note 6)	3,454	-	-	3,454
As at 31 December 2022	351,315	-	29,964	381,279

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14 Right-of-use assets (continued)

* As part of the Purchase Price Allocation (PPA) exercise relating to the acquisition of the Cement Blocks Factories in 2006, land rights which pertain to a right of use of a certain land received on favourable terms of AED 211.5 million was recorded representing the right of use of said assets. The asset is being amortised over a period of 30 years. Upon adoption of IFRS 16, such rights are presented under right-of-use assets.

At 31 December 2023, right-of-use assets with a carrying amount of AED 74.47 million (2022: AED 71.04 million) are held to secure bank loans (note 19).

Amounts recognised in consolidated statement of profit and loss

	2023 AED'000	2022 AED'000
Depreciation	**(25,306)**	(30,135)
Impairment (net) (note 6 and 28)	**(17,275)**	(38,429)
Finance costs (notes 21 and 26)	**(19,755)**	(20,251)
Gain on re-measurement	**7,542**	21
	(54,794)	(88,794)

15 Share capital

Share capital comprises of 6,850 million (2022: 6,850 million) authorised, issued and fully paid ordinary shares with a par value of AED 1 each.

In the year ended 31 December 2021, 5,100 million shares were issued at a par value of AED 5,100 million for the acquisition of the entire issued share capital of Emirates Steel Industries PJSC from SENAAT.

This issue of shares for non-cash consideration was in addition to a further 892.5 million shares, which had been issued for in-kind consideration in previous years.

16 Statutory reserve

In accordance with the Articles of Association of the Company and UAE Federal Law No. 32 of 2021, the Company is required to transfer annually to a legal reserve account an amount equal to 10% of its net profit, until such reserve reaches 50% of the issued and fully paid-up share capital of the Company. This reserve is not available for distribution.

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17 Reserves

Merger reserve: The merger reserve represents the difference between the nominal value of the ordinary shares issued in for the acquisition of Emirates Steel and the net value of the assets acquired in the company on 6 October 2021.

Capital reserve: Capital reserve represents the excess proceeds collected against offering cost for AED 857.5 million shares issued during 2006 at AED 0.025 per offer share after deducting actual expenses.

Other reserves: Other reserve represents cumulative gain or loss recorded due to re-measurement of provision for employees' end of service benefits resulting from experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred).

18 Provision for employees' end of service benefits

The Group's obligation in respect of retirement benefits is recognised in the consolidated statement of financial position at the present value of the defined benefit at the end of the reporting period, including any adjustments for past service costs. The defined benefit plan is unfunded.

The following are the principal actuarial assumptions at the respective reporting date (expressed as weighted averages):

	2023 AED'000	2022 AED'000
Amounts recognised in consolidated statement of financial position		
Balance at 1 January	**189,143**	217,075
Current service cost (including interest cost)	**23,757**	23,039
Benefit payments	**(9,981)**	(11,912)
Reduction on re-measurement	**(2,147)**	(39,059)
Balance at 31 December	**200,772**	189,143
Amounts recognised in consolidated statement of profit or loss		
Current service cost	**15,110**	17,708
Interest expense (note 26)	**8,647**	5,331
	23,757	23,039
Amounts recognised in consolidated statement of comprehensive income		
Gain due to experience adjustments	**2,147**	39,059

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18 Provision for employees' end of service benefits (continued)

Significant actuarial assumptions

Discount rate	**5.40% - 5.45%**	5.20% - 5.25%
Rate of salary increase	**2.50% - 5.00%**	2.50% - 5.00%
Turnover rate - voluntary rate	**5.00%**	5.00%

	Increase AED'000	Decrease AED'000
Sensitivity analysis:		
2023		
Provision - discount rate (0.5% movement)	**194,419**	**207,527**
Provision - future salary (0.5% movement)	**207,649**	**194,250**
2022		
Provision - discount rate (0.5% movement)	182,634	195,481
Provision - future salary (0.5% movement)	195,588	182,453

19 Bank borrowings

Bank borrowings are repayable as follows:

	2023 AED'000	2022 AED'000
Non-current		
After one year	**-**	134,934
Current		
Within one year	**489,307**	1,316,102
	489,307	1,451,036

