Ittihad International Investment LLC

REPORT OF THE BOARD OF DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

Ittihad International Investment LLC

REPORT OF THE BOARD OF DIRECTORS

31 DECEMBER 2023

ITTIHAD INTERNATIONAL INVESTMENT LLC

REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in submitting their report and the audited consolidated financial statements for the year ended 31 December 2023.

Principal activities
The main activities of Ittihad International Investment LLC (the "Company") and its subsidiaries (the "Group") are manufacturing of papers, paperboard, ready to use printing and writing papers, tissue paper, cleaning detergent, producing and supplying copper rod, distributing straight steel bars, cut and bend services, clinker grinding, providing operation and maintenance services for infrastructure networks, water systems, sewage, treatment plants and solid municipal waste management, sales and marketing of medical equipment and apparatus, management of hospitals, technical and specialised services for maintenance and operation of medical equipment.

Results for the year
Revenue for the year from continuing operations amounted to AED 10,427,851 thousand (2022: AED 10,966,290 thousand), operating profit for the year from continuing operations amounted to AED 322,489 thousand (2022: AED 331,853 thousand), and net profit for the year from continuing operations amounted to AED 41,043 thousand (2022: AED 125,584 thousand). The Group recorded a net loss for the year from discontinued operations amounting to AED 16,873 thousand (2022: AED 51,578 thousand).

Auditors
A resolution proposing the appointment of Ernst & Young as the auditors of the Group for the year ending 31 December 2024 will be put to the shareholders at the annual general meeting.

Signed on behalf of the Board of Directors

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Chairman

Ittihad International Investment LLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

ITTIHAD INTERNATIONAL INVESTMENT LLC

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Ittihad International Investment LLC (the "Company") and its subsidiaries (together 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 consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

ITTIHAD INTERNATIONAL INVESTMENT LLC continued

Report on the Audit of the Consolidated Financial Statements continued

Key audit matters continued

Revenue recognition
Revenue recognition is considered to be a key area of focus given there are multiple revenue streams associated with the Group which come from various decentralized operational locations. In addition, there are a number of different IT systems and applications in place for the recording of revenue transactions. The Group has a variety of customer contracts and revenue arrangements that require careful consideration and judgement to determine the appropriate revenue recognition. Further, revenue is also a key performance indicator for the Group's performance. During the year ended 31 December 2023, total revenue of the Group amounted to AED 10,427,851 thousand (note 4).

We reviewed the revenue recognition policies applied by the Group to assess their compliance with IFRS requirements. For each material operational location with significant revenue streams, we obtained, or involved component auditors:

- to obtain understanding of the design and operating effectiveness of the controls relating to the revenue recognition process; and
- to perform substantive audit procedures which included overall analytical procedures, at the Group and subsidiary level, and testing on transactions throughout the year, to assess whether revenues were properly recognised.

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 and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (32) of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

ITTIHAD INTERNATIONAL INVESTMENT LLC continued

Report on the Audit of the Consolidated Financial Statements continued

Auditor's responsibilities for the audit of the consolidated financial statements continued

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

- 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, action taken to eliminate threats or safeguards applied.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

ITTIHAD INTERNATIONAL INVESTMENT LLC continued

Report on the Audit of the Consolidated Financial Statements continued

Auditor's responsibilities for the audit of the consolidated financial statements continued
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.

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:

i) the Company has maintained proper books of accounts;
ii) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (32) of 2021;
iv) the financial information included in the report of the Board of Directors is consistent with the books of account and records of the Group;
v) investments in shares and stocks are included in note 12, and note 2.1 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2023;
vi) note 15 reflects the disclosures relating to related party transactions and the terms under which they were conducted;
vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2023, any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or of its Articles of Association which would have a material impact on its activities or its financial position as at 31 December 2023; and
viii) no social contribution was made during the year.

Signed by:
Ahmad Al Dali
Partner
Ernst & Young
Registration No 5548

10 May 2024
Abu Dhabi

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2023

	Notes	*2023* *AED'000*	*2022* *AED'000*
Revenue	4	**10,427,851**	10,966,290
Direct costs	5	**(9,794,672)**	(10,256,995)
GROSS PROFIT		**633,179**	709,295
Administrative expenses	6	**(303,444)**	(351,216)
Provision for expected credit losses	14	**(7,246)**	(26,226)
OPERATING PROFIT		**322,489**	331,853
Other income		**10,022**	11,422
Share of profit from associate	2.4	**2,750**	-
Gain on disposal of subsidiary	2.2	**2,317**	-
Net foreign exchange gain		**89**	4,941
Finance costs, net	7	**(285,272)**	(198,214)
Write-offs of loan processing fees	22.1	**(18,663)**	(15,372)
Reclassification of cash flow hedge reserve to profit or loss		**5,705**	(7,340)
Change in fair value of derivative financial instruments		**1,606**	(1,706)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**41,043**	125,584
Discontinued operations			
Loss for the year from discontinued operations	25	**(16,873)**	(51,578)
PROFIT FOR THE YEAR		**24,170**	74,006
Attributable to:			
Equity holders of the parent company:			
Continuing operations		**41,296**	125,584
Discontinued operations		**(16,873)**	(51,578)
		24,423	74,006
Non-controlling interest:			
Continuing operations		**(253)**	-
Discontinued operations		**-**	-
		(253)	-
		24,170	74,006

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Notes	***2023 AED'000***	*2022 AED'000*
PROFIT FOR THE YEAR		**24,170**	74,006
Other comprehensive (loss) income			
Items that may subsequently be reclassified to profit or loss			
Changes in fair value of cash flow hedges		**428**	61,993
Reclassification of cash flow hedge reserve to profit or loss		**(5,705)**	7,340
Foreign exchange difference on translation of foreign operations		**(6,898)**	46
		(12,175)	69,379
Items that will not be subsequently reclassified to profit or loss			
Changes in fair value of investment carried at fair value through other comprehensive income		**(2,009)**	(12,957)
Other comprehensive (loss) income for the year		**(14,184)**	56,422
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**9,986**	130,428
Attributable to:			
Equity holders of the parent company:			
Continuing operations		**27,112**	182,006
Discontinued operations	25	**(16,873)**	(51,578)
		10,239	130,428
Non-controlling interest:			
Continuing operations		**(253)**	-
Discontinued operations		**-**	-
		(253)	-
		9,986	130,428

The attached notes 1 to 31 form part of these consolidated financial statements.

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	9	**1,893,215**	1,946,618
Right of use assets	10	**95,554**	98,738
Intangible assets	8	**42,019**	36,066
Goodwill	11	**3,417**	3,134
Investments carried at fair value through other comprehensive income	12	**41,825**	69,695
Amounts due from related parties	15	**26,640**	28,395
Accounts receivable and prepayments	14	**44,235**	39,405
Investment in an associate	2.4	**2,810**	-
Derivative financial instruments	17	**7,682**	16,986
		2,157,397	2,239,037
Current assets			
Inventories	13	**865,701**	938,424
Accounts receivable and prepayments	14	**1,486,813**	1,436,552
Bank balances and cash	16	**562,002**	824,311
Amounts due from related parties	15	**50,912**	209,964
Derivative financial instruments	17	**5,146**	4,156
		2,970,574	3,413,407
Disposal group held for sale	25	**9,337**	16,381
		2,979,911	3,429,788
TOTAL ASSETS		**5,137,308**	5,668,825
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**500**	500
Shareholders' accounts	19	**97,637**	275,377
Statutory reserve	20	**9,443**	9,443
Retained earnings		**527,498**	512,166
Foreign currency translation reserve		**(6,891)**	7
Fair value reserve		**(12,619)**	(14,822)
Cash flow hedges reserve		**(6,005)**	(728)
Equity attributable to the owners of the Company		**609,563**	781,943
Non-controlling interest		**5,823**	-
Net equity		**615,386**	781,943
Non-current liabilities			
Warranty provisions	21	**5,198**	10,942
Term loans	22.1	**411,823**	1,577,815
Employees' end of service benefits	23	**78,062**	70,266
Lease liabilities	10	**98,352**	100,332
Derivative financial instruments	17	**32,577**	39,042
Non-convertible Sukuk	22.3	**1,253,223**	-
Bank financing facilities	22.2	**-**	1,240
Other non-current liabilities		**-**	3,431
		1,879,235	1,803,068

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued
As at 31 December 2023

	Notes	*2023* *AED'000*	*2022* *AED'000*
Current liabilities			
Accounts payable and accruals	24	**1,611,295**	1,526,401
Term loans	22.1	**77,568**	253,183
Bank financing facilities	22.2	**926,666**	1,243,844
Derivative financial instruments	17	**4,808**	7,852
Lease liabilities	10	**8,017**	5,421
Amounts due to related parties	15	**289**	1,644
Bank overdrafts	16	**10,562**	41,045
		2,639,205	3,079,390
Liabilities directly associated with disposal group held for sale	25	**3,482**	4,424
		2,642,687	3,083,814
Total liabilities		**4,521,922**	4,886,882
TOTAL EQUITY AND LIABILITIES		**5,137,308**	5,668,825

Chairman

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to equity holders of the Company									
	Share capital AED'000	*Shareholders accounts AED'000*	*Statutory reserve AED'000*	*Fair value reserve AED'000*	*Retained earnings AED'000*	*Cashflow hedge reserve AED'000*	*Foreign currency translation reserve AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Net equity AED'000*
Balance at 1 January 2022	500	271,795	9,443	(1,865)	438,160	(70,061)	(39)	647,933	-	647,933
Profit for the period	-	-	-	-	74,006	-	-	74,006	-	74,006
Other comprehensive (loss) income	-	-	-	(12,957)	-	69,333	46	56,422	-	56,422
Total comprehensive (loss) income for the period	-	-	-	(12,957)	74,006	69,333	46	130,428	-	130,428
Realised loss on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
Net movement in shareholders' accounts	-	3,582	-	-	-	-	-	3,582	-	3,582
Balance at 31 December 2022	500	275,377	9,443	(14,822)	512,166	(728)	7	781,943	-	781,943
Balance at 1 January 2023	500	275,377	9,443	(14,822)	512,166	(728)	7	781,943	-	781,943
Profit for the period	-	-	-	-	24,423	-	-	24,423	(253)	24,170
Other comprehensive (loss) income	-	-	-	(2,009)	-	(5,277)	(6,898)	(14,184)	-	(14,184)
Total comprehensive (loss) income for the period	-	-	-	(2,009)	24,423	(5,277)	(6,898)	10,239	(253)	9,986
Realised loss on disposal of investments carried at fair value through other comprehensive income	-	-	-	4,212	(4,212)	-	-	-	-	-
Acquisition of a subsidiary (note 2.1)	-	-	-	-	-	-	-	-	5,170	5,170
Additional contribution by non-controlling interest	-	-	-	-	-	-	-	-	906	906
Dividends declared and paid (note 30)	-	-	-	-	(4,879)	-	-	(4,879)	-	(4,879)
Net movement in shareholders' accounts	-	(177,740)	-	-	-	-	-	(177,740)	-	(177,740)
Balance at 31 December 2023	**500**	**97,637**	**9,443**	**(12,619)**	**527,498**	**(6,005)**	**(6,891)**	**609,563**	**5,823**	**615,386**

