حديد الإمارات
emirates steel

أركان
ARKAN

INTEGRATED ANNUAL REPORT

2021

THE INTEGRATED ANNUAL REPORT

CONTENTS

01
Board of Directors' Report

Board of Directors' Report to the Shareholders for the year ended 31 December 2021

On behalf of Arkan Building Materials Company PJSC's ("Arkan" or the "Company") Board of Directors, I am pleased to present the Board of Directors' report and the audited consolidated financial statements for the year ended 31 December 2021.

On 6 October 2021 the Company completed the acquisition of the entire issued share capital of Emirates Steel Industries PJSC ("Emirates Steel") from its majority shareholder, General Holding Corporation PJSC ("SENAAT"), for the issue of 5.1 billion new ordinary shares in the Company. From this date, Emirates Steel became a direct 100% subsidiary of the Company and as a result of this transaction SENAAT's investment in Arkan increased from 51% to 87.5% of its issued share capital.

The acquisition of Emirates Steel created the largest steel and building materials manufacturing and distribution business in the UAE. The transaction crystallised a significant expansion in the scope of the Company's scale as well as providing diversification in the scope of its operations.

In both 2020 and 2021 the construction industry in the UAE was impacted by the COVID-19 pandemic and for Arkan, this came on top of an already challenging market due to increased competition, particularly for its cement-based products, as well as a reduction in the number of construction projects in the Emirate of Abu Dhabi.

As a result of these challenges, the Company has taken significant measures to return the business to long-term profitability. In late 2020, Arkan mandated a specialist advisory firm to implement a cost rationalisation programme, right sizing its operations to the expected market environment and to reflect the introduction of new production technologies and process improvements. This crystallised cost savings of some AED 28 million in the 2021 fiscal year, with further savings anticipated in 2022. Throughout these rationalisation measures the Company has continued to ensure that safety, customer service and product quality remained at the very highest standards.

The results as set out in the annexed consolidated financial statements reflect a full year of Arkan's performance and the period from 6 October 2021 to 31 December 2021 for Emirates Steel, being the period following the strategic combination of the two businesses.

Overall Group revenues in 2021 totalled AED 3,022.2 million, compared to AED 828.7 million for the year 2020; with Emirates Steel's contribution from the date of acquisition totaling AED 2,232.9 million.

Overall, the Company recorded a net loss of AED 744.6 million for the 2021 fiscal year, which included impairment provisions of AED 700 million and AED 50 million, taken against goodwill and assets associated with the cement manufacturing business and against its a non-core associate investment respectively.

Board of Directors' Report to the Shareholders
for the year ended 31 December 2021 (continued)

Review of Operations

Steel

On a stand-alone basis, Emirates Steel, in the post-transaction period, generated revenues of AED 2,232.9 million and reported a net profit of AED 51.3 million, despite a slowdown in construction activity in the UAE until Q4 2021 and a substantial increase in the electricity tariff. Emirates Steel is well-placed to capitalize on the expected market recovery in the region and opportunities in the buoyant global steel market in the year ahead.

Cement and Blocks

Revenue from the Cement and Blocks division was AED 620.1 million, compared to AED 649.0 million in 2020. The Company projects that its mining rights relating to its captive quarry in Al Ain provide access to sufficient reserves of limestone, taken together with available feedstock, to maintain cement production for a further three years. The Company continues to assess alternative sources of feedstock for its longer-term operations. As a consequence of the current uncertainty associated with the longer-term operating model for the plant the Company has booked an impairment charge of AED 700 million against the related goodwill and assets. Before this impairment charge the division recorded a net profit of AED 5.2 million as compared to a loss of AED 14.4 million in 2020. The improvement in the underlying profitability has primarily resulted from cost optimization initiatives.

Other

The Company's other businesses comprise the manufacture and distribution of PVC pipes, GRP pipes and bags. Collectively these businesses reported revenues of AED 169.2 million, compared with AED 179.6 million in 2020. The businesses generated a profit of AED 6.5 million in the year, against a profit of AED 20.9 million in 2020. Whilst the businesses secured increases in sales prices profitability was adversely impacted by low demand and, particularly for the PVC division, increased feedstock costs and provisions against overdue receivable balances.

Liquidity

Bank borrowings totaled AED 2,623.4 million at 31 December 2021 (31 December 2020: AED 933.0 million). In addition, the Group held cash and cash equivalents of AED 335.6 million as of 31 December 2021 (31 December 2020: AED 74.0 million), giving net gearing levels of 32% and 50% at 31 December 2021 and 2020 respectively.

Total Assets & Shareholders' Equity

The Group's total assets were AED 12.1 billion at 31 December 2021 (31 December 2020: AED 3.3 billion). The value of shareholders' equity was at AED 7.2 billion as of 31 December 2021 compared to AED 1.7 billion as of 31 December 2020.

Investments

The share of loss from associates was AED 22.7 million in 2021, compared to a loss of AED 0.20 million in 2020. The Company received a cash dividend of AED 1.2 million during the year, reflecting a significant reduction on the AED 6.2 million received in 2020. The Company has recorded an impairment of AED 50 million on the goodwill associated with the investment; this provision having been charged on the re-assessment of the projected future free cash flows that will be generated by these companies.

Board of Directors' Report to the Shareholders for the year ended 31 December 2021 (continued)

Directors

The Directors who held office during the financial year subject to review, together with changes through to the date of this report, are detailed below.

Hamad A. Al Hammadi	- Chairman - appointed 4 November 2021
Jamal S. Al Dhaheri	- Vice Chairman from 4 November 2021, previously the Chairman
Abdulaziz Al Hajri	- appointed 4 November 2021
Farah Abdulla Al Mazrui	- appointed 4 November 2021
Fatima Abdulla Al Fahim	- appointed 4 November 2021
Nabeel Qadir	- appointed 4 November 2021
Saeed G. Al Remeithi	- resigned 22 April 2021, re-appointed 4 November 2021
Ahmed S. Al Mhairi	- resigned 22 April 2021
Amna O. Al Zaabi	- resigned 22 April 2021
Mabkhoot T. Al Menhali	- resigned 4 November 2021
Khalifa S.D. Al Ketbi	- resigned 4 November 2021
Mohammed A.A. Al Fahim	- resigned 4 November 2021
Mubarak H.S. Al Mansoori	- appointed 22 April 2021, resigned 4 November 2021
Khalfan S.M. Al Qemzi	- appointed 22 April 2021, resigned 4 November 2021
Mubarak O.K. Al Dhaheri	- appointed 22 April 2021, resigned 4 November 2021

Auditor

The Directors release from liabilities the external auditor, Deloitte & Touche (M.E.), in connection with their duties for the year ended 31 December 2021.

For and on behalf of the Board of Directors

H.E. Hamad A. Al Hammadi
Chairman
24 March 2022

02
Independent auditor's report

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OFARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Arkan Building Materials Company (ARKAN) PJSC (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

Basis for Opinion

We have 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 Ethics Standards Board for Accountants' Codes of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. We have communicated the key audit matters to the Audit Committee but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. On the following pages, we have described the key audit matters we identified and have included a summary of the audit procedures we performed to address those matters.

The key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

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

Key Audit Matters (continued)

Key audit matter	**How the matter was addressed in our audit**
Carrying value of cash generating unit relating to cement business	
The carrying value of the cash generating unit of the cement business, prior to the impairment charge detailed below, was AED 1,673 million. This amount includes goodwill of AED 114 million. Management determined that the recoverable amount of the cement business was less than its carrying amount and consequently recognised an impairment charge of AED 700 million in the consolidated statement of profit or loss. We considered the determination of the recoverable amount of the cement business as a key audit matter as management is required to apply significant judgements and make significant estimates including the estimated value of future cash flows, associated discount rates the impact of the Covid-19 pandemic and long-term growth rates based on management's view of future business prospects. Further details are disclosed in notes 5 and 6 to the consolidated financial statements including details of the impairment charge of AED 700 million recorded in the year relating to the cement business.	We have performed the following procedures in response to the key audit matter identified: • Assessed the design and tested the implementation of the Company's controls relating to the determination of the recoverable amount of the cement business; • Reconciled the net carrying amount of goodwill allocated to the CGU to the Group's accounting records; • Engaged our valuation specialist to assess the discount rate and growth rates applied by benchmarking against independent data; • Challenged each of the key assumptions with management, including budget estimates underlying the cash flows used in the valuation models are based. For this purpose, we also compared the estimates of cash flow projections of previous periods with actual corresponding results, to assess the pertinence and reliability of the process for making forecasts and considered if these have adequately taken the impact of the Covid-19 pandemic into account; • Reviewed management's sensitivity analysis in relation to the key inputs used in the model used to determine the recoverable amount, as well as performing our own sensitivity analysis of the factors and assumptions used; • Reperformed the arithmetical accuracy of the valuations used by the Company; and • Reviewed the method of allocating the impairment charge to the various asset classes within the cement business. We also assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Deloitte.

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

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Merger with Emirates Steel Industries PJSC	
During the year, Arkan Building Materials (ARKAN) PJSC legally completed its combination with Emirates Steel Industries PJSC ("ESI") (the "Transaction"). Details of the Transaction are disclosed in note 31 to the consolidated financial statements. We considered the accounting for the Transaction as a key audit mater since IFRS does not specifically address business combinations of entities under common control and accordingly, significant judgment was required to determine an appropriate accounting policy that results in information that is relevant and reliable. Management considered the most recent pronouncements of the financial reporting standards applicable in the UK and Republic of Ireland and adopted the pooling of interest method to account for the transaction, resulting in the assets and liabilities of the combined entities being consolidated at their pre combination carrying values.	We have performed the following procedures in response to the key audit matter identified: • Evaluated the design and tested the implementation of controls over the Transaction; • Obtained and reviewed relevant contracts related to the Transaction; • Reviewed management's position paper to determine whether the Transaction meets the definition of a common control transaction; and • Utilised our internal complex accounting specialists to determine whether the merger accounting method was an appropriate policy choice to account for the Transaction. We have also assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

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

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Impairment of property, plant and equipment of Emirates Steel Industries PJSC	
The carrying amount of the Group's property, plant and equipment was AED 7,239 million. AED 5,970 million of this amount relates to the Group's subsidiary, Emirates Steel Industries PJSC ("ESI"). The principal activities of ESI are to develop and operate an integrated steel plant in the Emirate of Abu Dhabi, United Arab Emirates. We considered this to be a key audit matter as the determination of the recoverable amount requires management to apply significant judgements and make significant estimates. These include, inter alia, expected future cash flows, utilisation rates and the discount rate applied. In addition, the carrying amount of ESI's property, plant and equipment is quantitatively significant to the consolidated financial statements. Refer to notes 4 and 6 in the consolidated financial statements for more details relating to this matter.	We have performed the following procedures in response to the key audit matter identified: • Evaluated the design and tested the implementation of controls over the process of determining the allowance for/reversal of impairment of property, plant and equipment; • Engaged our internal valuation specialists to assess the cash flow model and the appropriateness of the discount rate used; • Evaluated whether the cash flow model used by management to calculate the value in use of ESI's property, plant and equipment complies with the requirements stipulated in IFRSs; • Challenged the growth rates and other key cash flow assumptions used in the model; • Performed sensitivity analysis over the key estimates applied by management to ascertain the extent of change in those assumptions that either individually or collectively would be required for a material change in the impairment reversal to occur; and • Reperformed the mathematical accuracy of the model. We have also assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Deloitte.

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

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 the applicable provisions of the articles of association of the Company and the UAE Federal Law No. (2) of 2015 (as amended), and for such internal control as management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC (continued)

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Deloitte.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the UAE Federal Law No. (2) of 2015 (as amended), we report that for the year ended 31 December 2021 that:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended);
- The Company has maintained proper books of account;
- The financial information included in the Board of Directors' Report to the Shareholders is consistent with the books of account and records of the Group;
- Details of shares invested in by the Company during the financial year ended 31 December 2021 is disclosed in note 31 to the consolidated financial statements;
- Note 13 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2021.

Further, as required by the Resolution of the Chairman of the Abu Dhabi Accountability Authority No. (1) of 2017 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the procedures performed and information provided to us, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the consolidated financial statements as at 31 December 2021:

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

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
24 March 2022
Abu Dhabi
United Arab Emirates

03
Reports & consolidated financial statements

Consolidated statement of financial position as at 31 December 2021

	Notes	2021 AED'000	2020 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	**5**	**7,238,822**	1,860,098
Goodwill	**6**	**14,050**	128,430
Right-of-use assets	**14**	**450,944**	233,097
Investment in associates	**7**	**79,728**	153,649
Investment property	**8**	**13,973**	-
Intangible assets	**9**	**4,802**	-
Total non-current assets		**7,802,319**	2,375,274
Current assets			
Inventories	**10**	**2,288,793**	396,818
Trade and other receivables	**11**	**1,636,766**	412,724
Amounts due from related parties	**13**	**184**	755
Cash and cash equivalents	**12**	**335,588**	73,962
Total current assets		**4,261,331**	884,259
Total assets		**12,063,650**	3,259,533
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	**15**	**6,850,000**	1,750,000
Statutory reserve	**16**	**85,448**	85,448
Merger reserve	**17**	**1,092,817**	-
Capital reserve	**17**	**3,783**	3,783
Other reserves	**17**	**(2,297)**	(9,089)
Accumulated losses		**(850,642)**	(106,010)
Net equity		**7,179,109**	1,724,132
Non-current liabilities			
Lease liabilities	**21**	**479,833**	146,182
Provision for employees' end of service benefit	**18**	**217,075**	49,028
Bank borrowings	**19**	**269,901**	403,678
Total non-current liabilities		**966,809**	598,888
Current liabilities			
Bank borrowings	**19**	**2,353,547**	529,327
Trade and other payables	**20**	**1,514,826**	385,147
Amounts due to a related party	**13**	**-**	20
Loan from a related party	**13**	**18,361**	18,361
Lease liabilities	**21**	**30,998**	3,658
Total current liabilities		**3,917,732**	936,513
Total liabilities		**4,884,541**	1,535,401
Total equity and liabilities		**12,063,650**	3,259,533

To the best of our knowledge, the financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the Company as of 31 December 2021, and for the periods presented in the report.

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

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

Consolidated statement of profit or loss
for the year ended 31 December 2021

	Notes	2021 AED'000	2020 AED'000
Revenue	22	3,022,239	828,682
Cost of sales	23	(2,745,117)	(680,419)
Gross profit		277,122	148,263
Selling and distribution expenses	24	(51,167)	(25,530)
General and administrative expenses	25	(162,956)	(119,603)
Other income	27	7,547	3,364
Share of loss of associates	7	(22,721)	(197)
Impairment losses on non-financial assets	28	(750,000)	(29,012)
Finance income	26	19	29
Finance cost	26	(42,476)	(43,856)
Loss for the year		(744,632)	(66,542)
Basic and diluted loss per share	33	(0.245)	(0.038)

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021

	Note	2021 AED'000	2020 AED'000
Loss for the year		**(744,632)**	(66,542)
Other comprehensive income			
Items that will not be reclassified subsequent to profit or loss:			
Re-measurement of provision for employees' end of service benefit	**18**	**6,792**	(2,493)
Total comprehensive loss for the year		**(737,840)**	)69,035(

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

Consolidated statement of changes in equity
for the year ended 31 December 2021

	Share capital AED'000	Statutory reserve AED'000	Merger reserve AED'000	Capital reserve AED'000	Other reserves AED'000	Accumulated losses AED'000	Net equity AED'000
As at 1 January 2020	1,750,000	85,448	-	3,783	(6,596)	(39,468)	1,793,167
Loss for the year	-	-	-	-	-	(66,542)	(66,542)
Other comprehensive loss	-	-	-	-	(2,493)	-	(2,493)
Total comprehensive loss for the year	-	-	-	-	(2,493)	(66,542)	(69,035)
As at 1 January 2021	1,750,000	85,448	-	3,783	(9,089)	(106,010)	1,724,132
Loss for the year	-	-	-	-	-	(744,632)	(744,632)
Other comprehensive income	-	-	-	-	6,792	-	6,792
Total comprehensive loss for the year	-	-	-	-	6,792	(744,632)	(737,840)
Issue of ordinary shares (note 15)	5,100,000	-	-	-	-	-	5,100,000
Acquisition of Emirates Steel Industries PJSC (note 31)	-	-	1,092,817	-	-	-	1,092,817
As at 31 December 2021	**6,850,000**	**85,448**	**1,092,817**	**3,783**	**(2,297)**	**(850,642)**	**7,179,109**

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

Consolidated statement of cash flows
for the year ended 31 December 2021

	2021 AED'000	2020 AED'000
Cash flows from operating activities		
Loss for the year	**(744,632)**	(66,542)
Adjustments for:		
Depreciation of property, plant and equipment	**158,617**	72,479
Amortisation of right-of-use assets	**33,131**	16,506
Depreciation of investment property	**177**	-
Depreciation of intangible assets	**1,054**	-
Impairment of property, plant and equipment and right-of-use assets	**585,620**	-
Impairment of goodwill	**114,380**	-
Impairment loss on investment in an associate	**50,000**	28,821
Impairment loss on trade receivables	**27,578**	29,229
Employees' end of service benefit charge	**16,828**	6,385
Share of loss of associates	**22,721**	197
Finance income	**(19)**	(29)
Finance cost	**42,476**	43,856
Impairment loss on inventories	**8,262**	21
Operating cash flows before movements in working capital	**316,193**	130,923
Decrease in inventories	**557,167**	20,147
(Increase)/decrease in trade and other receivables	**(125,993)**	53,861
Decrease in amounts due from related parties	**571**	261
Increase/(decrease) in trade and other payables	**81,033**	(123,540)
Decrease in amounts due to a related party	**(20)**	(541)
Cash generated from operations	**828,951**	81,111
Employees' end of service benefit paid	**(5,844)**	(4,394)
Net cash generated from operating activities	**823,107**	76,717
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	**(67,459)**	(13,279)
Payments for purchase of intangible assets	**(754)**	-
Interest received	**19**	29
Dividends received from associates	**1,200**	6,200
Net cash used in investing activities	**(66,994)**	(7,050)
Cash flows from financing activities		
Repayment of borrowings	**(694,506)**	(404,844)
Proceeds from borrowings	**-**	394,483
Repayment of loan from a related party	**-**	(18,369)
Interest paid	**(30,363)**	(33,981)
Principal repayment and re-measurement of lease liabilities	**(15,299)**	(4,405)
Interest paid on lease liabilities	**(12,113)**	(9,875)
Net cash used in financing activities	**(752,281)**	(76,991)
Net increase/(decrease) in cash and cash equivalents	**3,832**	(7,324)
Cash and cash equivalents at beginning of year	**73,962**	81,286
Cash acquired in Emirates Steel (note 31)	**257,794**	-
Cash and cash equivalents at end of year (note 12)	**335,588**	73,962

Significant non-cash transaction: the acquisition of 100% of the issued share capital of Emirates Steel Industries PJSC for the issue of 5,100 million ordinary shares in the Company (notes 15 and 31).

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

Notes to the consolidated financial statements
for the year ended 31 December 2021

1 General information

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

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

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

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

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

Name of subsidiary	Country of incorporation	Proportion of ownership interest and voting held by the Group		Principal activity
		2021	2020	
Emirates Steel Industries PJSC[1]	UAE	100%	-	Production and sale of longsteel products
Emirates Blocks Factory	UAE	100%	100%	Production and sale of cement blocks
Emirates Cement Factory[2]	UAE	100%	100%	Production and sale of packed and bulk cement
Al Ain Cement Factory	UAE	100%	100%	Production and sale of packed and bulk cement
Anabeeb Pipes Manufacturing Factories	UAE	100%	100%	Production and sale of pipes, manufacturing pipes, plastic and paper bags

[1] Emirates Steel Industries PJSC ("Emirates Steel") was acquired on 6 October 2021 from a related party for the issue of 5,100,000,000 ordinary shares (notes 15 and 31).

[2] Operations of Emirates Cement Factory were discontinued in December 2016 and currently Emirates Cement Factory does not have any operations.

Other than the acquisition of Emirates Steel, referenced above, the Group made no purchases or investments in shares during the financial year ended 31 December 2021 (2020: none).

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the Company manages those risks as well as the Company's progress in transitioning from IBORs to alternative benchmark rates, and how the Company is managing this transition.

COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

2.2 New and revised IFRS in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts*	1 January 2023
IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.	
The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.	

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts (continued)*	1 January 2023
In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.	
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date not yet decided
The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.	

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2023
The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively.	
Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework	1 January 2022
The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.	
The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.	

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts - Cost of Fulfilling a Contract The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41	The amendments to IFRS 1, IFRS 9 and IAS 41 are effective from 1 January 2022 and the effective date for amendments to IFRS 16 Leases are not yet decided.
Amendments to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021	Amendments to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.	1 January 2023

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 8 - Definition of Accounting Estimates	1 January 2023
The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.	

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

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

3 Summary of significant accounting policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and applicable provisions of UAE Federal Law No. (2) of 2015 (as amended).

Going concern

The Group incurred a loss for the year of AED 744.6 million, stated after non-cash charges of AED 750.0 million for impairment losses on non-financial assets. At 31 December 2021, the Group had net current assets of AED 343.6 million which included AED 2,353.5 million of external borrowings (note 19) and an AED 18.4 million loan from a related party (note 13).

3 Summary of significant accounting policies

Going concern (continued)

Based on the Group's existing cash position, the funds available from undrawn facilities which amounted to AED 684.9 million at the reporting date and the free cash flow expected to be generated from operations will be sufficient for the Group to meet its obligations as they fall due for a period of at least 12 months from the date of these consolidated financial statements.