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19 Bank borrowings (continued)

The details of the bank borrowings are stated as follows:

		Outstanding at 31 December 2023			Outstanding at 31 December 2022		
	Maturity	Current AED'000	Non-current AED'000	Total AED'000	Current AED'000	Non-current AED'000	Total AED'000
EMSTEEL							
Term loan 1	**2024**	**134,934**	**-**	**134,934**	133,734	134,934	268,668
Short term loan 1	**2024**	**15,000**	**-**	**15,000**	95,000	-	95,000
Short term loan 2	**2023**	**-**	**-**	**-**	68,500	-	68,500
Short term loan 3	**2023**	**-**	**-**	**-**	52,400	-	52,400
Short term loan 4	**2024**	**20,000**	**-**	**20,000**	10,000	-	10,000
Emirates Steel							
Working capital facilities	**2024**	**319,373**	**-**	**319,373**	956,468	-	956,468
		489,307	**-**	**489,307**	1,316,102	134,934	1,451,036

EMSTEEL

Term loan 1 is a 10-year term loan of AED 1,200 million obtained in 2014 by the Group to finance the construction of the Group's Al Ain Cement Plant. The term loan is payable over 9 years semi-annually commencing from March 2016. The loan carries variable interest at EIBOR plus 2.6%. The term loan is secured by assets with a carrying amount of AED 992 million (2022: AED 939 million) (notes 5 and 14). Subsequent to the 2020-year end, the Group entered into an agreement with its Term Loan 1 lenders for a repayment holiday through to 17 December 2022. On the expiry of this moratorium period AED 266.7 million was repaid to the lenders on 17 December 2022 and all subsequent repayments have been paid on their respective due-dates.

Short term loan 1 with facility amount of AED 150 million was obtained from an Islamic bank for financing the working capital of the Group. The loan is repayable in 180 days and carries variable interest at three-month EIBOR plus 1.5%.

Short term loan 2 of AED 150 million was obtained from an Islamic bank for financing the working capital of the Group. The loan is repayable in 180 days and carries variable interest at EIBOR plus 1.5%.

Short term loan 3 with facility amount of AED 100 million was obtained from a commercial bank for financing the working capital of the Group. The loan is repayable in 180 days carries variable interest at EIBOR plus 1.5%.

Short term loan 4 with facility amount of AED 50 million was obtained from a commercial bank for financing the working capital of the Group. The loan is repayable in 90 days carries variable interest at EIBOR plus 1.5%.

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19 Bank borrowings (continued)

Emirates Steel
Working capital balances relate to facilities extended by two local banks to finance the purchases of certain raw materials and spare parts. These facilities mature within one year and carry effective interest rates of 0.60-0.65% over LIBOR / SOFR.

Changes from financing cash flows related to borrowings

	2023 AED'000	2022 AED'000
Balance at the beginning of the year	**1,451,036**	2,623,448
Settlement of term loans	**(133,734)**	(453,169)
Settlement of short-term loans	**(4,146,893)**	(5,048,473)
Proceeds from short-term loans	**3,318,898**	4,329,230
Interest paid	**(79,431)**	(58,091)
Total changes from financing cash flows	**(1,041,160)**	(1,230,503)
Other changes / liability related		
Interest expense	**76,964**	63,922
Changes in accruals	**2,467**	(5,831)
Total liability related to other changes	**79,431**	58,091
Balance at the end of the year	**489,307**	1,451,036

20 Trade and other payables

	2023 AED'000	2022 AED'000
Trade payables	**1,414,712**	1,301,965
Accruals	**74,330**	96,997
VAT payable	**19,471**	13,740
Interest payable	**6,282**	8,749
Other payables	**147,289**	188,168
	1,662,084	1,609,619

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20 Trade and other payables (continued)

The average credit period on purchase of goods and services is 60 to 90 days (2022: 60 to 90 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. No interest is charged on trade and other payables.

Trade payables includes an amount payable to Al Ain City Municipality of AED 0.1 million (2022: AED 5.7 million), AED 0.5 million due to Abu Dhabi Distribution Company (2022: AED 38.5 million), Al Ain Distribution Company AED 4.7 million (2022: AED 0.6 million) and AED 219.1 million (2022: AED 221.9 million) to Abu Dhabi National Oil Company.

