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

Reports and condensed consolidated interim financial statements for the three-month period ended 31 March 2024

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Board of Directors' report to the shareholders for the three-month period ended 31 March 2024

On behalf of EMSTEEL Building Materials PJSC's (formerly Arkan Building Materials Company (Arkan) PJSC) Board of Directors ("EMSTEEL" or the "Group"), I am pleased to present the Board of Directors' report for the three-month period ended 31 March 2024, together with the reviewed condensed consolidated interim financial statements for the period.

Change of Company name
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 on 6 October 2021.

Strategic combination with Emirates Steel Industries PJSC
Emirates Steel is a leading integrated steel manufacturer in the Middle East. The combination of the Company's building materials businesses and Emirates Steel (the "Group") has created the UAE's largest steel and building materials company with a compelling strategic proposition and strong potential for growth in the UAE and internationally. The transaction provided significant revenue diversification for the Group and marked the first time that investors had access to a steel producer on a UAE public market.

The Group is well placed to scale and grow, create new business opportunities and ensure that homegrown manufacturers are at the forefront of driving a sustainable, diversified national economy.

Financial performance in the three months ended 31 March 2024
The Group's revenue in the first three months of 2024 was AED 2,136.2 million compared to AED 2,405.5 million in the same period in 2023. The Group's net profit before tax for the period was AED 140.4 million, compared to AED 152.2 million in the first three months of 2023.

The Group's performance in the first three months of the year demonstrated its resilience and efficiency amidst challenging market conditions. The Group's performance has been supported by a strong domestic market, but our export business has been challenging, in terms of demand, prices, and escalating freight costs. In the three-month period, the Steel Division contributed a profit before tax of AED 123.0 million (before prior year bonus charges) as against AED 137.5 million in the three months ended 31 March 2023 and the Group's Building Materials Division collectively contributed a profit before tax of AED 17.4 million (before prior year bonus adjustments) against AED 14.7 million in the comparative period.

Review of operations
Emirates Steel
Revenue from Emirates Steel totalled AED 1,949.4 million for the first three months of 2024 from AED 2,141.0 million in the equivalent period in 2023. Profit before tax from the Steel Division for the first three months of 2024 was AED 123.0 million (before prior year bonus charges) as compared to a net profit of AED 137.5 million for the same period in 2023.

The reduction in profitability was associated with reduced margins being realised on the division's export business and escalating freight costs associated with regional geo-political challenges; overall performance was however supported by a buoyant domestic market, bolstered by an upturn in construction activities in the UAE and the broader GCC.

Board of Directors' report to the shareholders
for the three-month period ended 31 March 2024 (continued)

Review of operations (continued)

Cement, Blocks and Head Office
Revenue from the Cement and Blocks division was AED 150.5 million for the first three months of 2024, compared to AED 211.2 million in the equivalent period in 2023. Profit before tax from this segment for the first three months of 2024 was AED 13.0 million (before prior year bonus adjustments) as compared to a profit of AED 10.6 million for the same period in 2023. Despite the reduction in volumes in the quarter, the enhanced level of profitability reflects the continued recovery in the performance of the Al Ain Cement plant, as initially witnessed in the prior year, and a return from the downstream Blocks division in line with the prior year.

Other
The Group's other businesses comprise the manufacture and distribution of PVC pipes, GRP pipes and bags. Collectively these businesses reported revenues of AED 36.3 million for the first three months of 2024, compared with AED 53.3 million in the equivalent period in 2023. The businesses generated profit before tax of AED 4.4 million for the first three months of the year, against a profit of AED 4.1 million in the equivalent period in 2023.

Liquidity
The Group's net cash and bank balances totalled AED 155.7 million, cash in hand, as at 31 March 2024 (31 December 2023: net bank indebtedness of AED 63.5 million).

Taxation
Following the issue of a decree by the United Arab Emirates Ministry of Finance on 9 December 2022, relating to the introduction of corporate taxes, the first quarter of 2024 represents the first period in which the Group's earnings will be subject to taxation. The provision of AED 12.2 million for taxation in the quarter reflects an effective tax rate of 8.7% as against the standard rate of 9.0%.

Investments
The Group sold its investments in two of its associate investments in the quarter for a cash consideration of AED 99 million; realising a gain on disposal of AED 5.0 million (2023: the Group recognised AED 2.2 million as its share of profits of the associate investments and received dividends of AED 10 million).