Accordingly, and taking into consideration the impact of COVID-19 to the Group's future cash flows, these consolidated financial statements have been prepared on a going concern basis.

Basis of preparation

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

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

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

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

The principal accounting policies adopted by the Group are set out in the subsequent pages:

Basis of consolidation

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

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

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

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

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

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

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

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

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

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

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

Subsidiaries

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

3 Summary of significant accounting policies (continued)

Business combinations

Acquisition accounting

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

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

Business combination (continued)

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

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

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

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

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

Revenue recognition

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

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

Step 1: Identify the contract(s) with a customer
A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify the performance obligations in the contract
A performance obligation is a unit of account and a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price
The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract
For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

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

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

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

The Group primarily generates revenue from simply structured sales of building materials, such as cement, blocks, cement bags and pipes, for which the control passes to the customer at a specific point in time. Revenue is recorded net of value added tax (VAT).

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

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

Property, plant and equipment

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

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

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

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

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

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

Investment property

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

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

3 Summary of significant accounting policies (continued)

Leases

The Group as lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

Leases (continued)

The Group as lessee (continued)

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

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

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

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

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

Capital work in progress

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

Investment in associates

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

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

3 Summary of significant accounting policies (continued)

Investment in associates (continued)

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

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

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

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

3 Summary of significant accounting policies (continued)

Goodwill

Goodwill is initially recognised and measured as set out above.

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

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

Intangible assets

Intangible assets acquired separately
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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

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

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

Impairment of tangible and intangible assets excluding goodwill

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

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill (continued)

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

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

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

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

Inventories

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

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

Provision for employees' end of service benefit

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

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

(a) Bonus and long-term incentive plans

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

(b) Defined contribution plan

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

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

Provision for employees' end of service benefit (continued)

(c) Defined benefit plan

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

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

Foreign currencies

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

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

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

Provisions

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

3 Summary of significant accounting policies (continued)

Financial instruments

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

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

Initial recognition

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

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

All other financial assets are classified as measured at FVTPL.

Business model assessment
The Group entities make an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

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

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Classification of financial assets and liabilities

Initial recognition (continued)

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

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

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

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

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

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

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

Subsequent measurement and gain or losses

Financial assets at amortised cost:
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated income statement. Any gain or loss on derecognition is recognised in the consolidated income statement.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Classification of financial assets and liabilities (continued)

***Subsequent measurement and gain or losses* (continued)**

Financial assets at FVTPL
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the consolidated statement of profit or loss.

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

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

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

Reclassification

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

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

Modifications of financial assets and financial liabilities

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

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Modifications of financial assets and financial liabilities (continued)

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

De-recognition

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

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

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

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

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

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

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

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

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

12-month ECL: These losses are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Measurement of ECL

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

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Measurement of ECL (continued)

Definition of default

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

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

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

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

Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4 Critical accounting judgments and key sources of estimation uncertainty

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

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

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

Critical judgments in applying accounting policies

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

Business combination

Significant judgment is required to determine whether a common control transaction should be accounted for using the acquisition method or pooling of interest method. Under established accounting practice guidance there is a policy choice available for management to choose either the pooling of interest or acquisition accounting for common control transactions. The choice will be determined by the substance and the specific facts and circumstances surrounding each particular business combination under common control.

Considering the specific circumstances relevant to different common control transactions may well result in different business combinations under common control being accounted for differently by the reporting entity, where the specific facts and circumstances indicate that the transactions are not similar in nature and warrant different treatment.

Detailed below are factors relevant to the Arkan and Emirates Steel business combination under common control that have directed management to conclude that the pooling of interest best reflects the substance of the transaction:

- The transaction was undertaken to effect an internal simplification and restructuring, and both sub-groups will, in future, continue to be managed and run separately as they were prior to the common control transaction;
- The transaction was driven by the ultimate parent shareholder (i.e., ADQ), in order simply and better organize their investment in the two sub-groups; and
- The transaction was not undertaken to achieve any identified synergies between the two sub-groups, given the underlying nature of the businesses under the common control transaction.

Based on the above, management has determined that the pooling of interest is the most relevant presentation for the shareholders and users of the consolidated financial statements, to reflect this transaction.

Provision for rehabilitation and restoration of cement quarry

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

COVID-19

In March 2020, the World Health Organization (WHO) declared a new strain of coronavirus (COVID-19) as a pandemic outbreak after finding the increase in exposure and infections across the world. To contain the outbreak in the United Arab Emirates, the government enforced restriction of movement for both people and goods including the closure of both inbound and outbound flights to and from the country; such restrictions are now being eased in a controlled manner.

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

Key sources of estimation uncertainty (continued)

COVID-19 (continued)

The outbreak comes with unpredictable human and economic consequences and its continuing evolution remains uncertain at the date of the issuance of the consolidated financial statements. As the situation continues to evolve the impact on the Group's activities and operations remains uncertain.

The Group regularly assesses the impact of COVID-19 on its operations, business continuity, liquidity and legal obligations. The Group expects a continued recovery in the construction sector due to the easing of some of the restrictions that had been in place at the beginning of the pandemic.

The impact of the outbreak led to an increase in expected credit losses which has led to the recognition of higher provisions in both the current and prior year. There was also a decrease in the forecast of future cash flows from operations when assessing for, property, plant and equipment, right of use assets and goodwill impairment (refer to notes 5, 6 and 14) and going concern (refer to note 3) The Group will continue to closely monitor the impact of COVID 19 and a prolonged continuation of the situation and/or another lockdown may lead to further provisions and/or impairment in future periods.

The Group has also introduced proactive comprehensive measures to address and mitigate key operational and financial issues arising from the current situation and has reasonably managed several areas of operational risks identified and implemented various measures that ensured continuity of the operations.

Key sources of estimation uncertainty

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

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

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

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

Cement
Management have assessed the remaining volumes of limestone that can be mined from its captive quarry in Al Ain. It is estimated that the current mining operations can continue, on a commercially acceptable basis, for a further two years after which the further extraction of its limestone feedstock will no longer be economically viable. The inventories of limestone and clinker currently held and the continuance of mining for a further two years will support the production of cement, at current volumes for a further three years. After such inventories are exhausted, the business will have to source its limestone feedstock from an alternate provider and transport it to the Al Ain Cement plant.

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

Key sources of estimation uncertainty (continued)

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

Cement (continued)

Management have assessed the future cash flows of the business, based on this revised business model, and impairments have been booked on the allocated goodwill, the associated right-of-use assets and the plant's property, plant and equipment (notes 5, 6 and 30).

Steel

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

Management assessed the impairment of property, plant and equipment and right-of-use assets during the year ended 31 December 2020 which led to the full impairment of the moth-balled facilities and a partial impairment provision on certain other assets (notes 5, 6 and 30). These impairment losses were reviewed at 31 December 2021 and, as a result of the continuing uncertainties faced in the market, it was concluded that whilst no additional impairment losses were required the impairment losses as established in the prior year should be retained in full.

Similarly, management have assessed the recoverability of the Block's business and the key assumptions used are detailed in notes 5, 6 and 14 of these consolidated financial statements. Changes in the key assumptions and forecasts could result in different conclusions as to whether impairment provisions (or reversals) are required and the quantum of such provisions (or reversals).

Impairment of investments in associates

Management regularly reviews its investments in associates for indicators of impairment. The determination of whether investments in associates are impaired entails management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and in the foreseeable future. Any adverse changes in the investees future profitability, liquidity, solvency and ability to generate future cash flows could lead to an impairment of investments in associates. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in consolidated profit or loss. Based on the management's evaluation, an impairment of AED 50 million (2020: AED 28.8 million) has been provided on its investments in associates (note 7).

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

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

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

Key sources of estimation uncertainty (continued)

Impairment of inventories

When inventories become old or obsolete, an estimate is made of their net realisable value. Inventory items are categorised based on their movements during the year, their physical condition and their expected future use, and accordingly, different proportions of the value of each category are recognised as an allowance for impaired inventory. Management performed a review of the spare parts and consumables which involved a line-by-line physical inspection of each inventory item to assess obsolescence and usability. The allowance for obsolete inventories at 31 December 2021 is AED 114.2 million (2020: AED 54.9 million), of which AED 51.0 million formed part of the net assets as acquired from Emirates Steel (note 31).

Calculation of expected credit loss (ECL) allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. The lifetime ECL on trade receivables as at 31 December 2021 amounted to AED 234.4 million (2020: AED 130.8 million), of which AED 76.1 million formed part of the net assets as acquired from Emirates Steel (note 31).

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

5 Property, plant and equipment

	Land, leasehold improvements and buildings AED'000	Plant and equipment AED'000	Furniture and fixtures AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost						
1 January 2020	781,736	2,627,967	91,945	28,544	19,537	3,549,729
Additions	255	12,174	695	59	96	13,279
Disposals	23	2,361	-	-	(2,384)	-
1 January 2021	782,014	2,642,502	92,640	28,603	17,249	3,563,008
Acquisition of Emirates Steel (note 31)	1,195,441	10,726,974	102,539	129,577	3,524	12,158,055
Additions	1,597	53,971	1,774	932	9,185	67,459
Transfers	-	247	-	-	(247)	-
Reclassified to inventories	-	(80,877)	-	-	-	(80,877)
Disposals	-	(8,387)	-	(3,588)	-	(11,975)
31 December 2021	**1,979,052**	**13,334,430**	**196,953**	**155,524**	**29,711**	**15,695,670**
Accumulated depreciation						
1 January 2020	357,310	1,176,479	68,309	27,669	664	1,630,431
Charge for the year	11,532	57,094	3,580	273	-	72,479
1 January 2021	368,842	1,233,573	71,889	27,942	664	1,702,910
Acquisition of Emirates Steel (note 31)	333,240	5,527,681	92,854	112,378	-	6,066,153
Charge for the year	19,242	132,198	4,591	2,586	-	158,617
Impairment (note 6)	69,935	471,208	-	-	-	541,143
Disposals	-	(8,387)	-	(3,588)	-	(11,975)
31 December 2021	**791,259**	**7,356,273**	**169,334**	**139,318**	**664**	**8,456,848**
Carrying amount						
31 December 2021	**1,187,793**	**5,978,157**	**27,619**	**16,206**	**29,047**	**7,238,822**
31 December 2020	413,172	1,408,929	20,751	661	16,585	1,860,098

At 31 December 2021, properties with a carrying amount of AED 930 million (2020: AED 1,553 million) are held to secure bank loans (note 19).

Plant and equipment include an amount of AED 70.0 million (2020: AED 25.1 million) pertaining to spares parts.

Capital work in progress

At 31 December 2021, capital work in progress amounting to AED 24.3 million (2020: AED 16.2 million) relates to a clinker storage shed currently being constructed at Al Ain Cement Factory together with various upgrades to Emirates Steel's plants.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

6 Goodwill and impairment

The aggregate carrying amount of goodwill allocated for impairment testing to each cash-generating unit is as follows:

	2021	2020
	AED'000	AED'000
Cement	**-**	114,380
Blocks	**14,050**	14,050
	14,050	128,430

No goodwill has been allocated to the Steel, PVC Pipes, GRP Pipes or the Bags businesses.

Goodwill is stated at cost less accumulated impairment losses which are charged to profit or loss. An impairment test for goodwill is carried out annually, or more frequently if events or changes in the circumstances indicate that the carrying value may be impaired.

During the year, the Group assessed the recoverable amounts of goodwill in accordance with its strategic business structure and determined that the goodwill associated with the Cement business is impaired and the balance associated with Blocks in not impaired.

For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units where the goodwill is monitored for internal management purposes. The recoverable amounts of the Cement and Blocks cash generating units were based on their value-in-use determined by management. The carrying amount as allocated to Cement was determined to be higher than its recoverable amount and an impairment provision has been charged; for Blocks it was determined that the carrying amount was lower than its recoverable amount.

The recoverable amounts of the cash-generating unit are determined based on value in use calculations which use cash flow projections based on financial budgets approved by the Directors of the Company covering a five-year period. Cash flows were projected based on past experience and the five-year forecast business plan based on the key assumptions described below.

6 Goodwill and impairment (continued)

Cement Division

The recoverable amount of the Cement cash-generating unit was determined to be less than the carrying amount and for the Blocks cash-generating unit the recoverable amount was greater than the carrying amount; accordingly, for Cement the associated goodwill has been impaired and for Blocks it was concluded that the associated goodwill is not impaired as at the end of the reporting period.

In addition to the full impairment loss against the goodwill balance associated with the Cement business management have also recorded impairment losses against the associated property, plant and equipment and right-of-use assets. In summary, management have recorded the following impairment provisions at 31 December 2021, based on a comparison of the recoverable amount against the assets comprising the Cement cash generating unit:

	2021 AED'000
Goodwill	**114,380**
Property, plant and equipment (note 5)	**541,143**
Right-of-use assets (note 14)	**44,477**
	700,000

Steel Division

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

Management re-assessed the recoverable amounts of these facilities at 31 December 2020 using value in use methodologies; the division recorded an AED 1,078.5 million impairment loss on property, plant and equipment (notes 4 and 30) together with an impairment loss of AED 55.4 million on associated right-of-use assets (note 6). This assessment was also undertaken at 31 December 2021 and Management concluded that no further impairment losses were required and that, in the context of the continuing uncertainties faced by the business, that the impairment losses as established in 2020 be retained in full.

6 Goodwill and impairment (continued)

Sensitivity analysis

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

	Cement	**Blocks**	**Steel**
Projected annual sales volumes	3.7m Mt	706 (units)	3.5m Mt
Discount rate applied	10%	10%	10%
Growth rate	2.5%	1.5%	-

Note: the assumed electricity tariff payable by the Steel division is 20 fils / kWh

Cement

- A 10% under-performance against the division's assumed EBITDA is considered possible based on recent experience (and can be caused by a number of factors including, reduced sales volumes, reduced prices and/or increased electricity tariff) and would lead to an incremental impairment charge of AED 98.8 million.
- A growth rate of 1.5% would lead to an incremental impairment charge of AED 60.4 million.
- Each 1% increase in the discount rate applied would lead to an incremental impairment charge of AED 80.9 million.

Blocks

Adverse change in key assumptions within a reasonable range will reduce the headroom of the Blocks cash generating unit but will not lead to an impairment.

Steel

The key sensitivity is in relation to the discount rate applied and it is noted that a 1% increase in the assumed WACC, to 11%, would lead to a reduction in the headroom against making an incremental impairment charge by AED 811 million.

7 Investment in associates

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

Name of associate	Principal activities	Proportion of ownership interest and voting rights held by the Group		Place of incorporation and principal place of business
		2021	2020	
Vision Hotel Apartment LLC	Ownership and management of hotel apartments	**40%**	40%	UAE
Deco Vision LLC	Property fit outs, decorations, ownership, and management of apartments	**40%**	40%	UAE
Vision Furniture and Decoration Factory LLC	Carpentry of household, decoration, loose furniture, and other woodwork	**40%**	40%	UAE
Deco Vision Properties LLC	Real estate enterprises investment	**40%**	40%	UAE
Vision Links Hotel Apartments LLC	Deluxe hotel apartments	**40%**	40%	UAE

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

The movement in the investment in associates is as follows:

	2021 AED'000	2020 AED'000
As at 1 January	**153,649**	188,867
Share of loss of associates in the year	**(22,721)**	(197)
Dividends received during the year	**(1,200)**	(6,200)
Impairment during the year (note 28)	**(50,000)**	(28,821)
As at 31 December	**79,728**	153,649

Dividends of AED nil (2020: AED 1,000 thousand), AED 1,200 thousand (2020: AED 2,400 thousand) and AED nil (2020: AED 2,800 thousand) were received from Deco Vision LLC, Vision Furniture and Decoration Factory LLC and Vision Hotel Apartment LLC, respectively. The other summary information that precedes the reconciliation to the Group's carrying amount represents amounts included in the IFRS financial statements of the associates, not the entity's share of these amounts, although they are adjusted to reflect fair value adjustments upon acquisition or accounting policy alignments.

7 Investment in associates (continued)

Year ended 31 December 2021: in the context of the associate investments having historically reported shortfalls against their projected annual budgets and projections management has determined to moderate the projected profitability data as prepared by the management and approved by the directors of the associate companies. On the basis of this moderation procedure, it has been determined that the current value of the expected future cash flows from the investments (discounted at a weighted average cost of capital of 10%) is less than their current carrying value; accordingly, an impairment provision of AED 50 million has been made against the carrying values recorded.

Year ended 31 December 2020: on 4 November 2020, the Directors of Vision Group resolved to liquidate Vision Hotel Apartment LLC and appoint a legal liquidator to distribute the net assets of the shareholders after settlement of all liabilities. Accordingly, an impairment was recognised to reduce the carrying value of the investment down to its net realisable value. The liquidation proceedings is expected to be finalised in 2022.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

7 Investment in associates (continued)

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts in associates' draft financial statements prepared in accordance with IFRS Standards:

	Deco Vision LLC		Vision Furniture and Decoration Factory LLC		Vision Hotel Apartments LLC		Others		Total	
	2021 AED'000	2020 AED'000	**2021 AED'000**	2020 AED'000	**2021 AED'000**	2020 AED'000	**2021 AED'000**	2020 AED'000	**2021 AED'000**	2020 AED'000
Total assets	**183,913**	250,105	**65,179**	58,167	**6,044**	8,193	**3,585**	3,585	**258,721**	320,050
Total liabilities	**118,823**	124,356	**34,398**	28,828	**1,944**	3,510	**14,133**	14,133	**169,298**	170,827
Net assets	**65,090**	125,749	**30,781**	29,339	**4,100**	4,683	**(10,548)**	(10,548)	**89,423**	149,223
Group's share of net assets	**26,036**	50,300	**12,312**	11,736	**1,640**	1,873	**-**	-	**39,988**	63,909
Goodwill on acquisition	**79,883**	79,883	**9,857**	9,857	**28,821**	28,821	**-**	-	**118,561**	118,561
Impairment on Goodwill	**(44,579)**	-	**(5,421)**	-	**(28,821)**	(28,821)	**-**	-	**(78,821)**	(28,821)
Carrying amount	**61,340**	130,183	**16,748**	21,593	**1,640**	1,873	**-**	-	**79,728**	153,649
Revenue	**216,681**	207,525	**57,492**	52,215	**694**	7,306	**-**	-	**274,867**	267,046
(Loss)/profit for the year	**(60,661)**	(3,040)	**4,442**	2,922	**(583)**	(374)	**-**	-	**(56,802)**	(492)
Group's share on loss for the year at 40%	**(24,264)**	(1,215)	**1,776**	1,168	**(233)**	(150)	**-**	-	**(22,721)**	(197)

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

7 Investment in associates (continued)

	2021 AED'000	2020 AED'000
Unrecognised share of losses of an associate		
The unrecognised share of loss of an associate for the year	-	-
Cumulative share of loss of an associate	**7,538**	7,538

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

8 Investment property

	Land AED'000	Buildings AED'000	Plant and machinery AED'000	Total AED'000
Cost				
At 1 January 2021	-	-	-	-
Acquisition of Emirates Steel (note 31)	**4,000**	**10,000**	**4,175**	**18,175**
Accumulated depreciation				
At 1 January 2021	-	-	-	-
Acquisition of Emirates Steel (note 31)	-	**2,875**	**1,150**	**4,025**
Depreciation	-	**125**	**52**	**177**
At 31 December 2021	-	**3,000**	**1,202**	**4,202**
Net carrying value				
At 31 December 2021	**4,000**	**7,000**	**2,973**	**13,973**
At 31 December 2020	-	-	-	-

The investment property represents a rebar processing and distribution facility, comprising freehold land, buildings and equipment. The property has been leased to a third party since 4 December 2016 on a five-year full repairing lease arrangement and on the expiry of this initial period, the lease can be extended on an annual basis on the agreement of both the Company and the tenant. An insurance valuation conducted during the year ended 31 December 2018 indicated a replacement value (same location and condition as the existing assets) of AED 24,077 thousand.

9 Intangible assets

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

	2021 AED'000	2020 AED'000
Cost		
As at 1 January	**-**	-
Acquisition of Emirates Steel (note 31)	**39,443**	-
Additions	**754**	-
As at 31 December	**40,197**	-
Accumulated amortisation		
As at 1 January	-	-
Acquisition of Emirates Steel (note 31)	**34,341**	-
Charge for the year	**1,054**	-
	35,395	-
Net carrying amount	**4,802**	-

10 Inventories

	2021 AED'000	2020 AED'000
Finished goods and by-products	**725,552**	44,908
Semi-finished products: steel billets and direct reduced iron	**487,148**	142,291
Raw materials	**500,375**	123,563
Goods in transit	**159,725**	-
Spare parts and consumables	**530,214**	140,998
	2,403,014	451,760
Less: Allowance for impairment of inventories	**(114,221)**	(54,942)
	2,288,793	396,818

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

10 Inventories (continued)

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

	2021 AED'000	2020 AED'000
As at 1 January	**54,942**	54,921
Acquisition of Emirates Steel (note 31)	**51,017**	-
Reversal for the year	**-**	(170)
Impairment during the year	**8,262**	191
As at 31 December	**114,221**	54,942

11 Trade and other receivables

	2021 AED'000	2020 AED'000
Non-current portion		
Trade receivables (acquisition of Emirates Steel - note 31)	**84,745**	-
Less: allowance for expected credit losses (acquisition of Emirates Steel - note 31)	**(84,745)**	-
	-	-
Current portion		
Trade receivables	**1,329,695**	522,771
Less: loss allowance	**(149,697)**	(130,789)
	1,179,998	391,982
Prepayments	**31,953**	19,574
Advances to suppliers	**144,241**	1,127
Other receivables	**280,574**	41
	1,636,766	412, 724

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

11 Trade and other receivables (continued)

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

The Group has adopted a policy of dealing only with creditworthy counterparties. Adequate credit assessments are made before accepting an order for services or sale of goods from any counterparty. As of the reporting date, an amount of AED 487 million representing 34% of the trade receivables (2020: AED 27.5 million representing 5.3% of the trade receivables) is due from the Group's five largest customers (2020: one customer). The Group considers these customers to be reputable and creditworthy with the balance receivable from the top five customers at 31 December 2021 being supported by irrevocable letters of credit. There are no other customers who represent more than 2.5% of the total balance of the receivables.