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	***2023*** ***AED'000***	*2022* *AED'000*
OPERATING ACTIVITIES			
Profit for the year from continuing operations		**41,043**	125,584
Loss for the year from discontinued operations		**(16,873)**	(51,578)
		24,170	74,006
Adjustments for:			
Finance costs		**286,041**	198,214
Write-off of loan processing fees	22.1	**18,663**	15,372
Amortisation of intangible assets	8	**10,580**	8,552
Amortisation of loan processing fees	22.1	**11,127**	26,458
Share of result on investment in an associate	2.4	**(2,750)**	-
Allowance for expected credit losses, net	14	**16,544**	44,741
Depreciation on property, plant and equipment	9	**155,999**	157,679
Depreciation of right of use of asset	10	**7,711**	6,615
Impairment of goodwill	11	**-**	1,272
Provision for warranty	21	**5,038**	3,812
Provision for slow moving inventories, net	13	**8,256**	6,209
Provision for employees' end of service benefits	23	**14,166**	13,467
Foreign exchange gain		**(89)**	(4,941)
Gain on sale of property, plant and equipment		**(442)**	(933)
Write-off of property, plant and equipment	9	**85**	1,455
Gain on disposal of subsidiary	2.2	**(2,317)**	-
Net changes in fair value of derivative financial instruments		**(7,311)**	9,046
		545,471	561,024
Working capital changes:			
Inventories		**64,487**	241,649
Accounts receivable and prepayments		**(65,524)**	(129,785)
Accounts payable and accruals, net of current portion of warranty provision		**26,925**	102,842
Amounts due from related parties		**(4,817)**	4,758
Amounts due to related parties		**1,793**	(1,129)
Cash generated from operations		**568,335**	779,359
Employees' end of service benefits paid	23	**(5,984)**	(7,430)
Warranty paid	21	**(8,784)**	(8,080)
Net cash flows from operating activities		**553,567**	763,849
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	**(99,790)**	(64,653)
Purchase of intangible assets	8	**(965)**	(12,422)
Net movement in investments carried at fair value through other comprehensive income		**25,861**	(32,855)
Term deposits redeemed (placed)	16	**48,251**	(48,251)
Proceeds from sale of property, plant and equipment		**1,681**	13,531
Proceeds from sale of assets designated as held for sale		**-**	19,663
Loan to an associate		**(4,404)**	-
Cash outflow from disposal of a subsidiary	2.2	**(65)**	-
Movement in other non-current assets		**-**	21,451
Amount released (deposited) as restricted cash	16	**183,650**	(183,650)
Settlement of a derivative financial instrument, net		**839**	(6,843)
Cash paid on acquisition of subsidiary, net of cash acquired	2.1	**(11,245)**	-
Net cash generated from (used in) investing activities		**143,813**	(294,029)

CONSOLIDATED STATEMENT OF CASH FLOWS continued
For the year ended 31 December 2023

	Notes	*2023* *AED'000*	*2022* *AED'000*
FINANCING ACTIVITIES			
Proceeds from non-convertible sukuk issuance, net of transaction costs		**1,253,223**	-
Proceeds from term loan		**270,301**	858,122
Repayment of term loans		**(1,641,698)**	(882,544)
Proceeds from bank financing facilities		**4,374,190**	3,723,368
Repayment of bank financing facilities		**(4,692,608)**	(3,876,970)
Payments to the shareholders	19	**(7,207)**	(2,121)
Dividends paid	30	**(4,879)**	-
Movement in other non-current liabilities		**-**	(2,513)
Payment of lease rentals	10	**(13,119)**	(10,438)
Capital injection by non-controlling interest		**906**	-
Finance costs paid		**(229,628)**	(206,668)
Net cash used in financing activities		**(690,519)**	(399,764)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**6,861**	70,056
Foreign currency translation adjustment		**(6,809)**	46
Cash and cash equivalents at 1 January		**551,782**	481,680
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16	**551,834**	551,782

*Significant non-cash transactions excluded from the consolidated statement of cash flows is as follows:

Sale of property and equipment to the shareholder	**-**	4,307
Transfers from property, plant and equipment to intangibles	**-**	1,196
Modification of lease liabilities	**1,459**	2,336
Due from related party settled by the shareholder (note 15)	**170,533**	-

The attached notes 1 to 31 form part of these consolidated financial statements.

1 ACTIVITIES

Ittihad International Investment LLC (the "Company") is a limited liability company registered in Abu Dhabi, U.A.E. on 11 September 2008.

The main activities of Ittihad International Investment LLC and its subsidiaries (the "Group") are manufacturing of papers, paperboard, ready to use printing and writing papers , tissue paper, cleaning detergent, producing and supplying copper rod, distributing straight steel bars, cut and bend services, clinker grinding, providing operation and maintenance services for infrastructure networks, water systems, sewage, treatment plants and solid municipal waste management, sales and marketing of medical equipment and apparatus, management of hospitals, technical and recognized services for maintenance and operation of medical equipment.

The registered address of the Company is P O Box 41188, Abu Dhabi, United Arab Emirates.

The Company is owned by Mr. Jawaan Awaida Suhail Awaida Al Khaili (hereinafter referred as the "Owner" or the "Shareholder").

The consolidated financial statements of the Group for the year ended 31 December 2023 were authorised for issue on 10 May 2024.

2 BASIS OF PREPARATION

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by International Accounting Standards Board (IASB), and the applicable requirements of the UAE Federal Law No. (32) of 2021.

These consolidated financial statements are presented in the United Arab Emirates Dirham ("AED") which is also the currency of primary economic environment in which the Company operates. Each entity in the Group determines its own functional currency. All financial information presented in AED has been rounded to the nearest thousand except otherwise stated.

The consolidated financial statements are prepared under the historical cost convention, except for measurement at fair value of derivative financial instruments and investments carried at fair value through other comprehensive income.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

2 BASIS OF PREPARATION continued

Basis of consolidation continued
The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

The consolidated subsidiaries and the Company's shareholding therein are as follows:

Subsidiaries & shareholding companies	*Country of incorporation*	*Activities*	*Percentage of holding* ***2023*** ***%***	*2022* *%*
Alternative Investments Sole proprietorship	United Arab Emirates	Invest in private companies and establishments	**100**	100
Industrial Capital Group LLC	United Arab Emirates	Invest in private companies and establishments	**100**	100
Union Copper Rod LLC	United Arab Emirates	Copper rod manufacturing	**100**	100
Union Rebar Factory LLC	United Arab Emirates	Steel bar cutting & bending	**100**	100
Union Chemicals Factory LLC	United Arab Emirates	Production of chemicals for detergents industry {Benzene Sulphonic Acid (LABSA) and Sodium Laureth Sulfate (SLES)}	**100**	100
National Cement Factory LLC	United Arab Emirates	Cement manufacturing	**100**	100
Crown Paper Mill LLC	United Arab Emirates	Tissue manufacturing and cutting	**100**	100
Emirates Link Group LLC	United Arab Emirates	Management and support services	**100**	100
Emirates Link Nitco LLC	United Arab Emirates	Water desalination and water treatment	**100**	100
Malegori Landscape General Contracting LLC	United Arab Emirates	Irrigation and environmental services, civil works, afforestation, electromechanical works, landscape, works and facility management.	**100**	100
Emirates Link Technology LLC (note 2.3)	United Arab Emirates	On-shore and off-shore oil & gas field services	**100**	100

2 BASIS OF PREPARATION continued

Basis of consolidation continued

Subsidiaries & shareholding companies	*Country of incorporation*	*Activities*	*Percentage of holding* ***2023*** *%*	*2022* *%*
Elite Intelligent Solutions LLC	United Arab Emirates	Information technology and network services	**100**	100
Advanced Pipeline Services LLC	United Arab Emirates	Cleaning and maintenance of sewerage pipes and water desalination and treatment plants operation and maintenance.	**100**	100
Ittihad International Petroleum Company LLC (note 2.3)*	United Arab Emirates	Oil and gas services	**100**	100
Growth Capital LLC	United Arab Emirates	Invest in private companies and establishments	**100**	100
Office Inspirations Décor & Furniture Trading LLC	United Arab Emirates	Trading of office furniture	**100**	100
Enma Recruitment LLC	United Arab Emirates	On shore and offshore oil and gas fields and facilities services and on demand labours	**100**	100
Med-In Investments LLC	United Arab Emirates	Invest in private companies and establishments	**100**	100
Abu Dhabi International Medical Services LLC	United Arab Emirates	Provider of pharmaceutical products and medical equipment	**100**	100
Unison Capital Investment LLC	United Arab Emirates	Health services and development	**100**	100
FourMed Medical Supplies LLC	United Arab Emirates	Provider of medical equipment	**100**	100
FourMed – FZ LLC	United Arab Emirates	Provider of medical equipment	**100**	100
Ittihad Gulf Limited	Kingdom of Saudi Arabia	Manufacturing of clearing and disinfecting detergents	**100**	100
Ittihad Paper Mill LLC	United Arab Emirates	Manufacturing and cutting of paper and carton	**100**	100
Ittihad Investments Company LLC	Kingdom of Saudi Arabia	Trading and services	**100**	100
Transportr LTD	United Arab Emirates	Freight requirement services	**100**	100
Peak Capital Management Ltd	United Arab Emirates	Investment management	**100**	100
Metropolic Paper Industries LLC	United Arab Emirates	Manufacturing and trading of paper products	**100**	100
Solv Group Limited	United Arab Emirates	Cleaning and waste management services	**100**	100
West Coast Cleaning and Environmental Services Company LLC	United Arab Emirates	Cleaning and waste management services	**100**	100
Solv Environmental Services Company LLC	United Arab Emirates	Cleaning and waste management services	**100**	100
West Coast Saubermacher Environmental Services LLC	United Arab Emirates	Street cleaning and waste management services	**100**	100
Solv Facilities Management LLC	United Arab Emirates	Cleaning and waste management services	**100**	100

2 BASIS OF PREPARATION continued

Basis of consolidation continued

Subsidiaries & shareholding companies	*Country of incorporation*	*Activities*	*Percentage of holding* **2023** *%*	*2022* *%*
Solv Advance Maintenance LLC	United Arab Emirates	Building maintenance	**100**	100
Solv International Foods & Catering Services LLC	United Arab Emirates	Building cleaning, disinfection & sterilization services	**100**	100
Solv Building Cleaning Services LLC	United Arab Emirates	Management and support services	**100**	100
Solv Autor Repair LLC	United Arab Emirates	Car multi-specialization maintenance workshop	**100**	100
Solv Advanced Technical Services LLC	United Arab Emirates	Painting contracting, plumbing & sanitary, electromechanical installation and maintenance	**100**	100
Gulf Ittihad for Environmental Services (Sole Proprietorship LLC)	Kingdom of Saudi Arabia	Cleaning and waste management services	**100**	100
Maqayes Al Deqa (note 2.1)	Kingdom of Saudi Arabia	Cleaning and waste management services	**70**	-
Ittihad International Ltd*	Cayman Island	Special purpose entity to issue sukuk	**100**	-
Abu Dhabi International Medical Services	Egypt	Provider of pharmaceutical products and medical equipment	**100**	100
Discontinued operations				
Al Ain National Precast Technology LLC	United Arab Emirates	Production and installation of precast concrete for residential, commercial, industrial, municipal, and government customers	**100**	100
Ishtar Décor LLC	United Arab Emirates	Interior designing and contracting	**100**	100
Ishtar Décor Factory LLC	United Arab Emirates	Interior designing and contracting	-	100

*Entity incorporated during the current year.

