

**UNITED FOODS COMPANY (PSC)
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023



DIRECTORS' REPORT

The Directors are pleased to present their report, along with the audited consolidated financial statements of United Foods Company (PSC) (the "Company") and its subsidiaries (collectively, the "Group") for the year ending 31 December 2023.

Review of the Activities:

The Group demonstrated robust financial performance in 2023, achieving an impressive 8.3% growth in Sales Volumes. Despite a decline in revenues due to international edible oil price reductions, our margins improved significantly, reaching a healthy gross profit of AED 91,919,634, reflecting a growth of 15%.

In the competitive UAE market, we successfully maintained and expanded our market share, a testament to the strength of our brand and the quality of our products. The Group benefited from effective cost control, efficiency enhancements, process automations, development of cost-effective and healthy recipes, as well as diversification of our product portfolio and geographical expansion.

Our commitment to innovation, sustainability, and operational efficiency is evident in the strong profit margin of 5.2% of gross revenue.

The Net Profit for 2023 stands at AED 30,653,954, a significant increase from AED 17,434,256 in 2022. The Group's financial position continues to be strong, total assets rising to AED 414,550,895, compared to AED 388,221,634 in 2022, robust capital structure with zero debt.

Despite market uncertainties, we are optimistic about the future. Our focus on innovation, sustainability, and operational efficiency positions us well for continued growth. We remain committed to creating long-term value for our shareholders and stakeholders by capitalizing on distribution growth potential in the UAE, diversifying and expanding our product portfolio, pursuing strategic acquisition opportunities, and exploring new markets.

Appropriation

	2023 AED
Retained earnings balance as at 1 January 2023	184,146,539
Profit for the year 2023	30,653,954
Appropriations:	
Dividends declared and paid (relating to 2022)	(6,050,000)
Directors' remuneration	(2,914,110)
Retained earnings balance as at 31 December 2023	<u>205,836,383</u>

Directors propose a regular cash dividend of 30%, reflective of the steady financial performance of the Group and its dedication to providing consistent returns to the valued shareholders. Additionally, in recognition of the outstanding performance achieved in 2023, a special cash dividend of 30% is proposed. Therefore, a total cash dividend of 60% is recommended, amounting to AED 18,150,000 for the year 2023 subject to approval by the Shareholders at the Annual General Meeting



DIRECTORS' REPORT (continued)

Directors

The list of Directors of the Group is as follows:

Mr. Ali Humaid Ali Abdalla Alowais	- Chairman
Mr. Mohamed Abdelaziz Alowais	- Executive Vice Chairman
Mr. Mohamed Salim Rashid Alowais	- Vice Chairman
Mr. Ahmed Abdalla Alowais	- Board Director
Mr. Abdullah Mohammed AlHuraiz	- Board Director
Ms. Alya Hussain Alzarouni	- Board Director
Mr. Hashem Salem Hashem Aldash	- Board Director
Mr. Ahmad Ali Salim Alowais	- Board Director
Mr. Abdulla Sultan Omran Alowais	- Board Director

For and on behalf of the Board

14 February 2024



Ali Bin Humaid Ali Abdalla Al Owais

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED FOODS COMPANY (PSC)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of United Foods Company (PSC) (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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 each 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 UNITED FOODS COMPANY (PSC) (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
<p>Revenue is considered as a material and an important determinant of the Group's performance and profitability. This gives rise to the inherent risk that revenue recognised might be overstated in order to present better performance or profitable results for the year. The Group generates revenue from sale of goods when control of the goods is transferred to customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods (refer note 2.3 to the consolidated financial statements for the revenue recognition policy). Furthermore, the revenue is adjusted by rebates and discounts given to the customers, which gives rise to the inherent risk of overstatement of revenue. Given the magnitude of the amount and the inherent risk of revenue overstatement, we consider revenue recognition to be a key audit matter.</p>	<p>To address the above risk, we performed the following procedures among others:</p> <ul style="list-style-type: none"> - Tested the design and operating effectiveness of controls in respect of the Group's revenue and accounts receivable processes, including assessing the effectiveness of the IT General Controls and the relevant IT Application Controls; - Performed substantive testing and analytical procedures to test the reasonableness and completeness of the underlying calculation of the accruals for rebates and discounts; - Performed analytical procedures, including gross profit margin analysis and obtained explanations for significant variances as compared to previous year; - Performed sales cut-off procedures and selected a sample of invoices before and after year-end to test whether sales are recorded in the appropriate period; - Performed three-way correlation analysis between revenue, trade receivables and cash; - Obtained direct confirmations from customers and performed alternative procedures for the unconfirmed balances; and - Performed journal entries testing for accounts related to identified risks of material misstatement and verified them with supporting documents.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED FOODS COMPANY (PSC) (continued)

Report on the audit of the financial statements (continued)

Other information

Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's 2023 Annual Report after the date of our auditor's report. Management is responsible for the other information.

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED FOODS COMPANY (PSC) (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 material accounting policy information 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 consolidated 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
UNITED FOODS COMPANY (PSC) (continued)**

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021, we report that:

- i) the Group has maintained proper books of account;
- ii) we have obtained all the information 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 Decree Law No. 32 of 2021;
- iv) the financial information included in the Board of Directors' report is consistent with the books of account of the Group;
- v) investments in shares and stocks during the year ended 31 December 2023 are disclosed in note 8 to the consolidated financial statements;
- vi) note 21 reflects material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2023, any of the applicable provisions of the UAE Federal Law No. 32 of 2021 or of its Articles of Association which would have a material impact on its activities or its financial position as at 31 December 2023; and
- viii) the Group made no social contributions during the year.