Total assets and shareholders' equity
The total assets of the Group equaled AED 11.10 billion at 31 March 2024 (31 December 2023: AED 11.03 billion). The value of shareholders' equity was at AED 8.46 billion as of 31 March 2024 compared to AED 8.33 billion as of 31 December 2023.

On behalf of the Board of Directors

Hamad A. Al Hammadi
Chairman
7 May 2024

Deloitte.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF EMSTEEL BUILDING MATERIALS PJSC (FORMERLY ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC)

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of EMSTEEL Building Materials PJSC (formerly Arkan Building Materials Company (Arkan) PJSC) (the "Company") and its subsidiaries (together referred to as the "Group") as at 31 March 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended. Management of the Group is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard IAS 34, "*Interim Financial Reporting (IAS 34)*". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, *"Interim Financial Reporting"*.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
7 May 2024
Abu Dhabi
United Arab Emirates

Condensed consolidated statement of financial position as at 31 March 2024

	Notes	**31 March 2024 AED'000 (unaudited)**	31 December 2023 AED'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	**5**	**6,474,365**	6,563,831
Right-of-use assets	**13**	**224,492**	228,557
Investment in associates	**6**	**-**	94,018
Investment property	**7**	**12,378**	12,555
Intangible assets	**8**	**34,813**	10,345
Total non-current assets		**6,746,048**	6,909,306
Current assets			
Inventories	**9**	**1,982,761**	1,935,147
Trade and other receivables	**10**	**1,642,322**	1,758,551
Cash and bank balances	**11**	**732,262**	425,808
Total current assets		**4,357,345**	4,119,506
Total assets		**11,103,393**	11,028,812
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**6,850,000**	6,850,000
Statutory reserve		**196,661**	196,661
Merger reserve		**1,092,817**	1,092,817
Capital reserve		**3,783**	3,783
Other reserves		**47,907**	47,907
Retained earnings		**269,492**	141,268
Total equity		**8,460,660**	8,332,436
Non-current liabilities			
Lease liabilities	**13**	**332,041**	333,017
Provision for employees' end of service benefits		**205,447**	200,772
Total non-current liabilities		**537,488**	533,789
Current liabilities			
Bank borrowings	**14**	**576,604**	489,307
Trade and other payables	**15**	**1,501,339**	1,662,084
Current tax liabilities	**21**	**12,200**	-
Lease liabilities	**13**	**15,102**	11,196
Total current liabilities		**2,105,245**	2,162,587
Total liabilities		**2,642,733**	2,696,376
Total equity and liabilities		**11,103,393**	11,028,812

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 March 2024, and for the periods presented in the report.

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

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

Condensed consolidated statement of profit or loss
for the three-month period ended 31 March 2024

	Notes	Three-month period ended 31 March	
		2024	2023
		AED'000	AED'000
		(unaudited)	(unaudited)
Revenue		**2,136,199**	2,405,550
Direct costs		**(1,884,170)**	(2,139,471)
Gross profit		**252,029**	266,079
Selling and distribution expenses		**(14,248)**	(13,942)
General and administrative expenses		**(88,642)**	(77,894)
Other income	**18**	**173**	2,603
Share of profit from associates		**-**	2,224
Gain from sale of associates	**6**	**4,982**	-
Finance costs		**(15,746)**	(28,770)
Finance income		**1,876**	1,878
Profit before tax for the period		**140,424**	152,178
Income tax expense	**21**	**(12,200)**	-
Profit for the period		**128,224**	152,178
Basic and diluted earnings per share	**19**	**0.019**	0.022

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

Condensed consolidated statement of comprehensive income for the three-month period ended 31 March 2024

	Three-month period ended 31 March	
	2024	2023
	AED'000	AED'000
	(unaudited)	(unaudited)
Profit for the period	**128,224**	152,178
Other comprehensive income	**-**	-
Total comprehensive income for the period	**128,224**	152,178

Condensed consolidated statement of changes in equity
for the three-month period ended 31 March 2024

	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	Total equity AED'000
As at 1 January 2023 (audited)	6,850,000	136,469	1,092,817	3,783	45,760	(400,456)	7,728,373
Total comprehensive income for the period	-	-	-	-	-	152,178	152,178
As at 31 March 2023 (unaudited)	6,850,000	136,469	1,092,817	3,783	45,760	(248,278)	7,880,551
As at 1 January 2024 (audited)	6,850,000	196,661	1,092,817	3,783	47,907	141,268	8,332,436
Total comprehensive income for the period	-	-	-	-	-	128,224	128,224
As at 31 March 2024 (unaudited)	**6,850,000**	**196,661**	**1,092,817**	**3,783**	**47,907**	**269,492**	**8,460,660**

