

# **Ittihad International Investment LLC**

## **REPORT OF THE BOARD OF DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2024**

# **Ittihad International Investment LLC**

**REPORT OF THE BOARD OF DIRECTORS**

**31 DECEMBER 2024**

## 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 2024.

#### **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.

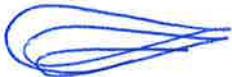
#### **Results for the year**

Revenue for the year from continuing operations amounted to AED 12,258,049 thousand (2023: AED 10,427,851 thousand), operating profit for the year from continuing operations amounted to AED 375,475 thousand (2023: AED 322,489 thousand), and net profit before tax for the year from continuing operations amounted to AED 93,169 thousand (2023: AED 41,043 thousand). The Group recorded a net loss for the year from discontinued operations amounting to AED 453 thousand (2023: AED 16,873 thousand).

#### **Auditors**

A resolution proposing the appointment of Ernst & Young as the auditors of the Group for the year ending 31 December 2025 will be put to the shareholders at the annual general meeting.

Signed on behalf of the Board of Directors



Chairman

# **Ittihad International Investment LLC**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2024**

## 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 2024, 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 2024 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”) Accounting Standards as issued by the International Accounting Standards Board (IASB).

#### *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 2024, total revenue of the Group amounted to AED 12,258,049 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 IFRS Accounting Standards 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.

**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 13, and note 2.4 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2024;
- vi) note 16 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 2024 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 2024; and
- viii) no social contribution was made during the year.

For Ernst & Young



Ahmad Al Dali  
Registration No 5548

15 April 2025  
Abu Dhabi, United Arab Emirates

# Ittihad International Investment LLC

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
Revenue	5	<b>12,258,049</b>	10,427,851
Direct costs	6	<b>(11,514,104)</b>	<b>(9,794,672)</b>
<b>GROSS PROFIT</b>		<b>743,945</b>	633,179
Administrative expenses	7	<b>(355,343)</b>	(303,444)
Provision for expected credit losses	15	<b>(13,127)</b>	<b>(7,246)</b>
<b>OPERATING PROFIT</b>		<b>375,475</b>	322,489
Other income		<b>12,553</b>	10,022
Share of profit from associate	2.4	<b>1,707</b>	2,750
Gain on disposal of subsidiary	2.2	-	2,317
Net foreign exchange (loss) gain		<b>(4,451)</b>	89
Finance costs, net	8	<b>(287,004)</b>	(285,272)
Write-offs of loan processing fees	23.1	-	(18,663)
Reclassification of cash flow hedge reserve to profit or loss		<b>(839)</b>	5,705
Change in fair value of derivative financial instruments		<b>(4,272)</b>	<b>1,606</b>
<b>PROFIT BEFORE TAX FOR THE YEAR</b>		<b>93,169</b>	41,043
Income tax expense	26	<b>(18,759)</b>	-
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>74,410</b>	41,043
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	27	<b>(453)</b>	<b>(16,873)</b>
<b>PROFIT FOR THE YEAR</b>		<b>73,957</b>	<b>24,170</b>
<b>Attributable to:</b>			
<i>Equity holders of the parent company:</i>			
Continuing operations		<b>75,409</b>	41,296
Discontinued operations		<b>(453)</b>	<b>(16,873)</b>
		<b>74,956</b>	<b>24,423</b>
<i>Non-controlling interest:</i>			
Continuing operations		<b>(999)</b>	(253)
Discontinued operations		<b>-</b>	<b>-</b>
		<b>(999)</b>	<b>(253)</b>
		<b>73,957</b>	<b>24,170</b>

The attached notes 1 to 33 form part of these consolidated financial statements.

# Ittihad International Investment LLC

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
<b>PROFIT FOR THE YEAR</b>		<b>73,957</b>	24,170
<b>Other comprehensive loss</b>			
<i>Items that may subsequently be reclassified to profit or loss</i>			
Changes in fair value of cash flow hedges		-	428
Reclassification of cash flow hedge reserve to profit or loss		<b>839</b>	(5,705)
Foreign exchange difference on translation of foreign operations		<b>(11,067)</b>	<b>(6,898)</b>
		<b>(10,228)</b>	<b>(12,175)</b>
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Changes in fair value of investment carried at fair value through other comprehensive income		<b>(8,550)</b>	<b>(2,009)</b>
<b>Other comprehensive loss for the year</b>		<b>(18,778)</b>	<b>(14,184)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>55,179</b>	<b>9,986</b>
<b>Attributable to:</b>			
<i>Equity holders of the parent company:</i>			
Continuing operations		<b>56,631</b>	27,112
Discontinued operations	27	<b>(453)</b>	<b>(16,873)</b>
		<b>56,178</b>	<b>10,239</b>
<i>Non-controlling interest:</i>			
Continuing operations		<b>(999)</b>	<b>(253)</b>
Discontinued operations		<b>-</b>	<b>-</b>
		<b>(999)</b>	<b>(253)</b>
		<b>55,179</b>	<b>9,986</b>

The attached notes 1 to 33 form part of these consolidated financial statements.

# Ittihad International Investment LLC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 AED'000	2023 AED'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>1,876,373</b>	1,893,215
Right of use assets	11	<b>91,575</b>	95,554
Intangible assets	9	<b>42,932</b>	42,019
Goodwill	12	<b>3,417</b>	3,417
Investments carried at fair value through other comprehensive income	13	<b>27,003</b>	41,825
Amounts due from related parties	16	<b>23,961</b>	26,640
Accounts receivable and prepayments	15	<b>46,532</b>	44,235
Investment in an associate	2.4	<b>4,517</b>	2,810
Derivative financial instruments	18	<b><u>11,164</u></b>	<u>7,682</u>
		<b><u>2,127,474</u></b>	<u>2,157,397</u>
<b>Current assets</b>			
Inventories	14	<b>940,655</b>	865,701
Accounts receivable and prepayments	15	<b>1,813,933</b>	1,486,813
Bank balances and cash	17	<b>630,960</b>	562,002
Amounts due from related parties	16	<b>42,863</b>	50,912
Derivative financial instruments	18	<b><u>1,437</u></b>	<u>5,146</u>
		<b><u>3,429,848</u></b>	<u>2,970,574</u>
Disposal group held for sale	27	<b><u>7,103</u></b>	<u>9,337</u>
		<b><u>3,436,951</u></b>	<u>2,979,911</u>
<b>TOTAL ASSETS</b>		<b><u>5,564,425</u></b>	<u>5,137,308</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	19	<b>500</b>	500
Shareholders' accounts	20	<b>85,329</b>	97,637
Statutory reserve	21	<b>9,443</b>	9,443
Retained earnings		<b>606,927</b>	527,498
Foreign currency translation reserve		<b>(17,958)</b>	(6,891)
Fair value reserve		<b>(25,642)</b>	(12,619)
Cash flow hedges reserve		<b><u>(5,166)</u></b>	<u>(6,005)</u>
<b>Equity attributable to the owners of the Company</b>		<b>653,433</b>	609,563
Non-controlling interest		<b><u>5,202</u></b>	<u>5,823</u>
<b>Net equity</b>		<b><u>658,635</u></b>	<u>615,386</u>

Ittihad International Investment LLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued

As at 31 December 2024

	Notes	2024 AED'000	2023 AED'000
<b>Non-current liabilities</b>			
Warranty provisions	22	4,029	5,198
Term loans	23.1	303,764	411,823
Employees' end of service benefits	24	87,591	78,062
Lease liabilities	11	96,937	98,352
Derivative financial instruments	18	26,354	32,577
Non-convertible Sukuk	23.3	1,630,079	1,253,223
Deferred tax liability	26	1,260	-
		<b>2,150,014</b>	<b>1,879,235</b>
<b>Current liabilities</b>			
Accounts payable and accruals	25	2,132,743	1,611,295
Income tax payable	26	19,089	-
Term loans	23.1	54,243	77,568
Bank financing facilities	23.2	527,888	926,666
Derivative financial instruments	18	6,473	4,808
Lease liabilities	11	6,938	8,017
Amounts due to related parties	16	178	289
Bank overdrafts	17	5,000	10,562
		<b>2,752,552</b>	<b>2,639,205</b>
Liabilities directly associated with disposal group held for sale	27	<u>3,224</u>	<u>3,482</u>
		<b>2,755,776</b>	<b>2,642,687</b>
<b>Total liabilities</b>		<b>4,905,790</b>	<b>4,521,922</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,564,425</b>	<b>5,137,308</b>



Chairman

The attached notes 1 to 33 form part of these consolidated financial statements.