On 31 December 2022, the Group resolved.

- to discontinue all commercial operations of Ishtar Décor LLC ("Ishtar") as of the date of resolution,
- take necessary actions to transfer the employment contracts of consenting employees who will be retained by the Group to a different subsidiary; and
- arrange payments for pending supplier invoices and resolve any outstanding balances, and continue to pursue and collect the receivables of the respective companies and take any necessary legal actions in that regard.

Accordingly, the results of operations and cashflows of Ishtar have been presented as "discontinued operations" in these consolidated financial statements.

2 BASIS OF PREPARATION continued

2.1 ACQUISITION OF A SUBSIDIARY

Mqayes Aldeqaa Company Maintenance Co
On 5 January 2023, Solv Facilities Management LLC, a subsidiary, completed the acquisition of 70% equity interest in Mqayes Aldeqaa Company Maintenance Co ("Mqayes") for a consideration of AED 12,348 thousand. Mqayes is based in the Kingdom of Saudi Arabia and its principal activities include municipal waste collection services, transportation of non-hazardous industrial waste. From the date of acquisition, Mqayes contributed revenue and loss to the Group amounting to AED 14,774 thousand and AED 844 thousand respectively.

Assets acquired and liabilities assumed
The provisional fair values of the identified assets and liabilities of the acquired entity as at the date of acquisition were as follows

	AED'000
Assets	
Property, plant and equipment	**4,130**
Intangible assets	**15,568**
Trade and other receivables	**2,120**
Cash and bank balances	**1,103**
Total assets	**22,921**
Liabilities	
Employees' end of service benefit	**380**
Lease liabilities	**2,532**
Trade and other payables	**2,704**
Due to related parties	**70**
Total liabilities	**5,686**
Total identifiable net assets at fair value	**17,235**
Proportionate share of identifiable net assets acquired	**12,065**
Goodwill arising on acquisition	**283**
Total purchase consideration	**12,348**
Non-controlling interest on acquisition	**5,170**

Intangible assets of AED 15,568 thousand have been recognized as a result of the acquisition comprising of the license amounting to AED 10,305 thousand, trade name amounting to AED 4,709 thousand, and customer contracts amounting to AED 554 thousand. The useful lives of the intangible assets are determined as follows:

License	22 years
Trade name	10 years
Customer contracts	2 years

Goodwill of AED 283 thousand arising from the acquisition mainly represents the value of expected synergies arising from the acquisition, which are not separately recognized.

2 BASIS OF PREPARATION continued

2.1 ACQUISITION OF A SUBSIDIARY continued

The fair value measurement is based on significant inputs that are not observable in the market, which IFRS 13 "Fair Value Measurement" refers to as level 3 inputs. The fair value estimate is based on:

- Assumed discount rate of 14.7%; and
- Terminal value calculated based on long-term sustainable growth rates for the industry of 2%, which has been used to determine income for the future years.

Analysis of cashflows on acquisition is as follows:

	AED'000
Cash paid for the acquisition	**12,348**
Cash acquired on business combination	**(1,103)**
Net cash flows on acquisition (included in cash flows from investing activities)	**11,245**

2.2 DISPOSAL OF A SUBSIDIARY

Ishtar Décor Factory L.L.C
On 1 April 2023, the Group disposed of its entire ownership interest in Ishtar Décor Factory L.L.C for a consideration of AED 300 thousand to a related party under common control.

	AED'000
Assets	
Trade and other receivables	**2,802**
Amount due from related parties	**3**
Cash and bank balances	**65**
Total assets	**2,870**
Liabilities	
Employees' end of service benefit	**766**
Trade and other payables	**843**
Amount due to related parties	**3,278**
Total liabilities	**4,887**
Net liabilities attributable to the owner	**(2,017)**
Consideration receivable	**300**
Gain on disposal	**2,317**

The net cash flow generated from the sale of the above subsidiary is as follow:

Cash received from sale	**-**
Cash transferred out on disposal	**(65)**
Net cash outflow	**(65)**

2 BASIS OF PREPARATION continued

2.3 CHANGE IN LEGAL OWNERSHIP

During the year, the legal ownerships of Emirates Link Technology LLC ("ELT") and Ittihad Integrated Petroleum & Chemicals LLC ("IIP") were transferred to a Company owned by a related party. The beneficial ownerships of these two subsidiaries were retained by the Group through contractual arrangements. Accordingly, these two subsidiaries continued to be consolidated by the Group.

Summarized financial information about the subsidiaries are as follows:

	ELT *AED'000*	***IIP*** *AED'000*
Total assets	**18,859**	**3,754**
Total liabilities	**11,970**	**171**
Revenue	**4,110**	**-**
Profit for the year	**1,192**	**23**

2.4 INVESTMENT IN ASSOCIATE

During the year, the Group incorporated Fatorah Insurance Claims Settlement LLC ("Fatorah") for a consideration amounting to AED 60 thousand representing 40% interest in equity. Fatorah is a limited liability company, registered in the Emirate of Abu Dhabi. Its principal activity is management of insurance arrangements.

	AED'000
Additions during the year	**60**
Share of profit for the year	**2,750**
At 31 December	**2,810**

2.5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards, interpretations and amendments adopted by the company
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- IFRS 17 Insurance Contracts.
- Definition of Accounting Estimates – Amendments to IAS 8.
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12.
- International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12.

These amendments had no material impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

2 BASIS OF PREPARATION continued

2.5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

Making Materiality Judgments – 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.

UAE corporate income tax

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

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

The UAE CT Law shall apply to the Company and its UAE based subsidiaries with effect from 1 January 2024. The Ministry of Finance continue to issue supplemental Decisions of the Cabinet of Ministers of the UAE (Decisions) to further clarify certain aspects of the UAE CT Law. Such Decisions, and other interpretive guidance of the UAE Federal Tax Authority, are required to fully evaluate the impact of the UAE CT Law on the Group.

The Group performed an assessment based on the information available at this point of time on the impact of the law on Ittihad International Investment LLC and its subsidiaries. It was concluded that the corporate income tax law has immaterial impact on Ittihad International Investment LLC and its subsidiaries based on the facts currently available. The Group will continue to make assessments once additional information and clarification is released by the Cabinet..

No significant deferred tax assets or liabilities have been identified as at the reported date.

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

New and amended standards and interpretations

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IFRS 16: Lease Liability in a Sale and Lease back.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current.
- Supplier Finance Arrangement – Amendments to IAS 7 and IFRS 7.

The Group does not expect that the adoption of these new and amended standards and interpretations will have a material impact on its consolidated financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date 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:

Useful lives of property, plant and equipment
Management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge would be adjusted where management believes that the useful lives differ from previous estimates.

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Management has performed their annual goodwill impairment test and determined that no impairment was required to be recorded during the year (2022: impairment of AED 1,272 thousand).

Impairment of trade receivables, contract assets and retention receivables
The Group uses a provision matrix to calculate ECLs for trade receivables, contract assets and retention receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

At the consolidated statement of financial position date, gross trade receivables were AED 1,343,368 thousand (2022: AED 1,297,107 thousand) with a provision for expected credit losses of AED 97,057 thousand (2022: AED 106,378 thousand).

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

Estimation uncertainty continued
Impairment of trade receivables, contract assets and retention receivables continued
Contract assets include gross contract work in progress of AED 65,377 thousand (2022: AED 88,181 thousand), retention receivables of AED 24,337 thousand (2022: AED 22,187 thousand) and accrued income of AED 30,248 thousand (2022: AED 31,479 thousand). At 31 December 2023, provision for expected credit losses on contract assets, retention receivables and accrued income amounted to AED 13,880 thousand (2022: AED 14,482 thousand).

Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

Impairment of non-financial assets
Management determines at each reporting date whether there are any indicators of impairment relating to the Group's cash generating units. A broad range of internal and external factors is considered as part of the indicator review process, where necessary, an impairment assessment is performed. Impairment testing requires an estimation of the fair values less cost to sell and value in use of the cash generating units. The recoverable amounts require the Group to estimate the amount and timing of future cash flows, terminal value of the assets and choose a suitable discount rate in order to calculate the present value of the cash flows. The net carrying amounts of non-financial assets affected by the above estimations are mainly property, plant and equipment, goodwill, customer contract, and other intangible assets. Goodwill is tested for impairment on an annual basis. Goodwill is allocated to respective cash generating units.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the consolidated statement of financial position date, gross inventories were AED 876,373 thousand (2022: AED 946,001 thousand) with a provision for slow moving and obsolete items of AED 10,672 thousand (2022: AED 7,577 thousand). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

Revenue recognition on contracts
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of allowances and rebates. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below:

- *Identifying performance obligations*

The Group provides certain services that are either sold separately or bundled. The services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer. Where the Group determines that performance obligations are capable of being distinct, transaction price is allocated to each performance obligation based on relative stand-alone selling prices.

- *Satisfaction of performance obligations*

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. The Group concluded that revenue is to be recognised over time when the customer simultaneously receives and consumes the benefits provided by the Group. The Group recognises revenue on the basis of total costs expended relative to the total expected costs to complete the service.

The Group recognises revenue either at a point in time or over time upon the assessment of each contract to determine when the performance obligation of the Group under the contract is satisfied.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

Estimation uncertainty continued
Revenue recognition on contracts continued

- Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

In determining the impact of variable consideration, the Group uses the "most-likely amount" method in IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

- Transfer of control in contracts with customers

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the assets is transferred to the customer or benefits of the services being provided is received and consumed by the customer.

Warranty provisions
Warranty provisions are those liabilities that require a payment to be made to reimburse the customer or repair for a loss it incurs for purchase of goods from the Group in accordance with the terms of the sale agreement. After initial recognition and measurement, warranty liabilities are subsequently measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised. Best estimate is based on management assessment as a result of past experience and vendor quotations for repair against warranty claims.

Leases - estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 MATERIAL ACCOUNTING POLICY INFORMATION

Revenue recognition
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.

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.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Sale of goods
The Group contracts with customers for the sale of industrial and consumer products (copper, cement ,tissue , detergents, steel , paper and pharmaceutical products). Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer. The normal credit terms are 30 to 90 days upon delivery.

Rendering of services
The Group contracts with customers for providing services for infrastructure networks, water systems, sewage, treatment plants, solid municipal waste management and cleaning services for government and commercial buildings. Revenue from services is recognized over the period of the contract as customers simultaneously receive and consume the benefits as the Group performs the service. The normal payment terms for the service contracts include milestone billings allocated over the period of the contract.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 MATERIAL ACCOUNTING POLICY INFORMATION continued

Revenue recognition continued

Supply and installation of equipment

The Group provides installation services that are either sold separately or bundled together with the sale of equipment to a customer. The installation services do not significantly customize or modify the equipment.