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

Condensed consolidated statement of cash flows for the three-month period ended 31 March 2024

	Notes	Three-month period ended 31 March 2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Cash flows from operating activities			
Profit before tax for the period		**140,424**	152,178
Adjustments for:			
Depreciation of property, plant and equipment	**5**	**132,410**	132,729
Depreciation of right-of-use assets	**13**	**4,065**	7,375
Amortisation of intangible assets	**8**	**1,005**	669
Depreciation of investment property	**7**	**177**	177
Impairment charge on financial assets	**10**	**(467)**	4,681
Charge/(reversal) of allowance for slow moving inventories, net	**9**	**6,296**	(3,165)
Provision for employees' end of service benefits charge		**10,778**	4,479
Gain from sale of associates	**6**	**(4,982)**	-
Share of profit from associates		**-**	(2,224)
Finance costs		**15,746**	28,770
Finance income		**(1,876)**	(1,878)
Operating cash flows before movements in working capital		**303,576**	323,791
Movements in working capital:			
(Increase)/decrease in inventories	**9**	**(53,910)**	102,503
Decrease/(increase) in trade and other receivables	**10**	**116,696**	(113,616)
Decrease in trade and other payables	**15**	**(165,761)**	(149,077)
Cash generated from operations		**200,601**	163,601
End of service benefits paid		**(6,103)**	(2,499)
Net cash generated from operating activities		**194,498**	161,102
Cash flows from investing activities			
Acquisition of property, plant and equipment	**5**	**(42,944)**	(22,761)
Proceeds from sale of investments in associates	**6**	**99,000**	-
Acquisition of intangible assets	**8**	**(25,473)**	(1,172)
Finance income received		**1,876**	1,878
Dividends received from associates	**6**	**-**	10,000
Net cash generated from/(used in) investing activities		**32,459**	(12,055)
Cash flows from financing activities			
Proceeds from new borrowings	**14**	**964,648**	1,093,223
Repayment of borrowings	**14**	**(877,351)**	(899,822)
Finance costs paid	**14**	**(5,242)**	(16,040)
Principal repayment of lease liabilities	**13**	**(283)**	(1,166)
Interest paid on lease liabilities	**13**	**(2,275)**	(1,391)
Net cash generated from financing activities		**79,497**	174,804
Net increase in cash and cash equivalents		**306,454**	323,851
Cash and cash equivalents at the beginning of the period	**11**	**425,808**	357,042
Cash and cash equivalents at the end of the period	**11**	**732,262**	680,893

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

1 General information

EMSTEEL Building Material 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 at the General Meeting of Shareholders held on 10 April 2023. The use of the new legal name will be 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 ("Emirates Steel") 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 condensed consolidated interim 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**
		31 March 2024	31 December 2023	
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.

[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.

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 condensed consolidated interim financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2024, have been adopted in these condensed consolidated interim financial statements. The application of these new and 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.

Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

The Group has adopted the amendments to IAS 1 for the first time in the current year. 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.

Amendments to IAS 1 Presentation of Financial Statements - Non-current Liabilities with Covenants

The Group has adopted the amendments to IAS 1 for the first time in the current year. 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.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements

The Group has adopted the amendments to IAS 7 and IFRS 7 for the first time in the current year. The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

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 condensed consolidated interim financial statements (continued)

Amendment to IFRS 16 Leases - Lease Liability in a Sale and Leaseback

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.

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**
IFRS 18 Presentation and Disclosures in Financial Statements	1 January 2027
IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	

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 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.	
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.	
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	Effective date not yet decided by the regulator in the United Arab Emirates
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	Effective date not yet decided by the regulator in the United Arab Emirates
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.	

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 the SASB standards to enhance their international applicability The amendments remove and replace jurisdiction-specific references and definitions in the SASB standards, without substantially altering industries, topics or metrics.	1 January 2025

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

Basis of preparation

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and also comply with the applicable requirements of the laws in the UAE. Accordingly, these condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2023. In addition, results for the three months ended 31 March 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

Basis of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost basis.