# Ittihad International Investment LLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	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 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 32)	-	-	-	-	(4,879)	-	-	(4,879)	-	(4,879)
Net movement in shareholders' accounts	-	(177,740)	-	-	-	-	-	(177,740)	-	(177,740)
Balance at 31 December 2023	<u>500</u>	<u>97,637</u>	<u>9,443</u>	<u>(12,619)</u>	<u>527,498</u>	<u>(6,005)</u>	<u>(6,891)</u>	<u>609,563</u>	<u>5,823</u>	<u>615,386</u>
Balance at 1 January 2024	500	97,637	9,443	(12,619)	527,498	(6,005)	(6,891)	609,563	5,823	615,386
Profit for the period	-	-	-	-	74,956	-	-	74,956	(999)	73,957
Other comprehensive (loss) income	-	-	-	(8,550)	-	839	(11,067)	(18,778)	-	(18,778)
Total comprehensive (loss) income for the period	-	-	-	(8,550)	74,956	839	(11,067)	56,178	(999)	55,179
Realised gain on disposal of investments carried at fair value through other comprehensive income	-	-	-	(4,473)	4,473	-	-	-	-	-
Movement in minority interest account	-	-	-	-	-	-	-	-	378	378
Net movement in shareholders' accounts	-	(12,308)	-	-	-	-	-	(12,308)	-	(12,308)
Balance at 31 December 2024	<u>500</u>	<u>85,329</u>	<u>9,443</u>	<u>(25,642)</u>	<u>606,927</u>	<u>(5,166)</u>	<u>(17,958)</u>	<u>653,433</u>	<u>5,202</u>	<u>658,635</u>

The attached notes 1 to 33 form part of these consolidated financial statements.

# Ittihad International Investment LLC

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
<b>OPERATING ACTIVITIES</b>			
Profit before tax for the year from continuing operations		<b>93,169</b>	41,043
Loss for the year from discontinued operations		<u>(453)</u>	<u>(16,873)</u>
		<b>92,716</b>	24,170
Adjustments for:			
Finance costs		<b>273,968</b>	286,041
Write-off of loan processing fees	23.1	-	18,663
Amortisation of Sukuk premium on issuance		<u>(1,111)</u>	-
Amortisation of intangible assets	9	<b>6,753</b>	10,580
Amortisation of Sukuk processing fees		<u>7,177</u>	-
Amortisation of loan processing fees	23.1	<b>7,264</b>	11,127
Share of result on investment in an associate	2.4	<u>(1,707)</u>	<u>(2,750)</u>
Allowance for expected credit losses, net	15	<b>13,127</b>	16,544
Depreciation on property, plant and equipment	10	<b>140,074</b>	155,999
Depreciation of right of use of asset	11	<b>8,060</b>	7,711
Provision for warranty	22	<b>1,748</b>	5,038
Provision for slow moving inventories, net	14	<b>6,080</b>	8,256
Provision for employees' end of service benefits	24	<b>15,940</b>	14,166
Foreign exchange gain		-	(89)
Gain on sale of property, plant and equipment		<u>(1,055)</u>	<u>(442)</u>
Write-off of property, plant and equipment	10	<b>1,434</b>	85
Gain on disposal of subsidiary	2.2	-	<u>(2,317)</u>
Net changes in fair value of derivative financial instruments		<u>4,272</u>	<u>(7,311)</u>
		<b>574,740</b>	545,471
Working capital changes:			
Inventories		<u>(81,034)</u>	64,487
Accounts receivable and prepayments		<u>(340,183)</u>	<u>(65,524)</u>
Accounts payable and accruals, net of current portion of warranty provision		<b>526,406</b>	26,925
Amounts due from related parties		<b>9,869</b>	<u>(4,817)</u>
Amounts due to related parties		<u>(70)</u>	<u>1,793</u>
Cash generated from operations		<b>689,728</b>	568,335
Employees' end of service benefits paid	24	<u>(6,411)</u>	<u>(5,984)</u>
Warranty paid	22	<u>(5,545)</u>	<u>(8,784)</u>
Net cash flows from operating activities		<b>677,772</b>	<u>553,567</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	10	<b>(126,977)</b>	(99,790)
Purchase of intangible assets	9	<b>(7,666)</b>	(965)
Net movement in investments carried at fair value through other comprehensive income		<b>6,271</b>	25,861
Term deposits redeemed	17	-	48,251
Proceeds from sale of property, plant and equipment		<b>1,171</b>	1,681
Net movement in loan to an associate		<b>720</b>	<u>(4,404)</u>
Cash outflow from disposal of a subsidiary	2.2	-	(65)
Amount released as restricted cash	17	-	183,650
Settlement of a derivative financial instrument, net		-	839
Cash paid on acquisition of subsidiary, net of cash acquired	2.1	-	<u>(11,245)</u>
Net cash (used in) generated from investing activities		<b>(126,481)</b>	<u>143,813</u>

# Ittihad International Investment LLC

## CONSOLIDATED STATEMENT OF CASH FLOWS continued

For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
<b>FINANCING ACTIVITIES</b>			
Proceeds from non-convertible sukuk issuance, net of transaction costs		363,027	1,253,223
Proceeds from term loan		21,786	270,301
Repayment of term loans		(160,254)	(1,641,698)
Proceeds from bank financing facilities		3,955,051	4,374,190
Repayment of bank financing facilities		(4,353,828)	(4,692,608)
Payments to the shareholders	20	(12,308)	(7,207)
Dividends paid	32	-	(4,879)
Proceeds from Sukuk premium on issuance		7,763	-
Payment of lease rentals	11	(13,116)	(13,119)
Capital injection by non-controlling interest		378	906
Finance costs paid		<u>(276,410)</u>	<u>(229,628)</u>
Net cash used in financing activities		<u>(467,911)</u>	<u>(690,519)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Foreign currency translation adjustment		(8,872)	(6,809)
Cash and cash equivalents at 1 January		<u>551,834</u>	<u>551,782</u>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	17	<u>626,342</u>	<u>551,834</u>

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

Modification of lease liabilities	<u>—</u>	<u>1,459</u>
Due from related party settled by the shareholder (note 16)	<u>—</u>	<u>170,533</u>

The attached notes 1 to 33 form part of these consolidated financial statements.

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 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 2024 were authorised for issue on 14 April 2025.

### 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 2024. 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.

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 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:

<i>Subsidiaries &amp; shareholding companies</i>	<i>Country of incorporation</i>	<i>Activities</i>	<i>Percentage of holding 2024 %</i>	<i>2023 %</i>
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

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 2 BASIS OF PREPARATION continued

#### Basis of consolidation continued

<i>Subsidiaries &amp; shareholding companies</i>	<i>Country of incorporation</i>	<i>Activities</i>	<i>Percentage of holding 2024 %</i>	<i>2023 %</i>
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
Solv Cleaning & Environmental Services Company LLC (formerly 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

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2024

### 2 BASIS OF PREPARATION continued

#### Basis of consolidation continued

<i>Subsidiaries &amp; shareholding companies</i>	<i>Country of incorporation</i>	<i>Activities</i>	<i>Percentage of holding 2024 %</i>	<i>2023 %</i>
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	70
Ittihad International Ltd	Cayman Island	Special purpose entity to issue sukuk	100	100
Ittihad Investment Central Asia Holding LTD	United Arab Emirates	Special purpose vehicle	100	100
Chorsu Real Estate Development LLC	Uzbekistan	Construction of residential building	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	-	-

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.