Contracts for bundled sales of equipment and installation services are comprised of two performance obligations because the equipment and installation services are both sold on a stand-alone basis and are distinct within the context of the contract. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the equipment and installation services.

The Group recognises revenue from installation services at a point of time when the installation service is completed and certificate of completion is issued by the customer.

Warranty obligations

The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for as warranty provisions.

The Group provides a warranty beyond fixing defects that existed at the time of sale. These service-type warranties are sold either separately or bundled together with the sale of fire prevention equipment. Contracts for bundled sales of equipment and service-type warranty comprise two performance obligations because the equipment and service-type warranty are both sold on a stand-alone basis and are distinct within the context of the contract. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognised as a contract liability. Revenue for service-type warranties is recognised over the period in which the service is provided based on the time elapsed.

Contract balances

<u>Contract assets</u>

A contract asset is initially recognised for revenue earned from installation services because the receipt of consideration is conditional on successful completion of the installation. Upon completion of the installation and acceptance by the customer, the amount recognised as contract assets is reclassified to trade receivables.

Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in section of Financial instruments – initial recognition and subsequent measurement.

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 MATERIAL ACCOUNTING POLICY INFORMATION continued

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

Leasehold improvements	10 years
Buildings and containers	3 - 30 years
Furniture, computers and IT equipment	2 - 7 years
Machinery and equipment	2 - 25 years
Motor vehicles	2 - 10 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income in the year when the asset is sold or retired.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell their value in use.

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. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of comprehensive income as the expense is incurred.

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

Capital work in progress
Capital work in progress is included in property, plant and equipment at cost, on the basis of the percentage completed at the reporting date. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Group's policies when construction of the asset is completed and the asset commissioned.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life as follows:

Customer contracts	2 - 8 years
Computer software	3 - 10 years
Trade license	22 years
Trade name	10 years

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 MATERIAL ACCOUNTING POLICY INFORMATION continued

Intangible assets continued
Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

Business combinations and goodwill
Business combinations 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 acquirer 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 and included in administrative expenses.

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 re-measured to fair value at the acquisition date through the consolidated statement of comprehensive income.

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 which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 in the consolidated statement of comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

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 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 profit or loss.

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.

Acquisition of entities under common control
Transactions giving rise to a transfer of interest in entities that are under common control are accounted for in accordance with the pooling of interest method of accounting at the date the transfer without restatement of prior periods. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the books of transferor entity. The equity of the acquired entities is added to the retained earnings. Any transaction costs paid for the acquisition are recognised directly in equity.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 MATERIAL ACCOUNTING POLICY INFORMATION continued

Borrowing costs
Borrowing costs that are directly attributable to the design, development, procurement and construction of each part of a plant up to the date when all activities necessary to prepare each part of the plant for its intended use are complete, are capitalised as part of capital work in progress. Borrowing costs in respect of completed parts of the plant are recognised as an expense in the period in which they are incurred.

Fair value measurement
The Group measures financial instruments, such as, derivatives and investment securities, at fair value at each consolidated statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Foreign currency translation
The consolidated financial statements are presented in UAE Dirham (AED), which is the functional currency of Company and most of its subsidiaries. Functional currency is the currency of the primary economic environment in which an entity operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 MATERIAL ACCOUNTING POLICY INFORMATION continued

Foreign currency translation continued
Transactions and balances continued
Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies
The assets and liabilities of foreign operations are translated into AED at the rate of exchange ruling at the reporting date and their statements of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of comprehensive income.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets' or cash-generating units' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill
Goodwill is tested for impairment annually during the fourth quarter of each year and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit, or group of cash generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 MATERIAL ACCOUNTING POLICY INFORMATION continued

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at amortised cost (debt instruments, cash and cash equivalents and trade receivables)
b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
d) Financial assets at fair value through profit or loss

The Group's financial assets include bank balances and cash, derivative financial instruments, amounts due from related parties, investments at fair value through other comprehensive income and certain portion of trade and other receivables.

Cash and cash equivalents
Cash and cash equivalents consist of cash at hand and bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Financial assets at amortised cost
The Group measures financial assets at amortised cost if both of the following conditions are met:

a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of comprehensive income when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the consolidated statement of comprehensive income. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 MATERIAL ACCOUNTING POLICY INFORMATION continued

Financial assets continued

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include certain portion of accounts payable, term loans, short term financing facilities, lease liabilities, sukuk payable, amounts due to related parties, bank overdrafts and derivative financial instruments.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 MATERIAL ACCOUNTING POLICY INFORMATION continued

Financial assets continued
Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting
Initial recognition and subsequent measurement
The Group uses derivative financial instruments, forward currency contracts, to hedge its foreign currency risks.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risks, including interest rate swaps. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to consolidated statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to the consolidated statement of profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 MATERIAL ACCOUNTING POLICY INFORMATION continued

Derivative financial instruments and hedge accounting continued
Fair value hedges
The change in the fair value of a hedging instrument is recognised in the consolidated statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the consolidated statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statement of profit or loss as finance costs.

Amounts recognized as OCI are transferred to the consolidated statement of profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 MATERIAL ACCOUNTING POLICY INFORMATION continued

Derivative financial instruments and hedge accounting continued
Hedge effectiveness testing
To qualify for hedge accounting, the Group requires that at the inception of the hedge and on an ongoing basis:

- The hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- At inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- The hedging relationship meets all of the hedge effectiveness requirements;
- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Derivatives that do not qualify for hedge accounting
All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in the consolidated statement of profit or loss.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Raw materials	-	purchase cost on a weighted average basis.
Consumables and spare parts	-	purchase cost on a weighted average basis.
Finished goods and work in progress	-	costs of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Warranty provisions
Warranty provisions are those liabilities that require a payment to be made to reimburse the customer or repair for a loss they incur for purchase of goods or services from the Group in accordance with the terms of the sale agreement. After initial recognition and measurement, warranty liabilities are subsequently measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised. Best estimate is based on management assessment as a result of past experience and vendor quotations for repair or reimbursement against warranty claims.

Provisions
Provisions are recognised when the Group has present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Staff terminal benefits
The Group provides end of service benefits for its employees. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its UAE national employees, the Group makes contributions to the relevant government pension scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 MATERIAL ACCOUNTING POLICY INFORMATION continued

Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

i). Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the lease term. Right of use assets are subject to impairment. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right of use assets are also subject to impairment. The useful lives of right of use assets are 8 - 20 years:

ii). Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 MATERIAL ACCOUNTING POLICY INFORMATION continued

Leases continued
Group as a lessee continued

ii). Lease liabilities continued

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

iii). Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short- term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Non-current assets held for sale and discontinued operations
The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 MATERIAL ACCOUNTING POLICY INFORMATION continued

Non-current assets held for sale and discontinued operations continued
Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss from discontinued operations in the consolidated statement of comprehensive income.

All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

Investment in associates
An associate is an entity over which the Group has significant influence 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 has no control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The results and assets and liabilities of the associates are incorporated in the 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 under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement consolidated of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within "share of loss from investment in associate" in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 MATERIAL ACCOUNTING POLICY INFORMATION continued

Value added tax (VAT)
Expenses and assets are recognised net of the amount of VAT, except:

- When VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the interim condensed consolidated statement of financial position.

4 REVENUE

Set out below is disaggregation of the Group's revenue from contracts with customers:

4.1 Type of revenue

	2023	*2022*
	AED '000	*AED '000*
Sale of industrial products (copper, cement, tissue, detergents, steel, paper)	**9,551,598**	10,215,783
Waste collection and cleaning	**233,822**	213,830
Sale of medical equipment and pharmaceutical products	**231,306**	194,646
Operation and maintenance of sewerage network and related services	**192,272**	159,533
Medical services	**133,923**	133,801
Sale of furniture	**43,600**	25,731
Landscaping services	**25,285**	6,620
Others	**16,045**	16,346
	10,427,851	10,966,290

4.2 Timing of revenue recognition

	2023	*2022*
	AED '000	*AED '000*
Revenue recognized at a point in time	**9,920,447**	10,395,041
Revenue recognized over time	**507,404**	571,249
	10,427,851	10,966,290

4.3 Geographical markets

Within UAE	**3,146,984**	3,137,153
Outside UAE	**7,280,867**	7,829,137
	10,427,851	10,966,290

5 DIRECT COSTS

	2023	*2022*
	AED '000	*AED '000*
Materials and related costs	**9,262,934**	9,782,749
Staff costs	**368,437**	326,994
Depreciation on property, plant and equipment (note 9)	**145,633**	135,967
Provision for slow moving inventories (note 13)	**8,256**	6,209
Amortization of intangible assets (note 5)	**4,176**	-
Depreciation on right of use assets (note 10)	**5,236**	5,076
	9,794,672	10,256,995

6 ADMINISTRATIVE EXPENSES

	2023	*2022*
	AED '000	*AED '000*
Freight, insurance and outbound logistics	**106,966**	149,925
Staff costs	**123,697**	119,476
Depreciation on property, plant and equipment (note 9)	**10,366**	21,712
Legal and professional fees	**13,666**	16,489
Amortisation of intangible assets (note 8)	**6,404**	8,552
Short term lease expense (note 10)	**3,158**	4,174
Travel	**3,233**	2,822
Utilities	**2,888**	2,413
Depreciation on right-of-use assets (note 10)	**2,475**	1,539
Impairment of goodwill (note 11)	**-**	1,272
Others	**30,591**	22,842
	303,444	351,216

7 FINANCE COSTS, NET

	2023	*2022*
	AED '000	*AED '000*
Interest on bank loans	**209,748**	151,239
Bank charges and commissions	**51,885**	43,946
Sukuk interest expense	**18,863**	-
Interest on lease liabilities (note 10)	**6,676**	6,271
Interest expense from suppliers	**6,721**	-
Interest on bank overdrafts	**2,449**	1,859
Interest income	**(11,070)**	(5,101)
	285,272	198,214

8 INTANGIBLE ASSETS

	Trade name AED'000	*Trade License AED '000*	*Customer contracts AED '000*	*Computer software AED '000*	*Total AED '000*
2023					
Cost:					
At 1 January 2023	-	-	36,459	44,023	80,482
Acquired in business combination (note 2.1)	4,709	10,305	554	-	15,568
Additions	-	-	-	965	965
At 31 December 2023	**4,709**	**10,305**	**37,013**	**44,988**	**97,015**
Amortization:					
At 1 January 2023	-	-	32,661	11,755	44,416
Amortisation during the year	471	542	4,075	5,492	10,580
At 31 December 2023	**471**	**542**	**36,736**	**17,247**	**54,996**
Net carrying amount:					
At 31 December 2023	**4,238**	**9,763**	**277**	**27,741**	**42,019**
2022					
Cost:					
At 1 January 2022	-	-	36,459	30,405	66,864
Transferred from property, plant and equipment (note 9)	-	-	-	1,196	1,196
Additions	-	-	-	12,422	12,422
At 31 December 2022	-	-	36,459	44,023	80,482
Amortization:					
At 1 January 2022	-	-	28,103	7,668	35,771
Transferred from property, plant and equipment (note 9)	-	-	-	93	93
Amortisation during the year	-	-	4,558	3,994	8,552
At 31 December 2022	-	-	32,661	11,755	44,416
Net carrying amount:					
At 31 December 2022	-	-	3,798	32,268	36,066