Functional and presentation currency

These condensed consolidated interim financial statements are presented in 'United Arab Emirates Dirham' (AED), which is the Group's functional and presentation currency. All values are rounded to the nearest thousand (AED'000), except when otherwise indicated.

3 Material accounting policies (continued)

Basis of preparation (continued)

The accounting policies applied by the Group in the condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2023, except for the accounting policies relating to taxation and adoption of new and amended standards.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the condensed consolidated interim of profit or loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3 Material accounting policies (continued)

Basis of preparation (continued)

Taxation (continued)

Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the period

Current and deferred tax are recognised in the condensed consolidated interim statement of profit or loss, except when they relate to items that are recognised in condensed consolidated interim other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in the condensed consolidated interim statement of comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4 Critical judgements and key sources of estimation uncertainty

Changes in judgements and estimation uncertainty

The critical judgements and estimates used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023.

5 Property, plant and equipment

During the three-month period ended 31 March 2024, the Group acquired assets with a cost of AED 42,944 thousand (31 March 2023: AED 22,761 thousand). No assets were disposed of during the period (2023: none).

The depreciation charge for the period amounted to AED 132,410 thousand (31 March 2023: AED 132,729 thousand).

6 Investment in associates

The movement in investment in associates is as follows:

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Balance at the beginning of the period/year	**94,018**	87,539
Disposal during the the period	**(94,018)**	-
Share of profit of associates for the period/year	**-**	16,479
Dividends received during the period/year	**-**	(10,000)
Balance at the end of the period/year	**-**	94,018

Effective 1 January 2024, the Group sold its shares in Deco Vision Company WLL and Vision Furniture & Decoration Factory LLC for a total consideration of AED 99 million.

The Group has retained ownership of 40% in Vision Hotel Apartment LLC, Deco Vision Properties LLC and Vision Links Hotel Apartments LLC. The carrying value of these investments is AED nil.

7 Investment property

No acquisitions or disposals were made to the Group's investment properties in the three-month period ended 31 March 2024 (31 March 2023: none). The depreciation charge for the period amounted to AED 177 thousand (31 March 2023: AED 177 thousand).

8 Intangible assets

During the three-month period ended 31 March 2024, the Group acquired intangible assets with a cost of AED 25,473 thousand (31 March 2023: AED 1,172 thousand). The amortisation charge for the period amounted to AED 1,005 thousand (31 March 2023: AED 669 thousand).

9 Inventories

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Finished goods and by-products	**437,773**	402,505
Semi-finished products: steel billets and direct reduced iron	**326,260**	387,655
Raw materials	**344,060**	309,024
Goods in transit	**265,934**	233,375
Spare parts and consumables	**708,052**	695,610
	2,082,079	2,028,169
Less: allowance for slow moving inventories	**(99,318)**	(93,022)
	1,982,761	1,935,147

The movement in the allowance for slow moving inventories is as follows:

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Balance at the beginning of the period/year	**93,022**	108,125
Reversal for the period/year	**-**	(15,542)
Impairment during the period/year	**6,296**	439
Balance at the end of the period/year	**99,318**	93,022

10 Trade and other receivables

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Trade receivables	**1,547,279**	1,622,068
Less: allowance for expected credit loss	**(157,363)**	(157,830)
	1,389,916	1,464,238
Prepayments	**34,546**	55,262
Advances to suppliers	**122,992**	152,197
Other receivables	**94,868**	86,854
	1,642,322	1,758,551

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

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Balance as at 1 January	**157,830**	227,860
Net remeasurement of loss allowance	**(467)**	(233)
Receivable balances written-off	**-**	(69,797)
Balance at the end of the period/year	**157,363**	157,830

11 Cash and bank balances

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Cash in hand	**443**	276
Cash at banks in current accounts	**731,819**	425,532
Cash and bank balances	**732,262**	425,808

12 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% (31 December 2023: 87.5%) of the Company's outstanding 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 are a large portion of its direct cost, lease rental payments and interest payments on certain loans.

The Group also has, at 31 March 2024, 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.

Balances with these related parties generally arise from commercial transactions in the normal course of business on arm's length basis.