For Ernst & Young



Signed by:
Ashraf Abu-Sharkh
Partner
Registration No: 690

14 February 2024

Dubai, United Arab Emirates

United Foods Company (PSC) and its Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	<i>Notes</i>	2023 AED	2022 AED
Revenue from contracts with customer, gross		589,361,739	670,339,574
Less: Discounts and rebates		(24,095,775)	(23,308,017)
Revenue from contracts with customers, net	3	565,265,964	647,031,557
Cost of sales		(473,346,330)	(567,022,474)
GROSS PROFIT		91,919,634	80,009,083
Selling and distribution expenses		(45,218,929)	(45,325,066)
General and administrative expenses		(19,729,207)	(18,333,712)
Finance costs		(923,194)	(1,868,485)
Other income, net		4,605,650	2,952,436
PROFIT BEFORE TAX		30,653,954	17,434,256
Income tax expense	28	-	-
PROFIT FOR THE YEAR	4	30,653,954	17,434,256
Profit attributable to:			
Owners of the Group		30,653,954	17,434,256
Earnings per share			
Basic and diluted - in AED	17	0.92	0.52

The attached notes 1 to 29 form part of these consolidated financial statements.

United Foods Company (PSC) and its Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 AED	2022 AED
Profit for the year		30,653,954	17,434,256
Other comprehensive (loss)/ income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Change in fair value of equity securities measured at FVOCI	8	(210,877)	(399,859)
		(210,877)	(399,859)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in fair value of debt securities measured at FVOCI – Sukuk instruments	8	93,615	(284,402)
		93,615	(284,402)
Other comprehensive loss		(117,262)	(684,261)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		30,536,692	16,749,995
Total comprehensive income attributable to:			
Owners of the Group		30,536,692	16,749,995

The attached notes 1 to 29 form part of these consolidated financial statements.

United Foods Company (PSC) and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 AED	2022 AED
ASSETS			
Non-current assets			
Property, plant and equipment	5	74,554,704	82,751,868
Right-of-use assets	6	19,324,146	19,773,326
Intangible assets	7	1,688,217	1,513,122
Financial assets at fair value through other comprehensive income	8	32,662,668	10,655,796
		<u>128,229,735</u>	<u>114,694,112</u>
Current assets			
Inventories	9	72,456,800	125,286,273
Trade and other receivables	10	99,066,059	110,293,001
Amounts due from related parties	21	391,335	501,029
Bank balances and cash	11	114,406,966	37,447,219
		<u>286,321,160</u>	<u>273,527,522</u>
TOTAL ASSETS		<u><u>414,550,895</u></u>	<u><u>388,221,634</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	12	30,250,000	30,250,000
Statutory reserve	13	15,125,000	15,125,000
Regular reserve	14	15,125,000	15,125,000
General reserve	15	65,314,980	65,314,980
Fair value reserve	16	31,910	149,172
Retained earnings		205,836,383	184,146,539
Total equity		<u>331,683,273</u>	<u>310,110,691</u>
Liabilities			
Non-current liabilities			
Employees' end of service benefits	18	9,980,597	9,136,368
Lease liabilities	19	13,000,498	13,424,885
		<u>22,981,095</u>	<u>22,561,253</u>
Current liabilities			
Trade and other payables	20	57,589,405	53,454,913
Lease liabilities	19	2,297,122	2,094,777
		<u>59,886,527</u>	<u>55,549,690</u>
Total liabilities		<u>82,867,622</u>	<u>78,110,943</u>
TOTAL EQUITY AND LIABILITIES		<u><u>414,550,895</u></u>	<u><u>388,221,634</u></u>

Ali Bin Humaid Ali Abdalla Al Owais
Chairman
14 February 2024

Mohammed Abdel Aziz Ali Abdalla Al Owais
Executive Vice Chairman
14 February 2024

The attached notes 1 to 29 form part of these consolidated financial statements.

United Foods Company (PSC) and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	<i>Share capital AED</i>	<i>Statutory reserve AED</i>	<i>Regular reserve AED</i>	<i>General reserve AED</i>	<i>Fair value reserve AED</i>	<i>Retained earnings AED</i>	<i>Total AED</i>
Balance as at 1 January 2023	30,250,000	15,125,000	15,125,000	65,314,980	149,172	184,146,539	310,110,691
Profit for the year	-	-	-	-	-	30,653,954	30,653,954
Other comprehensive loss	-	-	-	-	(117,262)	-	(117,262)
Total comprehensive income/ (loss) for the year	-	-	-	-	(117,262)	30,653,954	30,536,692
Dividends declared and paid (Note 12)	-	-	-	-	-	(6,050,000)	(6,050,000)
Directors' remuneration (Note 21)	-	-	-	-	-	(2,914,110)	(2,914,110)
Balance as at 31 December 2023	30,250,000	15,125,000	15,125,000	65,314,980	31,910	205,836,383	331,683,273

The attached notes 1 to 29 form part of these consolidated financial statements.

United Foods Company (PSC) and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2023

	<i>Share capital AED</i>	<i>Statutory reserve AED</i>	<i>Regular reserve AED</i>	<i>General reserve AED</i>	<i>Fair value reserve AED</i>	<i>Retained earnings AED</i>	<i>Total AED</i>
Balance as at 1 January 2022	30,250,000	15,125,000	15,125,000	65,314,980	833,433	174,354,383	301,002,796
Profit for the year	-	-	-	-	-	17,434,256	17,434,256
Other comprehensive loss	-	-	-	-	(684,261)	-	(684,261)
Total comprehensive income/ (loss) for the year	-	-	-	-	(684,261)	17,434,256	16,749,995
Dividends declared and paid (Note 12)	-	-	-	-	-	(6,050,000)	(6,050,000)
Directors' remuneration (Note 21)	-	-	-	-	-	(1,592,100)	(1,592,100)
Balance as at 31 December 2022	30,250,000	15,125,000	15,125,000	65,314,980	149,172	184,146,539	310,110,691

The attached notes 1 to 29 form part of these consolidated financial statements.