The amortisation charge for the year has been allocated as follows:

	2023 AED '000	*2022 AED '000*
Direct costs (note 5)	**4,176**	-
Administrative expenses (note 6)	**6,404**	8,552
	10,580	8,552

9 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements AED'000	*Land, buildings and containers AED'000*	*Capital work in progress AED'000*	*Furniture, computers and IT equipment AED'000*	*Machinery and equipment AED'000*	*Motor vehicles AED'000*	*Total AED'000*
2023							
Cost:							
At 1 January 2023	13,024	677,317	6,498	75,357	1,795,053	257,821	2,825,070
Additions	3,388	2,886	17,562	4,826	50,947	20,181	99,790
Acquired in business combination (note 2.1)	-	56	-	13	53	4,008	4,130
Write-offs	-	-	-	-	(85)	-	(85)
Disposals	-	(5)	-	(7)	(1,723)	(5,960)	(7,695)
At 31 December 2023	**16,412**	**680,254**	**24,060**	**80,189**	**1,844,245**	**276,050**	**2,921,210**
Depreciation							
At 1 January 2023	5,017	148,083	-	53,716	467,548	204,088	878,452
Charge for the year	1,150	28,900	-	6,503	89,344	30,102	155,999
Relating to disposals	-	(4)	-	-	(1,712)	(4,740)	(6,456)
At 31 December 2023	**6,167**	**176,979**	**-**	**60,219**	**555,180**	**229,450**	**1,027,995**
Net carrying amount							
At 31 December 2023	**10,245**	**503,275**	**24,060**	**19,970**	**1,289,065**	**46,600**	**1,893,215**

9 PROPERTY, PLANT AND EQUIPMENT continued

	Leasehold Improvements AED'000	*Land, buildings and containers AED'000*	*Capital work in progress AED'000*	*Furniture, computers and IT equipment AED'000*	*Machinery and equipment AED'000*	*Motor vehicles AED'000*	*Total AED'000*
2022							
Cost:							
At 1 January 2022	12,497	698,349	2,103	64,840	1,781,180	252,042	2,811,011
Additions	527	12,198	7,343	13,061	23,252	8,272	64,653
Transferred to intangible assets (note 8)	-	-	-	(1,196)	-	-	(1,196)
Write-offs	-	-	-	(1,234)	(221)	-	(1,455)
Disposals	-	(33,230)	(2,948)	(114)	(9,158)	(2,493)	(47,943)
At 31 December 2022	13,024	677,317	6,498	75,357	1,795,053	257,821	2,825,070
Depreciation:							
At 1 January 2022	3,909	147,684	-	46,272	380,763	177,583	756,211
Charge for the year	1,108	32,375	-	7,617	87,654	28,925	157,679
Relating to disposals	-	(31,976)	-	(80)	(869)	(2,420)	(35,345)
Transferred to intangible assets (note 8)	-	-	-	(93)	-	-	(93)
At 31 December 2022	5,017	148,083	-	53,716	467,548	204,088	878,452
Net carrying amount							
At 31 December 2022	8,007	529,234	6,498	21,641	1,327,505	53,733	1,946,618

9 PROPERTY, PLANT AND EQUIPMENT continued

The depreciation charge for the year has been allocated as follows:

	2023 **AED '000**	2022 AED '000
Direct costs (note 5)	**145,633**	135,967
Administrative expenses (note 6)	**10,366**	21,712
	155,999	157,679

Property, plant and equipment with carrying value of AED 1,893,215 thousand (2022: AED 1,197,840 thousand) are mortgaged as security against term loans and bank facilities.

10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Group as a lessee
Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2023 **AED'000**	2022 AED'000
At 1 January	**98,738**	89,530
Depreciation expense	**(7,711)**	(6,615)
Additions	**3,073**	13,487
Modification of lease term	**1,459**	2,336
Exchange differences	**(5)**	-
At 31 December	**95,554**	98,738

Set out below, is the carrying amount of the Group's lease liabilities and the movement during the period:

	2023 **AED'000**	2022 AED'000
As at 1 January	**105,753**	94,572
Acquired in business combination (note 2.1)	**2,532**	-
Additions	**3,073**	13,012
Accretion of interest	**6,676**	6,271
Payments	**(13,119)**	(10,438)
Modification of lease term	**1,459**	2,336
Exchange differences	**(5)**	-
As at 31 December	**106,369**	105,753

Lease liabilities are analysed in the consolidated statement of financial position as follows:

	2023 **AED'000**	2022 AED'000
Current	**8,017**	5,421
Non-current	**98,352**	100,332
	106,369	105,753

10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES continued

Set out below, are the amounts recognised in the consolidated statement of comprehensive income related to leases:

	2023 AED'000	*2022 AED'000*
Depreciation expense of right-of-use assets	**7,711**	6,615
Interest expense on lease liabilities (note 7)	**6,676**	6,271
Operating lease expenses (note 6)	**3,158**	4,174

The depreciation on right of use assets has been allocated as follows:

	2023 AED '000	*2022 AED '000*
Direct costs (note 5)	**5,236**	5,076
Administrative expenses (note 6)	**2,475**	1,539
	7,711	6,615

11 GOODWILL

	2023 AED '000	*2022 AED '000*
At 1 January	**3,134**	3,134
Additions (note 2.1)	**283**	-
At 31 December	**3,417**	3,134

Company	*Date of acquisition*	*Business activity*	***2023 AED '000***	*2022 AED '000*
Emirates Link NITCO LLC	2008	Water desalination and water treatment	**2,890**	2,890
Advanced Pipeline Services LLC	2017	Cleaning and maintenance of sewerage pipes and water desalination and treatment plants operation and maintenance	**204**	204
Abu Dhabi International Medical Services LLC	2005	Provider of pharmaceutical products	**40**	40
Mqayes Aldeqaa Company Maintenance Co	2023	Provider of waste collection services	**283**	-
			3,417	3,134

11 GOODWILL continued

Impairment testing of goodwill
Goodwill acquired through business combinations is allocated to individual cash generating units for impairment testing. The recoverable amount is determined based on a value in use calculation using discounted cash flows projections, The cash flow projections are based on financial budgets approved by senior management covering a period of 3 years with a growth rate of 5% (2022: 5%). The weighted average capital cost rate applied to cash flow projections is 10% (2022: 10%).

As a result of the testing, during the year ended 31 December 2022, management recognised impairment on goodwill amounting to AED 1,272 relating to FourMed Medical Supplies LLC (note 6).

12 INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	*2022*
	AED '000	*AED '000*
Quoted and outside the UAE	**41,825**	69,695

This investment in equity instrument is not held for trading. Instead, it is held for long-term strategic purpose. Accordingly, management of the Group has elected to designate the investment as equity instrument at FVTOCI, as they believe that recognising short-term fluctuations would not be consistent with the Group’s strategy of holding the investment for long-term purposes and realising the performance potential in the long run. The investments are recorded at fair value using the valuation techniques as disclosed in note 29.

13 INVENTORIES

	2023	*2022*
	AED '000	*AED '000*
Raw materials	**334,429**	421,879
Finished goods	**327,600**	356,392
Spare parts and other consumables	**123,204**	123,864
Inventory work in progress	**75,594**	43,866
Goods in transit	**15,546**	-
	876,373	946,001
Provision for slow moving and obsolete inventories	**(10,672)**	(7,577)
	865,701	938,424

Movement in the provision for slow moving and obsolete inventories is as follows:

	2023	*2022*
	AED '000	*AED '000*
At 1 January	**7,577**	4,574
Reversal during the year	**-**	-
Write off	**(5,161)**	(3,206)
Provided during the year	**8,256**	6,209
At 31 December	**10,672**	7,577

The cost of inventories recognised as an expense in the consolidated income statement is AED 9,262,934 thousand (2022: AED 9,782,749 thousand).

14 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2023	*2022*
	AED '000	*AED '000*
Gross trade receivables	**1,343,368**	1,297,107
Provision for expected credit losses	**(97,057)**	(106,378)
	1,246,311	1,190,729
Contract work in progress	**65,377**	88,181
Accrued income	**30,248**	31,479
Retention receivable	**24,337**	22,187
Provision for expected credit losses	**(13,880)**	(14,482)
	1,352,393	1,318,094
Advances to suppliers	**60,128**	72,513
Prepaid expenses	**34,984**	38,068
Margin on guarantees	**29,522**	15,750
Deposits	**18,807**	8,869
Staff receivables	**3,949**	3,437
Notes receivable	**-**	2,067
VAT receivable	**6,863**	1,474
Other receivables	**24,402**	15,685
	1,531,048	1,475,957
Less: non-current retention, deposits and other receivables	**(44,235)**	(39,405)
	1,486,813	1,436,552

Movement in the provision for expected credit losses was as follows:

	2023	*2022*
	AED '000	*AED '000*
At 1 January	**120,860**	76,119
Written off	**(26,467)**	-
Charge for the year	**16,544**	44,741
At 31 December	**110,937**	120,860

Charge for the year includes the provision for expected credit losses relating to discontinued operations of AED 9,298 thousand (2022: AED 18,515 thousand) (note 25) which is presented as part of the discontinued operations in the statement of profit or loss.

15 RELATED PARTY TRANSACTIONS AND BALANCES

These represent transactions and balances with related parties, i.e. shareholders, family members, directors and senior management of the Group, and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Significant transaction with related parties carried out in the ordinary course of business, included in the consolidated statement of comprehensive income, are as follows:

	2023	*2022*
	AED '000	*AED '000*
Entity under common control		
Revenue	**39,215**	5,675

The Group pays expenses on behalf of related parties. Such expenses are recharged to the respective related parties.

Related party balances included in the consolidated statement of financial position are as follows:

	2023	*2022*
	AED '000	*AED '000*
Entities under common control		
Amounts due from related parties		
Emirates Link Contracting*	**8,133**	170,534
West Coast Waste Collection Co. LLC**	**29,373**	31,395
Emirates Link Maltauro***	**32,222**	31,215
Mqayes Al Deka	**-**	2,233
Others	**3,420**	2,982
	73,148	238,359
Associate		
Short-term loan to an associate		
Fatorah Insurance claims settlement LLC****	**4,404**	-
	77,552	238,359

*Amounts due from Emirates Link Contracting mainly represent funding provided by the Group and expenses paid on behalf of the related party. In June 2023, the Shareholder (Owner) settled an amount of AED 170,533 thousand due from Emirates link Contracting against the shareholders' account (note 19).

**This represents receivable from a related party to be received in annual installments of AED 3,000 thousand with an interest rate of 12 month EIBOR plus 3 % per annum.