12 Related parties (continued)

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

	Three-month period ended 31 March	
	2024	2023
	AED'000	AED'000
	(unaudited)	(unaudited)
Interest on loan from the Parent Company	**-**	312
Purchases from related parties		
- Agthia PJSC, sister concern	**94**	615
Key management compensation		
- Short term benefits	**8,790**	8,620
- Post-employment benefits	**133**	346
	8,923	8,966

The Group fully settled the outstanding loan balance due to General Holding Corporation PJSC (SENAAT), the Parent Company, amounting to AED 18,361 thousand in prior year.

13 Leases

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

Right-of-use assets

	31 March 2024	31 December 2023
	AED'000	AED'000
	(unaudited)	(audited)
As at 1 January	**228,557**	381,279
Disposals/remeasurement	**-**	(110,141)
Depreciation expense	**(4,065)**	(25,306)
Impairment	**-**	(23,540)
Impairment release	**-**	6,265
	224,492	228,557

Notes to the condensed consolidated interim financial statements for the three-month period ended 31 March 2024 (continued)

13 Leases (continued)

Lease liabilities

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
As at 1 January	**344,213**	474,836
Disposals/ re-measurement during the period/ year	**-**	(117,683)
Accretion of interest during the period/year	**5,488**	19,755
Payments during the period/year	**(2,558)**	(32,695)
	347,143	344,213
Current		
Within one year	**15,102**	11,196
Non-current		
After one year	**332,041**	333,017

14 Bank borrowings

Bank borrowings are contractually repayable as follows:

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Within one year	**576,604**	489,307

Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2024 (continued)

14 Bank borrowings (continued)

The details of the bank borrowings are stated as follows:

		Outstanding at 31 March 2024			Outstanding at 31 December 2023		
	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
Short term loan 1	**2024**	**15,000**	**-**	**15,000**	15,000	-	15,000
Short term loan 2	**2024**	**-**	**-**	**-**	20,000	-	20,000
Emirates Steel							
Working capital facilities	**2024**	**561,604**	**-**	**561,604**	319,373	-	319,373
		576,604	**-**	**576,604**	489,307	-	489,307

EMSTEEL

Term loan 1 was a 10-year term loan of AED 1,200 million obtained in 2014 by the Group to finance the construction of the Group's cement factory in Al Ain. The term loan was payable over 9 years semi-annually commencing from March 2016. The loan carried variable interest at EIBOR plus 2.6%. Subsequent to the 2020 year end, the Group entered into an agreement with the 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 were paid on their respective dates. The loan was settled in full in March 2024.

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 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%.

14 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. These short-term loans are revolving loans facilities.

Changes from financing cash flows related to borrowings

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Balance at the beginning of the period/year	**489,307**	1,451,036
Settlement of term loans	**(134,934)**	(133,734)
Settlement of short-term loans	**(742,417)**	(4,146,893)
Proceeds from short-term loans	**964,648**	3,318,898
Interest paid	**(5,242)**	(79,431)
Total changes from financing cash flows	**82,055**	(1,041,160)
Other changes / liability related		
Interest expense	**10,258**	76,964
Changes in accruals	**(5,016)**	2,467
Total liability related to other changes	**5,242**	79,431
Balance at the end of the period/year	**576,604**	489,307

15 Trade and other payables

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Trade payables	**1,294,393**	1,414,712
Accruals	**55,708**	74,330
VAT payable	**23,762**	19,471
Interest payable	**11,298**	6,282
Other payables	**116,178**	147,289
	1,501,339	1,662,084

16 Contingencies and commitments

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Bank guarantees and letters of credit	**371,608**	153,425
Capital commitments	**46,956**	159,103
Performance guarantees provided to associates	**-**	53,400

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

The Group has received claims associated with alleged breaches of contract from former suppliers in amounts of 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.

17 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.

Previously the Group was managed under five reportable segments. Following the acquisition of Emirates Steel, however, this has been raationalised to three segments. This reflects the quantum of Emirates Steel, with a number of the smaller business units having been consolidated for management control purposes.

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 and concrete blocks;
- 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 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.