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 2 BASIS OF PREPARATION continued

#### 2.1 ACQUISITION OF A SUBSIDIARY

##### *Acquisition in the prior year*

###### **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, for the year ended 31 December 2023.

###### **Assets acquired and liabilities assumed**

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

	<i>AED '000</i>
<b>Assets</b>	
Property, plant and equipment	4,130
Intangible assets	15,568
Trade and other receivables	2,210
Cash and bank balances	<u>1,103</u>
<b>Total assets</b>	<u>22,921</u>
<b>Liabilities</b>	
Employees' end of service benefit	380
Lease liabilities	2,532
Trade and other payables	2,704
Due to related parties	<u>70</u>
<b>Total liabilities</b>	<u>5,686</u>
<b>Total identifiable net assets at fair value</b>	17,235
Proportionate share of identifiable net assets acquired	12,065
Goodwill arising on acquisition	<u>283</u>
<b>Total purchase consideration</b>	<u>12,348</u>
<b>Non-controlling interest on acquisition</b>	<u>5,170</u>

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.

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 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:

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

#### 2.2 DISPOSAL OF A SUBSIDIARY

##### *Disposal of a subsidiary in prior year*

###### **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.

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

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

Cash received from sale	-
Cash transferred out on disposal	<u>(65)</u>
<b>Net cash outflow</b>	<u>(65)</u>

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 2 BASIS OF PREPARATION continued

#### 2.3 CHANGE IN LEGAL OWNERSHIP

In the prior 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
<b>2024</b>		
Total assets	<b>15,058</b>	3,667
Total liabilities	8,614	59
Revenue	3,395	-
Profit for the year	<b>951</b>	26
<b>2023</b>		
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 2023, 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.

	2024 AED'000	2023 AED'000
At 1 January	<b>2,810</b>	-
Additions during the year	-	60
Share of profit for the year	<b>1,707</b>	<u>2,750</u>
At 31 December	<b><u>4,517</u></b>	<u>2,810</u>

Summarised financial information in respect of the Group’s associate is set out below:

	2024 AED'000	2023 AED'000
Current assets	<b>41,804</b>	21,247
Current liabilities	<u>(30,511)</u>	<u>(14,222)</u>
Equity attributable to the owner of the equity (100%)	<b><u>11,293</u></b>	<u>7,025</u>
Group’s share of net assets (40% of ownership interest)	<b><u>4,517</u></b>	<u>2,810</u>

**2 BASIS OF PREPARATION** continued

**2.4 INVESTMENT IN ASSOCIATE** continued

	<i>2024</i> <i>AED'000</i>	<i>2023</i> <i>AED'000</i>
Revenue	<u><b>40,000</b></u>	<u><b>16,667</b></u>
Profit for the year	<u><b>4,268</b></u>	<u><b>6,875</b></u>
Group's share of profit	<u><b>1,707</b></u>	<u><b>2,750</b></u>

**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 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IAS 1: Non-current Liabilities with Covenants
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

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.

**2.6 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.

- Lack of exchangeability - Amendments to IAS 21
- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures regarding the classification and measurement of financial instruments

The Group does not expect that the adoption of these new and amended standards and interpretations, other than IFRS 18, will have a material impact on its consolidated financial statements. The Group is currently working to identify all the impacts IFRS 18 will have on the primary consolidated financial statements and notes to the 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 (2023: impairment of AED nil).

##### *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.

**3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES** continued

**Estimation uncertainty** continued

*Impairment of trade receivables, contract assets and retention receivables* continued

At the consolidated statement of financial position date, gross trade receivables were AED 1,551,358 thousand (2023: AED 1,343,368 thousand) with a provision for expected credit losses of AED 81,128 thousand (2023: AED 97,057 thousand).

Contract assets include gross contract work in progress of AED 59,992 thousand (2023: AED 65,377 thousand), retention receivables of AED 25,709 thousand (2023: AED 24,337 thousand) and accrued income of AED 82,925 thousand (2023: AED 30,248 thousand). At 31 December 2024, provision for expected credit losses on contract assets, retention receivables and accrued income amounted to AED 17,560 thousand (2023: AED 13,880 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 952,423 thousand (2023: AED 876,373 thousand) with a provision for slow moving and obsolete items of AED 11,768 thousand (2023: AED 10,672 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.

**3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES** continued

**Estimation uncertainty** continued

*Revenue recognition on contracts* continued

- *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.

- *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).

#### 4 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.

**4 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*

Contract assets

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).

**4 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

**4 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.

**4 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.

**4 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.

### 4 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.

**4 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.

**4 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 the 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:

**4 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.

#### 4 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.

#### 4 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.

**4 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

**4 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.

**4 MATERIAL ACCOUNTING POLICY INFORMATION** continued

**Taxation**

*Current income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

*Deferred tax*

Deferred tax is recognized on all temporary differences at the reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred tax assets are recognized only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences and carried forward tax credits or tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the reporting date.

Current and deferred tax is charged or credited directly to other comprehensive income or equity if it relates to items that are credited or charged to, respectively, other comprehensive income or equity. Otherwise, income tax is recognized in the consolidated statement of comprehensive income.

**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 consolidated statement of financial position.

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 5 REVENUE

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

#### 5.1 Type of revenue

	2024 AED '000	2023 AED '000
Sale of industrial products		
(copper, cement, tissue, detergents, steel, paper)	<b>11,160,846</b>	9,551,598
Waste collection and cleaning	<b>246,906</b>	233,822
Sale of medical equipment and pharmaceutical products	<b>262,997</b>	231,306
Operation and maintenance of		
sewerage network and related services	<b>341,693</b>	192,272
Medical services	<b>151,490</b>	133,923
Sale of furniture	<b>49,999</b>	43,600
Landscaping services	<b>12,922</b>	25,285
Others	<b>31,196</b>	16,045
	<b><u>12,258,049</u></b>	<b><u>10,427,851</u></b>

#### 5.2 Timing of revenue recognition

	2024 AED '000	2023 AED '000
Revenue recognized at a point in time	<b>11,452,068</b>	9,920,447
Revenue recognized over time	<b><u>805,981</u></b>	<b><u>507,404</u></b>
	<b><u>12,258,049</u></b>	<b><u>10,427,851</u></b>

#### 5.3 Geographical markets

Within UAE	<b>3,865,374</b>	3,146,984
Outside UAE	<b><u>8,392,675</u></b>	<b><u>7,280,867</u></b>
	<b><u>12,258,049</u></b>	<b><u>10,427,851</u></b>

### 6 DIRECT COSTS

	2024 AED '000	2023 AED '000
Materials and related costs	<b>10,959,769</b>	9,262,934
Staff costs	<b>411,005</b>	368,437
Depreciation on property, plant and equipment (note 10)	<b>130,370</b>	145,633
Provision for slow moving inventories (note 14)	<b>6,080</b>	8,256
Amortization of intangible assets (note 9)	<b>957</b>	4,176
Depreciation on right of use assets (note 11)	<b><u>5,923</u></b>	<b><u>5,236</u></b>
	<b><u>11,514,104</u></b>	<b><u>9,794,672</u></b>