United Foods Company (PSC) and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	<i>Notes</i>	2023 AED	2022 AED
OPERATING ACTIVITIES			
Profit before tax		30,653,954	17,434,256
Adjustments for:			
Depreciation of property, plant and equipment	5	10,982,455	11,139,291
Depreciation of right-of-use assets	6	1,891,503	1,843,104
Amortisation of intangible assets	7	544,697	415,651
Gain on disposal of property, plant and equipment		(349,292)	(201,662)
Finance costs		923,194	1,868,485
Provision for employees' end of service benefits	18	1,453,056	1,599,703
Provision for expected credit losses	10	572,304	1,239,859
Provision for slow moving inventories, net	9	386,685	55,852
Termination of leases		-	8,156
		47,058,556	35,402,695
Working capital changes:			
Inventories		52,442,788	(20,575,866)
Trade and other receivables		10,654,638	(4,792,281)
Trade and other payables		1,220,382	6,363,834
Amounts due from related parties		109,694	101,041
Cash generated from operations		111,486,058	16,499,423
Employees' end of service benefits paid	18	(608,827)	(748,595)
Net cash generated from operating activities		110,877,231	15,750,828
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(3,494,598)	(6,908,431)
Purchase of intangible assets	7	(11,003)	(567,067)
Proceeds from disposal of property, plant and equipment		349,810	201,662
Purchase of financial assets at FVTOCI	8	(22,124,134)	(9,389,245)
Net change in bank deposits	11	20,000,000	(19,000,000)
Net cash used in investing activities		(5,279,925)	(35,663,081)
FINANCING ACTIVITIES			
Payment of lease liabilities	19	(2,456,725)	(2,371,051)
Finance costs paid		(130,834)	(1,115,935)
Dividends paid	12	(6,050,000)	(6,050,000)
Net cash used in financing activities		(8,637,559)	(9,536,986)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		96,959,747	(29,449,239)
Cash and cash equivalents at 1 January		17,447,219	46,896,458
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11	114,406,966	17,447,219

The attached notes 1 to 29 form part of these consolidated financial statements.

United Foods Company (PSC) and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1 ACTIVITIES

United Foods Company (PSC) (the “Company”) is a Public Shareholding Company, incorporated on 1 November 1976 by a Decree issued by His Highness, The Ruler of Dubai. On 27 June 1994, the Company amended its status to a public shareholding company to comply with the provisions of the applicable UAE Federal Law at the time.

The Company’s shares are listed on the Dubai Financial Market (DFM) since July 2006.

The Company is primarily engaged in the manufacturing, processing and marketing of vegetable ghee, cooking oil, margarine, butter products and fat including trading of other food products. The registered address of the Company is P.O. Box 5836, Dubai, UAE.

The Company and its following subsidiaries form the “Group” and are together referred to as the “Group” in these consolidated financial statements. The subsidiaries included in the consolidated financial statements, principal activities and legal and beneficial ownership of the subsidiaries are set out below:

<i>Name of the subsidiaries</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ownership% 2023</i>	<i>Ownership% 2022</i>
Stratus General Trading LLC	General Trading -Wholesalers	U.A. E	100%	100%
PAL Foodstuff & Beverages Trading LLC	Food and Beverages Trading	U.A. E	100%	100%

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 14 February 2024.

2 MATERIAL ACCOUNTING POLICY INFORMATION

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB), Articles of Association of the Company and the applicable requirements of the UAE Federal Decree Law No. 32 of 2021.

The consolidated financial statements have been prepared on a historical cost basis, except for investment securities at fair value through other comprehensive income that have been measured at fair value.

The consolidated financial statements are presented in United Arab Emirates Dirham (“AED”), which is also the Group’s functional currency.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 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 statement of comprehensive income 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.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023.

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Group's consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

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

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less than EUR 750 million/year.

Standards issued but not yet effective

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

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Standards issued but not yet effective (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

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 classified as current when it is:

- Expected to be realised or intended to be sold or consumed in 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 classified as current when:

- It is expected to be settled in 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.

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 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 consolidated 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.

Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer. The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 2.4.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue recognition (continued)

Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Volume rebates

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates which is adjusted against accounts receivables of respective parties.

Interest income

Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rental income

Rental income on operating lease is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

Dividend income⁷

Dividend income is accounted when the Group's right to receive dividend is established.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of profit or loss as incurred. Property, plant and equipment are depreciated on a straight-line basis over the assets' estimated useful lives as follows:

Buildings	20 years
Plant, machinery and equipment	4 to 15 years
Furniture, fixtures and office equipment	4 years
Motor vehicles	4 to 7 years

Land and capital work-in-progress are not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that 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 cost to sell and their value in use. An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of profit or loss in the period the asset is derecognised.

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property, plant and equipment (continued)

Assets in the course of construction are carried at cost as capital work in progress, and transferred to property, plant and equipment when available for use. All costs directly attributable to bringing the asset to the location and condition necessary for it to be used in the manner intended by management are included in the construction cost. No depreciation is charged on such assets until available for use.

Leases

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.

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, if any. 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.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the respective 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.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of certain stores (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 vehicles that are considered of low value (i.e., below AED 18,000). 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.

The 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 the consolidated statement of profit or loss.

Intangible assets

Intangible assets include acquired software and exclusive distribution rights.

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite lives are amortised over the useful economic life and 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 are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation expense on intangible assets is recognised in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible asset. Amortisation is calculated on a straight-line basis over the estimated useful life of 4 years and 10 years, respectively, to their residual values.

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Intangible assets (continued)

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 profit or loss 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 Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed 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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in accordance with IAS 39. Other contingent consideration not within the scope of IAS 39, it is measured at fair value at each reporting date with changes in fair value recognized in the consolidated statement of comprehensive income.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain 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 has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Impairment of goodwill

On an annual basis, the Group determines whether goodwill is impaired. This requires an estimation of the value in use of 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 cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets

At each reporting date the Group reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset 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, recent market transactions are taken into account.

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of non-financial assets (continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is 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 incurred in bringing each product to its present location and condition, as follows:

Raw materials – purchase cost on moving average basis;

Packing materials – purchase cost on moving average basis;

Spares and consumables – purchase cost on moving average basis;

Finished goods and work-in-progress – cost of direct materials and direct labour plus an appropriate share of production overheads based on normal operating capacity.

Net realisable value is based on the estimated selling price less any further costs expected to be incurred on disposal. Damaged and obsolete inventories are written off.

Financial instruments-initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) 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. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value and, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies for revenue from contracts with customers.

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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments-initial recognition and subsequent measurement (continued)

i) *Financial assets (continued)*

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- 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 the consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets include bank balances and cash, trade and other receivables, Financial assets at fair value through other comprehensive income, and amounts due from related parties.

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 profit or loss. 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. The Group elected to classify irrevocably its equity investments under this category.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted sukuk bonds.