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

Cement, Blocks, Pipes and Bags

31 December 2021	Trade receivables - days past due							
	Not past due AED'000	< 30 AED'000	31 - 60 AED'000	61 -90 AED'000	91-120 AED'000	120 - 365 AED'000	> 365 AED'000	Total AED'000
Weighted average loss rates	1.11%	3.91%	4.87%	7.22%	10.40%	29.91%	100.00%	
Exposure at default	118,670	28,920	17,691	8,702	6,464	19,410	139,283	339,140
Lifetime ECL	1,341	1,132	861	628	672	5,806	139,283	149,696

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

Steel

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

	Up to 60 days AED'000	61-180 days AED'000	181-365 days AED'000	Over one year AED'000	Total AED'000
31 December 2021					
Expected credit loss rate	0.0%	0.0%	0.0%	98%	9%
Estimated total gross carrying amount at default	720,154	108,754	786	86,220	915,914
Lifetime expected credit loss	-	-	-	(84,745)	(84,745)

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

11 Trade and other receivables (continued)

The following table shows the movement in loss allowance:

	2021 AED'000	2020 AED'000
Balance as at 1 January	**130,789**	101,560
Acquisition of Emirates Steel (note 31)	**160,151**	-
Net remeasurement of loss allowance	**27,578**	29,229
Bad debts written-off	**(84,076)**	-
Balance as at 31 December	**234,442**	130,789

12 Cash and cash equivalents

	2021 AED'000	2020 AED'000
Cash in hand	**386**	109
Cash at banks in current accounts	**335,202**	73,853
	335,588	73,962

13 Related parties

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

The Government of Abu Dhabi indirectly owns 87.5% (2020: 51%) of the Company's outstanding shares. The Group has elected to use the exemption under IAS 24 for government related entities on disclosing transactions and related outstanding balances with government related entities owned by the Government of Abu Dhabi other than the Parent Company and entities it owns and controls. The Company's significant transactions with the Government of Abu Dhabi and other entities controlled, jointly controlled or significantly influenced by the Government of Abu Dhabi are a large portion of its direct cost, lease rental payments and interest payments on certain loans.

The Group also has, at 31 December 2021, loans and cash balances with banks under the common control of the Government of Abu Dhabi, lease liabilities with and payables to Government municipalities and payables to a distribution company owned by the Government of Abu Dhabi.

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

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

13 Related parties (continued)

	2021 AED'000	2020 AED'000
Amounts due from related parties		
Emirates Steel Industries PJSC - sister company	-	552
National Petroleum (NPCC) - sister company	151	170
Others	33	33
	184	755
Amounts due to a related party		
Emirates Steel Industries PJSC - sister company	-	20
	-	20
Loan from a related party - the Parent Company		
Current	18,361	18,361

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

13 Related parties (continued)

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

	2021 AED'000	2020 AED'000
Interest on loan from the Parent Company	**415**	907
Sales to a related party - Emirates Steel Industries PJSC (pre-acquisition)	**2,191**	2,565
Purchases from a related party - Emirates Steel Industries PJSC (pre-acquisition)	**73**	299
Sales to a related party - National Petroleum Construction Company	**5,070**	53
Key management personnel compensation		
Short term benefits	**9,458**	8,251
Post-employment benefits	**1,008**	577
	10,466	8,828
Financial guarantees provided to associates (note 29)	**61,600**	77,211

Terms and conditions of transactions with related parties

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

In the year ended 31 December 2021, the Group has not recorded any impairment provisions against receivables relating to amounts due from related parties *(2020: AED nil)*. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the respective related party operates.

There were no loans provided to Directors in either the year ended 31 December 2021 or 2020.

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

14 Leases

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

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

Amounts recognised in consolidated statement of financial position

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

	Land AED'000	Equipment AED'000	Motor vehicles AED'000	Land rights* AED'000	Total right-of-use assets AED'000
Carrying amount					
As at 1 January 2021	**146,713**	**398**	**671**	**85,315**	**233,097**
Acquisition of Emirates Steel (note 31) **	**295,454**	**-**	**1**	**-**	**295,455**
Disposals/remeasurement	**(12,179)**	**-**	**-**	**-**	**(12,179)**
Amortisation expense	**(11,496)**	**(398)**	**(597)**	**(8,461)**	**(20,952)**
Impairment (note 6)	**(44,477)**	**-**	**-**	**-**	**(44,477)**
As at 31 December 2021	**374,015**	**-**	**75**	**76,854**	**450,944**

	Land AED'000	Equipment AED'000	Motor vehicles AED'000	Land rights* AED'000	Total right-of-use assets AED'000
Carrying amount					
As at 1 January 2020	152,780	1,283	1,840	93,776	249,679
Additions	-	-	62	-	62
Disposals	-	-	(138)	-	(138)
Amortisation expense	(6,067)	(885)	(1,093)	(8,461)	(16,506)
As at 31 December 2020	146,713	398	671	85,315	233,097

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

**The net value acquired from Emirates Steel comprised:

	2021 AED'000
Cost	**407,442**
Impairment provision	**(55,400)**
Amortisation	**(56,587)**
Carrying value at date of acquisition	**295,455**

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

14 Leases (continued)

Amounts recognised in consolidated statement of profit and loss

	2021 **AED'000**	2020 AED'000
Amortisation	**(20,952)**	(16,506)
Impairment (note 6)	**(44,477)**	-
Finance costs (notes 21 and 26)	**(12,113)**	(9,875)
	(77,542)	(26,381)

15 Share capital

Share capital comprises of 6,850 million (*2020: 1,750 million*) authorised, issued and fully paid ordinary shares with a par value of AED 1 each.

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

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

16 Statutory reserve

In accordance with UAE Federal Law No. 2 of 2015 (as amended), the Group is required to transfer annually to a legal reserve account an amount equal to 10% of its net profit, until such reserve reaches 50% of the issued and fully paid-up share capital of the Group. This reserve is not available for distribution.

17 Reserves

Merger reserve: The merger reserve represents the difference between the nominal value of the ordinary shares issued in for the acquisition of Emirates Steel and the net value of the assets acquired in the company (note 31).

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

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

18 Provision for employees' end of service benefit

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

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

	2021 AED'000	2020 AED'000
Amounts recognised in consolidated statement of financial position		
Balance at 1 January	**49,028**	44,544
Acquisition of Emirates Steel (note 31)	**163,855**	-
Current service cost (including interest cost)	**16,828**	6,385
Benefit payments	**(5,844)**	(4,394)
(Loss)/gain on re-measurement	**(6,792)**	2,493
Balance at 31 December	**217,075**	49,028
Amounts recognised in consolidated statement of profit or loss		
Current service cost	**18,824**	5,103
Interest expense	**2,296**	1,282
	21,120	6,385
Amounts recognised in consolidated statement of comprehensive income		
(Gain)/loss due to experience adjustments	**(6,792)**	2,493
Significant actuarial assumptions		
Discount rate	**2.7%**	2.2%
Rate of salary increase	**5%**	5%
Turnover rate – voluntary rate	**5%**	5%

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

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

Sensitivity analysis:	Increase AED'000	Decrease AED'000
2021		
Provision - discount rate (0.5% movement)	**208,543**	**226,324**
Provision - future salary (0.5% movement)	**226,255**	**208,435**
2020		
Provision - discount rate (0.5% movement)	46,523	51,760
Provision - future salary (0.5% movement)	51,671	46,576

19 Bank borrowings

Bank borrowings are repayable as follows:

	2021 AED'000	2020 AED'000
Non-current		
After one year	**269,901**	403,678
Current		
Within one year	**2,353,547**	529,327
	2,623,448	933,005

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

19 Bank borrowings (continued)

The details of the bank borrowings are stated as follows:

		Outstanding at 31 December 2021			Outstanding at 31 December 2020		
	Maturity	**Current AED'000**	**Non-current AED'000**	**Total AED'000**	Current AED'000	Non-current AED'000	Total AED'000
The Company							
Term loan 1	**2024**	**266,667**	**268,667**	**535,334**	133,200	400,800	534,000
Term loan 2	**2023**	**1,644**	**1,234**	**2,878**	1,644	2,878	4,522
Short term loan 1	**2020**	**110,000**	**-**	**110,000**	105,000	-	105,000
Short term loan 2	**2020**	**118,683**	**-**	**118,683**	132,100	-	132,100
Short term loan 3	**2020**	**70,827**	**-**	**70,827**	100,000	-	100,000
Short term loan 4	**2020**	**10,000**	**-**	**10,000**	49,800	-	49,800
Short term loan 5	**2020**	**-**	**-**	**-**	7,583	-	7,583
Emirates Steel							
Term loan	**2022**	**183,625**	**-**	**183,625**	-	-	-
Working capital facilities	**2022**	**1,592,101**	**-**	**1,592,101**	-	-	-
		2,353,547	**269,901**	**2,623,448**	529,327	403,678	933,005

The Company

Term loan 1 is a 10-year term loan of AED 1,200 million obtained in 2014 by the Group to finance the construction of the Group's new cement factory. The term loan is payable over 9 years semi-annually commencing from March 2016. The loan carries variable interest at EIBOR plus 2.6%. The term loan is secured by assets with a carrying amount of AED 930 million (2020: AED 1,553 million) (note 5). Subsequent to the 2020-year end, the Group entered into an agreement with its Term Loan 1 lenders for a repayment holiday up to 17 December 2022.

Term loan 2 of AED 14.8 million was obtained from a commercial bank for financing the cost of the new office of the Group. The loan is repayable in 36 equal quarterly installments from November 2014 and carries variable interest at three-month EIBOR plus 3.0%.

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

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

19 Borrowings (continued)

The Company (continued)
Short term loan 5 with facility amount of AED 25 million was obtained from a commercial bank for financing the working capital of the Group. The loan is repayable in 90 days carries variable interest at EIBOR plus 1.5%.

Emirates Steel
The term loan was established in November 2018, being a USD 400 million (AED 1,469 million) Commodity Murabaha with a tenor of four years and a profit rate of 0.85% over LIBOR. Repayments are due on a straight-line basis every six-months, each repayment being in an amount of USD 50 million (AED 183.63 million). The facility is unsecured and is subject to a limited guarantee from SENAAT relating to the availability of gas and electricity.

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

Changes from financing cash flows related to borrowings

	2021	2020
	AED'000	AED'000
Balance at the beginning of the year	**933,005**	943,366
Acquisition of Emirates Steel (note 31)	**2,384,949**	-
Settlement of term loans	**(185,269)**	(134,844)
Settlement of short-term loans	**(1,776,786)**	(270,000)
Proceeds from short term loans	**1,272,680**	394,483
Interest paid	**(31,944)**	(33,981)
Restructuring fee payable	**1,334**	-
Total changes from financing cash flows	**1,664,964**	(44,342)
Other changes/liability related		
Interest expense	**35,110**	43,856
Changes in accruals	**(9,631)**	(9,875)
Total liability related to other changes	**25,479**	33,981
Balance at the end of the year	**2,623,448**	933,005

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

20 Trade and other payables

	2021 AED'000	2020 AED'000
Trade payables	**1,177,315**	289,531
Accruals	**268,117**	68,109
VAT payable	**13,286**	979
Interest payable	**2,918**	2,433
Other payables	**53,190**	24,095
	1,514,826	385,147

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

Trade payables includes an amount payable to Al Ain City Municipality of AED 11.4 million (2020: AED 17.2 million), AED 60.2 million due to Abu Dhabi Distribution Company (2020: AED 0.2 million), Al Ain Distribution Company AED 2.1 million (2020: AED 6.9 million) and AED 217.9 million (2020: AED 159.7 million) to Abu Dhabi National Oil Company.

21 Lease liabilities

	2021 AED'000	2020 AED'000
As at 1 January	**149,840**	154,329
Acquisition of Emirates Steel (note 31)	**376,291**	-
Additions during the year	**-**	61
Disposals/ re-measurement during the year	**(13,234)**	(145)
Accretion of interest during the year (note 26)	**12,113**	9,875
Payments during the year	**(14,179)**	(14,280)
As at 31 December	**510,831**	149,840

	2021 AED'000	2020 AED'000
Maturity analysis		
Not later than 1 year	**30,998**	3,658
Later than 1 year and not later than 5 years	**67,471**	20,186
Later than 5 years	**412,362**	125,996
	510,831	149,840

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

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

22 Revenue

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

	2021 AED'000	2020 AED'000
Analysis of revenue recognised at point in time		
Steel	**2,232,938**	-
Cement and Blocks	**572,678**	593,273
Pipes and Others	**165,568**	175,156
Transportation revenue	**51,055**	60,253
	3,022,239	828,682

23 Cost sales

	2021 AED'000	2020 AED'000
Materials consumed in production	**1,627,076**	299,803
Utility supplies	**441,156**	149,646
Consumable and maintenance expenditure	**237,460**	-
Salaries and related expenditure	**186,750**	64,033
Depreciation and amortisation expenses (note 5)	**163,629**	66,034
Transportation charges	**34,382**	53,414
Other expenses	**54,664**	47,489
	2,745,117	680,419

24 Selling and distribution expenses

	2021 AED'000	2020 AED'000
Salaries and related expenses	**23,573**	17,957
Depreciation of property, plant and equipment (note 5)	**1,912**	1,517
Other expenses	**25,682**	6,056
	51,167	25,530

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

25 General and administrative expenses

	2021 AED'000	2020 AED'000
Salaries and related expenses	**81,150**	59,772
Provision for impairment on financial assets	**27,578**	29,229
Depreciation of property, plant and equipment (note 5)	**15,259**	4,928
Other expenses	**38,969**	25,674
	162,956	119,603

26 Finance income and cost

	2021 AED'000	2020 AED'000
Finance income		
Interest income on bank deposits	**19**	29
Finance cost		
Interest on borrowings	**30,363**	33,981
Interest on lease liabilities (note 21)	**12,113**	9,875
	42,476	43,856

27 Other income

	2021 AED'000	2020 AED'000
Sale of scrap assets of Emirates Cement Factory	**-**	3,236
Foreign exchange gains	**3,858**	-
Others	**3,689**	128
	7,547	3,364

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

28 Impairment losses on non-financial assets

	2021 AED'000	2020 AED'000
Impairment loss on an associate (note 7)	**50,000**	28,821
Impairment loss on goodwill (note 6)	**114,380**	-
Impairment loss on land and buildings (note 5)	**69,935**	-
Impairment loss on plant and equipment (note 5)	**471,208**	-
Impairment loss on right-of-use assets (note 14)	**44,477**	-
	750,000	28,821
Charged to cost of sales (note 23)		
Impairment loss on inventories (note 9)	**8,262**	191
Charged to general and administrative expenses (note 25)		
Provision for impairment on financial assets (note 11)	**27,578**	29,229

29 Contingent liabilities and commitments

	2021 AED'000	2020 AED'000
Bank guarantees and letters of credit	**224,386**	24,896
Capital commitments	**12,355**	9,612
Performance guarantees provided to associates	**61,600**	77,211

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

30 Segment reporting

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

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

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

30 Segment reporting (continued)

For the year ended 31 December 2021	Steel AED'000	Cement and Blocks AED'000	Pipes and others AED'000	Eliminations AED'000	Group AED'000
External revenues	**2,232,938**	**620,128**	**169,173**	-	**3,022,239**
Intersegment revenue	-	27,449	6,946	**(34,395)**	-
Timing of revenue recognition					
At a point in time	**2,232,938**	**620,128**	**169,173**	-	**3,022,239**
Over time	-	-	-	-	-
Interest expense	**7,366**	**34,991**	**119**	-	**42,476**
Depreciation and amortization	**88,587**	**72,658**	**14,089**	-	**175,334**
Impairment losses	**8,670**	**709,758**	**59,150**	-	**777,578**
Share of loss of equity accounted investees	-	-	(22,721)		**(22,721)**
Profit/(loss) for the year	**51,301**	**(694,760)**	**(101,173)**		**(744,632)**
Total assets	**9,764,650**	**1,860,666**	**438,334**		**12,063,650**
Total liabilities	**(3,520,535)**	**(1,284,961)**	**(79,045)**		**(4,884,541)**

30 Segment reporting (continued)

For the year ended 31 December 2020	Steel AED'000	Cement and Blocks AED'000	Pipes and others AED'000	Eliminations AED'000	Group AED'000
External revenues	-	649,034	179,648	-	828,682
Intersegment revenue	-	30,036	6,946	(36,982)	-
Timing of revenue recognition					
At a point in time	-	649,034	179,648	-	828,682
Over time	-	-	-	-	-
Interest expense	-	43,638	218	-	43,856
Depreciation and amortization	-	74,706	14,279	-	88,985
Impairment losses	-	21,220	37,021	-	58,241
Share of loss of equity accounted investees	-	-	(197)	-	(197)
Profit/(loss) for the year	-	(14,415)	(52,127)	-	(66,542)
Total assets	-	4,983,350	(1,723,817)	-	3,259,533
Total liabilities	-	2,127,234	(591,833)	-	1,535,401

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

31 Acquisition of Emirates Steel

On 6 October 2021 the issue of the 5,100 million ordinary shares in the Company was completed in relation to the acquisition of 100% of the issued share capital of Emirates Steel; the purchase being made from the Company's controlling shareholder, SENAAT.

The Company did not apply IFRS 3 Business Combinations as the business combination was effected between companies under common control and accordingly, was excluded from the scope of said IFRS. The Company had accounted for the effect of the acquisition under the "pooling of interest" method and predecessor accounting was applied prospectively. Retained earnings are not retained and together with the difference between the fair value of the consideration given and the net assets acquired are disclosed in equity as merger reserves.

In accordance with IFRS 10 Consolidated Financial Statements, the Company has elected to consolidate the income, expenses, assets and liabilities of the above-mentioned entities from the date of the completion of the acquisition in the consolidated financial statements.

The net assets acquired and the merger reserve arising from the acquisition are summarized as follows:

	2021 AED'000
Property, plant and equipment (net)	**6,091,902**
Right-of-use assets (net)	**295,455**
Investment property (net)	**14,150**
Intangible assets (net)	**5,102**
Inventories (net of provisions of AED 51,017 thousand)	**2,376,527**
Trade and other receivables (net of provisions of AED 160,151 thousand*)	**1,125,627**
Cash and bank balances	**257,794**
Lease liabilities	**(376,290)**
Provision for employees' end of service benefits	**(163,855)**
Trade and other payables	**(1,048,646)**
Bank borrowings	**(2,384,949)**
Net asset value acquired	**6,192,817**
Nominal value of ordinary shares issued	**(5,100,000)**
Merger reserve	**1,092,817**

* Of the bad debt provision acquired in Emirates Steel of AED 160,151 thousand an amount of AED 84,076 thousand has been released on the write-off of the associated receivable balances (note 11)

32 Financial instruments

Capital risk management

The Group manages its capital to be able to continue as a going concern while maximising the return to Shareholders. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objectives. The Group is currently assessing its term loan and working capital facilities following the acquisition of Emirates Steel; this review will include the development of target leverage ratios, in line with the Group's peer companies, and will allow flexibility for future fund raising for the further expansion of the Group's operations.

Financial risk management objectives

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

Credit risk

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

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

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

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

Balances with banks are assessed to have low credit risk of default since these banks are among the major banks operating in the UAE and are highly regulated by the UAE Central Bank. Trade receivables are secured by bank guarantees and letter of credits totaling AED 1,027 million (2020: AED 205 million) and post-dated cheques of AED 164 million (2020: AED 136 million). Balances with banks are not secured by any collateral. The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value.

32 Financial instruments (continued)

Liquidity risk

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

	Less than 1 year AED'000	1 - 5 Years AED'000	More then 5 years AED'000	Total AED'000
2021				
Non-interest bearing	**1,246,709**	**-**	**-**	**1,246,709**
Interest bearing instruments	**2,402,906**	**337,372**	**412,362**	**3,152,640**
	3,649,615	**337,372**	**412,362**	**4,399,349**
2020				
Non-interest bearing	317,058	-	-	317,058
Interest bearing instruments*	551,346	423,864	125,996	1,101,206
	868,404	423,864	125,996	1,418,264

* In the prior year, due to the breach of one of the covenants associated with Term Loan 1, the related balance was presented as contractually due within one year. In the current year, the Group entered into an amendment agreement with its Term Loan 1 lenders for a repayment holiday through to 17 December 2022 (refer to note 3 and 19).

Foreign currency risk

The Group's transactions are principally in UAE Dirhams or US Dollars, to which the UAE Dirham is pegged and therefore the Group does not face any significant foreign currency risks.

32 Financial instruments (continued)

Interest rate risk

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

Interest rate sensitivity analysis

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2021 would decrease/increase by AED 14.1 million (2020: decrease/increase by AED 9.3 million).