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 7 ADMINISTRATIVE EXPENSES

	2024 AED '000	2023 AED '000
Freight, insurance and outbound logistics	151,038	106,966
Staff costs	127,550	123,697
Legal and professional fees	13,979	13,666
Depreciation on property, plant and equipment (note 10)	9,635	10,366
Amortisation of intangible assets (note 9)	5,796	6,404
Travel	3,402	3,233
Short term lease expense (note 11)	3,257	3,158
Utilities	2,985	2,888
Depreciation on right-of-use assets (note 11)	2,137	2,475
Others	<u>35,564</u>	<u>30,591</u>
	<u><b>355,343</b></u>	<u><b>303,444</b></u>

### 8 FINANCE COSTS, NET

	2024 AED '000	2023 AED '000
Sukuk profit cost	149,293	18,863
Interest on bank loans	80,484	209,748
Bank charges and commissions	29,925	51,885
Interest on lease liabilities (note 11)	6,541	6,676
Interest on bank overdrafts	1,134	2,449
Interest expense from suppliers	27,213	6,721
Interest income	<u>(7,586)</u>	<u>(11,070)</u>
	<u><b>287,004</b></u>	<u><b>285,272</b></u>

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2024

### 9 INTANGIBLE ASSETS

	<i>Trade name AED'000</i>	<i>Service agreement AED'000</i>	<i>Trade License AED '000</i>	<i>Customer contracts AED '000</i>	<i>Computer software AED '000</i>	<i>Total AED '000</i>
<b>2024</b>						
Cost:						
At 1 January 2024	4,709	-	10,305	37,013	44,988	97,015
Additions	-	<u>7,666</u>	-	-	-	<u>7,666</u>
At 31 December 2024	<b><u>4,709</u></b>	<b><u>7,666</u></b>	<b><u>10,305</u></b>	<b><u>37,013</u></b>	<b><u>44,988</u></b>	<b><u>104,681</u></b>
Amortization:						
At 1 January 2024	471	-	542	36,736	17,247	54,996
Amortisation during the year	<u>471</u>	<u>1,100</u>	<u>542</u>	<u>277</u>	<u>4,363</u>	<u>6,753</u>
At 31 December 2024	<b><u>942</u></b>	<b><u>1,100</u></b>	<b><u>1,084</u></b>	<b><u>37,013</u></b>	<b><u>21,610</u></b>	<b><u>61,749</u></b>
Net carrying amount:						
At 31 December 2024	<b><u>3,767</u></b>	<b><u>6,566</u></b>	<b><u>9,221</u></b>	<b><u>-</u></b>	<b><u>23,378</u></b>	<b><u>42,932</u></b>
<b>2023</b>						
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	-	-	-	-	<u>965</u>	<u>965</u>
At 31 December 2023	<b><u>4,709</u></b>	<b><u>-</u></b>	<b><u>10,305</u></b>	<b><u>37,013</u></b>	<b><u>44,988</u></b>	<b><u>97,015</u></b>
Amortization:						
At 1 January 2023	-	-	-	32,661	11,755	44,416
Amortisation during the year	<u>471</u>	<u>-</u>	<u>542</u>	<u>4,075</u>	<u>5,492</u>	<u>10,580</u>
At 31 December 2023	<b><u>471</u></b>	<b><u>-</u></b>	<b><u>542</u></b>	<b><u>36,736</u></b>	<b><u>17,247</u></b>	<b><u>54,996</u></b>
Net carrying amount:						
At 31 December 2023	<b><u>4,238</u></b>	<b><u>-</u></b>	<b><u>9,763</u></b>	<b><u>277</u></b>	<b><u>27,741</u></b>	<b><u>42,019</u></b>

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

	<i>2024 AED '000</i>	<i>2023 AED '000</i>
Direct costs (note 6)	<b><u>957</u></b>	4,176
Administrative expenses (note 7)	<b><u>5,796</u></b>	<u>6,404</u>
	<b><u>6,753</u></b>	<u>10,580</u>

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 10 PROPERTY, PLANT AND EQUIPMENT

	<i>Leasehold Improvements AED'000</i>	<i>Land, buildings and containers AED'000</i>	<i>Capital work in progress AED'000</i>	<i>Furniture, computers and IT equipment AED'000</i>	<i>Machinery and equipment AED'000</i>	<i>Motor vehicles AED'000</i>	<i>Total AED'000</i>
<b>2024</b>							
Cost:							
At 1 January 2024	16,412	680,254	24,060	80,189	1,844,245	276,050	2,921,210
Additions	5	7,084	43,662	4,653	42,981	28,592	126,977
Transfers / reclassifications	(3,157)	18,542	(40,000)	612	18,979	5,024	-
Write-offs	-	-	-	-	(1,300)	(134)	(1,434)
Exchange differences	(72)	-	-	(95)	(2,028)	-	(2,195)
Disposals	-	-	(24)	(632)	(390)	(8,098)	(9,144)
At 31 December 2024	<b>13,188</b>	<b>705,880</b>	<b>27,698</b>	<b>84,727</b>	<b>1,902,487</b>	<b>301,434</b>	<b>3,035,414</b>
Depreciation:							
At 1 January 2024	6,167	176,979	-	60,219	555,180	229,450	1,027,995
Charge for the year	1,027	30,634	-	6,612	82,616	19,185	140,074
Relating to disposals	-	-	-	(631)	(344)	(8,053)	(9,028)
Transfers / reclassification	(1,944)	-	-	-	-	1,944	-
At 31 December 2024	<b>5,250</b>	<b>207,613</b>	<b>-</b>	<b>66,200</b>	<b>637,452</b>	<b>242,526</b>	<b>1,159,041</b>
Net carrying amount:							
At 31 December 2024	<b>7,938</b>	<b>498,267</b>	<b>27,698</b>	<b>18,527</b>	<b>1,265,035</b>	<b>58,908</b>	<b>1,876,373</b>

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 10 PROPERTY, PLANT AND EQUIPMENT continued

	<i>Leasehold Improvements AED'000</i>	<i>Land, buildings and containers AED'000</i>	<i>Capital work in progress AED'000</i>	<i>Furniture, computers and IT equipment AED'000</i>	<i>Machinery and equipment AED'000</i>	<i>Motor vehicles AED'000</i>	<i>Total AED'000</i>
<i>2023</i>							
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	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>(7)</u>	<u>(1,723)</u>	<u>(5,960)</u>	<u>(7,695)</u>
At 31 December 2023	<u>16,412</u>	<u>680,254</u>	<u>24,060</u>	<u>80,189</u>	<u>1,844,245</u>	<u>276,050</u>	<u>2,921,210</u>
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	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>(1,712)</u>	<u>(4,740)</u>	<u>(6,456)</u>
At 31 December 2023	<u>6,167</u>	<u>176,979</u>	<u>-</u>	<u>60,219</u>	<u>555,180</u>	<u>229,450</u>	<u>1,027,995</u>
Net carrying amount:							
At 31 December 2023	<u>10,245</u>	<u>503,275</u>	<u>24,060</u>	<u>19,970</u>	<u>1,289,065</u>	<u>46,600</u>	<u>1,893,215</u>

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2024

### 10 PROPERTY, PLANT AND EQUIPMENT continued

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

	2024 AED '000	2023 AED '000
Direct costs (note 6)	<b>130,370</b>	145,633
Discontinued operations	69	-
Administrative expenses (note 7)	<u>9,635</u>	<u>10,366</u>
	<b><u>140,074</u></b>	<b><u>155,999</u></b>

Property, plant and equipment with carrying value of AED 1,876,373 thousand (2023: AED 1,893,215 thousand) are mortgaged as security against term loans and bank facilities.