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments-initial recognition and subsequent measurement (continued)

i) *Financial assets (continued)*

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) *Financial liabilities*

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 trade and other payables and lease liabilities.

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments-initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group.

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 profit or loss.

iii) 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 the Group intends to settle on a net basis, or to realise the assets and liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdraft.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Employees' end of service benefits

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

With respect to its national employees, the Group makes contributions to 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.

Contingencies and commitments

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Value added tax ("VAT")

The Group is subject to a value added tax ("VAT") of 5% on its transactions inside UAE, and on its import of goods and services from abroad. The amount of VAT liability is determined by applying the applicable tax rate to the invoiced amount of sale of goods and services and reimbursable expenses inside UAE (if any) (output VAT) less VAT paid on purchases made with the relevant supporting invoices (input VAT). The Group reports revenue net of value added tax for all the periods presented in the consolidated financial statements.

Foreign currencies

Transactions in foreign currencies are initially recorded by the Group at its respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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 is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

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

Determining method to estimate variable consideration and assessing the constraint

Certain contracts for the sale of goods include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of goods with volume rebates, the Group determined that using a combination of the most likely amount method and expected value method is appropriate. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Property lease classification – The Group as lessor

The Group has entered into commercial property leases on a portion of its property, not classified as investment property as does not meet the criteria for investment property per IAS 40. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the property, that it retains all the significant risks and rewards of ownership of the property and accounts for the contracts as operating leases.

Significant judgement in determining the lease term of contracts with renewal options

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 the option, under some of its leases to lease the assets for additional terms of three or more years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. 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 (e.g., a change in business strategy). The Group included the renewal period as part of the lease term for leases of land and building due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., one to three years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Group has a policy of leasing motor vehicles for not more than five years and hence not exercising any renewal options.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Estimates and assumptions

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. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Going concern

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements have been prepared on the going concern basis.

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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 is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventories were AED 73,660,267 (2022: AED 126,103,055) before provisions for slow moving inventories of AED 1,203,467 (2022: AED 816,782). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

Useful lives and depreciation of property, plant and equipment and intangible assets

The management periodically reviews estimated useful lives and depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

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).

Estimating variable consideration for returns and volume rebates

The Group estimates variable considerations to be included in the transaction price for the sale of goods with rights of return and volume rebates. The Group developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group. The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date. The Group updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future. As at 31 December 2023 and 2022, no material amount recognised as refund liabilities for the expected returns and volume rebates.

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. 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. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. 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.

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For the year ended 31 December 2023

3 REVENUE FROM CONTRACTS WITH CUSTOMERS, NET

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

	<i>2023</i> <i>AED</i>	<i>2022</i> <i>AED</i>
<i>Type of revenue</i>		
Sale of goods, gross	589,361,739	670,210,761
Less: Discounts and rebates	(24,095,775)	(23,308,017)
	<hr/> 565,265,964	<hr/> 646,902,744
Sale of goods	565,265,964	646,902,744
Filing services	-	128,813
	<hr/> 565,265,964 <hr/>	<hr/> 647,031,557 <hr/>
<i>Type of revenue</i>		
At a point in time	565,265,964	647,031,557
	<hr/> 565,265,964 <hr/>	<hr/> 647,031,557 <hr/>
<i>Geographical market</i>		
United Arab Emirates	410,597,034	478,220,721
GCC other than UAE	85,537,848	95,369,402
Rest of world	69,131,082	73,441,434
	<hr/> 565,265,964 <hr/>	<hr/> 647,031,557 <hr/>

Advances from customers and other rebates are classified as contract liabilities and included under trade and other payables in Note 20. The amount billed under the contracts are recognised as trade receivables and disclosed in Note 10.

4 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	<i>2023</i> <i>AED</i>	<i>2022</i> <i>AED</i>
Inventories charged to cost of sales	443,163,948	538,272,952
Employee expenses	42,684,103	40,134,726
Short-term leases (Note 19)	363,365	314,521
Depreciation of property, plant and equipment (Note 5)	10,982,455	11,139,291
Depreciation of right-of-use assets (Note 6)	1,891,503	1,843,104
Amortization of intangible assets (Note 7)	544,697	415,651
Provision for slow moving inventories (Note 9)	386,685	55,852
Provision for expected credit losses (Note 10)	572,304	1,239,859

Short term lease expense relates to the lease contracts that have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

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5 PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings AED</i>	<i>Plant, machinery and equipment AED</i>	<i>Furniture, fixtures and office equipment AED</i>	<i>Motor vehicles AED</i>	<i>Capital work-in- progress AED</i>	<i>Total AED</i>
Cost:						
At 1 January 2023	92,833,438	176,434,088	6,362,818	15,845,057	4,267,107	295,742,508
Additions	-	-	2,300	-	3,492,298	3,494,598
Disposals	-	(165)	(685,465)	(834,640)	-	(1,520,270)
Allocation to intangible assets (Note 7)	-	-	-	-	(708,789)	(708,789)
Transfers	796,200	1,031,320	271,305	1,140,000	(3,238,825)	-
At 31 December 2023	93,629,638	177,465,243	5,950,958	16,150,417	3,811,791	297,008,047
Accumulated depreciation and impairment:						
At 1 January 2023	52,819,566	140,666,934	5,586,307	13,146,439	771,394	212,990,640
Charge for the year (Note 4)	2,946,868	6,638,475	386,967	1,010,145	-	10,982,455
Disposals	-	(165)	(684,947)	(834,640)	-	(1,519,752)
At 31 December 2023	55,766,434	147,305,244	5,288,327	13,321,944	771,394	222,453,343
Net carrying value At 31 December 2023	37,863,204	30,159,999	662,631	2,828,473	3,040,397	74,554,704