Fair value of financial instruments

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

33 Basic and diluted loss per share

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

	2021	2020
Loss attributable to equity holders of the parent (AED'000)	**(744,632)**	(66,542)
Weighted average number of shares in issue (thousands of shares)	**3,035,479**	1,750,000
Earnings per share (AED)	**(0.245)**	(0.038)

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

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

34 Subsequent events

Federal Law No. 32 of 2021 on Commercial Companies was issued on 20 September 2021 and will come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended. The Company is in the process of reviewing the provisions of the new law and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

35 Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 24 March 2022.

04 Governance Report

Arkan Building Materials Co. (Arkan) PJSC

Governance Report for 2021

Based on the Securities and Commodities Authority's Board Resolution No. (03/RM) of 2020 pertaining to Corporate Discipline and Public Joint Stock Companies' Governance

March 2022

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1. Statement of adopted procedures to complete the Company's governance system during 2021 and the manner of application

Arkan Building Materials Company PJSC ('Arkan' or the 'Group') has achieved significant progress in developing and establishing a program and governance system that is in line with the goals of the shareholders and with the requirements of the relevant government agencies. The Company's Independent Board members are committed to ensuring that the Company adheres to the laws and requirements of the Securities and Commodities Authority, the Abu Dhabi Stock Exchange and other regulatory authorities by implementing and applying the Corporate Governance Manual approved by the Securities and Commodities Authority.

On August 9, 2021, Arkan announced the majority approval of its shareholders of the proposal for the strategic business combination of Arkan and Emirates Steel, the leading integrated steel manufacturer in the Middle East. Following the converstion on 6 October 2021 SENAAT owns 87.48% of the total issued shares of Arkan. The combination of Arkan and Emirates Steeel creates the UAE's larget steel and building materials company with a compeling strategic proposition and strong potential for growth in the UAE and internationally. The Group is well placed to scale and grow, create new business opportunities, and ensure that homegrown manfacturers are at the forefront of driving a sustainable, diversified national economy.

This report accordingly includes information to the extent it is relevant extending to the Group which includes ARKAN PJSC and its subsidiaries including Emirates Steel PJSC.

Arkan's corporate governance policies and procedures, as approved by the Board of Directors, are in line with the Corporate Governance guidelines issued by the Securities and Commodities Authority's Board. This outlines the rules, standards and principals that are applied in regulating the Company, which cover Accountability, Fairness, Disclosure, Transparency and Responsibility to enable shareholders to exercise their rights to obtain information that affects their investment decisions and ensures that the Company acts responsibly to other stakeholders. Arkan's corporate governance system also includes rules governing disclosures and guidelines for transactions or deals that might involve a conflict of interest.

During 2021, the Company conducted a comprehensive review of its corporate governance system to identify deficiencies and differences in the currently applied governance procedures with the decision of the Chairman of the Authority's Board of Directors No. (03 RM / 2020) regarding the standards of institutional discipline and the governance of public joint-stock companies. The Company identified the deficiencies and revised the procedures to reach a system compatible with the approved standards of governance.

Among the most significant items that have been revised, modified or updated, include:

- Establishment of an independent Board Secretary position
- Establishment of a Risk Management Function
- Board of Directors' Charter
- Audit & Risk Committee Charter
- Remunerations & Nominations Committee Charter
- Internal Audit and Compliance Charter
- Disclosure and Transparency Policy
- Development of an AGM Policy and Procedures document
- Stakeholder Policy document
- Investor Relations Policy and Procedures
- Dividend Policy

The management of the Company aims to implement the rules of transparency, fairness and accountability of Company's management based on global best practices and international standards of the principles of governance that provides an effective framework for corporate governance that will protect shareholders, the business, and its employees.

2. A statement of ownership and transactions of the members of the Board of Directors, their spouses and their children in the Company's securities during the year 2021

All members of the Board of Directors are committed to the provisions of the law, regulations and decisions issued pursuant to their dealings in the Company's securities.

The following are the insider trades and statement reports for the year ended 31 December 2021 as provided in the letter received from Abu Dhabi Securities Exchange on 22 February 2022:

Table no. 1 A statement of ownership and transactions of the members of the Board of Directors, their spouses, and their children in the Company's securities during the year 2021

Name	Position / Relationship	Shares owned as on 31/12/2021	Total Sales	Total Buying
Ahmed Suhail Mohamd Abdulla Al Muheri	*Member of the Board of Directors	40,154	25,000	65,000
Khalifa Saif Darwish Ahmed Al Ketbi	**Member of the Board of Directors	149,259	--	--
Khalfan Saeed Al Qemzi	***Member of the Board of Directors	--	7,562,355	7,562,355
Fatima Abdullah Muhammad Abdullah Al-Fahim	Member of the Board of Directors	1,500	--	--

* Member of the Board of Directors until April 21, 2021
** Member of the Board of Directors until November 3, 2021
*** Member of the Board of Directors during the period from April 22, 2021 to November 3, 2021

3. Composition of the Company's Board of Directors

A. Statement of the current Board of Directors

In 2021 the composition of the Board of Directors of the Company was changed during the General Assembly Meeting held on April 22, 2021, after the completion of the membership term of certain Directors (three years). The Board of Directors was subsequently ~~re-formed~~ reconstituted during the General Assembly Meeting held on November 4,2021.

Table no. 2 Board of Directors details

Sr.	Full name as in the passport	Category (executive, non-executive, independent)	Experience	Qualifications	Tenure as Company board member form first election	Membership and designations in any other joint stock companies	Designations in any other supervisory, government or other commercial offices Qualifications and experience
1	Hamad Abdullah Mohammed Al Shurafa Al Hammadi	Independent non-executive member	16 yrs.	• Master of Business Administration	From 4 November 2021 till date	• Chairman of the Board of Directors of Arkan Building Materials Company • Member of the Board of Directors of the Abu Dhabi National Energy Company • Member of the Board of Directors of the Abu Dhabi Sewerage Services Company • Member of the Board of Directors of the Emirates Water and Electricity Company • Member of the Board of Directors of Tazeez Company	• Executive Director at the ADQ Holding Company for the Energy, Utilities and Industrial Sectors • Member of the Supervisory Board of TAQA Morocco

Sr.	Full name as in the passport	Category (executive, non-executive, independent)	Experience	Qualifications	Tenure as Company board member form first election	Membership and designations in any other joint stock companies	Designations in any other supervisory, government or other commercial offices Qualifications and experience
2	Eng. Jamal Salim Al Dhaheri	Independent non-executive member	26 yrs.	• Bachelor of Engineering Management Sciences • Master's Degree in Business Administration from Zayed University	From 29April 2015 till date	• Chairman of the Ducab Board of Directors • Board member of Arkan Building Materials Company	• Advisor at the Office of His Excellency the Chairman of the Department of Economic Development of the Emirate of Abu Dhabi
3	Abdulaziz Abdullah Ismail Mohammed Al-Hajri	Independent non-executive member	33 yrs.	• Bachelor's Degree in Chemical Engineering	From 4November 2021 till date	• Member of the Board of Directors of Arkan Building Materials Company • Member of the Board of Directors of ADNOC Distribution	• Member of the Board of Directors of ADNOC Refining • Member of the Board of Directors of Borouge

Sr.	Full name as in the passport	Category (executive, non-executive, independent)	Experience	Qualifications	Tenure as Company board member form first election	Membership and designations in any other joint stock companies	Designations in any other supervisory, government or other commercial offices Qualifications and experience
4	Saeed Ghumran Saeed Salim Al Remeithi	Non-Independent Executive Member	21 yrs.	• Bachelor of Electrical Engineering from California University	From 27April 2017 to 21 April 2021 And from 4 November 2021 till date	• Board member of Arkan Building Materials • Chairman of the Board of Directors of Al Gharbia Pipe Company (UAE)	• CEO of Arkan Group and CEO of Emirates Steel • Head of the Economic Committee of the World Iron and Steel Organization • Deputy Treasurer in the Board of Directors of the Abu Dhabi Chamber of Commerce and Industry • Member of the Board of Directors of the Arab Iron and Steel Union
5	Farah Abdullah Muhammad Ali Al Mazrui	Independent Non-Executive Member	13 yrs.	• Master's degree in Risk Management and Financial Engineering • Bachelor's Degree in Economics	From 4 November 2021 till date	• Member of the Board of Directors of Arkan Building Materials Company • Member of the Board of Directors of RAK Ceramics	• Head of the Investments Department in Aliph Capital

Sr.	Full name as in the passport	Category (executive, non-executive, independent)	Experience	Qualifications	Tenure as Company board member form first election	Membership and designations in any other joint stock companies	Designations in any other supervisory, government or other commercial offices Qualifications and experience
6	Fatima Abdullah Muhammad Sharif Abdullah Al Fahim	Independent Non-Executive Member	15Yrs	• Master's Degree in Business Administration - Finance and Operations Management • Bachelor's degree in Business Administration and Marketing	From 4 November 2021 till date	• Member of the Board of Directors of Arkan Building Materials Company	• Senior Executive Vice President - Direct Investments Sector at Mubadala Investment Company
7	Nabeel Qadir	Independent Non-Executive Member	20 yrs.	• Chartered Financial Analyst – CFA • Bachelor's Degree in Administration Studies	From 4 November 2021 till date	• Member of the Board of Directors of Arkan Building Materials Company	• Chief Strategy Officer at Abu Dhabi Growth Fund

Sr.	Full name as in the passport	Category (executive, non-executive, independent)	Experience	Qualifications	Tenure as Company board member form first election	Membership and designations in any other joint stock companies	Designations in any other supervisory, government or other commercial offices Qualifications and experience
8	Mubarak Hudhali Saeed Mohammed Al-Mansoori	Independent Non-Executive Member	20 yrs.	• Executive MBA • Bachelor's Degree in Human Resources Management	From 22 April 2021 to 3 November 2021	• Former member of the Board of Directors of Arkan Building Materials Company	• Chief of Human Resources and Corporate Services in Agthia Group
9	Mubarak Obaid Khamis Abdullah Al Dhaheri	Independent non-executive member	20 yrs.	• Master's Degree in Executive Business Administration. • Bachelor's Degree in Civil Engineering	From 22 April 2021 to 3 November 2021	• Former member of the Board of Directors of Arkan Building Materials Company	• Chairman of the Board of Directors of Abu Dhabi Sewerage Services Company • Member of the Board of Directors of the Abu Dhabi Agriculture and Food Safety Authority

Sr.	Full name as in the passport	Category (executive, non-executive, independent)	Experience	Qualifications	Tenure as Company board member form first election	Membership and designations in any other joint stock companies	Designations in any other supervisory, government or other commercial offices, qualifications and experience
10	Khalfan Saeed Mohammed Al Qemzi	Independent non-executive member	25 yrs.	• Bachelor's degree in International Relations	From 22 April 2021 to 3 November 2021	• Former member of the Board of Directors of Arkan Building Materials Company	• Member of the Board of Directors of IPIC Holdings GmbH
11	Mabkhoot Talib Al Menhali	Independent Non-executive member	29 yrs.	• Chartered Accountant and Member of the American Chartered Accountants Institute	From 27 April 2017 to 3 November 2021	• Former member of the Board of Directors of Arkan Building Materials Company • Member of the Board of Directors of Ducab and NTS Corporation	• Member of Audit Committee in Khalifa Fund • Member of the Audit Committee at Zayed University
12	Ahmed Suhail Mohamed Abdulla Al Muheri	Independent non-executive member	31 yrs.	• Master's Degree – Tulsa University, USA • Bachelor's Degree – UAE University, Al Ain	27 April 2017 to 21 April 2021	• Member in Taweelah Aluminum Extrusion Co. • Former member of the Board of Directors of Arkan Building Materials Company	–

Sr.	Full name as in the passport	Category (executive, non-executive, independent)	Experience	Qualifications	Tenure as Company board member form first election	Membership and designations in any other joint stock companies	Designations in any other supervisory, government or other commercial offices, qualifications and experience
13	Mohamed Ali Abbas Al Fahim	Independent non-executive member	21 yrs.	• Master's Degree in Business Administration	29 April 2015 to 3 November 2021	• Former member of the Board of Directors of Arkan Building Materials Company	• Abu Dhabi Area Regional Manager – Abu Dhabi Islamic Bank • Board member – Al Fahim Group (commercial position)
14	Amna Obaid Khalifa Ahmed Al Zaabi	Independent Non-executive member	13 yrs.	• Bachelor of Business Administration (Major in Financial Sciences)	From 27 April 2017 to 21 April 2021	• Former member of the Board of Directors of Arkan Building Materials Company	• Senior Manager – Strategy and Projects
15	Khalifa Saif Darwish Ahmed Al Ketbi	Independent non-executive member	24 yrs.	• Bachelor's Degree in Business Administration	29 April 2015 to 3 November	• Member in Al Wathba Insurance • Former member of the Board of Directors of Arkan Building Materials Company	----

B. Board induction and training

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

C. Female representation on the Company's Board of Directors for the fiscal year 2021

The Female representation in the Company's Board of Directors on 31 December 2021was 28%.

D. Board Members' remuneration

The remuneration of Board members is determined as per Article 29.8 of the Company's Articles of Association, which states the remuneration of the Chairman, and the Board members shall be a percentage of the net profits that shall not exceed 10% of the net profits for the concerned financial year. The Company may also pay any expenses, fees, additional remuneration or a monthly salary in the amounts determined by the Board for any of its members if such member is also a member of any committee or exerts any special efforts or carries out any additional work for the benefit of the Company that is in addition to his/her normal duties as a member of the Board. No allowance shall be paid to the Chairman or any member of the Board for attending Board meetings. The Annual General Assembly in its meeting held on 22 April 2021 approved a total remuneration for the Board and its Committees as per the internal system for the year ended December 31, 2020 in an amount of AED 2,227,178 (including Value Added Tax).

For the year ending December 31, 2021 the Board is scheduled to meet on 24 March 2022 will propose the amount of Board and Board Committee fees, which will be presented for the approval of the shareholders at the annual General Assembly meeting. Number of Board of Directors' meetings convened during the fiscal year 2021 with their convening dates as well as the number of attendances by members with attending members by proxy

Table no. 3 number of Board of Directors meetings during 2021

Sr.	Meeting date	No. of attendees	No. of attendees by proxy	Absent members names
1	January 28	7	-	
2	March 11	7	-	
3	April 26	7	-	
4	May 5	7	-	
5	May 17	7	-	
6	June 23	7	-	
7	August 8	7	-	
8	September 21	6	-	Mohammed Ali Abbas Al Fahim*
9	October 10	6	-	Khalfan Saeed Mohammed Al Qemzi*
10	November 3	7	-	-
11	November 7	7	-	-

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

E. The number of Board Resolutions issued by passing during the fiscal year 2021 with an indication of the dates of their holding.

No Board Resolutions were issued by passing during the fiscal year 2021.

F. Statement of Board duties and mandates performed by a board member or a member of executive management during 2021 based on board authorization along with identifying the term and validity of authorization according to the following schedule

Sr.	Authorized person	Authorization power	Authorization term
There are no special tasks delegated to any of the Board member or executive management during 2021 other than the delegation to conduct normal business.			

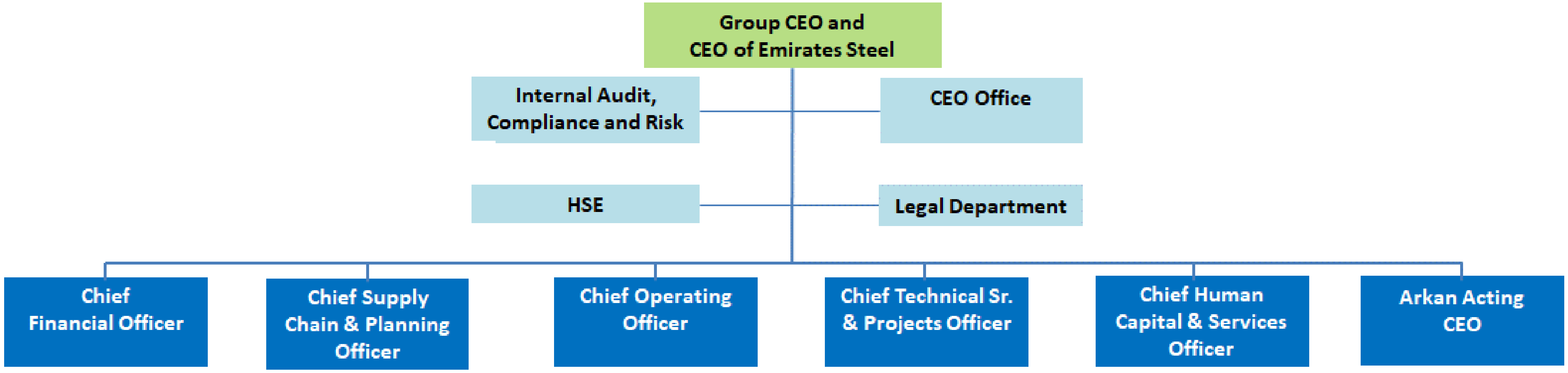
G. Statement of the details of the transactions that took place with the related parties (stakeholders), with a description of the nature of the relationship and the type of transaction

Table no. 4 The details of the transactions that took place with the related parties

Statement of the related party	Clarification of the nature of the relationship	type of transaction	Value of the transaction
Abu Dhabi Marine Services LLC ("SAFEEN")	Sister company	Transshipment Charges	1,902,784
National Health Insurance Company PJSC (Daman)	Sister company	Medical insurance cost	7,714,544
Abu Dhabi Distribution Company PJSC	Sister company	Electricity cost	229,792,544
ZonesCorp	Sister company	Purchase - Natural gas	21,513,631
Abu Dhabi Ports Company PJSC	Sister company	Port Handling Charges	10,848,363
Abu Dhabi Securities Exchange PJSC (ADX)	Sister company	ADX fees	205,391
Agthia Group	Sister company	Drinking water	537,947
Abu Dhabi Media Company PJSC (AD Media)	Sister company	Advertisement	6,669

H. Company Organization Chart

Figure 1- Organizational structure in 2021



Internal Audit, Compliance and Risk functions report functionally to Audit and Risk Committee and Administratively to the Group CEO

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

Table no. 5 Statement of Arkan Senior Executive employees in 2021

Sr.	Name	Major	Designation	Nationality	Date of Birth	Joining date	Years of experience
1	Saeed Ghumran Al Remeithi	B.Sc. in Electrical Engineering	CEO of Arkan Group and CEO of Emirates Steel Company	UAE National	19 Jan 1975	07 Jan 2001	20 yrs.
2	Abdulaziz Mohamed Asad	Master of Quality Management Bachelor of Electrical Engineering	Arkan General Manager	UAE National	01 June 1967	15 May 1991	30 yrs.
3	Saeed Khalfan Ali Khalfan Al Ghafri	Masters - Strategy Development	Chief Supply Chain & Planning Officer - ESI	UAE National	22 Jan 1980	06 June 2006	18 yrs.
4	Jasem Mohamed Rashed Alkhateri	Executive Master's in Business Administration (EMBA)	Chief Human Capital & Services Officer - ESI	UAE National	13 Nov 1976	02 April 2017	22 yrs.
5	Hassan Salim Rawhi Sha'sha'a	Masters - Chemical Engineering	Chief Operating Officer - ESI	Jordanian	30 Jan 1954	01 Aug 2007	40 yrs.

Sr.	Name	Major	Designation	Nationality	Date of Birth	Joining date	Years of experience
6	Stephen John Pope	Bachelor of Science in Business Studies	Chief Financial Officer - ESI	British	19 July 1960	05 March 2007	40 yrs.
7	Shankaranathan Anoop Nair	Masters -Business Administration	Chief Technical Services & Project Officer - ESI	Indian	01 June 1970	08 July 2018	29 yrs.
8	Faizal Amod	Chartered Accountant	Chief Financial Officer – Arkan	South Africa	03 Oct 1967	01 April 2010	31 yrs.
9	Abdelaziz Al Maazmi	Bachelor of Marketing and Public Relations	VP for Marketing and Human Resources - Arkan	UAE	20 Jan 1977	13 June 2010	20 yrs.
10	Abdelhamid Yousef Abuhelweh	Bachelor's Degree in Accounting	VP Internal Audit and Compliance	Jordanian	18 March 1972	11 Nov 2015	26 yrs.
11	Saeed Al Dhaheri	Bachelor's Degree in Aeronautical Engineering	General Manager Cement - Arkan	UAE	20 Dec 1978	04 Jan 2008	18 yrs.
12	Sathiesh Kumar	Master's in Marketing	General Manager Blocks - Arkan	India	05 March 1971	24 May 2015	27 Yrs.
13	Abdullah Ahmad Khaleel	Bachelor of Engineering	General Manager Anabeeb - Arkan	UAE	03 Dec 1977	04 April 2000	20 Yrs.