***This represents balance receivable in respect of sales to the related party in the ordinary course of business.

****This represents a shareholder short-term loan extended to an equity accounted associate of the Group. The loan is non-interest bearing and repayable within one year.

Amounts due from related parties are expected on the basis of past experience, to be fully recoverable.

15 RELATED PARTY TRANSACTIONS AND BALANCES continued

Balances due from related parties are disclosed in the consolidated statement of financial position as follows:

	2023	*2022*
	AED '000	*AED '000*
Non-current portion	**26,640**	28,395
Current portion	**50,912**	209,964
	77,552	238,359

Other balances with related parties

Amounts due to related parties:		
Others	**289**	1,644

Other balances with a related party, under common Directorship that is disclosed in the consolidated statement of financial position as follows:

	2023	*2022*
	AED '000	*AED '000*
Current assets:		
Bank balance	**12,909**	8,330
Non-current liabilities:		
Bank loans	**413**	121,920
Current liabilities:		
Bank financing facilities	**224,616**	241,050

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	2023	*2022*
	AED '000	*AED '000*
Short-term benefits	**31,580**	31,155
Employees' end of service benefits	**3,033**	3,001
	34,613	34,156

16 BANK BALANCES AND CASH

Cash and cash equivalents included in the consolidated statements of cash flows comprise the following consolidated statement of financial position amounts:

	2023	*2022*
	AED '000	*AED '000*
Bank balances and cash	**562,002**	824,311
Add: cash under assets held for sale (note 25)	**394**	417
Less: term deposit*	**-**	(48,251)
Less: bank overdrafts	**(10,562)**	(41,045)
Less: restricted cash**	**-**	(183,650)
Cash and cash equivalents	**551,834**	551,782

16 BANK BALANCES AND CASH continued

Bank overdrafts carry interest at commercial rates and are secured by personal guarantees of the Owner.

* Term deposit was placed with a commercial bank, denominated in the UAE Dirham and earned interest at 4.9% per annum. The term deposit had an original maturity period of 6 months. As at 31 December 2023, the term deposit had expired.

**At 31 December 2022, bank deposit of AED 183,650 thousand was held as security against term loan 13 (note 22.1) and accordingly classified as restricted cash. As at 31 December 2023, term loan 10 (note 22.1) was settled and the restriction on the cash was lifted.

17 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives designated as hedging instruments:

	Notional amount USD'000	*Assets AED'000*	*Liabilities AED'000*
31 December 2023			
- Interest rate swaps	-	-	-
31 December 2022			
- Interest rate swaps	65,405	6,117	-

Derivatives not designated as hedging instruments:

	Notional amount USD'000	*Assets AED'000*	*Liabilities AED'000*
31 December 2023			
- Foreign exchange derivatives	**3,162,047**	**2,932**	**(16,478)**
- Interest rate swaps	**287,500**	**9,896**	**(20,907)**
		12,828	**(37,385)**
31 December 2022			
- Foreign exchange derivatives	3,294,001	-	(16,137)
- Interest rate swaps	350,000	15,025	(30,757)
		15,025	(46,894)

Derivative financial instruments are disclosed in the consolidated statement of financial position as follows:

	Assets		***Liabilities***	
	2023 AED'000	*2022 AED'000*	***2023 AED'000***	*2022 AED'000*
Current	**5,146**	4,156	**4,808**	7,852
Non-current	**7,682**	16,986	**32,577**	39,042
	12,828	21,142	**37,385**	46,894

17 DERIVATIVE FINANCIAL INSTRUMENTS continued

Derivative financial instruments carried at fair value through profit or loss
Foreign exchange derivatives
The Group enters into foreign exchange derivatives with banks for the purposes of buying and selling USD, SAR, AED and EUR at specific dates.

Interest rate swaps
During the prior year, the Group entered into an interest rate swap agreement with a bank under a "pay fixed receive variable" interest rate arrangement. The interest rate swap is classified as derivative carried at fair value through profit or loss.

Derivative financial instruments designated under cash flow hedges
Interest rate swaps
In prior years, the Group entered into interest rate swap arrangements with banks to fix its variable interest exposure on certain term loans and short-term bank financing facilities. The derivatives were designated as a hedge on initial recognition and accordingly any changes in fair value are reported in the other comprehensive income.

There was an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate swaps match the terms of the interest due under the term loan. The Group had hedged 100% of the loan and 100% of term loan 3 and a portion of its short-term bank financing facilities. To test the hedge effectiveness, the Group used the hypothetical derivative method and compared the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risk.

During 2022, the Group settled a hedged loan and accordingly, the hedging relationship was terminated and the derivative financial instruments was classified at fair value through profit or loss. Additionally, the hedge reserve relating to the interest rate swaps against a term loan of AED 7,340 thousand was reclassified to profit and loss.

During 2023, the Group settled loan 3 and accordingly, the hedging relationship was terminated and the derivative financial instrument was classified at fair value through profit or loss. Additionally, the hedge reserve relating to the interest rate swaps against term loan 3 of AED 5,705 thousand was reclassified to profit and loss.

18 SHARE CAPITAL

	Authorised, issued and fully paid AED'000
500 shares of AED 1,000 each (2022: 500 shares of AED 1,000 each)	**500**

19 SHAREHOLDERS' ACCOUNTS

The shareholders' accounts are unsecured, interest free and payable at the discretion of the Company. The movement in the shareholders' account during the year is as follows:

	2023 AED '000	*2022 AED '000*
Balance at 1 January	**275,377**	271,795
Sale of property and equipment to the shareholder	**-**	(4,307)
Settlement of amounts due from a related party (note 15)	**(170,533)**	-
Payments to the shareholders	**(7,207)**	(2,121)
Other movement	**-**	10,010
Balance at 31 December	**97,637**	275,377

20 STATUTORY RESERVE

In accordance with the Group companies' Articles of Association and the UAE Federal Decree Law No. (32) of 2021, 5% (2022: 5%) of the profit for the year is to be allocated annually to a non-distributable statutory reserve account and such appropriation shall be suspended when the reserve balance reaches an amount equal to 50% of the respective companies' paid-up capital. Such appropriation will be resumed whenever the reserve balance becomes less than 50% of the respective companies' paid-up capital.

21 WARRANTY PROVISIONS

	2023	*2022*
	AED '000	*AED '000*
Non-current	**5,198**	10,942
Current (note 24)	**3,804**	1,806
	9,002	12,748

The movement in warranty provisions during the year was as follows:

	2023	*2022*
	AED '000	*AED '000*
Balance at 1 January	**12,748**	17,016
Provision made during the year	**5,038**	3,812
Amount paid during the year	**(8,784)**	(8,080)
Balance at 31 December	**9,002**	12,748

22 LOANS AND BORROWINGS

	2023	*2022*
	AED '000	*AED '000*
Term loans (note 22.1)	**489,391**	1,830,998
Bank financing facilities (note 22.2)	**926,666**	1,245,084
Non-convertible sukuk (note 22.3)	**1,253,223**	-
	2,669,280	3,076,082

22.1 Term loans

	2023	*2022*
	AED '000	*AED '000*
Term loans	**503,026**	1,867,950
Unamortised transaction costs	**(13,635)**	(36,952)
	489,391	1,830,998

22 LOANS AND BORROWINGS continued

22.1 Term loans continued

	2023 *AED '000*	*2022* *AED '000*
At 1 January	**36,952**	70,231
Paid during the year	**6,473**	8,551
Amortised during the year	**(11,127)**	(26,458)
Related to settled loans*	**(18,663)**	(15,372)
At 31 December	**13,635**	36,952

* During the year, unamortised transaction cost of AED 18,663 thousand (2022: AED 15,372 thousand) was recognized in profit or loss upon the early settlement of certain term loans.

Disclosed in the consolidated statement of financial position as follows:

	2023 *AED '000*	*2022* *AED '000*
Current	**77,568**	253,183
Non-current	**411,823**	1,577,815
	489,391	1,830,998

	2023 *AED '000*	*2022* *AED '000*
Term loan 1	**108,369**	129,198
Term loan 2	**104,244**	141,872
Term loan 3	**-**	545,896
Term loan 4	**-**	43,750
Term loan 5	**403**	1,481
Term loan 6	**50,000**	50,000
Term loan 7	**-**	23,547
Term loan 8	**-**	24,493
Term loan 9	**-**	14,695
Term loan 10	**-**	183,625
Term loan 11	**29,077**	38,305
Term loan 12	**-**	634,136
Term loan 13	**15,493**	-
Term loan 14	**181,805**	-
	489,391	1,830,998

Term loan 1

During 2017, a subsidiary of the Group entered into a credit facility agreement with the Swedish Export Credit Agency via a commercial bank for an amount of EUR 52.9 million to finance the supply and installation of tissue paper mill machinery and related services in Abu Dhabi. The principal portion of the facility is repayable in semi-annual instalments over a period of 10 years. The loan carries a fixed interest rate to be charged from 6 months after the first utilisations of the loan being 12 June 2017. The loan is secured by the corporate guarantee of the Company.

22 LOANS AND BORROWINGS continued

22.1 Term loans continued

Term loan 2
During 2017, the Company obtained a loan from a commercial bank to finance the construction of printing and writing paper mill machinery and related services. The facility is secured by personal guarantee of the Owner and mortgage over property, plant and equipment. The loan carries interest at fixed rate and is repayable in 16 semi-annual installments starting June 2019.

Term loan 3
The term loan was obtained a subsidiary of the Group, the loan carried an interest as variable plus a spread and was repayable in semi-annual instalments. The loan was obtained for the construction of an uncoated wood free paper plant in Abu Dhabi.

Total cost of construction was projected to be around AED 1.101 billion (USD 300 million). The subsidiary of the Group secured a loan of AED 716 million (USD 195 million) representing 65% of project costs which was financed via debt while the remaining AED 385 million (USD 105 million) representing 35% of project costs has been financed through equity.

The loan was secured through personal guarantee of the Owner, the pledge of assets and assignment of assets and insurance.

During 2021, the subsidiary of the Group entered into a consent request with the banks to defer the repayment instalments. The subsidiary requested that the repayment instalments that would have been due on the following payment dates under the conventional facility be deferred as follows:

a) the repayment instalments payable in September 2021, March 2022 and September 2022 be deferred to and repaid on 1 December 2026; and
b) the repayment instalment payable March 2023 be deferred to and repaid on 1 July 2023.
c) the Company agreed in return to cancel an undrawn amount of AED 88 million (USD 24 million) from the facility thereby reducing the original loan amount from AED 716 million (USD195 million) to AED 628 million (USD 171 million).

The loan was settled in full during the current year.

Term loan 4
This loan was obtained by a subsidiary of the Group from a local bank in UAE to finance the continuation of the business operations and settle the existing indebtedness of the subsidiary of the Group with banks. The loan carried an interest at variable rate plus a spread and is repayable in quarterly instalments commencing from February 2021 and maturing in November 2026. The loan was secured by corporate guarantee from the Company and mortgages over vehicles, land and machinery and equipment. The loan was settled in the current year.