21 Lease liabilities

	2023 AED'000	2022 AED'000
As at 1 January	**474,836**	510,831
Disposals/re-measurement during the year	**(117,683)**	(4,545)
Accretion of interest during the year (note 26)	**19,755**	20,251
Payments during the year	**(32,695)**	(51,701)
As at 31 December	**344,213**	474,836

	2023 AED'000	2022 AED'000
Maturity analysis		
Not later than 1 year	**11,196**	13,621
Later than 1 year and not later than 5 years	**57,421**	65,015
Later than 5 years	**275,596**	396,200
	344,213	474,836

The Group does not face a significant liquidity risk with regard to its liabilities. Lease liabilities are continuously monitored by the Group's treasury function.

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22 Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services at a point in time for the following product lines. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 *Operating Segments* (note 30).

	2023 AED'000	2022 AED'000
Analysis of revenue recognised at point in time		
Steel	**8,028,529**	8,565,157
Cement and Blocks	**691,570**	709,987
Pipes and others	**179,294**	177,498
	8,899,393	9,452,642

The transaction price allocated to (partially) unsatisfied performance obligations at 31 December 2023 and 2022 are set out below.

	2023 AED'000	2022 AED'000
Revenue		
Steel	**668,906**	741,046

Management expects that the transaction price allocated to the unsatisfied contracts as at 31 December 2023 will be recognised as revenue during 2024.

Primary geographical markets

	2023 AED'000	2022 AED'000
United Arab Emirates	**6,581,426**	6,222,672
Sultanate of Oman	**396,224**	330,783
Kingdom of Bahrain	**353,261**	145,385
Kingdom of Saudi Arabia	**266,619**	131,140
Other	**1,301,863**	2,622,662
	8,899,393	9,452,642

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23 Cost of sales

	2023 AED'000	2022 AED'000
Materials consumed in production	**4,633,202**	5,215,071
Utility supplies	**1,031,723**	1,137,144
Consumable and maintenance expenditure	**481,607**	496,457
Salaries and related expenditure	**588,984**	550,682
Depreciation and amortisation expenses	**534,085**	545,514
Transportation charges	**392,651**	396,730
Other expenses	**139,833**	141,644
	7,802,085	8,483,242

24 Selling and distribution expenses

	2023 AED'000	2022 AED'000
Salaries and related expenses	**30,047**	29,749
Depreciation of property, plant and equipment	**623**	2,372
Other expenses	**22,910**	20,993
	53,580	53,114

25 General and administrative expenses

	2023 AED'000	2022 AED'000
Salaries and related expenses	**250,389**	235,290
Provision for impairment on financial assets	**186**	17,662
Depreciation and amortisation expense	**27,079**	23,123
Other expenses	**112,508**	81,909
	390,162	357,984

An audit fees amounting to AED 421 thousand and non-audit fees amounting to AED 194 thousand were incurred during the year ended 31 December 2023.

Other expenses include charitable donations of AED 517 thousand (2022: AED 741 thousand).

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26 Finance income and cost

	2023 AED'000	2022 AED'000
Finance income		
Interest income on bank deposits	**7,805**	5,331
Finance cost		
Interest on borrowings	**76,964**	63,922
Interest on lease liabilities (note 21)	**19,755**	20,251
Interest expense on defined benefit obligation (note 18)	**8,647**	5,331
	105,366	89,504

27 Other income

	2023 AED'000	2022 AED'000
Gain on sale of fixed asset	**7,067**	-
Foreign exchange gains	**32**	-
Bad debt recovered	**-**	13,005
Others	**22,333**	15,260
	29,432	28,265

28 Impairment losses on non-financial assets (net)

	2023 AED'000	2022 AED'000
Impairment loss on plant and equipment (note 5)	**31,094**	61,009
Impairment loss on land and buildings (note 5)	**28,816**	36,512
Impairment loss on right-of-use assets (note 14)	**23,540**	38,429
Impairment loss on goodwill (note 6)	**-**	14,050
Release of impairment loss on plant and equipment (note 5)	**(66,490)**	(146,546)
Release of impairment loss on land and buildings (note 5)	**(10,695)**	-
Release of impairment loss on right-of-use assets (note 14)	**(6,265)**	(3,454)
	-	-
Charged to cost of sales (note 23)		
Impairment loss on inventories (note 10)	**439**	10,071
Charged to general and administrative expenses (note 25)		
Provision for impairment on financial assets	**186**	17,662