Table no. 6 statement of Arkan Senior Executive employees' total compensation and rewards for 2021

Sr.	Name	Designation	Aggregate salaries with allowance for 2021 (AED)	Annual rewards (bonuses) for 2021
1	Saeed Ghumran Al Remeithi	Group Chief Executive Officer* and CEO of Emirates Steel	703,200	-
2	Abdul Aziz Mohamed Asad	General Manager - Arkan	2,075,890	533,088
3	Saeed Khalfan Ali Al Ghafri	Chief Supply Chain & Planning* Officer – ESI	388,200	-
4	Jasem Mohamed Rashed Alkhateri	Chief Human Capital & Services* Officer – ESI	365,400	-
5	Hassan Salim Rawhi Sha'sha'a	Chief Operating Officer – ESI *	450,000	-
6	Stephen John Pope	Chief Financial Officer – ESI*	502,680	-
7	Shankaranathan Anoop Nair	Chief Technical Services & Project Officer – ESI*	270,000	-
8	Faizal Amod	CFO – Arkan	1,591,367	480,498
9	Abdelaziz Al Maazmi	VP for Marketing and Human Resources – Arkan	1,248,371	254,592
10	Abdelhamid Yousef Abuhelweh	VP Internal Audit and Compliance	978,841	---
11	Saeed Al Dhaheri	General Manage Cement – Arkan	1,237,700	---
12	Sathiesh Kumar	General Manager Blocks – Arkan	1,075,176	33,500
13	Abdullah Ahmad Khaleel	General Manager Anabeeb – Arkan	1,362,593	189,000

Total compensation and rewards from the date of the merger on October 6 2021 up to 31 December 2021.

4. External Auditor

A. About the external auditor (Deloitte & Touche)

Deloitte & Touche is one of the largest professional services firms globally and one of the big four audit firms alongside KPMG, EY, and PwC. Its key international place of business is in the United Kingdom. It employs 286,200 personnel. The firm provides services such as audit, tax, consulting, and risk management.

The Company appointed Deloitte & Touche as its external auditor on 15 March 2018 i.e., since the second quarter of 2018.

During 2021, the external auditor did not provide any services other than auditing the Company's accounts.

B. A statement of the fees and costs of the audit or the services provided by the external auditor, according to the following table

Table no. 7 details related to external auditor and the services provided during 2021

Name of the Audit firm	Deloitte & Touche
Number of years lapsed as the Company's external auditor	Four Years
Number of years lapsed for auditing of the Company's accounts by the same audit partner	One Year
Total audit fees for 2021 (AED) (Arkan and Emirates Steel)	AED 737,000
Fees and costs of other special services other than auditing financial statements for 2021 (AED) (Arkan and Emirates Steel)	AED 200,000
Details and nature of other rendered services	A report on the effectiveness of the internal control systems for the preparation of financial statements in accordance with the requirements of the Abu Dhabi Accountability Authority, at a cost of AED 200,000
Statement of other services provided by another external auditor other than the Company's external auditor during 2021	None

* Total audit fees for Arkan on standalone basis amountedto AED 350,000

C. Statement clarifying the qualifications that the Company's auditor included in the interim and annual financial statements for the year 2021 and in the absence of any reservations, this must be mentioned explicitly

- Q1, 2021: There are no qualifications included in the Company's auditor's report on Arkan's interim financial statements for the first quarter of 2021.
- Q2, 2021: There are no qualifications included in the Company's auditor's report on Arkan's interim financial statements for the second quarter of 2021.
- Q3, 2021: There are no qualifications included in the Company's auditor's report on Arkan's interim financial statements for the third quarter of 2021.
- 2021 Annual Report: The Company's annual auditor report for 2021 has been issued with a clean opinion.

5. Audit and Risk Committee

A. Eng. Abdulaziz Abdullah Al Hajri, the Chairman of the Audit and Risk Committee, acknowledges his responsibility for the committee system in the Company and for his review of its work mechanisms and for ensuring its effectiveness.

B. During 2021, the Committee was reconstituted twice, in April 2021 and on November 8, 2021. The Audit and Risk Committee currently comprises the following three members having the majority of independent non-executive board members and chaired by independent non-executive board member:

1.	Abdulaziz Abdullah Al Hajri	Chairman
2.	Fatima Abdullah Al Fahim	Member
3.	Nabeel Qadir	Member

The Audit and Risk Committee convened 6 meetings during 2021. However, the Audit and Risk Committee, which was reconstituted in November 2021 did not hold any meetings until the end of the year.

Table no. 8 Audit & Risk Committee meetings and attendance details

Name	Jan 13	Feb 24	May 4	Jun 28	Aug 04	Nov03	Attendance
Khalfan Saeed Al Qemzi*	-	-	✓	✓	✓	✓	4/4
Mabkhout Talib Al Menhali**	✓	✓	✓	✓		✓	6/5
Muhammad Ali Abbas Al Fahim	-	-	✓	✓	✓	✓	6/4
Amna Obaid Al Zaabi	✓	✓	-	-	-	-	2/2
Osama Hassan Alsheleh	✓	✓	-	-	-	-	2/2

* Chairman of the Committee from May 2021 to October 2021

** Chairman of the committee until April 2021 and then a member of the committee from May 2021 until October 2021

C. Committee's key responsibilities:

The Audit and Risk Committee is delegated the following mandates:

1. Review internal control systems and prepare a report including its comments and recommendations and any amendments needed to ensure its effectiveness.
2. Review and assess the internal control and risk management systems across the Company.
3. Studying internal audit reports and following up on the implementation of corrective measures for the comments arising from such reports.
4. Making recommendations to the Board in relation to the appointment, reappointment, resignation, discharge and remuneration of the external auditor and ensuring a timely response by the Board on the matters contained in the external auditor's letter.

5. Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.
6. Study the scope of the audit with the auditor and give comments thereon, express an opinion on assigning any other business to them, and suggest the fees for these services.
7. Monitoring the integrity of the Company's financial statements and reports (annual, semi-annual, and quarterly) and the reviews thereof as part of its normal work during the year.
8. Study the accounting policies used and express its opinion and recommendations to the Board of Directors.
9. Study international developments in the field of accounting and auditing and notify the Board of Directors of what the Committee deems appropriate for the Company.
10. Studying the auditor's report on the financial statements along with any comments, concerns, and any substantial queries, following up the Company's Board of Directors response thereto to resolve differences of views between the Company's management and the auditor.
11. Prepare a periodic report every three months on the results of the Committee's work and present it to the Company's Board of Directors.
12. Identify and maintain an acceptable level of risks that the Company may face and ensure that the Company does not exceed such levels.
13. Submit a report to the Board of Directors that includes matters related to the role and responsibilities of the Committee, including:
    - Assessment of the external auditor's report to verify its consistency with the information and knowledge of the Committee members and adequate for the shareholders
    - Evaluate management operations in supporting the external auditor's report
    - Procedures for selecting and appointing the external auditor
    - Recommendations for the appointment or removal of the external auditor
    - Evaluation of the performance and independence of the external auditor
    - Evaluation of Internal Audit, Compliance and Risk Management's performance and its objectivity

6. Nominations and Reward Committee

A. Eng. Jamal Salem Obaid Al Dhaheri - Chairman of the Nominations and Reward Committee, acknowledges his responsibility for the Committee system in the Company and for his review of its working mechanism and ensuring its effectiveness.

B. During 2021, the Committee was reconstituted twice, in April 2021 and on November 8, 2021. The Nominations and Reward Committee comprises the following three members, all of which are independent non-executive board members and chaired by independent non-executive board member:
1. Eng. Jamal Salem Al Dhaheri Chairman
2. Farah Abdullah Mohammed Al Mazrui Member
3. Nabeel Qadir Member

C. The Committee has conducted 6 meetings during 2021

Table no. 9 Nomination and Reward Committee membership, meetings and attendance details

Name	25 Feb	12 Apr	28 June	10 Oct	31 Oct	21 Nov	Attendance
Ahmed Sohail Al Muhairi*	✓	✓					2/2
Saeed Ghumran Al Remeithi	✓	✓					2/2
Khalifa Saif Al Ketbi	✓	✓	✓	✓			5/4
Mubarak Saeed Al Mansouri**			✓	✓	✓		3/3
Mubarak Obaid Khamis Al Dhaheri			✓	✓	✓		3/3
Jamal Salem Obaid Al Dhaheri***						✓	1/1
Nabeel Qadir						✓	1/1
Farah Abdullah Al Mazrui						✓	1/1

* Chairman of the Nominations and Remunerations Committee until April 2021
** Chairman of the Nominations and Remunerations Committee from May 2021 to October 2021
*** Chairman of the Nominations and Remunerations Committee from November 2021 to date

D. Committee's key responsibilities:

1. Formulation and annual review of the policy for granting bonuses, benefits, incentives, and salaries to members of the Company's Board of Directors and employees, and that the rewards and benefits granted to the Company's senior executive management are reasonable and in line with the Company's performance.
2. Determination of the Company's requirements for qualified staff at the level of senior executive management and employees and the basis of selection.
3. Prepare and review on an annual basis the Company's human resources and training policy and monitor its implementation.
4. Organizing and follow-up of the nomination procedure related to the Board of Directors' election and membership in accordance with the applicable laws and regulations.
5. Ensure at all times the independence status of the independent non-executive board members.

7. Strategic Investments Committee

A. Nabeel Qadir - Chairman of the Strategic Investments Committee, acknowledges his responsibility for the Committee system in the Company and for his review of its working mechanism and to ensure its effectiveness.

B. The Committee was established on 8th November 2021. The Strategic Investment Committee comprises the following three members, all of which are independent non-executive board members and chaired by independent non-executive board member:

1. Nabeel Qadir - Chairman
2. Abdulaziz Alhajri - Member
3. Farah Abdullah Mohammed Al Mazrui – Member

C. The Committee has conducted 2 meetings during 2021

Table no. 10 Strategic Investment Committee meetings and attendance details

Meetings in 2021		
Name	**Dec-23**	**Dec-26**
Nabeel Qadir	✓	✓
Abdulaziz Al Hajri	✓	✓
Farah Abdullah Mohammed Al Mazrui	✓	✓

D. The Committee was appointed by the Board of Directors to review and evaluate investment proposals and submit its recommendations to the Board. The key role and responsibilities of the Committee in terms of the Delegation of Authority Manual of the Company include the review and endorsement of the following prior to approval by the Board of Directors:

- Corporate strategy, medium and long terms business plans, including the 5-year business plan
- Annual plan and budget, and amendments thereto (incl. assumptions)
- Project feasibility studies and budgets
- Changes in capital structure - incremental bank / credit facilities and guarantees

- Bank mandate (incl. bank signatories, limits, and guarantees)
- Investment protocols (investment in equity or debt instruments, derivatives, associates and others)
- Opening and closing bank accounts

8. Committee to follow up and oversee insider transactions ("the Insider Committee")

A. Mr. Faisal Amod – Chairman of the Follow-up and Supervision Committee on Insider Dealings, acknowledges his responsibility for the Committee's system in the Company and for the review of its working mechanism and to ensure its effectiveness.

B. The Committee is chaired by the Arkan Chief Financial Officer, Mr. Faisal Amod, and includes the following members:
   1. Vice President of Marketing and Human Resources - Mr. Abdelaziz Al Mazmi
   2. Information Systems Finance Manager - Mr. Hamada Ismail

C. Scope of Committee:
   The Committee responsible for review all securities transactions by Company Directors, officers and employees as well as their families, together with companies falling under their direct or indirect management ('insiders').

D. After assessment, the Committee issued a list of all identified personnel as insiders where the Committee ensured the following:
   1. Ensuring that the insiders list is reviewed and endorsed every twelve months and/or upon request (new joiners, change in circumstances etc.).
   2. The Committee met once during 2021, and reviewed all transactions of each insider
   3. Verifying compliance with applicable and related securities laws and regulations. The Company requires all insiders to refrain from conducting transactions including buying and selling the Company's' securities during 'lock-out' periods as declared by the Abu Dhabi Securities market.

9. Internal controls systems

A. Acknowledgment by the Board of its responsibility for the Company's internal control system and for the review of its working mechanism and for ensuring effectiveness

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

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

The Board of Directors acknowledges its responsibility for the internal control system, its independence in the Company, and its review and effectiveness.

B. Name of the Head of Internal Audit and Compliance, qualifications and date of appointment:

Mr. Abdul Hamid Yousef Abu Helweh was appointed by the Audit and Risk Committee as Vice President Internal Audit and compliance of ARKAN with effect from 11 November 2015. His appointment was approved by the Company's Board of Directors in its meeting dated 16 February 2016

1. Qualifications
    - Bachelor's degree in accounting, from Amman University – Jordan
    - Obtained the American Certified Public Accountant Fellowship of the American Certified Public Accountants (CPA)
    - Member of the Association of Internal Auditors (USA) - in the United Arab Emirates No. (1441821)
    - Certified Internal Auditor issued by the International Institute of Internal Auditors

2. Practical experience

More than twenty-six years of experience in the field of auditing and financial control in addition to reviewing compliance with governance systems, laws and regulations. His experience varied between external and internal audits, compliance and performance audits for major companies and institutions operating in the government and private sectors and in various sectors such as industrial, financial and commercial activities, in accordance with the International Financial Reporting Standards (IFRS), International Auditing Standards issued by the International Federation of Accountants (IFAC) and the international professional standards for the practice of internal auditing (IPPF).

C. Name of compliance officer, his qualifications and date of appointment:

Mr. Atif Waheed was appointed as a Compliance Officer on 01 October 2016 and holds a Bachelor of Commerce in Accounting, is a Certified Public Accountant (ACCA) and has more than ten years of work experience,

D. The Internal Audit and Compliance Department deals with important problems / issues

The Internal Audit and Compliance Department provides independent assurance and consulting services using a disciplined systematic approach to improve the effectiveness of risk management, internal control, compliance and governance procedures, and the integrity of the Company's operations. The Department is also responsible for monitoring the compliance of the Company and its employees with the law, regulations, and resolutions, as well as internal policies and procedures. It also aims to assist management in achieving its goals by making the necessary effort to positively improve the efficiency and effectiveness of operations.

The Internal Control and Compliance Department shall abide by the rules and regulations that define its work in the Company and exercise independence that enables it to perform its duties and work in accordance with the requirements of Articles (66), (67), (68) and (69) of the Authority Board Resolution number (03/RM) of 2020 regarding the approval of the Public Shareholding Corporate Governance Manual, whereby the Internal Audit and Compliance Department covers all the Company's activities in accordance with its own procedures approved by the Audit and Risk Committee as well as the Board of Directors.

The scope and frequency of audits depend on several factors, including, for example: the results of previous years' audits, the results of the business risk assessment related to the various activities in the Company, the materiality, the efficiency of the internal control systems, and the resources available to implement internal audits.

The Internal Control and Compliance Department works in accordance with the directives of the Audit & Risk Committee, and the Audit & Risk Committee plays a fundamental role in matters related to auditing and governance through review, approval of the risk based annual audit plan and the participation of the Chairman, the Board of Directors and executive management in discussing the audit results. On the administrative side, the Department reports to the CEO.

The function of the Internal Audit and Compliance Department is based on three types of audit engagements:

1. Compliance audit

A compliance audit is a comprehensive review of an organization's adherence to regulatory guidelines. The compliance audit aims to review financial or operating activities with a view to determining their compliance with specific conditions, rules and regulations. It is the responsibility of the Internal Audit & Compliance Department to provide an assurance on whether the internal control systems are sufficient and effective, and to verify the compliance with the legislative requirements and relevant laws.

2. Performance audit

This type of audit aims at reviewing operational activities and methodologies against specific objectives which can be represented as a value creation audit such as reviewing the utilization of resources or and advice on how to improve performance. This type of audit allows evaluating performance, identifying opportunities for process improvement and business development and issuing recommendations in this regard.

3. Information technology audit

The audit of information technology has been designed as a process of collecting and evaluating evidence of the management of controls over an organization's information systems, practices, controls and operations. The evaluation of evidence obtained through the IT audit process determines if the information systems are safeguarding assets, maintaining data integrity and operating effectively to achieve the organization's goals and objectives. This may include traditional audits of technology processes and components as well as integrated audits for audit activities, technology-dependent regulatory processes (e.g., privacy) or data analytics support. Specialists and / or outsourced staff are also used to audit Company's IT system, due to the skills required and the low frequency of doing this type of audit.

It is noted that the Company has adopted a policy of reporting violations, which allows any employee, client or supplier to report any professional violations directly to the Internal Audit and Compliance Department through the Company's website and via an email address designated for this purpose (to ensure confidentiality) and no one has access to it except the VP. Head of Internal Audit and Compliance Department and the Audit and Risk Committee which reviews any complaint received and forwards it to the CEO / Internal Audit and Compliance Department (as appropriate) for Inquiry and Investigation.

E. The number of reports issued by the internal control department of the Company's board of directors

The number of reports issued by the Internal Control and Compliance Department for ARKAN was 17 in the year, in line with the audit plan as approved for 2021 by the Audit and Risk Committee.

10. Details of committed violations during 2021, their causes and how treated to avoid recurrence

Arkan observes all applicable laws, resolutions and regulations in the state and the Company was not subject, during the year 2021, to any sanctions, limitations or violations whether from the Securities and Commodities Authority or any other regulatory body.

11. Statement of monetary and in kind contributions by the Company during 2021 in developing the local community and preserving the environment

Below is a statement of monetary and in kind contributions made by the Company during 2021:

- Under the patronage of Ministry of Interior, and coordination with SAAED Association from Prevention of Traffic Crashes, Arkan sponsored the Golden Jubilee event to honor 50 Senior Citizen who started the development of our country on the occasion of the 50th National Day. The donation was amounted to AED 26,250.

- The following are the list of monetary and in-kind contributions done by Emirates Steel in the year:

  - **Pink Steel Day:** In collaboration with the cancer patient care association Rahma, Emirates Steel organized an event supporting cancer patients in the UAE. The total donation was amounted to AED 27,028.

  - **Your House Is Our House:** In collaboration with Sharjah International Charity various household appliance were distributed to families in need amounting to AED 30,000.

  - **Let's Make Them Happy**: In collaboration with Ewa'a Shelter & Red Crescent orphaned children were taken for a fun day to Warner Bros. Abu Dhabi at a cost of AED 9,500.

  - **Thank you Day:** Emirates Steel organized a cinema night for laborers in Mussafah Camp at a cost of AED 9,500.

  - **The Reach:** donation of AED 20,000 was done to the Reach Campaign to provide treatment for river blindness.

12. General Information:

A. A Statement of the Company's share price on the market (the highest price, the lowest price and the closing price) at the end of each month during the fiscal year of 2021

Table no. 11 Statement of Arkan share price during 2021 – Monthly

Month	OPEN (AED)	CLOSE (AED)	HIGH (AED)	LOW (AED)	Value (AED)	VOLUME	TRADES
January	0.880	0.855	0.907	0.801	19,712,155	22,961,122	390
February	0.869	0.788	0.889	0.720	9,215,897	11,170,608	266
March	0.740	0.733	0.800	0.696	5,689,918	7,291,766	181
April	0.783	0.814	0.880	0.740	33,620,744	41,427,017	760
May	0.791	1.280	1.470	0.789	330,798,146	285,671,159	2,742
June	1.280	1.300	1.430	1.180	348,575,124	261,329,347	3,507
July	1.300	1.220	1.400	1.210	152,975,608	116,266,946	1,822
August	1.220	1.790	1.840	1.180	517,221,165	348,490,694	6,077
September	1.780	1.540	1.780	1.490	174,001,433	106,235,247	2,545
October	1.520	1.600	1.730	1.440	318,184,397	194,445,706	4,334
November	1.600	1.500	1.650	1.390	306,365,435	197,461,974	4,144
December	1.500	1.420	1.590	1.260	107,036,893	71,497,006	1,940
					2,323,396,915	1,664,248,592	28,708

Figure 2- Monthly change in shares price (low, high) during 2021 with no. of trades