### 11 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:

	2024 AED'000	2023 AED'000
At 1 January	<b>95,554</b>	98,738
Depreciation expense	(8,060)	(7,711)
Additions	3,709	3,073
Modification of lease term	372	1,459
Exchange differences	—	(5)
At 31 December	<b><u>91,575</u></b>	<u>95,554</u>

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

	2024 AED'000	2023 AED'000
As at 1 January	<b>106,369</b>	105,753
Acquired in business combination (note 2.1)	—	2,532
Additions	3,709	3,073
Accretion of interest	6,541	6,676
Payments	(13,116)	(13,119)
Modification of lease term	372	1,459
Exchange differences	—	(5)
As at 31 December	<b><u>103,875</u></b>	<u>106,369</u>

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

	2024 AED'000	2023 AED'000
Current	6,938	8,017
Non-current	<u>96,937</u>	<u>98,352</u>
	<b><u>103,875</u></b>	<u>106,369</u>

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 11 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:

	2024 AED '000	2023 AED '000
Depreciation expense of right-of-use assets	<u>8,060</u>	<u>7,711</u>
Interest expense on lease liabilities (note 8)	<u>6,541</u>	<u>6,676</u>
Operating lease expenses (note 7)	<u>3,257</u>	<u>3,158</u>

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

	2024 AED '000	2023 AED '000
Direct costs (note 6)	<u>5,923</u>	5,236
Administrative expenses (note 7)	<u>2,137</u>	<u>2,475</u>
	<u>8,060</u>	<u>7,711</u>

### 12 GOODWILL

	2024 AED '000	2023 AED '000
At 1 January	<u>3,417</u>	3,134
Additions (note 2.1)	<u>-</u>	<u>283</u>
At 31 December	<u>3,417</u>	<u>3,417</u>
Company	<i>Date of acquisition</i>	<i>Business activity</i>
	2024 AED '000	2023 AED '000
Emirates Link NITCO LLC	2008	Water desalination and water treatment
Advanced Pipeline Services LLC	2017	Cleaning and maintenance of sewerage pipes and water desalination and treatment plants operation and maintenance
Abu Dhabi International Medical Services LLC	2005	Provider of pharmaceutical products
Mqayes Aldeqaa Company Maintenance Co	2023	Provider of waste collection services
	<u>2,890</u>	2,890
	<u>204</u>	204
	<u>40</u>	40
	<u>283</u>	<u>283</u>
	<u>3,417</u>	<u>3,417</u>

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 12 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% (2023: 5%). The weighted average capital cost rate applied to cash flow projections is 10% (2023: 10%).

### 13 INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 AED '000	2023 AED '000
Quoted and outside the UAE	<u>27,003</u>	<u>41,825</u>

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 30.

### 14 INVENTORIES

	2024 AED '000	2023 AED '000
Raw materials	463,794	334,429
Finished goods	300,661	327,600
Spare parts and other consumables	133,234	123,204
Inventory work in progress	54,734	75,594
Goods in transit	—	15,546
	<b>952,423</b>	876,373
Provision for slow moving and obsolete inventories	<b>(11,768)</b>	<b>(10,672)</b>
	<b>940,655</b>	<b>865,701</b>

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

	2024 AED '000	2023 AED '000
At 1 January	10,672	7,577
Provided during the year	6,080	8,256
Write off	<b>(4,984)</b>	<b>(5,161)</b>
At 31 December	<b>11,768</b>	<b>10,672</b>

The cost of inventories recognised as an expense in the consolidated income statement is AED 10,959,769 thousand (2023: AED 9,262,934 thousand).

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 15 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2024 AED '000	2023 AED '000
Trade receivables	<b>1,551,358</b>	1,343,368
Provision for expected credit losses	<u>(81,128)</u>	<u>(97,057)</u>
	<b>1,470,230</b>	1,246,311
Contract work in progress	<b>59,992</b>	65,377
Accrued income	<b>82,925</b>	30,248
Retention receivable	<b>25,709</b>	24,337
Provision for expected credit losses	<u>(17,560)</u>	<u>(13,880)</u>
	<b>1,621,296</b>	1,352,393
Advances to suppliers	<b>94,403</b>	60,128
Prepaid expenses	<b>38,399</b>	34,984
Margin on guarantees	<b>16,292</b>	29,522
Deposits	<b>29,241</b>	18,807
Staff receivables	<b>5,760</b>	3,949
VAT receivable	<b>25,277</b>	6,863
Other receivables	<b>29,797</b>	24,402
	<b>1,860,465</b>	1,531,048
Less: non-current retention, deposits and other receivables	<u>(46,532)</u>	<u>(44,235)</u>
	<b><u>1,813,933</u></b>	<b><u>1,486,813</u></b>

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

	2024 AED '000	2023 AED '000
At 1 January	<b>110,937</b>	120,860
Written off	<b>(25,376)</b>	(26,467)
Charge for the year	<b><u>13,127</u></b>	<b><u>16,544</u></b>
At 31 December	<b><u>98,688</u></b>	<b><u>110,937</u></b>

Charge for the year includes reversal for expected credit losses relating to discontinued operations of AED 396 thousand (2023: provision for expected credit losses of AED 9,298 thousand) (note 27) which is presented as part of the discontinued operations in the statement of profit or loss.

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 16 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:

	2024 AED '000	2023 AED '000
<b>Entity under common control</b>		
Revenue	<u>26,596</u>	<u>39,215</u>

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:

	2024 AED '000	2023 AED '000
<b>Entities under common control</b>		
<i>Amounts due from related parties</i>		
West Coast Waste Collection Co. LLC**	27,237	29,373
Emirates Link Maltauro***	19,320	32,222
Emirates Link Contracting*	8,233	8,133
Emirates Contracting Company LLC	4,795	-
Others	<u>3,555</u>	<u>3,420</u>
	<b><u>63,140</u></b>	<b><u>73,148</u></b>
<b>Associate</b>		
<i>Short-term loan to an associate</i>		
Fatorah Insurance claims settlement LLC****	<u>3,684</u>	<u>4,404</u>
	<b><u>66,824</u></b>	<b><u>77,552</u></b>

\*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 20).

\*\*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.

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 16 RELATED PARTY TRANSACTIONS AND BALANCES continued

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

	2024 AED '000	2023 AED '000
Non-current portion	23,961	26,640
Current portion	<u>42,863</u>	<u>50,912</u>
	<u><b>66,824</b></u>	<u><b>77,552</b></u>

#### Other balances with related parties

*Amounts due to related parties:*

Others	<u><b>178</b></u>	<u><b>289</b></u>
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Other balances with a related party, under common Directorship that is disclosed in the consolidated statement of financial position as follows:

	2024 AED '000	2023 AED '000
<i>Current assets:</i>		
Bank balance	<u><b>12,114</b></u>	<u><b>12,909</b></u>
<i>Non-current liabilities:</i>		
Bank loans	<u><b>-</b></u>	<u><b>413</b></u>
<i>Current liabilities:</i>		
Bank financing facilities	<u><b>112,687</b></u>	<u><b>224,616</b></u>

#### Compensation of key management personnel

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

	2024 AED '000	2023 AED '000
Short-term benefits	32,054	31,580
Employees' end of service benefits	<u>3,772</u>	<u>3,033</u>
	<u><b>35,826</b></u>	<u><b>34,613</b></u>

### 17 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:

	2024 AED '000	2023 AED '000
Bank balances and cash	630,960	562,002
Add: cash under assets held for sale (note 27)	382	394
Less: bank overdrafts	<u>(5,000)</u>	<u>(10,562)</u>
Cash and cash equivalents	<u><b>626,342</b></u>	<u><b>551,834</b></u>

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

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 18 DERIVATIVE FINANCIAL INSTRUMENTS