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29 Contingent liabilities and commitments

	2023 AED'000	2022 AED'000
Bank guarantees and letters of credit	**153,425**	209,263
Capital commitments	**159,103**	31,093
Performance guarantees provided to associates	**53,400**	53,400

The above bank guarantees and letters of credit were issued in the normal course of business.

During the year, the Group has received claims associated with alleged breaches of contracts from former suppliers amounting AED 182 million and AED 95 million. In the opinion of management, and of external counsel as engaged on these files, the claims are without foundation and the possibility of any liability arising is remote.

30 Segment reporting

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technologies and marketing strategies. For each of the strategic business units, the Board of Directors reviews internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments:

- Steel - the manufacture and distribution of long-steel products;
- Cement and Blocks - the production and sale of cement, concrete blocks and dry mortar;
- Other - including the production and distribution of Glass Reinforced Polyester ("GRP") Pipes; Poly-Vinyl Chloride ("PVC") Pipes; and Bags.

Information regarding the results of each reportable segment is included below. Performance is measured on segment profit as included in the internal management reports that are reviewed by the Group's CEO and the Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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30 Segment reporting (continued)

For the year ended 31 December 2023	**Steel AED'000**	**Cement, Head Office and Blocks AED'000**	**Pipes and others AED'000**	**Eliminations AED'000**	**Group AED'000**
External revenues	**8,028,529**	**691,570**	**179,294**	**-**	**8,899,393**
Intersegment revenue	**-**	**-**	**9,922**	**(9,922)**	**-**
Timing of revenue recognition					
At a point in time	**8,028,529**	**691,570**	**179,294**	**-**	**8,899,393**
Over time	**-**	**-**	**-**	**-**	**-**
Interest expense	**69,832**	**35,534**	**-**	**-**	**105,366**
Depreciation and amortisation	**501,809**	**52,882**	**7,096**	**-**	**561,787**
Impairment losses	**-**	**4,509**	**(4,323)**	**-**	**186**
Share of profit of equity accounted investees	**-**	**16,479**	**-**	**-**	**16,479**
Profit for the year	**457,192**	**128,822**	**15,902**	**-**	**601,916**
Total assets	**9,112,196**	**1,899,166**	**190,903**	**(173,453)**	**11,028,812**
Total liabilities	**(2,043,850)**	**(714,086)**	**(111,893)**	**173,453**	**(2,696,376)**

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30 Segment reporting (continued)

For the year ended 31 December 2022	Steel AED'000	Cement, Blocks and Head Office AED'000	Pipes and others AED'000	Eliminations AED'000	Group AED'000
External revenues	8,565,157	709,987	177,498	-	9,452,642
Intersegment revenue	-	32,090	5,088	(37,178)	-
Timing of revenue recognition					
At a point in time	8,565,157	709,987	177,498	-	9,452,642
Over time	-	-	-	-	-
Interest expense	48,907	40,597	-	-	89,504
Depreciation and amortisation	501,394	62,577	7,260	-	571,010
Impairment reversal/(losses)	150,000	(165,349)	(2,313)	-	(17,662)
Share of profit of equity accounted investees	-	7,811	-	-	7,811
Profit/(loss) for the year	593,062	(95,610)	12,753	-	510,205
Total assets	9,348,845	1,893,141	236,271	(6,889)	11,471,368
Total liabilities	(2,737,542)	(836,191)	(176,151)	6,889	(3,742,995)

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31 Financial instruments

Capital risk management

The Group manages its capital to be able to continue as a going concern while maximising the return to Shareholders. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objectives. The Group has materially reduced its level of borrowings since the acquisition of Emirates Steel; this will allow flexibility for future fund raising for the further expansion of the Group's operations. In addition, the Group monitors its leverage levels on a continuing basis, ensuring that its capital structure is generally aligned with that of its peer group in the steel sector.