	<i>Land and buildings AED</i>	<i>Plant, machinery and equipment AED</i>	<i>Furniture, fixtures and office equipment AED</i>	<i>Motor vehicles AED</i>	<i>Capital work-in- progress AED</i>	<i>Total AED</i>
Cost:						
At 1 January 2022	92,833,438	173,102,170	5,998,997	15,304,657	2,415,311	289,654,573
Additions	-	-	17,940	-	6,890,491	6,908,431
Disposals	-	-	(12,396)	(808,100)	-	(820,496)
Transfers	-	3,331,918	358,277	1,348,500	(5,038,695)	-
At 31 December 2022	92,833,438	176,434,088	6,362,818	15,845,057	4,267,107	295,742,508
Accumulated depreciation and impairment:						
At 1 January 2022	49,884,095	134,138,848	5,316,669	12,560,839	771,394	202,671,845
Charge for the year (Note 4)	2,935,471	6,528,086	282,034	1,393,700	-	11,139,291
Disposals	-	-	(12,396)	(808,100)	-	(820,496)
At 31 December 2022	52,819,566	140,666,934	5,586,307	13,146,439	771,394	212,990,640
Net carrying value At 31 December 2022	40,013,872	35,767,154	776,511	2,698,618	3,495,713	82,751,868

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5 PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's building on Sheikh Zayed Road is constructed on land for which owned rights were acquired from the Government of Dubai in 2010. The land is registered in the name of the Group. The Group's building in Jebel Ali Industrial Area is constructed on land taken on lease from the Government of Dubai.

Capital work-in-progress of AED 3,040,397 (2022: AED 3,495,713) as at 31 December 2023 pertains mainly to the expenditures incurred for the expansion of factory and warehouse facility in Jebel Ali Industrial Area. Also, included under capital work-in-progress as at 31 December 2022 are software in progress amounting to AED 708,789 which were transferred to Intangible assets during the year 2023.

The Group has temporarily rented out a portion of land and building in Al Quoz and certain staff accommodation units to third party to earn rentals. During the year, the Group earned rental income amounting to AED 159,819 (2022: AED 109,382) which is included in other income in the consolidated statement of profit or loss.

The cost of fully depreciated assets still in use as at 31 December 2023 was AED 132.52 million (2022: AED 126.52 million). The depreciation charge for the year has been allocated as follows:

	2023	2022
	AED	AED
Cost of sales	7,749,533	7,745,597
Selling and distribution expenses	2,545,170	2,647,517
General and administrative expenses	687,752	746,177
	10,982,455	11,139,291

6 RIGHT-OF-USE ASSETS

	2023	2022
	AED	AED
As at 1 January	19,773,326	17,739,476
Additions during the year	-	1,952,234
Modifications during the year	2,191,148	1,932,876
Less: retirements during the year	(748,825)	(8,156)
Less: depreciation for the year (Note 19)	(1,891,503)	(1,843,104)
	19,324,146	19,773,326

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

	2023	2022
	AED	AED
Cost of sales	1,097,184	832,477
Selling and distribution expenses	663,837	836,652
General and administrative expenses	130,482	173,975
	1,891,503	1,843,104

The Group has lease contracts for various items of land, building and motor vehicles.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7 INTANGIBLE ASSETS

	<i>Software AED</i>	<i>Exclusive distribution rights AED</i>	<i>Total AED</i>
Cost:			
At 1 January 2023	4,541,192	441,304	4,982,496
Additions	11,003	-	11,003
Allocation from property, plant and equipment (Note 5)	708,789	-	708,789
	<u>5,260,984</u>	<u>441,304</u>	<u>5,702,288</u>
At 31 December 2023	5,260,984	441,304	5,702,288
Accumulated amortisation:			
At 1 January 2023	3,410,533	58,841	3,469,374
Charge for the year (Note 4)	500,567	44,130	544,697
	<u>3,911,100</u>	<u>102,971</u>	<u>4,014,071</u>
At 31 December 2023	3,911,100	102,971	4,014,071
Net carrying amount:			
At 31 December 2023	1,349,884	338,333	1,688,217

	<i>Software AED</i>	<i>Exclusive distribution rights AED</i>	<i>Total AED</i>
Cost:			
At 1 January 2022	3,974,125	441,304	4,415,429
Additions	567,067	-	567,067
	<u>4,541,192</u>	<u>441,304</u>	<u>4,982,496</u>
At 31 December 2022	4,541,192	441,304	4,982,496
Accumulated amortisation:			
At 1 January 2022	3,053,723	-	3,053,723
Charge for the year (Note 4)	356,810	58,841	415,651
	<u>3,410,533</u>	<u>58,841</u>	<u>3,469,374</u>
At 31 December 2022	3,410,533	58,841	3,469,374
Net carrying amount			
At 31 December 2022	1,130,659	382,463	1,513,122

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 AED	2022 AED
Quoted equity instruments:		
UAE	347,500	377,500
Oman	992,576	1,173,453
Quoted debt instruments – Sukuks:		
UAE	25,874,308	3,770,943
KSA	4,779,402	4,675,451
Bahrain	668,882	658,449
	<u>32,662,668</u>	<u>10,655,796</u>

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For the year ended 31 December 2023

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
(continued)

The movement of investment securities during the year is as follows:

	<i>2023</i> <i>AED</i>	<i>2022</i> <i>AED</i>
At 1 January	10,655,796	1,950,812
Additions	22,124,134	9,389,245
Change in fair value (Note 16)	(117,262)	(684,261)
At 31 December	32,662,668	10,655,796

The fair value levels of the investment securities at FVOCI are disclosed in Note 25.

9 INVENTORIES

	<i>2023</i> <i>AED</i>	<i>2022</i> <i>AED</i>
Raw materials	15,957,188	44,074,006
Finished goods	19,323,113	28,755,761
Packing materials	2,536,305	2,404,420
Work-in-progress	4,131,544	8,740,748
Spares and consumables	2,403,523	2,520,761
	44,351,673	86,495,696
Less: provision for slow moving inventories	(1,203,467)	(816,782)
	43,148,206	85,678,914
Goods-in-transit	29,308,594	39,607,359
	72,456,800	125,286,273

Movement of the provision for slow moving inventories is as follows:

	<i>2023</i> <i>AED</i>	<i>2022</i> <i>AED</i>
At 1 January	816,782	760,930
Provided during the year, net (Note 4)	386,685	55,852
At 31 December	1,203,467	816,782

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10 TRADE AND OTHER RECEIVABLES

	2023	2022
	AED	AED
Trade receivables	97,817,968	108,856,873
Less: provision for expected credit losses	(6,028,483)	(5,962,302)
	91,789,485	102,894,571
Prepaid expenses	2,830,519	4,497,682
Advances to suppliers	2,236,800	683,098
Accrued interest receivable	1,277,948	583,042
Staff receivables	280,652	122,830
Consideration receivable	-	608,000
Other receivables	650,655	903,778
	99,066,059	110,293,001

As at 31 December 2023, trade receivables at nominal value of AED 6,028,483 (2022: AED 5,962,302) were impaired.