Notes to the condensed consolidated interim financial statements for the three-month period ended 31 March 2024 (continued)

17 Segment reporting (continued)

For the period ended 31 March 2024 (unaudited):	Steel AED'000	Cement, Blocks and Head Office AED'000	Pipes and Others AED'000	Eliminations AED'000	Group AED'000
External revenues	**1,949,431**	**150,467**	**36,301**	**-**	**2,136,199**
Intersegment revenue	**-**	**6,673**	**1,969**	**(8,642)**	**-**
Timing of revenue recognition					
At a point in time	**1,949,431**	**150,467**	**36,301**	**-**	**2,136,199**
Over time	**-**	**-**	**-**	**-**	**-**
Interest expense	**10,493**	**5,175**	**78**	**-**	**15,746**
Depreciation and amortisation	**123,958**	**11,926**	**1,773**	**-**	**137,657**
Gain from sale of equity accounted investees	**-**	**4,982**	**-**	**-**	**4,982**
Profit before tax for the period *****	**94,844**	**41,213**	**4,367**	**-**	**140,424**
Profit for the period	**86,344**	**37,867**	**4,013**		**128,224**
Total assets	**9,176,335**	**1,854,919**	**211,751**	**(139,612)**	**11,103,393**
Total liabilities	**(2,191,735)**	**(471,166)**	**(119,444)**	**139,612**	**(2,642,733)**

*Profit before tax for the Steel division is stated after charging AED 28,178 thousand in relation to staff bonuses for the year ended 31 December 2023, excluding this charge the division generated profits on normal activities of AED 123,022 thousand in the quarter. The results of the Cement, Blocks & Head Office division are stated including the benefit of the reserve release related to the Steel division bonus payments; excluding this reserve release the Cement, Blocks & Head Office division generated profits on normal activities of AED 13,035 thousand in the quarter.

17 Segment reporting (continued)

For the period ended 31 March 2023 (unaudited):	Steel AED'000	Cement, Blocks and Head Office AED'000	Pipes and Others AED'000	Eliminations AED'000	Group AED'000
External revenues	2,141,037	211,209	53,304	-	2,405,550
Intersegment revenue	-	-	1,183	(1,183)	-
Timing of revenue recognition					
At a point in time	2,141,037	211,209	53,304	-	2,405,550
Over time	-	-	-	-	-
Interest expense	18,273	10,412	85	-	28,770
Depreciation and amortisation	123,496	15,675	1,779	-	140,950
Share of profit of equity accounted investees	-	2,224	-	-	2,224
Profit before tax for the period	137,544	10,556	4,078	-	152,178
Profit for the period	137,544	10,556	4,078	-	152,178
For the year ended 31 December 2023 (audited):					
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)

Notes to the condensed consolidated interim financial statements for the three-month period ended 31 March 2024 (continued)

18 Other income

	Three-month period ended 31 March	
	2024	2023
	AED'000	AED'000
	(unaudited)	(unaudited)
Foreign exchange gains	**107**	19
Other	**66**	2,584
	173	2,603

19 Basic and diluted earnings per share

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

	Three-month period ended 31 March	
	2024	2023
	(unaudited)	(unaudited)
Profit for the period (AED'000)	**128,224**	152,178
Weighted average number of shares in issue (thousands of shares)	**6,850,000**	6,850,000
Earnings per share (AED)	**0.019**	0.022

There were no potentially dilutive securities as at 31 March 2024 or at 2023 and, accordingly, diluted earnings per share is equivalent to the basic earnings per share.

20 Seasonality of results and the Russia-Ukraine conflict

No significant income of a seasonal nature was recorded in the condensed consolidated interim statement of profit or loss for the three-month periods ended 31 March 2024 and 2023.

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.

21 Corporate income tax

On 9 December 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to enact a new CT regime in the UAE. The new CT regime has become effective for accounting periods beginning on or after 1 June 2023. As the Group's accounting year ends on 31 December, the first tax period will be the period from 1 January 2024 to 31 December 2024, with the respective tax return to be filed on or before 30 September 2025.

The taxable income of the entities that are in scope for UAE CT purposes will be subject to the rate of 9% corporate tax. It is not currently foreseen that the Group's UAE operations will be subject to the application of the Global Minimum Tax rate of 15% in FY2024. The application is dependent on the implementation of Base Erosion Profit Shifting (BEPS 2) – Pillar Two rules by the countries where the Group operates and the enactment of Pillar Two rules by the UAE MoF.

The tax charge for period ended 31 March 2024 is AED 12,200 thousand (31 March 2023: AED nil), representing an Effective Tax Rate ("ETR") of 8.69% (31 March 2023: not applicable). The ETR incorporates tax rates of the UAE as well as other international jurisdictions that the Group operates in.

22 Approval of condensed consolidated interim financial statements

These condensed consolidated interim financial statements were approved by the Board of Directors and authorised for issue on 7 May 2024.