#### Derivatives not designated as hedging instruments:

	<i>Notional amount USD '000</i>	<i>Assets AED '000</i>	<i>Liabilities AED '000</i>
<b>31 December 2024</b>			
- Foreign exchange derivatives	1,881,114	1,437	14,144
- Interest rate swaps	322,550	11,164	18,683
		<u>12,601</u>	<u>32,827</u>
<b>31 December 2023</b>			
- Foreign exchange derivatives	3,162,047	2,932	16,478
- Interest rate swaps	287,500	9,896	20,907
		<u>12,828</u>	<u>37,385</u>

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

	<i>Assets</i>		<i>Liabilities</i>	
	<i>2024 AED '000</i>	<i>2023 AED '000</i>	<i>2024 AED '000</i>	<i>2023 AED '000</i>
Current	1,437	5,146	6,473	4,808
Non-current	11,164	7,682	26,354	32,577
	<u>12,601</u>	<u>12,828</u>	<u>32,827</u>	<u>37,385</u>

#### **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 years, 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 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 2023, the Group settled a loan and accordingly, the hedging relationship was terminated and the derivative financial instrument was classified at fair value through profit or loss. Additionally, a portion of the hedge reserve relating to the interest rate swaps against the term loan of AED 839 thousand (2023: AED 5,705 thousand) was reclassified to profit and loss.

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 19 SHARE CAPITAL

	<i>Authorised, issued and fully paid AED'000</i>
500 shares of AED 1,000 each (2023: 500 shares of AED 1,000 each)	<u>500</u>

### 20 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:

	2024 AED '000	2023 AED '000
Balance at 1 January	97,637	275,377
Settlement of amounts due from a related party (note 16)	-	(170,533)
Payments to the shareholders	<u>(12,308)</u>	<u>(7,207)</u>
Balance at 31 December	<u>85,329</u>	<u>97,637</u>

### 21 STATUTORY RESERVE

In accordance with the Group companies' Articles of Association and the UAE Federal Decree Law No. (32) of 2021 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.

### 22 WARRANTY PROVISIONS

	2024 AED '000	2023 AED '000
Non-current	4,029	5,198
Current (note 25)	<u>1,176</u>	<u>3,804</u>
	<u>5,205</u>	<u>9,002</u>

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

	2024 AED '000	2023 AED '000
Balance at 1 January	9,002	12,748
Provision made during the year	1,748	5,038
Amount paid during the year	<u>(5,545)</u>	<u>(8,784)</u>
Balance at 31 December	<u>5,205</u>	<u>9,002</u>

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 23 LOANS AND BORROWINGS

	2024 AED '000	2023 AED '000
Term loans (note 23.1)	358,007	489,391
Bank financing facilities (note 23.2)	527,889	926,666
Non-convertible sukuk (note 23.3)	<u>1,630,079</u>	<u>1,253,223</u>
	<u>2,515,975</u>	<u>2,669,280</u>

#### 23.1 Term loans

	2024 AED '000	2023 AED '000
Term loans	368,529	506,997
Unamortised transaction costs	<u>(10,522)</u>	<u>(17,606)</u>
	<u>358,007</u>	<u>489,391</u>
	2024 AED '000	2023 AED '000
At 1 January	17,606	40,923
Paid during the year	180	6,473
Amortised during the year	(7,264)	(11,127)
Related to settled loans*	-	(18,663)
At 31 December	<u>10,522</u>	<u>17,606</u>

\* In prior year, unamortised transaction cost of AED 18,663 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:

	2024 AED '000	2023 AED '000
Current	54,243	77,568
Non-current	<u>303,764</u>	<u>411,823</u>
	<u>358,007</u>	<u>489,391</u>
	2024 AED '000	2023 AED '000
Term loan 1	87,254	108,369
Term loan 2	73,573	104,244
Term loan 3	-	403
Term loan 4	-	50,000
Term loan 5	-	29,077
Term loan 6	-	15,493
Term loan 7	182,418	181,805
Term loan 8	<u>14,762</u>	<u>-</u>
	<u>358,007</u>	<u>489,391</u>

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 23 LOANS AND BORROWINGS continued

#### 23.1 Term loans continued

##### *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.

##### *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*

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

##### *Term loan 4*

This loan was obtained by a subsidiary of the Group from a local bank in UAE. The loan carried an interest at variable market interest rate plus a spread and was repayable through two installments of AED 5 million on March 2024 and AED 45 million in March 2025. The loan was secured by guarantee of the Company. The loan was fully settled during the current year.

##### *Term loan 5*

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 carried an 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. The loan was fully settled during the current year.

##### *Term loan 6*

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 carried an interest at a variable market interest rate of EIBOR plus a margin and was 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 was secured by assignment of Musataha right on certain land and buildings and corporate guarantee of the Shareholder. The loan was fully settled during the current year.

##### *Term loan 7*

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 a margin for the first year and the remaining years carry a fixed interest rate.

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

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 23 LOANS AND BORROWINGS continued

#### 23.1 Term loans continued

##### *Term loan 8*

During the year, a subsidiary of the Group entered into a credit facility agreement with the Swedish Export Credit Agency via a commercial bank to finance the construction of a tissue paper manufacturing facility, including procurement of related machinery and local infrastructure works. The loan is denominated in USD and carries a fixed interest rate, repayable in equal semi-annual instalments over a 12-year term commencing six months after the successful commissioning of the project or 30 November 2025, whichever is earlier. The facility is supported by a buyer credit guarantee issued by the Swedish Export Credit Agency (EKN) and is further backed by corporate guarantees from certain group entities.

#### 23.2 Bank financing facilities

	2024 AED '000	2023 AED '000
Bank facilities	<u>527,889</u>	<u>926,666</u>

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 as current liabilities in the consolidated statement of financial position.

#### 23.3 Non-convertible Sukuk

	2024 AED '000	2023 AED '000
Non-convertible Sukuk	<u>1,630,079</u>	<u>1,253,223</u>

During the year, the Group issued trust certificates (Sukuk) of US\$ 100 million (2023: 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 of 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 29,198 thousand (2023: 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.

During the year, the Group received a premium in relation to sukuk top-up issued in 2024, amounting to AED 7,763 thousand, which is being amortised to the consolidated statement of profit or loss over the repayment period of Sukuk using the effective interest rate method.

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 24 EMPLOYEES' END OF SERVICE BENEFITS

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

	<b>2024</b> <i>AED '000</i>	<b>2023</b> <i>AED '000</i>
At 1 January	<b>78,062</b>	70,266
Acquired through business combination (note 2.1)	-	380
Derecognition of a subsidiary (note 2.2)	-	(766)
Provided during the year	<b>15,940</b>	14,166
Paid during the year	<u>(6,411)</u>	<u>(5,984)</u>
At 31 December	<b><u>87,591</u></b>	<b><u>78,062</u></b>

### 25 ACCOUNTS PAYABLE AND ACCRUALS

	<b>2024</b> <i>AED '000</i>	<b>2023</b> <i>AED '000</i>
Trade payables	<b>1,028,787</b>	986,719
Supplier financing arrangements *	<b>762,012</b>	348,366
Other accruals or payables	<b>106,471</b>	94,791
Advances from customers	<b>126,889</b>	78,496
Accrued interest	<b>33,780</b>	42,914
Accrued salaries, wages and others	<b>32,433</b>	26,499
Accrued bonus	<b>34,036</b>	21,873
Retentions payable	<b>7,159</b>	7,833
Warranty provision (note 22)	<u><b>1,176</b></u>	<u>3,804</u>
	<b><u>2,132,743</u></b>	<b><u>1,611,295</u></b>

\* The Group has established supplier finance arrangements offered to a number of its key suppliers within and outside the UAE, in order to guarantee payment on the maturity dates of their invoices. Under these arrangements, suppliers may choose to receive early payment on their approved invoices through the Group's external finance provider. Suppliers electing this option pay a fee directly to the finance provider, to which the Group is not party. In order for the finance provider to pay the invoices, the goods must have been received or supplied and the invoices approved by the Group. Payments to suppliers ahead of the invoice maturity date are processed by the finance provider and, in all cases, the Group settles the original invoice by paying the finance provider in line with the original invoice maturity date. Payment terms with suppliers have not been renegotiated in conjunction with the arrangement. The Group provides no security to the finance provider on any early payments made to the supplier.