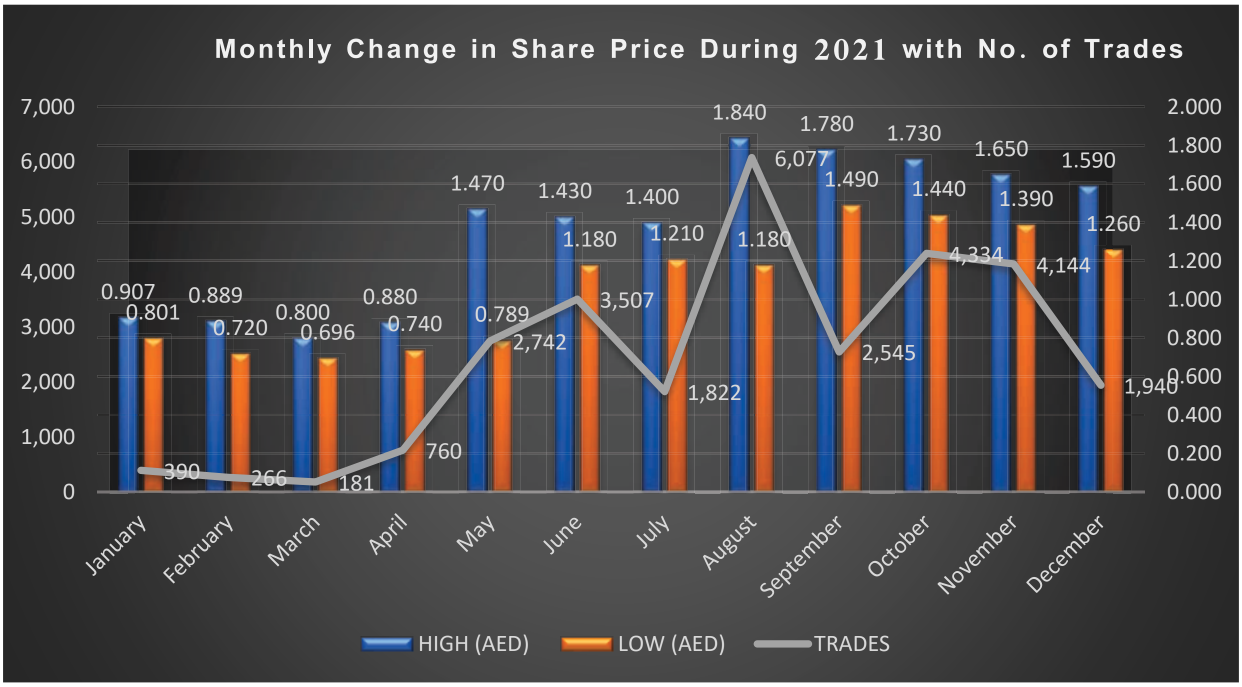
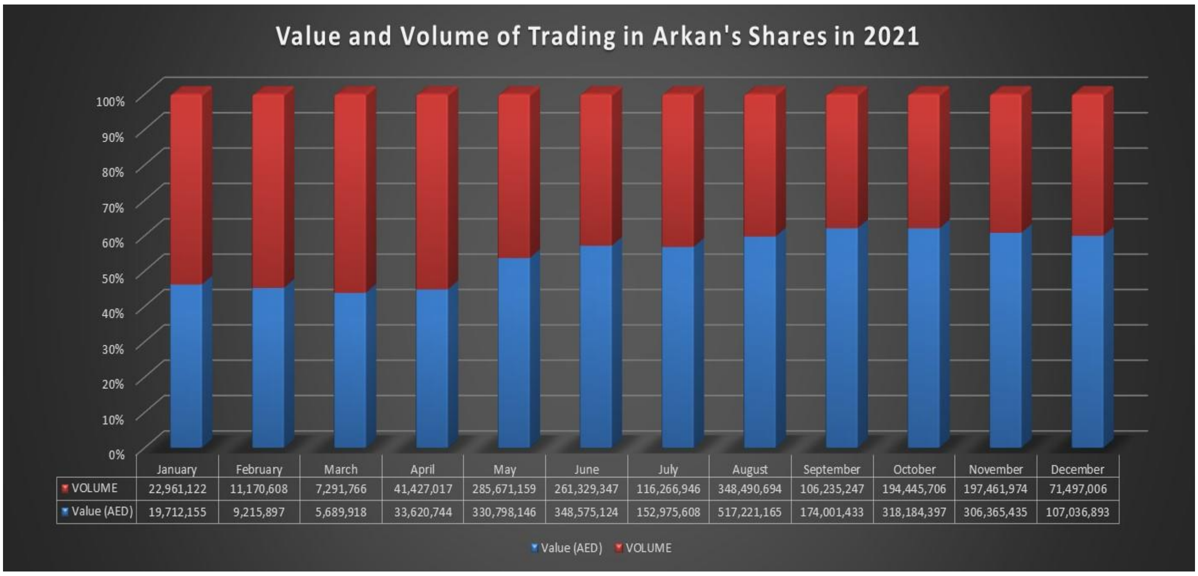
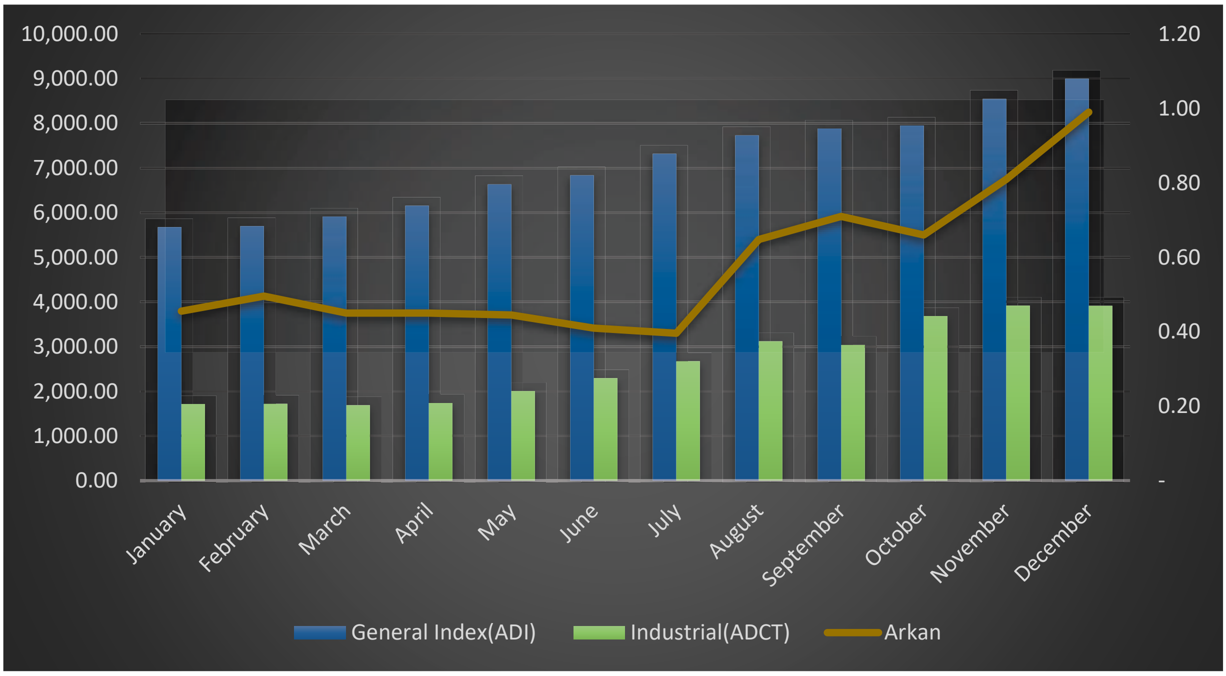


Figure 3 - Value & Volume of trading in Arkan shares during 2021



B. Statement of comparative performance of Arkans share to the general market index and a Company relevant industrial index

Figure 4 - Arkan, Market Index, Industry

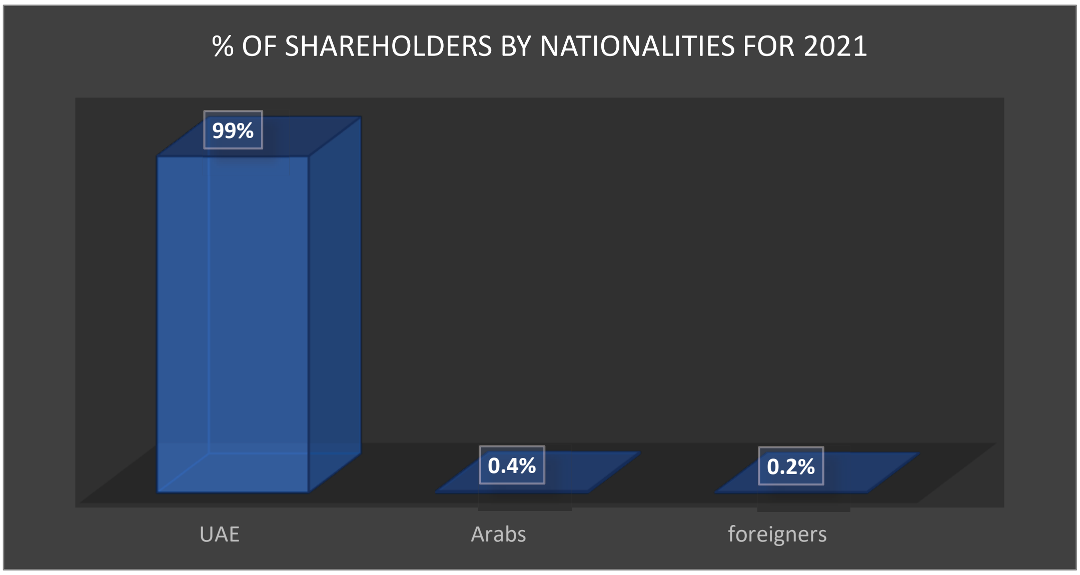


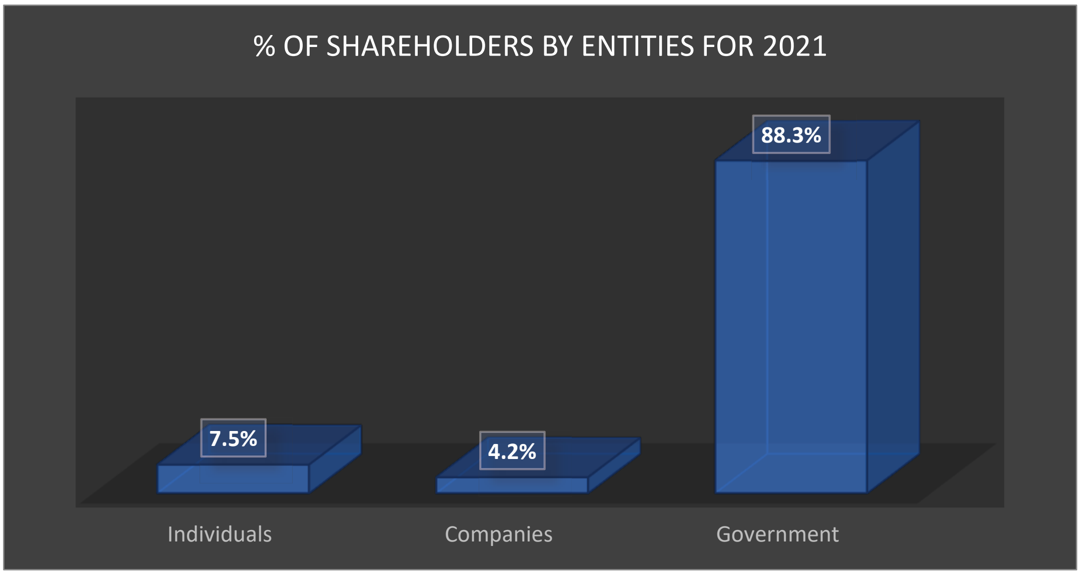
C. Statement of the ownership distribution of shareholders as of December 31 2021 (individuals, companies, government entities) classified as follows: Local, Gulf, Arab, and Foreign)

Table no. 12 ownership distribution of shareholders as of 31 December 2021

Shareholders	% of Shares Held			
	Individuals	**Companies**	**Government**	**Total**
UAE	7.0%	4.1%	88.3%	99.4%
Arabs	0.4%	0.0%	-	0.4%
Foreigners	0.1%	0.1%	-	0.2%
Total	**7.5%**	**4.2%**	**88.3%**	**100%**

Figure 5 - % shares held by Nationalities / Entities





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

Table 13 – shareholders hold 5% or more

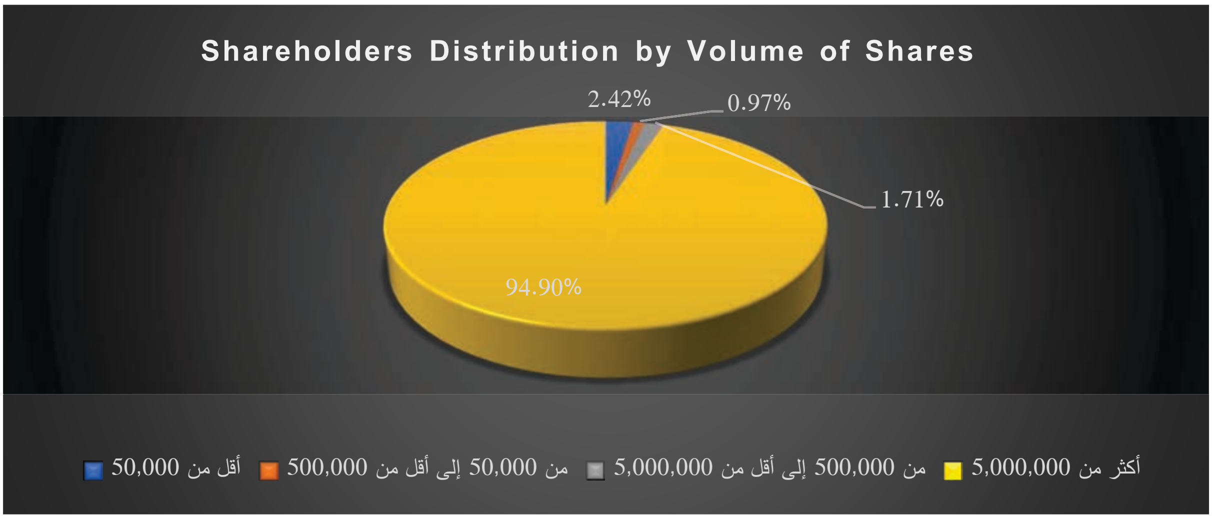
Shareholder	Quantity	Citizenship	%
General Holding Corporation PJSC ("SENAAT")	5,992,500,000	UAE	87.48%

E. Statement of shareholding distribution according to the volume of shares held as of 31 December 2021

Table 14- shareholder held >=5%

#	Shareholding (shares)	No. of shareholders	Shares held	Held shares ratio to total capital
1	Less than 50,000	79,919	166,104,560	2.42%
2	From 50,000 to less than 500,000	441	66,311,595	0.97%
3	From 500,000 to less than 5,000,000	95	116,969,620	1.71%
4	More than 5,000,000	17	6,500,614,225	94.90%
Total		80,507	80,472	6,850,000,000

Figure 6- Shareholders Distribution according to volume of shares



F. Statement of actions taken pertaining investors relations measures with identifying:

- Investor relations in-charge and contact details:
  - Mr. Hamada Ismail is the investors' relations in-charge, his contact details are:
  - Email: H.ismail@arkan.ae
  - Office (direct) phone: 02 40 60 607
  - Mobile: 0544276884
- Investor relations web pages on Company website:
  A webpage designated for investors relations has been developed within the Company's website on the link: **http://arkan.ae/investor-relations**, it is updated and maintained to keep abreast with international standards including: investors relations information and contact details (phone number and email) together with all reports relating to the Company's financial results and fiscal year information including financial results publications, general assembly minutes , annual corporate governance reports and any other significant information of assistance to the shareholder / potential shareholder.

G. Statement of special resolutions proposed within the general assembly convened during 2021 and key actions

- The Company held its Annual General Assembly on April 22, 2021 wherein the following matters were passed by the shareholders as a special resolution:
  - Approve the amendment to Articles 1, 15, 16, 17, 18, 19, 20, 24, 25, 28, 29, 30, 32, 33, 34, 35, 37, 38, 39, 43 and 44 of the Articles of Association of the Company as published at the Company's page at ADX and uploaded to the Company's website.
  - Authorize the Board of Directors of the Company, and/or any person so authorized by the Board of Directors, to adopt any resolution or take any action as may be necessary to implement the Ordinary and Special Resolutions to be adopted by the general assembly in the meeting, including agreeing any change to any of the above amendments to the Articles of the Company which the SCA or other regulatory authorities may request or which may be required to prepare and certify a full set of the Articles incorporating all the amendments including the introductory part of the Articles of Association and reference to the resolutions of the general assemblies of the Company amending the Articles.
- The Company conducted another General Assembly Meeting on August 9, 2021 wherein the following matters were passed by the shareholders as special resolution:
  - Approve the transaction (as described in the shareholders' letter posted on ADX portal and by the Company website on 18 July 2021 concerning the acquisition of Emirates Steel Industries PJSC.
  - Approve of the issuance by the Company of a mandatory convertible bond in a principal amount of a AED 4,069,800,000 to General Holding Corporation PJSC (SENAAT) as the acquisition price to be paid by the Company to acquire Emirates Steel Industries PJSC (the Acquisition); such mandatory convertible bond shall be converted into 5,100,000,000 new shares in the Company and the issued share capital shall be increased to AED 6,850,000,000 on the conversion of the convertible bond at a conversion ratio (0.798) per each new share in Arkan which was determined on the basis of all financial, technical studies and the valuation which the Board of Arkan has reviewed as published at the Company's page at ADX and uploaded to the Company's website.
  - Approve the increase in share capital and the amendments of Article 6.1 of the Company's Article of Association as published at the Company's page at ADX and uploaded to the Company's website.
  - Authorize the Board of Directors of the Company, and/or any person so authorized by the Board of Directors, to adopt any resolution or take any action as may be necessary to implement the above Special Resolutions as referred to in the announcement published at the Company's page at ADX and uploaded to the Company's website.

H. Board of Directors Secretary

Table 15 - Board Secretary

Name of Board's Secretary	**Alex Ghazi**
Appointment date	8 November 2021
Qualification & experience	• Alex is Partner of Al Tamimi's Abu Dhabi Office and a specialist corporate lawyer. Since 2015 and until recently, Alex was the Group General Counsel and Company Secretary for Arabtec Holding PJSC, based in Abu Dhabi. • Alex obtained his Master's Degree in International Business Law in 1993 after training and working with Clifford Chance (Paris and Dubai). • Alex spent most of his working career as a corporate and commercial lawyer, involved in various international transactions. Over the years, he led various legal teams and departments in different industrial sectors, starting from real estate development, to automotive, to construction.
Job description	• Proposing the agenda of Board meetings, organizing and recording the activities of Board meetings and sub-committees. • Provide sound and professional advice to the Chairman of the Board on matters related to corporate governance. • Ensure that the quorum of the Board and its committees is achieved and that the related documents are distributed in a timely manner. • Ensure effective management of all logistical arrangements related to the Board's activities. • Ensure accurate and effective records are kept of Board decisions in compliance with legal requirements. • Record the minutes of all meetings of the Board as well as the records of any committees, ensuring that all procedures have been duly observed, recording the time and place of the meeting, the names of the attendees or representatives at the meeting in the minutes and retain the original copies of the minutes at the Company headquarters. • Keeping the Board and company executives fully informed of current and new legislative requirements. • Prepare for the Annual General Meeting of shareholders. • Follow up on Board affairs (decision and requests), track and coordinate Board requests between the Board and management. • Maintain strict confidentiality of all tasks performed. • Perform all duties that may be required by the law, the Company's articles of association or internal regulations, and any other matters which may be assigned to him from time to time by the Board.

I. A detailed statement of the major events and important disclosures that the company encountered during 2021.

Changes in the Board of Directors

In 2021, the Board of Directors of Arkan was reconstituted twice, the first during the general assembly meeting held on April 22nd, 2021, after the completion of the membership term of the previous Board of Directors (three years). On November 4th, 2021, the Board of Directors was reconstituted for a period of three years or the remainder of the period in accordance with Company Article of Association.

Acquisition of Emirates Steel Industries PJSC (Emirates Steel)

On August 9, 2021, Arkan announced the majority approval of its shareholders of the proposal for the strategic business combination of Arkan and Emirates Steel, the leading integrated steel manufacturer in the Middle East. The terms of the offer made by SENAAT in May 2021 included the transfer of ownership of the Emirates Steel to Arkan, in considration for the issuance by Arkan to SENAAT of a convertible instrument. Upon closing of the transaction, the convertible instrument would automaticly convert into 5.1 billion Arkan ordinary shares at a fixed price of AED 0.798 per share. Following the converstion on 6 October 2021 SENAAT owns 87.48% of the total issued shares of Arkan.

The combination of Arkan and Emirates Steeel creats the UAE's larget steel and building materials company with a compeling strategic proposition and strong potential for growth in the UAE and internationally . the Group is well placed to scale and grow, create new business opportunities and ensure that homegrown manfacturers are at the forefront of driving a sustainable, diversifed natioanl eceonomy.

Changes in executive management

On November 11, 2021, the Board of Directors decided to appoint Eng. Saeed Ghumran Salem Al Remeithi as CEO of the Group and a member of the Board of Directors.