Movement of the provision for expected credit losses is as follows:

	2023	2022
	AED	AED
At 1 January	5,962,302	4,722,443
Provided during the year (Note 4)	572,304	1,239,859
Write-offs during the year	(506,123)	-
At 31 December	6,028,483	5,962,302

The Group's terms of sales require amounts to be paid within the range of 30 to 120 days from the date of sale. As at 31 December, the ageing of unimpaired trade receivables on the basis of due dates is as follows:

	<i>Total</i>	<i>Neither past due nor impaired</i>	<i><30 days</i>	<i>Past due but not impaired</i>				
				<i>30-60 days</i>	<i>60-90 days</i>	<i>90-120 days</i>	<i>120-150 days</i>	<i>>150 days</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
2023	91,789,485	83,633,725	4,780,728	382,435	37,563	431,984	558,594	1,964,456
2022	102,894,571	86,833,070	7,221,506	3,037,834	638,150	1,587,032	925,489	2,651,490

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of cash flows consist of the following amounts in the consolidated statement of financial position:

	2023 AED	2022 AED
Cash in hand	71,918	91,089
Bank balances	24,135,048	17,256,130
Deposits	90,200,000	20,100,000
	<hr/>	<hr/>
Bank balances and cash	114,406,966	37,447,219
Less: Deposits with an original maturity of more than three months	-	(20,000,000)
	<hr/>	<hr/>
Cash and cash equivalents	114,406,966	17,447,219
	<hr/>	<hr/>

Deposits are placed with local banks and accrue interest at prevailing market rates. During the year, the Group earned interest income on these deposits amounting to AED 2,757,510 (2022: AED 655,185) which is included in other income in the consolidated statement of profit or loss.

12 SHARE CAPITAL

	2023 AED	2022 AED
Authorised, issued and fully paid up:		
30,250,000 ordinary shares of 1 AED each		
(31 December 2022: 30,250,000 ordinary shares of 1 AED each)	30,250,000	30,250,000
	<hr/>	<hr/>

Dividend declared

The Annual General Meeting held on 27 March 2023 approved a dividend of AED 0.20 per share totaling to AED 6,050,000 relating to 2022, which was paid during the year (relating to 2021: Annual General Meeting held on 11 April 2022 approved 0.20 per share totaling to AED 6,050,000 which was paid during March 2022).

During the Board of Directors' meeting held on 14 February 2024, the Directors proposed a 30% regular cash dividend in addition to a special cash dividend of 30% totaling to AED 18,150,000 relating to the year 2023 subject to approval by the Shareholders in the Annual General Meeting.

13 STATUTORY RESERVE

In accordance with the UAE Federal Decree Law No. 32 of 2021, a minimum of 10% of the profit of the Group is to be allocated annually to a non-distributable statutory reserve. Such allocations may be ceased when the statutory reserve becomes equal to half of the share capital. The Group has already transferred AED 15,125,000 in previous years which reached the minimum statutory reserve requirement as per the Law and therefore no further transfers to statutory reserve were made during the year and the previous year. This reserve is not available for distribution except in the circumstances stipulated by the law.

14 REGULAR RESERVE

In accordance with the Articles of Association of the Group, 10% of the net profit for each year should be transferred to a regular reserve and such transfers cease through a resolution of the usual general assembly upon a suggestion of the board of directors or if it reaches 50% of the paid up capital of the Group. The Group has already transferred AED 15,125,000 in previous years which reached the minimum reserve requirement as per the Articles of Association and therefore no further transfers to regular reserve were made during the year and the previous year. This reserve is to be used for purposes as recommended by the board of directors and approved at the general assembly.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15 GENERAL RESERVE

In accordance with the Articles of Association of the Company, any undistributed net profit may be transferred to the general reserve according to the decisions of the Board of Directors. No transfer has been made to general reserve during the year and the previous year.

16 FAIR VALUE RESERVE

The fair value reserve represents the unrealised gains and losses arising from changes in the fair value of investment securities classified as financial assets with “fair value changes in other comprehensive income (FVOCI)”. The fair value reserve is recognised under fair value reserve in equity until the investments are sold, collected or otherwise disposed of, at which time the cumulative gain or loss previously recognised in other comprehensive income is transferred to retained earnings directly or recycled to the consolidated statement of profit or loss, depending on the nature of the instrument (debt or equity).

Movement of the fair value reserve recognised in the consolidated statement of financial position is as follows:

	2023 AED	2022 AED
Balance at 1 January	149,172	833,433
Net change in fair value of investment securities carried at fair value through OCI (Note 8)	(117,262)	(684,261)
Balance as at 31 December	31,910	149,172

17 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit (net of the Directors’ remuneration) for the year amounting to AED 27,739,844 (31 December 2022: AED 15,842,156) by the weighted average number of ordinary shares outstanding during the year ended 31 December 2023 of 30,250,000 shares (during the year ended 31 December 2022: 30,250,000 shares).