Term loan 5
This loan was obtained by a subsidiary of the Group from a local bank in UAE to finance its capital expenditures. The loan carries interest at variable market interest rate plus a spread and is repayable in 17 quarterly instalments commencing from April 2018. The loan is secured by corporate guarantee of the Company and mortgage over vehicles and machinery.

Term loan 6
This loan was obtained by a subsidiary of the Group from a local bank in UAE. The loan carries interest at variable market interest rate plus a spread and is repayable through two installments of AED 5 million on March 2024 and AED 45 million in March 2025. The loan is secured by guarantee of the Company.

22 LOANS AND BORROWINGS continued

22.1 Term loans continued

Term loan 7
This loan was obtained by a subsidiary of the Group from a local bank in UAE to partially finance vehicles and machinery and mobilization expenses. The loan carried an interest at variable market interest rate plus a spread rates and was repayable in 54 equal monthly instalments commencing from 31 March 2019. The loan was secured by mortgage of vehicles and guarantee of the Company. The loan was settled in the current year.

Term loan 8
This loan was obtained by a subsidiary of the Group from a local bank in UAE to finance a waste management project. The loan carried an interest at variable market interest rate plus a spread and was repayable in 19 equal quarterly instalments commencing from 30 June 2019. The loan is secured by mortgage of vehicles and guarantee of the Company. The loan was settled in the current year.

Term loan 9
This loan was obtained by a subsidiary of the Group from a bank in UAE to finance the acquisition of certain subsidiaries. The loan carried variable interest plus a spread and was repayable in 12 quarterly instalments of AED 340 thousand starting in March 2021 and the remaining balance of AED 14,695 thousand in December 2023. The loan was secured by corporate guarantee of the Company and a pledge of shares of subsidiary of the Group in favor of the bank. The loan was settled in the current year.

Term loan 10
This loan was obtained by a subsidiary of the Group from a local bank in UAE to support general corporate purposes. The loan carried an fixed interest rate and was repayable in bullet payment on 15 January 2024. The loan was secured by fixed term deposit held in the same local bank of AED 183,625 thousand (note 16). The loan was settled in the current year.

Term loan 11
This loan was obtained by a subsidiary of the Group from a local bank in UAE to support the expansion of business operations. The loan carries variable market interest rate plus a spread and was payable in 12 quarterly payments starting in December 2022 and ending in September 2025. The loan was secured by the corporate guarantee of the subsidiaries of the Group.

Term loan 12
On 30 December 2022, the Company entered into an Ijarah facility (the “Facility”) amounting to AED 642.69 million from two commercial banks in UAE to refinance its existing borrowings. The facility was repayable in 19 semi annual instalments starting from 23 July 2023 and maturing in January 2028. The loan carried an variable market profit rate plus a spread. The loan was settled in the current year.

The facility is senior unsecured and includes a “Negative Pledge” over the Group’s assets. However, if the facility is not refinanced by 31 March 2024, certain securities will be provided including commercial mortgage over plant and machinery of a subsidiary

The loan was settled in full during the current year.

Term loan 13
This loan was obtained by a subsidiary of the Group from a local bank in UAE to finance the construction of a new copper recycling factory project in addition to purchase of related machinery, vehicles and tools. The loan carries interest at a variable market interest rate of EIBOR + 2% and is repayable in 24 quarterly instalments commencing after 3 months from the date of disbursement of the amount or the end of the “moratorium” period of 1.5 years from the date of the first disbursement (whichever is earlier). The loan is secured by assignment of Musataha right on certain land and buildings and corporate guarantee of the Shareholder.

22 LOANS AND BORROWINGS continued

22.1 Term loans continued

Term loan 14
On 22 December 2023, the company entered into a facility letter for a term loan amounting to AED 183.65 million from a commercial bank in the UAE for general corporate purposes and settlement of certain working capital indebtedness of another commercial bank. The facility is repayable as a bullet payment in December 2026. The loan carries variable interest of 3 months SOFR plus 2.75% margin for the first year and the remaining years carry a fixed interest rate of 3.25%.

The facility includes a Negative Pledge over the Group’s property, plant and equipment.

22.2 Bank financing facilities

	2023 ***AED '000***	*2022* *AED '000*
Bank facilities	**926,666**	1,245,084

These facilities were obtained by the Group from commercial banks to finance working capital. They carry interest at variable market rate plus a spread and are secured by personal guarantees of the Owner and corporate guarantees of the Company and its subsidiaries.

The bank financing facilities are classified in the consolidated statement of financial position as follows:

	2023 ***AED '000***	*2022* *AED '000*
Current portion	**926,666**	1,243,844
Non-current portion	**-**	1,240
Total	**926,666**	1,245,084

22.3 Non-convertible Sukuk

	2023 ***AED '000***	*2022* *AED '000*
Non-convertible Sukuk	**1,253,223**	-

During the year, the Group issued trust certificates (Sukuk) of US$ 350 million which are listed on the International Stock Exchange in the Channel Islands. The sukuk carries profit rate of 9.75% payable semi-annually. The sukuk are repayable on 9 November 2028. The proceeds of the sukuk were utilised to repay a portion the Group’s of existing term loans and short term facilities.

The Sukuk is stated net of transaction costs incurred in connection with the Sukuk arrangements, amounting to AED 32,152 thousand, which are amortised to the consolidated statement of profit or loss over the repayment period of Sukuk using the effective interest rate method.

23 EMPLOYEES' END OF SERVICE BENEFITS

Movement in the provision recognised in the consolidated statement of financial position is as follows:

	2023	*2022*
	AED '000	*AED '000*
At 1 January	**70,266**	64,229
Acquired though business combination (note 2.1)	**380**	-
Derecognition of a subsidiary (note 2.2)	**(766)**	-
Provided during the year	**14,166**	13,467
Paid during the year	**(5,984)**	(7,430)
At 31 December	**78,062**	70,266

24 ACCOUNTS PAYABLE AND ACCRUALS

	2023	*2022*
	AED '000	*AED '000*
Trade payables	**1,335,085**	1,253,804
Other accruals or payables	**94,791**	89,864
Advances from customers	**78,496**	82,595
Accrued interest	**42,914**	40,865
Accrued salaries, wages and others	**26,499**	32,264
Accrued bonus	**21,873**	21,858
Retentions payable	**7,833**	3,345
Warranty provision (note 21)	**3,804**	1,806
	1,611,295	1,526,401

25 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

In 2022, the shareholders resolved to discontinue the operations of its subsidiary, Ishtar Décor LLC and Ishtar Décor Factory LLC. In 2020, the shareholders resolved to discontinue the operations of a subsidiary, Al Ain National Precast Technology LLC, and its assets and liabilities were classified as 'Disposal group held-for-sale' in accordance with IFRS 5 *Non-Current Assets Held For Sale And Discontinued Operations*.

The results and cashflows of the subsidiaries are presented as discontinued operations in the consolidated statement of profit or loss in accordance with IFRS 5.

	2023	*2022*
	AED'000	*AED'000*
Revenues	**951**	16,075
Direct costs	**(2,732)**	(30,803)
Gross loss	**(1,781)**	(14,728)
General and administrative expenses	**(5,192)**	(10,941)
Provision for expected credit losses	**(9,298)**	(18,515)
Finance costs	**(769)**	(961)
Other income	**167**	(6,433)
Loss for the year from discontinued operations	**(16,873)**	(51,578)

25 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS continued

The net cash flows incurred by the subsidiaries, were as follows:

	2023 ***AED'000***	*2022* *AED'000*
Operating	**(1,683)**	(13,846)
Investing	**-**	14,034
Financing	**1,660**	(238)
Net cash outflow	**(23)**	(50)

The assets and liabilities of a subsidiary, Al Ain National Precast Technology LLC, classified as disposal group held for sale in accordance with IFRS 5 comprise of the following:

	2023 ***AED'000***	*2022* *AED'000*
Assets		
Property, plant and equipment	**-**	12
Inventories	**-**	20
Accounts receivable and prepayments	**8,943**	15,736
Amounts due from related parties	**-**	196
Bank balances and cash	**394**	417
Disposal group held for sale	**9,337**	16,381
Liabilities		
Employees' end of service benefits	**-**	-
Accounts payable and accruals	**(3,397)**	(4,338)
Amounts due to related parties	**(85)**	(86)
Liabilities directly associated with disposal group held for sale	**(3,482)**	(4,424)
Net assets directly associated with disposal group	**5,855**	11,957

26 SEGMENT ANALYSIS

Segments were identified based on the Group's internal reporting and how the Chief Operating Decision Maker ("CODM") assesses the performance of the business. The Group has four reportable segments listed below

Consumer goods
These include manufacturing of papers, paperboard, ready to use printing and writing papers, tissue paper manufacturing, manufacturing & supply of cleaning detergent.

Infrastructure and building material
These include providing premium copper rods, straight steel bars and high-quality cement in addition to trading of timber, plywood and couplers.

Business services
These include providing operations and maintenance services for infrastructure networks, water systems, sewage, treatment plants and solid municipal waste management, procurement, operation and maintenance of government hospitals.

26 SEGMENT ANALYSIS continued

Healthcare and others
These include sales and marketing of medical equipment and apparatus, brokerage services and fit-out works.

Interest bearing loans and borrowings and Islamic loans except for the subsidiaries with project financing arrangements and bank overdrafts are managed on a group basis and are not allocated to operating segments.

Inter-segment transactions are on an arm's-length basis in a manner similar to transactions with third parties. Inter-segment revenues are eliminated on consolidation.

The Chief Operating Decision Makers (CODM) monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

26 SEGMENT ANALYSIS continued

	Consumer goods AED'000	*Infrastructure and building material AED'000*	*Business services AED'000*	*Health care and others AED'000*	*Hold co's & Eliminations AED'000*	***Total from continuing operations AED'000***	*Discontinued operations AED'000*	*Total AED'000*
2023								
Revenue from external customers	1,906,726	7,643,944	585,356	288,742	3,083	**10,427,851**	951	**10,428,802**
Inter-segment revenue	-	-	-	68,649	(68,649)	-	-	-
Direct cost	(1,668,278)	(7,422,495)	(470,393)	(297,276)	63,770	**(9,794,672)**	(2,732)	**(9,797,404)**
GROSS PROFIT	238,448	221,449	114,963	60,115	(1,796)	**633,179**	(1,781)	**631,398**
Administrative expenses	(99,889)	(77,061)	(41,232)	(45,275)	(39,987)	**(303,444)**	(5,192)	**(308,636)**
Provision for expected credit losses	(2,582)	(5,155)	897	(406)	-	**(7,246)**	(9,298)	**(16,544)**
Other income / (expense)	2,048	892	7,167	2,112	(2,197)	**10,022**	167	**10,189**
Share of profit from associate	-	-	-	2,750	-	**2,750**	-	**2,750**
Gain on disposal of subsidiary	-	-	-	-	2,317	**2,317**	-	**2,317**
Net foreign exchange gain	(1,562)	(431)	(13)	66	2,029	**89**	-	**89**
Finance costs	(83,816)	(60,744)	(9,736)	(11,275)	(119,701)	**(285,272)**	(769)	**(286,041)**
Write-off of loan processing fees	(10,915)	-	-	-	(7,748)	**(18,663)**	-	**(18,663)**
Reclassification of cash flow hedge reserve to Profit and loss	5,705	-	-	-	-	**5,705**	-	**5,705**
Change in fair value of derivatives	(1,849)	-	-	-	3,455	**1,606**	-	**1,606**
PROFIT (LOSS) FOR THE YEAR	45,588	78,950	72,046	8,087	(163,628)	**41,043**	(16,873)	**24,170**
TOTAL ASSETS	2,204,663	1,857,665	484,071	446,737	134,835	**5,127,971**	9,337	**5,137,308**
TOTAL LIABILITIES	725,135	1,348,281	167,819	345,272	1,931,933	**4,518,440**	3,482	**4,521,922**