J. Statement of Emiratization percentage in the Company at the end of 2019, 2020 and 2021 (workers are excluded for companies working in the field of contracting)

Table 16- Emiratization %

Emiratization %	Year
7.9%	2019
7.7%	2020
19%	2021

K. Statement of innovative projects and initiatives undertaken by the Group or being developed during 2021

The Management presented several initiatives that would add value to the Group's business and are under-study and evaluation by the executive management and the Board of Directors, namely:

Table 17- list of innovative projects and initiatives

Initiative	Impact Category	Description	Benefits	Status
Blast furnace slag cement as an IOP coating agent	Raw Material Sourcing Cost Optimization	Using the blast furnace slag cement as an IOP coating agent lowers the sticking index, irrespective of blend and origin	Flexibility for Supply Chain department in choosing IOP supplier. The BFS Cement also has extra quantifiable advantages like ~6t/h increase in productivity (at least), higher operating temperature, higher metallization % and higher Metallic Fe	In Progress
Recycling of effluent water	Waste Utilization Cost Optimization	Instalment of a treatment unit to re-use the effluent water generated from Direct Reduction Plants in the process or land scape. Could also include oily water from Rolling Mill's and sewage water)	Waste utilization and reduction of disposal cost	In Progress
Power Generation from Direct Reduction Plants generated steam	Energy Efficiency Renewable Energy	Installation of a steam turbine to utilize the steam generated in all Direct Reduction Plants to generate electrical power	Reduction of electricity consumption and clean energy	In Progress

Table 17- list of innovative projects and initiatives (cont'd)

Initiative	Impact Category	Description	Benefits	Status
Increase billets hot charging in Rolling Mill 2 up to 25%	Energy Efficiency	Develop a monthly plan for continuous hot billet charging from Continuous Casting 1 to Rolling Mill 2	Reduction of Rolling Mill 2 natural gas consumption by 10% through the elimination of billet re-heating	In Progress
Polymer (shredded tires) injection to Steel Melt Plants to replace carbon injection	Environment Sustainability	Using shredded tires as carbon replacement in the electric arc furnace process through polymer injection technology	Carbon footprint reduction	In Progress
The use of iron slag	Reduce production costs	Using iron slag as a substitute for raw materials in the production of cement materials	Reduce costs and increase profitability	In Progress
Modification of the production line in the dry mortar plant	Increasing productivity	Adjusting the production line by increasing the amount of sand used instead of expensive limestone	Increase production rate and reduce costs	In Progress

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H.E. Hamad Abdullah Mohammed Al Shurafa Al Hammadi

Chairman of Board of Directors

H.E. Jamal Salem Obaid Al Dhaheri

Chairman of the Nominations and Remunerations Committee

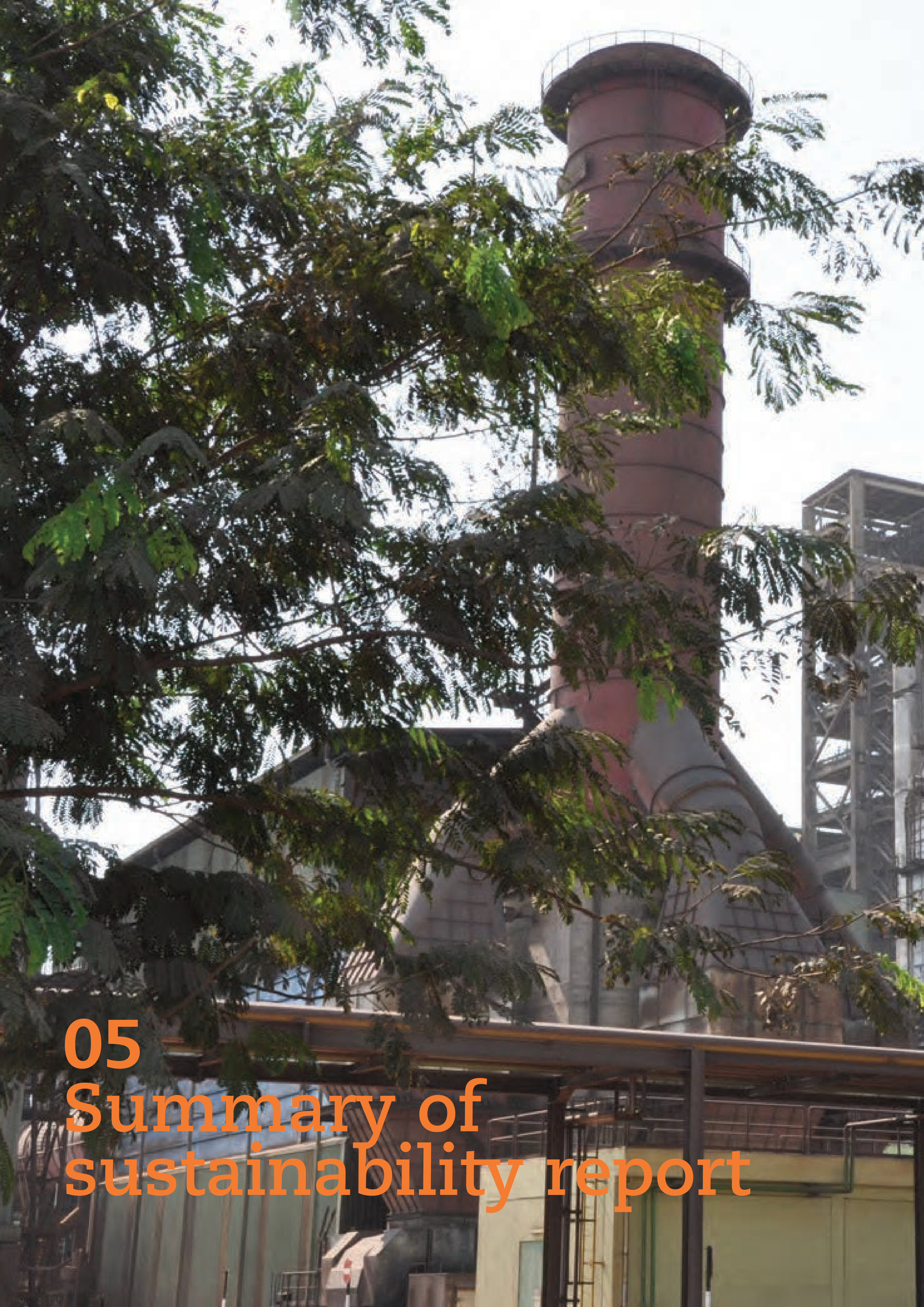
H.E. Abdulaziz Abdullah Alhajri

Chairman of Audit and Risk Committee

Mr. Abdelhamid Yousef Abuhelweh

Vice President. Head of Internal Audit and Compliance - Arkan

Company stamp



05 Summary of sustainability report

ARKAN BUILDING MATERIALS CO. (ARKAN) P.J.S.C

TOGETHER FOR A SUSTAINABLE FUTURE

ESG REPORT 2021

أركان
ARKAN

TABLE OF CONTENT

About this Report

Arkan is proud to publish its ESG Report 2021 with an emphasis on our performance in the key areas of environment, social and governance. Integrity, honesty and transparency are the core pillars in the creation of this report, as we aim at providing real insights on all our business operations and processes.

This report is in accordance with the ESG Disclosure Guidelines of Abu Dhabi Securities Exchange (ADX), complying with the 31 ESG indicators that align with the recommendations of the Sustainable Stock Exchanges (SSE) initiative and the World Federation of Exchange (WFE). The indicators are also mapped against the GRI standards and the UN Sustainable Development Goals (SDGs). Wherever applicable, we have given reference to other frameworks that streamline our business practices. These cover global and national frameworks such as the United Nations Global Compact (UNGC) Principles, Abu Dhabi Economic Vision 2030 and the UAE National Vision 2021.

Scope of the Report

Year	The report covers our environmental, social and governance (ESG) performance for the year 2021.
Entities	All entities mentioned in the report refer to Arkan-owned subsidiaries, which include Emirates Steel, Al Ain Cement Factory (ACF), Emirates Blocks Factory (EBF) and Anabeeb (PVC, GRP & Bags).
Countries	The report covers our operations in the UAE only, unless otherwise indicated.
Monetary Values	All monetary values in this report are in Arab Emirates Dirhams (AED), unless otherwise indicated.
Comparable Data	With the merger of Emirates Steel in 2021, we have provided their data for quantitative disclosures for 2021 only. All 2020 quantitative data excludes Emirates Steel. Therefore, these disclosures are not indicative of any comparison. However, we have included key initiatives of Emirates Steel, wherever applicable.
External Assurance	We chose NOT to appoint an external party to audit the ESG Report 2021. However, we conducted an internal assurance process to adapt the content of this report and revise the materiality matrix in-line with our merger with Emirates Steel.
Contact Point	For any enquiries about this report and sustainability at Arkan, please contact: **Mr. Hamada Ismail** Financial Manager (FMIS) h.ismail@arkan.ae

Report Highlights 2021

Merger with Emirates Steel - integrated steel plant and a regional industry leader

2,881
Total Number of Employees

138%
Increase rate in Emiratisation in Total Workforce

ZERO
Fatalities in our Workforce

29%
Female composition in our new Board

33%
Female representation in Committee Seats

100%
Compliance to the Code of Conduct by Workforce

100%
Compliance to the Code of Conduct by Suppliers

48,857,630 GJ
of Natural Gas Consumption

AED 12,166,287
Investment towards Climate Risk Mitigation

AED 348,000
Investment towards Community Initiatives

Message from Group CEO

I am delighted to be presenting this year's ESG report for Arkan. This comes as a celebration of the historic merger between Arkan and Emirates Steel to create the UAE's largest steel and building materials company with a compelling strategic proposition and strong potential for growth in the UAE and internationally.

The last couple of years have been tough for all of us, but at the same time, it has also been an interesting phase where we are observing redefined targets and goals towards one common vision of building a resilient world. Our holistic approach towards sustainability, risk management and business continuity have been the source of our unwavering success even during the pandemic. Strengthening our existing processes will only help us reach greater heights in providing quality products, services and solutions to our customers and in addressing any emerging crisis.

In this report, we have disclosed our performance on the 31 ESG metrics as per the ADX's reporting guidelines under SCA regulation. With the transparency and accuracy of our data, we hope to communicate with all our readers what we stand for and what we are aiming for in the near future.

We are yet again proud to continue our business excellence with zero fatalities in our production facilities in 2021 and 100% compliance to our Code of Conduct by our workforce and suppliers in our value chain. On the environmental front, we have been increasing the consumption of natural gas to aid in decarbonisation and we are committed to expanding this transition across the Group.

At Arkan, we believe in building a strong foundation with our people. While we excel at providing our products for better infrastructure development and economic growth, we are equally dedicated towards ethical business behaviour and responsible corporate impacts. Therefore, as we review our accomplishments, we continually look at the gaps that we can fill to reward our people with the best that we can. The safety of our workforce is of prime importance to Arkan and we are committed to evolve and support everyone with high standards of health and safety measures.

Meeting and going beyond regulatory compliance, underpins our progress. We have rolled out strict and relevant policies around human rights, environmental laws and operational management within the Arkan and our supply chain. We also conduct annual risk management assessments to identify the focus areas and thereby, prioritise our investments and efforts to the issues that matter the most. Our various committees continued to do their due diligence and with effective follow-ups to the action plans, we are focused on our stewardship and compliance in those areas.

"I am looking forward to this new journey of broadening our sustainability commitments and exploring far greater opportunities to make a resilient and better tomorrow. We are in the decade of action and indeed, we are fully geared to continue delivering our strategic plans to execute impact-driven actions."

H.E Eng. Saeed Ghumran Al-Remeithi
Group CEO of Arkan and CEO of Emirates Steel

About Arkan

Arkan was established in 2005 with a vision to take a key role in Abu Dhabi Government diversification drive to deliver the 2030 vision. We are thrilled that today we are a leading and large-scale integrated company, delivering excellence in the manufacture of building and construction materials to local and regional construction players. We do this by striving to achieve maximum value for our customers and clients through unmatched product quality and reliability.

Since our inception, we have become an expansive public joint stock company listed on Abu Dhabi Securities Exchange (ADX) delivering products and services through Greenfield development and strategic partnership with leading global manufacturers. We are owned, overseen and operated by the Abu Dhabi Development Holding Company (ADQ) through Senaat.

In October 2021, we announced the legal completion of the transaction and receipt of all regulatory approvals for our merger with Emirates Steel. Emirates Steel is also a part of ADQ through Senaat, and supplies the domestic and international markets with finished products including wire rods, rebars, heavy sections and sheet piles.

This transaction provides significant revenue diversification for Arkan and marks the first time that investors have access to a steel producer on a UAE public market. The Group is well placed to scale and grow, create new business opportunities and ensure that homegrown manufacturers are at the forefront of driving a sustainable, diversified national economy.

The wide range of concrete building blocks and dry mortar, production of PVC pipes and GRP pipes and bags, as well as quarrying of cement and steel support the development of awe-inspiring ventures in the construction, infrastructure and transportation industry that we cater to in the UAE, Philippines and Central Africa. We ensure quality, reliability and technical supremacy to our clients as part of our focus on core business ethics.

With steady growth and demand for sustainable solutions in the global construction industry, we at Arkan are consistent in striving to be adept in delivering innovative processes and technologies, while complying with the relevant regulations. Our ethos of innovation across product development and manufacturing play a key role in contributing to national, regional and global goals.

The credibility of our success and growth is our incredible workforce, who come with diverse skills and offer their best in support of our vision. We strongly believe in empowering our people through fair compensation and a work culture that enables them to grow professionally through an array of training activities, seminars, and conferences. The safety of our people is of the utmost importance; as a result of which we have significantly reduced lost time injuries over the years. We create flexible work engagements for our people to actively participate in waste management and recycling initiatives within our operations and facilities.

Arkan specialises in the manufacturing of building and construction products in the UAE and with the recent merger achieved in 2021, our portfolio companies have a new addition of Emirates Steel to our existing subsidiaries namely, Al Ain Cement Factory, Emirates Blocks Factory and Anabeeb.

One of the major outcomes with our merger with Emirates Steel is the convergence of our vision, mission & strategic and corporate objectives to collectively drive our sustainability path.

VISION

To be a world-class steel manufacturer providing the highest quality products, services and solutions to our customers and maximising returns to our shareholders, and the leading building materials company in the UAE and GCC.

MISSION

- Develop high-quality and profitable steel and building material products in the construction, manufacturing and industrial sectors.
- Maintain safe and environmentally-friendly work practises across our operations.
- Create employment opportunities for the community and inspire our workforce to excel based on social responsibility and human resource capability.
- Contribute to the industrialisation and diversification of the UAE economy in line with Abu Dhabi Economic Vision 2030.

Strategic drivers

Honesty, Integrity, Passion, Creativity, Quality, Innovation and Working Together

Strategic and Corporate Objectives

Financial

Continuously explore ways to improve cost optimisation and efficiency of our operations.

Improve market perception and price realisation by ensuring best cash flow in a financially accountable and transparent manner.

Improve market share and profit margin.

Customer

Optimise our products' value through quality and reliability.

Focus on customer satisfaction and retention.

Internal Processes

Maximise the use of our resources and assets to implement our mission to improve our business process efficiency.

Achieve excellence in maintenance and increase our assets reliability by exploring internal and external growth opportunities.

We fully support the Emiratisation process by recruiting and providing high quality training to develop UAE candidates for responsible leadership positions.

Improved sales and operations planning.

Maximise the support of operational and financial performance.

Learning & Growth

We strive to attract, develop and retain competent people within a motivating, high performance work environment.

Applying corporate governance to maintain the highest ethical standards in our operations.

Workforce capabilities and competency development to enhance productivity.

Applying best industry practises across our operations to leverage competitiveness through innovation and knowledge.

Increase our contribution to the UAE economy and society.

Optimise our brand positioning.

Environment, Health & Safety

Minimising the impact of our environmental footprint by providing quality sustainable products and processes.

Commitment to health and safety

Reduced carbon footprint

Our Subsidiaries

Emirates Steel

Established in 1998, Emirates Steel is the UAE's first and only integrated steel plant and a regional industry leader. We incorporate the latest innovative technologies in manufacturing, efficiency and sustainability, to deliver high quality products, services and solutions. We strive to be a world-class steel manufacturer and are committed to the highest standards of safety and of product, and a fast-paced approach to innovation. Our steel has been used in some of the UAE's most iconic construction projects, including the Burj Khalifa, Etihad Towers, Yas Island and more.

Al Ain Cement Factory

We are the only integrated plant in the Emirate of Abu Dhabi sourcing raw materials from Arkan-owned quarries in Al Ain and commercial quarries in Oman. Our technical expertise combined with state-of-the-art equipment and high-grade limestone results in quality clinker and cement products, often modified according to customer or project-based specifications. Each year, the production capacity of our Al Ain Cement Factory is around 3.1 million tons of clinker and around 4.6 million tons of cement. Our Al Ain Cement Factory is certified for ISO 14001, OHSAS 18001, ISO 9001 and ISO 50001.

Emirates Blocks Factory

The Emirates Block Factory (EBF) manufactures a wide range of concrete building blocks and dry mortar to support the UAE construction industry. Since its inception in 1979 as part of Arkan's mother company SENAAT, the factory has consistently delivered high-quality products that meet relevant international specifications. EBF operates four facilities located in Abu Dhabi and Al Ain. Our concrete block factories in both municipalities have a total capacity of 235,000 blocks per day, while our dry mortar facility is strategically located at Al Mafraq to serve both the city of Abu Dhabi and Al Ain. Our large format architectural pavers are manufactured in Al Ain.

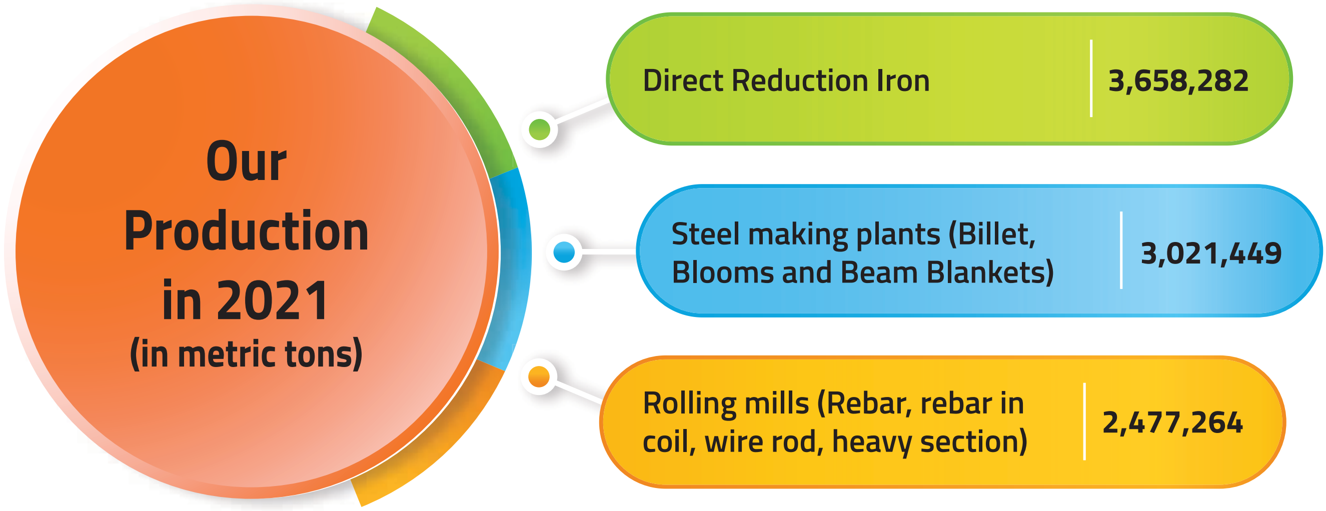
Anabeeb

Since 1974 Anabeeb has been supplying the UAE with PVC pipes for applications such as sewerage, irrigation, drainage and fittings for manholes. In 1996 the portfolio was expanded to cover the manufacturing of Glass fibre Reinforced Pipes (GRP) with up to two metres diameter as well as structural, lightweight GRP manholes and inspection chambers which offer ease of installation, longevity and minimum maintenance. All our pipe production facilities are located in Abu Dhabi's industrial areas. Anabeeb also includes Arkan Bags, which fabricates paper and plastic bags for industrial use in the Gulf and East African markets. Our Anabeeb subsidiary is ISO 9001-2015 certified as well as ISO 14001, OHSAS 18001.

What We Do

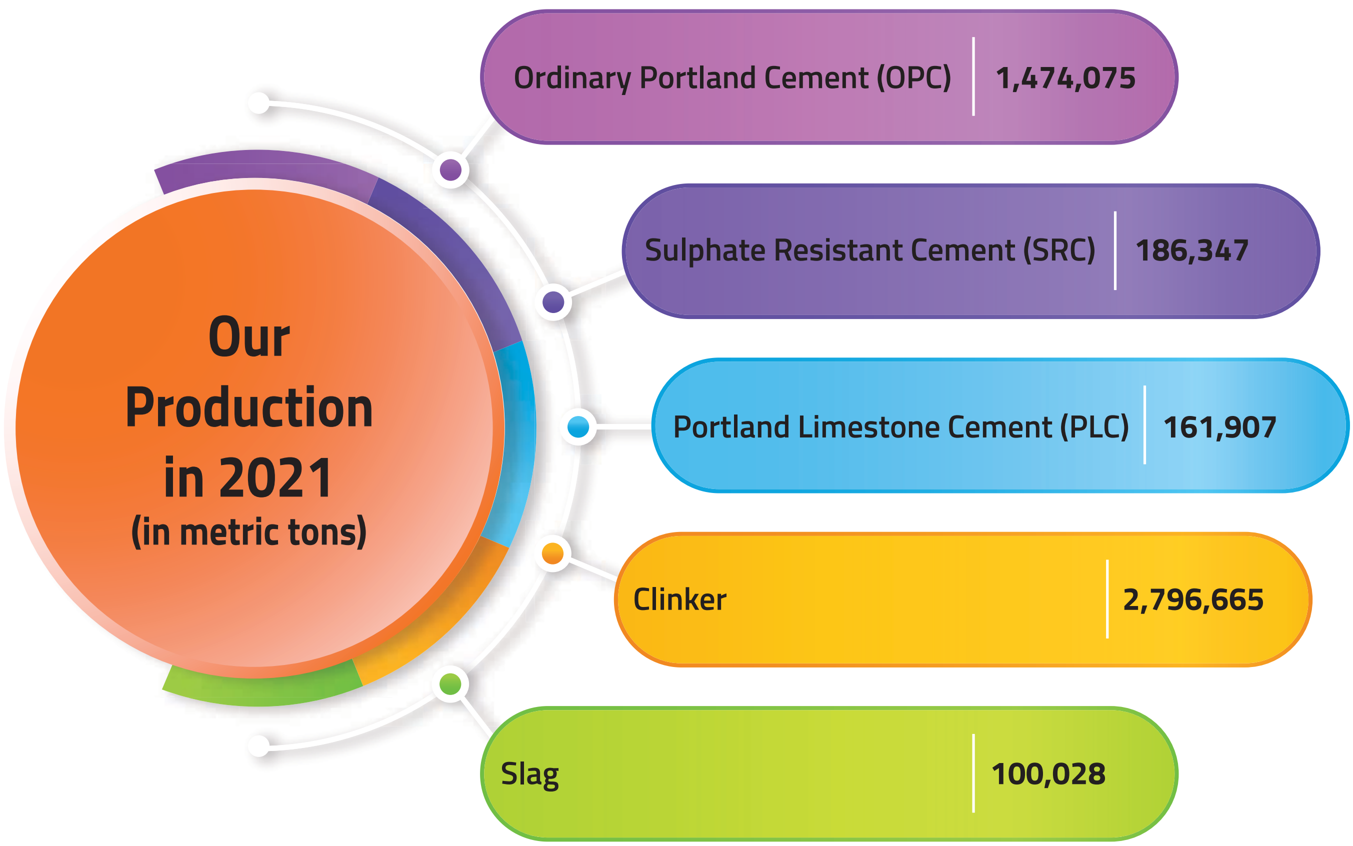
Steel

Our expertise in steel products comprise the manufacture of rebar, wire rod, heavy sections, sheet piles, steel billets and rebar in coils. Equipped with the latest technology, we produce a wide range of heavy sections, wire rods, rebar and sheet piles of the highest quality. Our customers span a range of sectors including energy, construction and transportation, and we export to more than 40 markets across the Middle East, Africa, Europe, North America, Asia and Australia.