The Group has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

18 EMPLOYEES’ END OF SERVICE BENEFITS

	2023 AED	2022 AED
At 1 January	9,136,368	8,285,260
Provided during the year	1,453,056	1,599,703
Paid during the year	(608,827)	(748,595)
At 31 December	9,980,597	9,136,368

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19 LEASE LIABILITIES

	2023 AED	2022 AED
At 1 January	15,519,662	13,253,053
Additions during the year	-	1,952,234
Add: interest expense on lease liabilities	792,360	752,550
Modifications during the year	2,191,148	1,932,876
Retirements during the year	(748,825)	-
Less: payments during the year	(2,456,725)	(2,371,051)
	<hr/> 15,297,620 <hr/>	<hr/> 15,519,662 <hr/>
At 31 December	<hr/> 15,297,620 <hr/>	<hr/> 15,519,662 <hr/>

Presented in the consolidated statement of financial position as follows:

	2023 AED	2022 AED
Current	2,297,122	2,094,777
Non-current	13,000,498	13,424,885
	<hr/> 15,297,620 <hr/>	<hr/> 15,519,662 <hr/>

The following are the amounts recognised in the consolidated statement of profit or loss:

	2023 AED	2022 AED
Interest expense on lease liabilities	792,360	752,550
Expense related to short-term leases (Note 4)	363,365	314,521
Depreciation of right-of-use assets (Note 6)	1,891,503	1,843,104
	<hr/> 3,047,228 <hr/>	<hr/> 2,910,175 <hr/>

20 TRADE AND OTHER PAYABLES

	2023 AED	2022 AED
Trade payables	16,419,868	15,735,275
Accrual for goods in transit	21,963,158	17,868,742
Accrued expenses and other payables	12,662,656	15,063,049
Advances from customers	2,696,174	1,957,490
VAT payable	933,439	1,161,999
Directors' remuneration payable (Note 21)	2,914,110	1,592,100
Dividends payable (Note 21)	-	76,258
	<hr/> 57,589,405 <hr/>	<hr/> 53,454,913 <hr/>

Accrued expenses and other payables include retentions payable of AED 90,113 (2022: AED 90,113) towards capital work-in-progress for the expansion of factory and warehouse facility in Jebel Ali Industrial Area.

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21 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management in line with the approval of the Group's board of directors.

a) Significant transactions with related parties:

Significant transactions with related parties are as follows:

	<i>2023</i> <i>AED</i>	<i>2022</i> <i>AED</i>
<i>Other related parties:</i>		
Sales to related parties	<u>1,827,315</u>	<u>2,167,155</u>

Compensation of key management personnel

The remuneration of the Directors and other key members of management during the year were as follows:

	<i>2023</i> <i>AED</i>	<i>2022</i> <i>AED</i>
Short-term benefits	3,389,504	3,307,504
Employees' end of service benefits	155,497	255,580
Bonus	580,000	580,000
Directors' sitting fees	125,000	105,000
	<u>4,250,001</u>	<u>4,248,084</u>

For the year ended 31 December 2023, the Board of Directors determined the remuneration of the Directors amounting to AED 2,914,110 (2022: AED 1,592,100), which is to be ratified by the shareholders in the upcoming annual general meeting to be held in 2024 and remained outstanding as at 31 December 2023 and included in trade and other payables.

b) Amounts due from related parties:

	<i>2023</i> <i>AED</i>	<i>2022</i> <i>AED</i>
Trade receivables	<u>391,335</u>	<u>501,029</u>

c) Amounts due to related parties:

Directors' remuneration payable (note 20)	2,914,110	1,592,100
Dividends payable (note 20)	-	76,258
	<u>2,914,110</u>	<u>1,668,358</u>

22 CONTINGENCIES AND COMMITMENTS

Contingent liabilities

At 31 December 2023, the Group had contingent liabilities in respect of letters of credit and letters of guarantees issued by banks amounting to AED 3,537,984 (31 December 2022: AED 300,853) from which it is anticipated that no material liabilities will arise.

Legal claim contingency

The Group has a few pending litigations that occur in the ordinary course of business. The Group is also involved in a legal case with a third party claiming losses arising after closing their business relationships with the Group. As per advice received from the Group's legal advisor, management believes that the Group has a strong legal position to rebut any claim, in form and in substance, and therefore there will be no significant impact on the consolidated financial statements of the Group.

Capital commitments

At 31 December 2023, the Group had capital commitments in respect of purchase of property, plant and equipment amounting to AED 8,180,552 (31 December 2022: AED 4,140,291).

23 SEGMENTAL REPORTING

The Group operates in a single reporting segment primarily engaged in manufacturing, processing and marketing of vegetable ghee, cooking oil, margarine, butter products and fat including trading of food products. All the relevant information relating to this reporting/operating segment is disclosed in the consolidated statement of financial position, consolidated statement of profit or loss and notes to the consolidated financial statements.

IFRS also requires an entity to report its segment assets and revenues along geographical regions. All significant activities of the Group are performed on an integrated basis in the Middle East and the Directors do not consider an analysis by individual country would be meaningful.

Additional information required by IFRS 8 *Segment Reporting*, is disclosed below:

Major customer

During the year ended 31 December 2023, revenue from top 10 customers account for 24% of the Group's total revenue (31 December 2022: 26%).

24 RISK MANAGEMENT

The Group's principal financial liabilities comprise trade and other payables and lease liabilities. The Group has various financial assets such as trade and other receivables, amounts due from related parties, financial assets at fair value through other comprehensive income and bank balances and cash. Both financial assets and liabilities arise directly from its operations.

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group does not hold or issue derivative financial instruments for speculative purpose. The Group is mainly exposed to interest rate risk, credit risk, liquidity risk, equity price risk and foreign currency risk. No changes were made in the risk management objectives and policies during the years ended 31 December 2023 and 2022. The senior management of the Group reviews and agrees policies for managing each of these risks.

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24 RISK MANAGEMENT (continued)

Interest rate risk

The Group is exposed to interest rate risk on its interest-bearing assets and liabilities.

The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the Group's result for one year, based on the floating rate financial assets and financial liabilities held at 31 December. There is no impact on the Group's equity.

	<i>Increase/ decrease in basis points</i>	<i>Effect on profit for the year</i>
2023		
AED	+100	1,215,226
AED	-100	(1,215,226)
 2022		
AED	+100	292,048
AED	-100	(292,048)

Credit risk

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Certain categories of customers are covered through credit insurance and most of the export sales customers are covered either through letter of credit or bank guarantees.

The Group limits its credit risk with regard to bank deposits by only dealing with reputable banks. Credit risk is limited to the carrying values of financial assets in the consolidated statement of financial position.

The Group invests on quoted debt with low credit risk. The Group's debt instruments at fair value through OCI comprised solely of quoted bonds that are graded in the top investment categories.