26 SEGMENT ANALYSIS continued

	Consumer goods AED'000	*Infrastructure and building material AED'000*	*Business services AED'000*	*Health care and others AED'000*	*Adjustments eliminations and unallocated AED'000*	*Total from continuing operations AED'000*	*Discontinued operations AED'000*	*Total AED'000*
2022								
Revenue from external customers	2,127,505	8,088,244	519,042	157,263	74,236	10,966,290	16,075	10,982,365
Inter-segment revenue	-	-	-	72,085	(72,085)	-	-	-
Direct costs	(1,716,111)	(7,942,217)	(423,144)	(181,377)	5,854	(10,256,995)	(30,803)	(10,287,798)
GROSS PROFIT	411,394	146,027	95,898	47,971	8,005	709,295	(14,728)	694,567
Administrative expenses	(141,903)	(88,697)	(43,787)	(40,046)	(36,783)	(351,216)	(10,941)	(362,157)
Provision for expected credit losses	(8,821)	(10,081)	(2,109)	(5,215)	-	(26,226)	(18,515)	(44,741)
Other income (expense)	2,223	1,927	11,682	(1,571)	(2,839)	11,422	(6,433)	4,989
Net foreign exchange gain	-	-	-	-	4,941	4,941	-	4,941
Write-offs of loan processing fees	-	-	-	-	(15,372)	(15,372)	-	(15,372)
Finance costs, net	(72,504)	(19,992)	(11,730)	(8,159)	(85,829)	(198,214)	(961)	(199,175)
Reclassification of cash flow hedge reserve to profit or loss	-	-	-	-	(7,340)	(7,340)	-	(7,340)
Change in fair value of derivative financial instruments	-	-	-	-	(1,706)	(1,706)	-	(1,706)
PROFIT (LOSS) FOR THE YEAR	190,389	29,184	49,954	(7,020)	(136,923)	125,584	(51,578)	74,006
TOTAL ASSETS	2,552,608	1,637,692	415,930	516,933	529,281	5,652,444	16,381	5,668,825
TOTAL LIABILITIES	1,621,674	1,108,519	300,546	386,091	1,465,628	4,882,458	4,424	4,886,882

27 CONTINGENCIES AND COMMITMENTS

	2023	*2022*
	AED'000	*AED'000*
Contingencies and commitments	**621,687**	573,970

28 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group's principal financial liabilities comprise term loans, lease liabilities, bank financing facilities, bank overdraft, derivative financial instruments, trade and other payables and amounts due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as investment carried at fair value through other comprehensive income, trade and other receivables, contract assets, amounts due from related parties, derivative financial instruments and cash and bank balances, which arise directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade receivables and certain other assets as reflected in the consolidated statement of financial position.

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Set out below is the information about the credit risk exposure on the Group's financial assets using a provision matrix:

	Total	*Current*	*0-30 days*	*31 - 60 days*	*61 - 90 days*	*> 90 days*
	AED	*AED*	*AED*	*AED*	*AED*	*AED*
31 December 2023						
Expected credit loss rate		**0.01%**	**0.38%**	**0.55%**	**35.53%**	**38.92%**
Estimated total gross carrying amount at default	**1,463,330**	**838,799**	**269,773**	**72,297**	**13,763**	**268,698**
Less: expected credit losses	**(110,937)**	**(42)**	**(1,030)**	**(399)**	**(4,890)**	**(104,576)**
	1,352,393	**838,757**	**268,743**	**71,898**	**8,873**	**164,122**
31 December 2022						
Expected credit loss rate		0.02%	0.57%	0.50%	13.14%	30.17%
Estimated total gross carrying amount at default	1,438,954	724,512	237,752	58,432	41,918	376,340
Less: expected credit losses	(120,860)	(165)	(1,353)	(294)	(5,507)	(113,541)
	1,318,094	724,347	236,399	58,138	36,411	262,799

28 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES continued

Liquidity risk
Liquidity risk is the risk that the Group will be unable to meet its funding requirements. The maturity profile of financial liabilities is monitored by management to ensure adequate liquidity is maintained.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group Finance. The Group finance monitors rolling forecast of the Group' liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Such forecasting takes into consideration the Group's debts financing plans, covenant compliance and compliance with internal consolidation statement of financial position targets.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2023 and 31 December 2022, based on contractual payment dates and current market interest rates.

	On demand AED'000	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*> 5 years AED'000*	*Total AED'000*
At 31 December 2023						
Trade payables	**226,133**	**312,881**	**796,071**	**-**	**-**	**1,335,085**
Amounts due to related parties	**289**	**-**	**-**	**-**	**-**	**289**
Bank financing facilities	**-**	**159,185**	**800,679**	**-**	**-**	**959,864**
Bank overdrafts	**13,011**	**-**	**-**	**-**	**-**	**13,011**
Non-convertible sukuk	**-**	**62,662**	**62,662**	**1,786,671**	**-**	**1,911,995**
Lease liabilities	**-**	**2,804**	**23,367**	**40,310**	**104,626**	**171,107**
Derivative financial instruments	**-**	**585**	**4,224**	**32,576**	**-**	**37,385**
Term loans	**-**	**5,266**	**-**	**546,582**	**-**	**551,848**
Total	**239,433**	**543,383**	**1,687,003**	**2,406,139**	**104,626**	**4,980,584**
At 31 December 2022						
Trade payables	211,044	535,247	507,513	-	-	1,253,804
Amounts due to related parties	1,644	-	-	-	-	1,644
Bank financing facilities	-	351,993	920,152	2,138	-	1,274,283
Bank overdrafts	41,045	-	-	-	-	41,045
Lease liabilities	-	2,804	23,367	40,310	104,626	171,107
Derivative financial instruments	-	4,179	3,354	27,220	12,141	46,894
Term loans	-	21,161	507,162	1,423,669	233,916	2,185,908
Total	253,733	915,384	1,961,548	1,493,337	350,683	4,974,685

Currency risk
Currency risk comprises of transactions and statement of financial position risk. Transaction risk relates to the Group's cash flow being adversely affected by a change in the exchange rates of foreign currencies against UAE Dirham. Statement of financial position risk relates to the risk of the Group's monetary assets and liabilities in foreign currencies acquiring a lower or higher value, when translated into UAE Dirham as a result of currency movements.

The Group's major transactions in foreign currencies are in US Dollar. As the exchange rate of the UAE Dirham is pegged to the US Dollar, the Group is not subject to significant currency risk against balances in US Dollar.

Equity price risk
Equity price risk is the risk that the fair values of equities change as a result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure to the Group's equity and other comprehensive income arises from the Group's investments carried at fair value through other comprehensive income amounting to AED 41,825 thousand (2022: AED 69,695 thousand). The Group's profit or loss is not sensitive to equity price changes in its investment portfolio.

28 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES continued

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's cash flow exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations and deposits with floating interest rates.

To manage the cash flow risk relating to its floating rate borrowings, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. At 31 December 2023, after taking into account the effect of interest rate swaps, approximately 55% of the Group's borrowings are at a fixed rate of interest (2022: 7.84%).

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's profit for one year (through the impact on unhedged portion of loans and borrowings).

Effect on profit	*AED'000*
2023	
+ 100 increase in basis points	**(12,034)**
- 100 decrease in basis points	**12,034**
2022	
+ 100 increase in basis points	(22,266)
- 100 decrease in basis points	22,266

Capital management
The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in business conditions.

No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022. Capital comprises share capital, shareholders' accounts, statutory reserve, fair value reserve, retained earnings, cash flow hedges reserve, non-controlling interest and is measured at AED 615,368 thousand as at 31 December 2023 (2022: AED 781,943 thousand).

	2023 ***AED'000***	*2022* *AED'000*
Bank overdrafts	**10,562**	41,045
Term loans	**489,391**	1,830,998
Non-convertible sukuk	**1,253,223**	-
Bank financing facilities	**926,666**	1,245,084
	2,679,842	3,117,127
Less: bank balances and cash	**(562,002)**	(824,311)
Net debt	**2,117,840**	2,292,816
Total capital	**615,386**	781,943
Capital and net debt	**2,733,226**	3,074,759
Debt to equity ratio	**77.5%**	74.6%

28 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES continued

Changes in liabilities arising from financing activities

	1 January 2023 AED'000	*Cash flows AED'000*	*Other AED'000*	*31 December 2023 AED'000*
At 31 December 2023				
Term loans	**1,830,998**	**(1,371,397)**	**29,790**	**489,391**
Non-convertible sukuk	**-**	**1,253,223**	**-**	**1,253,223**
Bank financing facilities	**1,245,084**	**(318,418)**	**-**	**926,666**
Total	**3,076,082**	**(436,592)**	**29,790**	**2,669,280**

	1 January 2022 AED'000	*Cash flows AED'000*	*Other AED'000*	*31 December 2022 AED'000*
At 31 December 2022				
Term loans	1,837,513	2,036	(8,551)	1,830,998
Bank financing facilities	1,398,686	(153,602)	-	1,245,084
Total	3,236,199	(151,566)	(8,551)	3,076,082

The 'Other' column includes the effect of unamortised transaction costs for term loans and write off of unamortised transaction costs related to term loans that are early settled.

29 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value of the Group's assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting year. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable and gives information about how the fair value of these financial assets are determined.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Derivatives are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 AED '000	*Level 2 AED '000*	*Level 3 AED '000*	*Total fair value AED '000*
31 December 2023				
Assets measured at fair value:				
Investments carried at FVTOCI	-	41,825	-	41,825
Derivative financial instruments	-	12,828	-	12,828
	-	**54,653**	-	**54,653**
Liabilities measured at fair value:				
Derivative financial instruments	-	**37,385**	-	**37,385**

29 FAIR VALUES OF FINANCIAL INSTRUMENTS continued

	Level 1 AED '000	*Level 2 AED '000*	*Level 3 AED '000*	*Total fair value AED '000*
31 December 2022				
Assets measured at fair value:				
Investments carried at FVTOCI	69,695	-	-	69,695
Derivative financial instruments	-	21,142	-	21,142
	69,695	21,142	-	90,837
Liabilities measured at fair value:				
Derivative financial instruments	-	46,894	-	46,894

During the year ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

30 DIVIDENDS

During the year, the Company declared and paid dividends amounting to AED 4,879 thousand to the owner.

31 COMPARATIVES

Certain comparative amounts have been reclassified to conform to current year's presentations. These reclassifications have no impact on previously reported profit or equity of the Group.