### 26 INCOME TAX

The Group calculates the income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major component of income tax expense in the consolidated statement of comprehensive income are:

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2024

### 26 INCOME TAX continued

#### 26.1 Amount recognized in the consolidated statement of comprehensive income

The major components of income tax expense for the year ended 31 December 2024:

<i>Consolidated profit or loss</i>	<i>2024</i> <i>AED '000</i>
Current income tax expense for entities forming the Tax Group (note 26.2)	18,073
Current income tax expenses for entities outside of Tax Group	<u>1,016</u>
	19,089

Deferred income tax benefit relating to origination and reversal of temporary differences	<u>(330)</u>
Income tax expense reported in the consolidated statement of comprehensive income	<u>18,759</u>

#### 26.2 Reconciliation of accounting income

	<i>2024</i> <i>AED '000</i>
Consolidated accounting profit before tax reported in the consolidated statement of profit or loss	92,716
Less: Accounting profit before tax for the year for entities outside of tax group	<u>(814)</u>
Accounting profit before tax for the year of the tax group	91,902
At United Arab Emirates' statutory income tax rate of 9%	8,271
Less: effect of standard exemption	(34)
Add: non-deductible expenses	<u>9,836</u>
Income tax expense for the year	<u>18,073</u>

#### Effective tax rate

Deferred tax liability relates to the following:

	<i>2024</i> <i>AED '000</i>
Goodwill	307
Other intangible assets	<u>1,283</u>
As of 31 December 2024	1,590

Reconciliation of deferred tax liabilities, net:

Deferred tax expense recognized during the year	1,590
Deferred tax benefit due to amortization during the year	<u>(330)</u>
<b>Net deferred tax liability balance at the end of the year</b>	<b><u>1,260</u></b>

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 27 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.

	2024 AED'000	2023 AED'000
Revenues	-	951
Direct costs	<u>(353)</u>	<u>(2,732)</u>
Gross loss	(353)	(1,781)
General and administrative expenses	(5,185)	(5,192)
Provision for expected credit losses	396	(9,298)
Finance costs	(294)	(769)
Other income	<u>4,983</u>	<u>167</u>
Loss for the year from discontinued operations	<u>(453)</u>	<u>(16,873)</u>

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

	2024 AED'000	2023 AED'000
Operating	1,922	(1,683)
Investing	-	-
Financing	<u>(1,934)</u>	<u>1,660</u>
Net cash outflow	<u>(12)</u>	<u>(23)</u>

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:

	2024 AED'000	2023 AED'000
<b>Assets</b>		
Accounts receivable and prepayments	6,582	8,943
Amounts due from related parties	139	-
Bank balances and cash	<u>382</u>	<u>394</u>
<b>Disposal group held for sale</b>	<b><u>7,103</u></b>	<b><u>9,337</u></b>
<b>Liabilities</b>		
Accounts payable and accruals	(3,097)	(3,397)
Amounts due to related parties	<u>(127)</u>	<u>(85)</u>
<b>Liabilities directly associated with disposal group held for sale</b>	<b><u>(3,224)</u></b>	<b><u>(3,482)</u></b>
<b>Net assets directly associated with disposal group</b>	<b><u>3,879</u></b>	<b><u>5,855</u></b>

## 28 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.

### **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.

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 28 SEGMENT ANALYSIS continued

	<i>Consumer goods AED'000</i>	<i>Infrastructure and building material AED'000</i>	<i>Business services AED'000</i>	<i>Health care and others AED'000</i>	<i>Hold co's &amp; Eliminations AED'000</i>	<i>Total from continuing operations AED'000</i>	<i>Discontinued operations AED'000</i>	<i>Total AED'000</i>
<b>2024</b>								
Revenue from external customers	1,801,548	9,359,298	753,010	341,941	2,252	12,258,049	-	12,258,049
Inter-segment revenue	3,003	639	3,773	84,471	(91,886)	-	-	-
Direct cost	(1,533,422)	(9,113,085)	(581,973)	(375,844)	90,220	(11,514,104)	(353)	(11,514,457)
<b>GROSS PROFIT</b>	<b>271,129</b>	<b>246,852</b>	<b>174,810</b>	<b>50,568</b>	<b>586</b>	<b>743,945</b>	<b>(353)</b>	<b>743,592</b>
Administrative expenses	(126,000)	(99,727)	(40,800)	(44,911)	(43,905)	(355,343)	(5,185)	(360,528)
Provision for expected credit losses	(5,143)	4,405	(1,149)	(11,240)	-	(13,127)	396	(12,731)
Other income / (expense)	2,675	1,620	5,174	3,143	(59)	12,553	4,983	17,536
Share of profit from associate	-	-	-	-	1,707	1,707	-	1,707
Gain on disposal of subsidiary								
Net foreign exchange (loss)/gain	(1,161)	(540)	(107)	(3,091)	448	(4,451)	-	(4,451)
Finance costs	(33,826)	(46,116)	(7,336)	(11,175)	(188,551)	(287,004)	(294)	(287,298)
Write-off of loan processing fees								
Reclassification of cash flow hedge reserve to Profit and loss	-	-	-	-	(839)	(839)	-	(839)
Change in fair value of derivatives	<u>1,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,495)</u>	<u>(4,272)</u>	<u>-</u>	<u>(4,272)</u>
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>108,897</b>	<b>106,494</b>	<b>130,592</b>	<b>(16,706)</b>	<b>(236,108)</b>	<b>93,169</b>	<b>(453)</b>	<b>92,716</b>
Income tax expense, current and deferred	<u>(9,931)</u>	<u>(10,208)</u>	<u>(11,784)</u>	<u>(1,232)</u>	<u>14,396</u>	<u>(18,759)</u>	<u>-</u>	<u>(18,759)</u>
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b><u>98,966</u></b>	<b><u>96,286</u></b>	<b><u>118,808</u></b>	<b><u>(17,938)</u></b>	<b><u>(221,712)</u></b>	<b><u>74,410</u></b>	<b><u>(453)</u></b>	<b><u>73,957</u></b>
<b>TOTAL ASSETS</b>	<b><u>2,386,440</u></b>	<b><u>2,064,528</u></b>	<b><u>600,314</u></b>	<b><u>444,673</u></b>	<b><u>61,367</u></b>	<b><u>5,557,322</u></b>	<b><u>7,103</u></b>	<b><u>5,564,425</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>899,140</u></b>	<b><u>1,522,052</u></b>	<b><u>354,790</u></b>	<b><u>54,606</u></b>	<b><u>2,071,978</u></b>	<b><u>4,902,566</u></b>	<b><u>3,224</u></b>	<b><u>4,905,790</u></b>

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 28 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
<b>2023</b>								
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)
<b>GROSS PROFIT</b>	<b>238,448</b>	<b>221,449</b>	<b>114,963</b>	<b>60,115</b>	<b>(1,796)</b>	<b>633,179</b>	<b>(1,781)</b>	<b>631,398</b>
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
<b>PROFIT (LOSS) Before Tax</b>	<b>45,588</b>	<b>78,950</b>	<b>72,046</b>	<b>8,087</b>	<b>(163,628)</b>	<b>41,043</b>	<b>(16,873)</b>	<b>24,170</b>
<b>TOTAL ASSETS</b>	<b>2,204,663</b>	<b>1,857,665</b>	<b>484,071</b>	<b>446,737</b>	<b>134,835</b>	<b>5,127,971</b>	<b>9,337</b>	<b>5,137,308</b>
<b>TOTAL LIABILITIES</b>	<b>725,135</b>	<b>1,348,281</b>	<b>167,819</b>	<b>345,272</b>	<b>1,931,933</b>	<b>4,518,440</b>	<b>3,482</b>	<b>4,521,922</b>