With respect to credit risk arising from other financial assets of the Group, including cash and cash equivalents and trade and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

	2023 AED	2022 AED
Bank balances and deposits	114,335,048	37,356,130
Trade receivables	91,789,485	102,894,571
Debt instruments at FVTOCI	31,322,592	9,104,843
Accrued interest receivable	1,277,948	583,042
Amounts due from related parties	391,335	501,029
Staff receivables	280,652	122,830
Consideration receivable	-	608,000
Other receivables	650,655	903,778
	<u>240,047,715</u>	<u>152,074,223</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24 RISK MANAGEMENT (continued)

Liquidity risk

The Group limits its liquidity risk by ensuring that adequate internally generated funds, bank facilities and funds from the shareholders are available. The Group's terms of sales require amounts to be paid within the range of 30 to 120 days from the date of sale. Trade payables are normally settled within 30 to 90 days from the date of purchase.

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

At 31 December 2023

	<i>Less than 1 year AED</i>	<i>1 to 5 years AED</i>	<i>>5 years AED</i>	<i>Total AED</i>
Trade and other payables	54,893,231	-	-	54,893,231
Lease liabilities	2,063,345	10,772,397	10,971,699	23,807,441
Total	<u>56,956,576</u>	<u>10,772,397</u>	<u>10,971,699</u>	<u>78,700,672</u>

At 31 December 2022

	<i>Less than 1 year AED</i>	<i>1 to 5 years AED</i>	<i>>5 years AED</i>	<i>Total AED</i>
Trade and other payables	51,497,423	-	-	51,497,423
Lease liabilities	2,153,363	11,606,080	10,898,591	24,658,034
Total	<u>53,650,786</u>	<u>11,606,080</u>	<u>10,898,591</u>	<u>76,155,457</u>

Equity price risk

The Group is exposed to equity securities price risk in respect of investments held by the Group classified as investments carried at fair value with changes in fair value through OCI in the consolidated statement of financial position. The Group's investments in equity securities are publicly traded and are listed in stock exchanges in the UAE and Oman.

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to listed equity securities at fair value was AED 1,340,076 (2022: AED 1,550,953). A decrease of 10% in the market index could have an impact of approximately AED 134,008 (2022: AED 155,095) on the other comprehensive income or equity attributable to the Group, depending on whether the decline is significant or prolonged. An increase of 10% in the value of the listed securities would only impact equity but would not have an effect on profit or loss.

Foreign currency risk

The Group is not exposed to any significant foreign currency risk as transactions are mainly in US Dollar and the United Arab Emirates Dirham, which is pegged to the US Dollar.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in business conditions.

During the years ended 31 December 2023 and 2022, there were no major changes in the objectives, policies or processes. Capital comprises share capital, reserves and retained earnings and is measured at AED 331,683,273 as at 31 December 2023 (2022: AED 310,110,691).

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25 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash on hand and bank balances, trade and other receivables, amounts due from related parties and investment securities at fair value through other comprehensive income. Financial liabilities consist of trade and other payables and lease liabilities.

The fair values of financial instruments are not materially different from their carrying values.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2023, the Group held the following financial instruments measured at fair value:

Assets measured at fair value

	<i>31 December 2023 AED</i>	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>
Quoted equity securities				
Consumer Staples Sector	992,576	992,576	-	-
Investments and Financial Services Sector	347,500	347,500	-	-
	<u>1,340,076</u>	<u>1,340,076</u>	<u>-</u>	<u>-</u>
Quoted debt securities				
Sukuk instruments	31,322,592	31,322,592	-	-
Total	<u>32,662,668</u>	<u>32,662,668</u>	<u>-</u>	<u>-</u>

As at 31 December 2022, the Group held the following financial instruments measured at fair value:

Assets measured at fair value

	<i>31 December 2022 AED</i>	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>
Quoted equity securities				
Consumer Staples Sector	1,173,453	1,173,453	-	-
Investments and Financial Services Sector	377,500	377,500	-	-
	<u>1,550,953</u>	<u>1,550,953</u>	<u>-</u>	<u>-</u>
Quoted debt securities				
Sukuk instruments	9,104,843	9,104,843	-	-
Total	<u>10,655,796</u>	<u>10,655,796</u>	<u>-</u>	<u>-</u>

During the years ended 31 December 2023 and 2022, there were no transfers between the various levels of fair value measurements. As at 31 December 2023, the fair values of equity securities and debt securities were assessed which resulted in a fair value loss of AED 210,877 (31 December 2022: AED 399,859) and a fair value gain of AED 93,615 (31 December 2022: fair value loss of AED 284,402) on these instruments, respectively.

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26 FIDUCIARY ASSETS

As at 31 December 2023, the Group held 4.83 MT (31 December 2022: 12.17 MT) raw materials, in a fiduciary capacity on behalf of third parties.

27 COMPARATIVE INFORMATION

Certain amounts in the consolidated statement of financial position as at 31 December 2022 have been reclassified in order to conform to the presentation for the current year. These changes have been made to improve the quality of information presented. Such reclassification does not affect previously reported consolidated profit or total comprehensive income or equity.

The table below summarises the reclassification for the line items affected.

Consolidated statement of financial position	<i>As previously reported AED</i>	<i>Reclassifications AED</i>	<i>As reported now AED</i>
Trade and other receivables	111,030,288	(737,287)	110,293,001
Trade and other payables	(54,192,200)	737,287	(53,454,913)

28 TAXATION

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

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 – Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

Based on the assessment conducted by the Group, it has been determined that the CT Law does not have any material effect on deferred taxes in the consolidated financial statements for the year ended 31 December 2023. Moving forward, the Group will continue to monitor further developments and assess the impact of the corporate tax on its consolidated financial statements, particularly focusing on both current and deferred tax implications, in light of any further explanations and instructions regarding the application of the CT Law.

29 CLIMATE RELATED MATTERS

The Group will consider climate-related matters in estimates and assumptions, where appropriate, in compliance with the requirements of IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures) which are effective for annual periods beginning on or after 1 January 2024. This assessment includes a wide range of possible impacts on the Group due to both physical and transition risks. Even though the Group believes its business model and products will still be viable after the transition to a low-carbon economy, climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the consolidated financial statements. The Group is currently assessing the potential impact from climate-related matters on its consolidated financial statements and is closely monitoring relevant changes and developments, such as new climate-related legislation.