Financial risk management objectives

The Group is exposed to the following risks related to financial instruments - credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group has not framed formal risk management policies, however, the risks are monitored by management on a continual basis. The Group does not enter into or trade in financial instruments, investment in securities, including derivative financial instruments, for speculative or risk management purposes.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group.

Key areas where the Group is exposed to credit risk are trade and other receivables and bank balances (liquid assets).

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties.

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Details on concentration of trade receivable balances are disclosed in note 11. Management believes that the concentration of credit risk is mitigated by high credit rating and financial stability of its trade customers

Balances with banks are assessed to have low credit risk of default since these banks are among the major banks operating in the UAE and are highly regulated by the UAE Central Bank. Trade receivables are secured by bank guarantees and letter of credits totalling AED 1,341 million (2022: AED 1,225 million) and post-dated cheques of AED 36 million (2022: AED 59.7 million). Balances with banks are not secured by any collateral. The amount that best represents the maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates to their carrying value.

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Notes to the consolidated financial statements
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31 Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. The table below summarises the maturity profile of the Group's non-derivative financial liabilities. The contractual maturities of the financial liabilities have been determined on the basis of the remaining period at the end of reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the non-derivative financial liabilities at the end of reporting period based on contractual repayment arrangements are as follows:

	Less than 1 year AED'000	**1 - 5 Years AED'000**	**More than 5 years AED'000**	**Total AED'000**
2023				
Non-interest bearing	**1,587,754**	**-**	**-**	**1,587,754**
Interest bearing instruments	**500,503**	**57,421**	**275,596**	**833,520**
	2,088,257	**57,421**	**275,596**	**2,421,274**
2022				
Non-interest bearing	1,512,622	-	-	1,512,622
Interest bearing instruments	1,347,433	199,949	396,851	1,944,233
	2,860,055	199,949	396,851	3,456,855

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Group's exposure to the currency risk is principally from the Group's transactions in Euro ("EUR") and Great British Pound ("GBP") as AED is currently pegged to USD at a fixed rate of exchange.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2023 AED'000	2022 AED'000	**2023 AED'000**	2022 AED'000
EUR	**12,738,275**	5,904,940	**16,293,032**	13,410,604
GBP	**2,847,523**	2,536,646	**3,969,735**	4,666,792
Others	**-**	611,212	**-**	158,429
	15,585,798	9,052,798	**20,262,767**	18,235,825

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31 Financial instruments (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Group. The Group is exposed to interest rate risk on its bank borrowings that carry both fixed and floating interest rates which are detailed in note 19.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable interest rates mainly arising from bank borrowings, assuming the amount of liability at the end of the reporting period was outstanding for the whole year.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2023 would decrease/increase by AED 4.89 million (2022: decrease/increase by AED 14.5 million).

Fair value of financial instruments

The Group's management considers that the carrying amount of financial assets and financial liabilities approximates their fair value.

32 Basic and diluted earnings per share

The following reflects the profit and share data used in the earnings per share computations:

	2023	2022
Profit attributable to equity holders of the parent (AED'000)	**601,916**	510,205
Weighted average number of shares in issue (thousands of shares)	**6,850,000**	6,850,000
Earnings per share (AED)	**0.088**	0.074

The Group does not have potentially dilutive shares and, accordingly, the diluted earnings per share is equivalent to the basic earnings per share as detailed above.

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33 Corporate income tax

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

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

The Group has conducted an assessment of the potential impact of these laws and regulations. Based on this assessment, the Group has determined that no deferred tax implications are to be considered in the preparation of these consolidated financial statements.

The Group will be subject to the provisions of the UAE Corporate Tax Law with effect from 1 January 2024, and current taxes will be accounted for as appropriate in the consolidated financial statements for periods beginning on or after 1 January 2024.

34 Russia-Ukraine conflict

The current Russia-Ukraine conflict has not had a material impact on the Group's supply chain; whilst certain volumes of iron ore feedstock have, in the past, been sourced from Russia, together with certain consumable materials, alternate lines of supply have been established to replace such materials. It is further noted that the Group has no significant customers based in the CIS region.

Whilst the crisis has impacted global commodity prices, the Group has recovered the cost increases incurred in increased sales prices.

35 Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 5 March 2024.