# Ittihad International Investment LLC

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### 29 CONTINGENCIES AND COMMITMENTS

	2024 AED'000	2023 AED'000
Contingencies and commitments	<u>938,212</u>	<u>621,687</u>

### 30 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 AED	Current AED	0-30 days AED	31 - 60 days AED	61 - 90 days AED	> 90 days AED
<b><i>31 December 2024</i></b>						
Expected credit loss rate			0.01%	0.58%	0.43%	29.65%
Estimated total gross carrying amount at default	<u>1,719,984</u>	<u>1,167,677</u>	<u>191,250</u>	<u>98,718</u>	<u>12,076</u>	<u>250,263</u>
Less: expected credit losses	<u>(98,688)</u>	<u>(67)</u>	<u>(1,112)</u>	<u>(420)</u>	<u>(3,580)</u>	<u>(93,509)</u>
	<u><b>1,621,296</b></u>	<u><b>1,167,610</b></u>	<u><b>190,138</b></u>	<u><b>98,298</b></u>	<u><b>8,496</b></u>	<u><b>156,754</b></u>
<b><i>31 December 2023</i></b>						
Expected credit loss rate			0.01%	0.38%	0.55%	35.53%
Estimated total gross carrying amount at default	<u>1,463,330</u>	<u>838,799</u>	<u>269,773</u>	<u>72,297</u>	<u>13,763</u>	<u>268,698</u>
Less: expected credit losses	<u>(110,937)</u>	<u>(42)</u>	<u>(1,030)</u>	<u>(399)</u>	<u>(4,890)</u>	<u>(104,576)</u>
	<u><b>1,352,393</b></u>	<u><b>838,757</b></u>	<u><b>268,743</b></u>	<u><b>71,898</b></u>	<u><b>8,873</b></u>	<u><b>164,122</b></u>

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 30 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 2024 and 31 December 2023, 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
<b>At 31 December 2024</b>						
Trade payables and supplier financing arrangements	178,735	1,033,348	578,716	-	-	1,790,799
Amounts due to related parties	178	-	-	-	-	178
Bank financing facilities	-	120,942	444,547	-	-	565,489
Bank overdrafts	5,366	-	-	-	-	5,366
Non-convertible sukuk	-	-	161,131	2,137,410	-	2,298,541
Lease liabilities	-	2,588	21,570	37,211	96,582	157,951
Derivative financial instruments	-	-	6,473	26,354	-	32,827
Term loans	-	-	80,231	334,013	11,295	425,539
<b>Total</b>	<b>184,279</b>	<b>1,156,878</b>	<b>1,292,668</b>	<b>2,534,988</b>	<b>107,877</b>	<b>5,276,690</b>
<b>At 31 December 2023</b>						
Trade payables and supplier financing arrangements	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
<b>Total</b>	<b>239,433</b>	<b>543,383</b>	<b>1,687,003</b>	<b>2,406,139</b>	<b>104,626</b>	<b>4,980,584</b>

#### 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 27,003 thousand (2023: AED 41,825 thousand). The Group's profit or loss is not sensitive to equity price changes in its investment portfolio.

**30 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 2024, after taking into account the effect of interest rate swaps, approximately 71% of the Group's borrowings are at a fixed rate of interest (2023: 55%).

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*

**2024**

+ 100 increase in basis points	(7,251)
- 100 decrease in basis points	7,251

**2023**

+ 100 increase in basis points	(12,034)
- 100 decrease in basis points	12,034

**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 2024 and 31 December 2023. 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 658,635 thousand as at 31 December 2024 (2023: AED 615,368 thousand).

	<b>2024</b> <i>AED'000</i>	<b>2023</b> <i>AED'000</i>
Bank overdrafts	<b>5,000</b>	10,562
Term loans	<b>358,007</b>	489,391
Non-convertible sukuk	<b>1,630,079</b>	1,253,223
Bank financing facilities	<b>527,888</b>	926,666
	<b>2,520,974</b>	2,679,842
Less: bank balances and cash	<b>(630,960)</b>	(562,002)
Net debt	<b>1,890,014</b>	2,117,840
Total capital	<b>658,635</b>	615,386
Capital and net debt	<b>2,548,649</b>	2,733,226
Debt to equity ratio	<b>74.2%</b>	77.5%

# Ittihad International Investment LLC

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### 30 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES continued

#### Changes in liabilities arising from financing activities

	1 January 2024 AED'000	Cash flows AED'000	Other AED'000	31 December 2024 AED'000
<i>At 31 December 2024</i>				
Term loans	489,391	(134,677)	3,293	358,007
Non-convertible sukuk	1,253,223	380,533	(3,677)	1,630,079
Bank financing facilities	<u>926,666</u>	<u>(398,777)</u>	<u>-</u>	<u>527,889</u>
Total	<u>2,669,280</u>	<u>(152,921)</u>	<u>(384)</u>	<u>2,515,975</u>
<i>At 31 December 2023</i>				
	1 January 2023 AED'000	Cash flows AED'000	Other AED'000	31 December 2023 AED'000
Term loans	1,830,998	(1,371,397)	29,790	489,391
Non-convertible sukuk	-	1,253,223	-	1,253,223
Bank financing facilities	<u>1,245,084</u>	<u>(318,418)</u>	<u>-</u>	<u>926,666</u>
Total	<u>3,076,082</u>	<u>(436,592)</u>	<u>29,790</u>	<u>2,669,280</u>

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.

### 31 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.

# Ittihad International Investment LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 31 FAIR VALUES OF FINANCIAL INSTRUMENTS continued

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

- **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).

	<i>Level 1</i> AED '000	<i>Level 2</i> AED '000	<i>Level 3</i> AED '000	<i>Total</i> fair value AED '000
<i>31 December 2024</i>				
<b>Assets measured at fair value:</b>				
Investments carried at FVTOCI	-	27,003	-	27,003
Derivative financial instruments	<u>—</u>	<u>12,601</u>	<u>—</u>	<u>12,601</u>
	<u>—</u>	<u>39,604</u>	<u>—</u>	<u>39,604</u>
<b>Liabilities measured at fair value:</b>				
Derivative financial instruments	<u>—</u>	<u>32,827</u>	<u>—</u>	<u>32,827</u>
<i>31 December 2023</i>				
Assets measured at fair value:				
Investments carried at FVTOCI	-	41,825	-	41,825
Derivative financial instruments	<u>—</u>	<u>12,828</u>	<u>—</u>	<u>12,828</u>
	<u>—</u>	<u>54,653</u>	<u>—</u>	<u>54,653</u>
Liabilities measured at fair value:				
Derivative financial instruments	<u>—</u>	<u>37,385</u>	<u>—</u>	<u>37,385</u>

During the year ended 31 December 2024 and 2023, 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.

### 32 DIVIDENDS

During 2023, the Company declared and paid dividends amounting AED 4,879 thousand to the owner.

### 33 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.

### 34 SUBSEQUENT EVENTS

Subsequent to the reporting date, the Group entered into a share transfer agreement for the sale of its subsidiaries, Ittihad Investment Central Asia Holding LTD and Chorsu Real Estate Development LLC, both of which were dormant entities as of 31 December 2024. The transaction was concluded subsequent to the year-end.