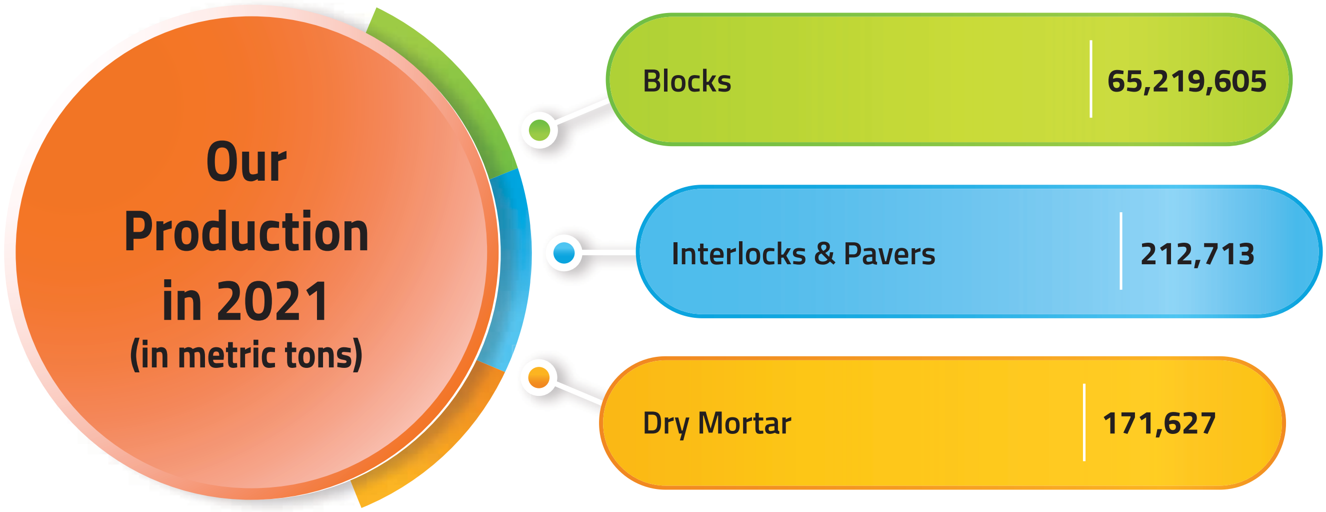
Cement

Our high-quality cement comes in four main types to cater to diverse customer demands. Besides ordinary cement suitable for most building purposes and finishing applications, we also specialise in cement suitable for use in direct contact with soil that has high salt or sulphate content, as well as seawater. In addition, we produce clinker as well as slag that can also be tailored to individual project requirements, particularly to increase strength, reduce permeability, improve workability in warm weather applications and enhance the aesthetics of concrete.



Blocks & Dry Mortar Products

Our portfolio of concrete products ranges from regular blocks used for the construction of villas, buildings and retaining walls, to high end architectural pavers for landscaping with varied finishes of colours and shapes. Our dry mortar mixes complement our product range with more than 120 textures and colours to satisfy varied demands. In addition, EBF manufactures an extensive range of concrete pavers with various textures and colours for residential, commercial and heavy-duty applications.

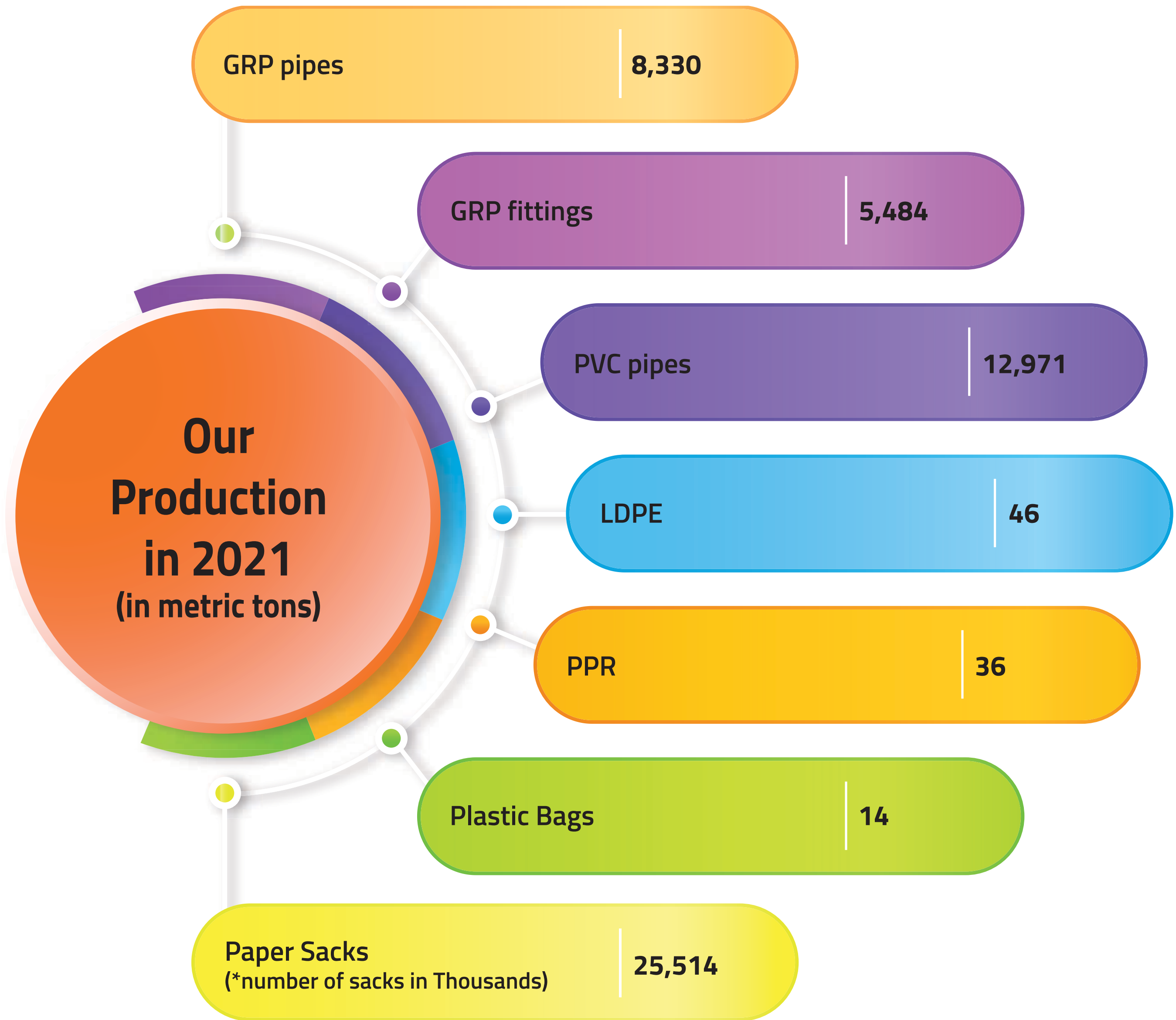


Pipes

Our Anabeeb facilities manufacture Centrifugally Cast (CC) Glass fibre Reinforced Polyester (GRP) pipes which are ideally suited for nearly all corrosive piping applications such as water supply, sea water intake, sewerage, drainage, transportation of slurries and industrial effluent due to their high strength combined with flexibility and corrosion resistance. We also manufacture GRP structural manholes and chambers as well as holding tanks according to customer requirements. Our PVC pipes are suitable for pressure pipeline systems for cold water services, sewage mains, fire ring mains, non-pressure applications, telecommunications ducts and cable conduits.

Bags

We specialise in multiwall Kraft paper and plastic bags, which are mostly used for storing building materials such as cement and gypsum, dry mortar, fertilisers and dry chemicals.



Sustainability at Arkan

The projections by the United Nations shows that the increasing world population could add another 2.5 billion people to urban areas by 2050, which means that 68% of the global population is expected to live in the urban areas. This poses a huge challenge to the various elements that are linked to the development of cities.

Growing demand in urban areas to alleviate the infrastructure systems to support the population needs and maintain balance with nature requires a strong ESG strategy. Arkan strongly believes that the construction and building materials manufacturing companies are the vanguards in these developmental challenges. Therefore, we are dedicated to embed sustainability across our business and supply chains. We also encourage adoption of innovative technologies in our operations and transformative shifts in our processes to advance our efforts to achieve inclusive, diverse and sustainable development in Abu Dhabi and eventually, on global targets.

Putting Sustainability into Context

At Arkan, we believe in complementing our sustainability journey in-line with the recommendations that are stark priorities for a resilient world. We therefore, align our activities with key national and global frameworks. Additionally, the elements of these frameworks are also mapped to our material topics to set our short, medium and long term sustainability targets.

The UN Sustainable Development Goals (UN SDGs)

The SDGs, also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action. The 17 SDGs are integrated and recognise that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability. As a building and construction materials company, Arkan is specifically committed to the ninth SDG that aims at building resilient infrastructure and promoting inclusive and sustainable industrialisation and fostering innovation.

The United Nations Global Compact (UNGC)

The UNGC is a call to companies to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals. In a new era of action and impact, UNGC is driving change across all aspects of corporate sustainability and mobilising a global movement of sustainable companies and stakeholders to create the world we want.

The Global Reporting Initiative (GRI)

As a provider of the global best practice for impact reporting, GRI's mission is to deliver the highest level of transparency for organisational impacts on the economy, the environment, and people. GRI envisions a sustainable future enabled by transparency and open dialogue about impacts. Being the world's most widely used sustainability disclosure standards, GRI is a catalyst for that change.

UAE National Vision 2021

Under the UAE Vision 2021 which aimed to make the UAE one of the best countries in the world by the Golden Jubilee of the Union, the government has deployed extensive efforts towards driving sustainability forward in the country in alignment with the SDGs. The vision consists of six key pillars aimed at ensuring a sustainable environment and infrastructure.

Abu Dhabi Economic Vision 2030

The Abu Dhabi Economic Vision 2030 aims to achieve effective economic transformation of the Emirate's economic base and bring about global integration and enduring benefits to all. Abu Dhabi has a core commitment to build a sustainable and diversified, high value-added economy by 2030. The vision determines the seven immediate economic priorities for the government of Abu Dhabi.

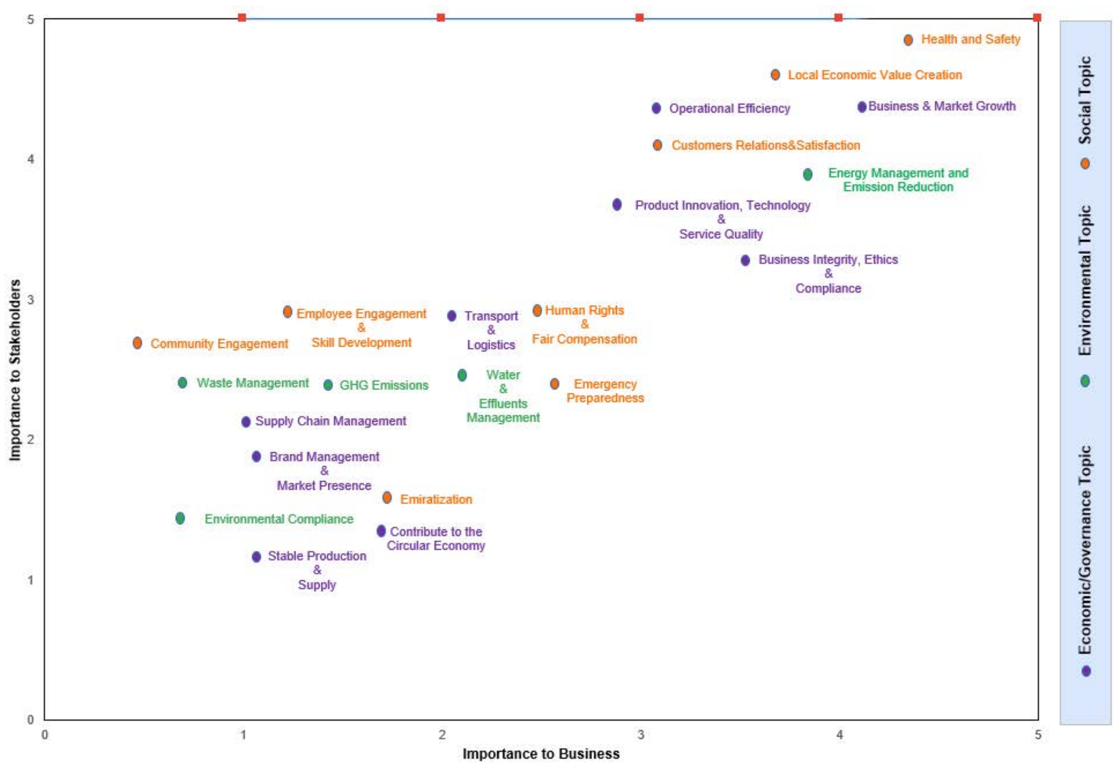
The Securities and Commodities Authority (SCA) Master Plan for Sustainable Markets

The SCA in the UAE has set a master plan for sustainable markets to contribute to a more stable and resilient financial system. The master plan aims to create awareness of the importance of sustainability and market stakeholders' roles in supporting sustainability and shifting towards effective sustainable practices.

Stakeholder Engagement & Materiality Matrix

Arkan has a strong reliance on relationships with our stakeholders to ensure that we embed their needs and expectations in our core business values. Our emphasis on maximising shared value creation instils us towards engaging actively with our stakeholders that include employees, customers, shareholders, suppliers, local community, authorities/government agencies and regulators, and media. This year we analysed the co-existing materiality matrix of Arkan and Emirates Steel to extrapolate our holistic and converging approach towards our material topics.

The four-step approach of Emirates Steel to determine the material topics including 'Identify, Engage, Validate and Analyse', aligns with the three main stages of Arkan of conducting the materiality assessment, which are Research and Benchmarking, Impact Mapping and Management Ratification and Alignment. This analysis enabled us to draw out our combined approach and the material topics in the matrix as shown below:



Management Systems Policy

Arkan as a whole welcomes Emirates Steel's Management Systems Policy, which encompasses the inclusive but not exhaustive list of commitments to manage a resilient business today. The commitments are built around quality, environment, health, safety, sustainability, innovation and knowledge management. With the periodic review of this policy, it ensures support to the strategic direction in meeting the Company's vision. This policy comprehensively reflects our materiality issues and therefore, is an integral element to our business activities.

Arkan encourages channelling this approach on a Group level to collectively gauge the following policy commitments:

1. Comply with applicable legal, standards and other requirements to which we subscribe
2. Meet customer requirements and enhance customer satisfaction
3. Identify and manage risks to environment, health and safety, human rights, social and economic aspects and recognise the interaction between them
4. Prevent injury or illness to people, and damage to environment and properties
5. Minimise the impact of our activities, products and services through effective emission treatment and control, energy and resource conservation, and responsible sourcing in the supply chain
6. Promote best practice for incident prevention, pollution prevention, sustainability, ethical business and corporate governance
7. Provide appropriate resources and ensure employees have the necessary knowledge, skills and competencies
8. Engage stakeholders and understand their requirements, risks and opportunities
9. Contribute to social and economic development of our community
10. Promote creativity across the business, built on ethical and sustainable innovation management principles
11. Set an expectation as to the use of the knowledge management system and cultivation of a culture that values knowledge, ensuring balance between knowledge sharing and knowledge protection
12. Establish, monitor and review our objectives, and continually improve our Management Systems to enhance performance
13. Communicate this policy within the organisation and make it available to interested parties.

These commitments and values in our management approach aims to strengthen our business excellence and push us forward in delivering our products and services in an ethical and sustainable manner across all our stakeholders.

Responsible, Ethical and Profitable Operations

Sustainable Development Goals

SDG 8
SDG 9
SDG 12
SDG 16

Abu Dhabi Economic Vision 2030

- Infrastructure Development and Environmental Sustainability

UAE National Vision 2021 Pillars

- Safe Public and Fair Judiciary
- Competitive Knowledge Economy
- Sustainable Environment and Infrastructure

Material Issues

- Business and Market Growth
- Operational Efficiency
- Business Integrity, Ethics & Compliance
- Product innovation, Technology and Stewardship
- Transport and logistics
- Supply Chain Management
- Brand Management and Market Presence
- Contribute to the Circular Economy
- Brand Management and Market Presence
- Stable Production & Supply

Good Corporate Governance

Over the recent years, Arkan has made significant achievements in establishing a governance system that not only meets the regulatory requirements, but also the ambitions of our shareholders. We have a strong culture of ethics and responsibility, wherein Arkan's leadership is coupled with a strong standard of corporate governance, corporate responsibilities and fiduciary duty.

Arkan's Board of Directors oversee this governance system by implementing and applying the practices in line with the requirements set by the Securities and Commodities Authority (SCA) and other global guidelines such as UNGC principles and SDGs. The most important aspects of corporate governance in Arkan are the accountability, equity, transparency and responsibility towards all shareholders and stakeholders.

Our Board of Directors

The Board of Directors and Management play an essential role in identifying and prioritising sustainability across all aspects of our business. We believe that the diverse and reputed experience of our Board of Directors brings immense confidence in our vision to ensure the growth and prosperity of the business.

Our board members are elected at the General Assembly Meeting for a term of three years. With our strategic merger with Emirates Steel in 2021, Arkan appointed a new Board of Directors that are composed of six independent, non-executive members. We are also committed towards building gender diversity and inclusivity in our board composition to unlock new business opportunities and expand our footprint in the region and globally.

Total Number of Board Members	2020	2021
	7	7
Gender Diversity in the Board	**2020**	**2021**
Male composition in the Board	86%	71%
Female composition in the Board	14%	29%

Arkan's new Board of Directors was appointed at the General Assembly Meeting in 2021, as part of merger between Arkan and Emirates Steel:

1. HE Mr. Hamad Abdulla Mohamed AlShorafa Alhammadi - Chairman
2. HE Eng. Jamal Salem Obaid Salem Al Dhaheri - Vice Chairman
3. HE Eng. Saaed Ghumran Saeed Salem Alremeithi - Group CEO
4. HE Mr. Abdulaziz Abdulla Ismail Mohamed Alhajri - Member
5. HE Mrs. Fatima Abdulla Mohamed Sharif Abdulla Alfahim - Member
6. HE Mrs. Farah Abdulla Mohamed Ali Almazrui - Member
7. HE Mr. Nabeel Qadir - Member

Independence in Board Members (%)	2020	2021
Independent Members	100%	86%
Non-independent Members	0%	14%

At Arkan, the CEO of the company oversees all business operations and management and represents the Board. With the merger of Emirates Steel that came into effect in late 2021, the CEO Pay Ratio (compared to the median, full time equivalent employee) was 18.7:1.

Gender Diversity in Committee Seats (%)	2021
Male composition (%)	67%
Female composition (%)	33%

Our Code of Business Conduct

At Arkan, we believe in empowering our people to create interconnectedness with the mission and vision of our company. Our Code of Business Conduct is therefore a central driver and an institutional guide that intertwines the crucial requirements for professional behaviour and business integrity. All employees are mandated to sign and submit the 'Compliance and Acknowledgement Form' confirming their agreement to abide by this Code of Business Conduct. This Code also transcends effectively across our entire value chain, which includes our temporary and outsourced employees, contractors, sub-contractors, vendors and service providers.

Our approach towards our people is to provide them with an empathetic workplace, wherein they are encouraged to voice out their concerns and expect unbiased support from the management. We comply with applicable standards and regulations that include the local labour laws, with an aim to combat bribery, fraud and any form of corruption that exploits the ethical behaviour in our workplace.

In lieu of our effort towards business integrity and ethics, we at Arkan make sure that our workforce as well as stakeholders across all our business units have a clear understanding of our compliance and procedural protocols such as,

- IMS QEHSS Company Policy
- Code of Conduct
- Supplier Code of Conduct
- HR Manual including our policy and procedures
- Code of Ethics Policy
- Fraud Control Policy
- Whistleblowing Policy
- Employee Handbook
- Procedures on employees contracts and payslips

- Policies on attendance and access control
- Provision of Employee Services and Recreation
- Grievance reporting mechanism
- Confidentiality and information security
- Compliance with laws, rules and regulations
- Media engagement and public relations
- Conflict of interest and commitment
- Handling of business gifts and hospitality
- Protection of company assets
- Usage of e-mail, internet, postal address, and telephone
- Anti-harassment
- Responsibilities of stakeholders
- Reporting of violations of the Code

100% of our workforce and suppliers have formally certified their compliance with the Code of Conduct and Supplier Code of Conduct, respectively in 2021.

Health, Safety and Well-being of Our People

Sustainable Development Goals	Abu Dhabi Economic Vision 2030	UAE National Vision 2021 Pillars	Material Issues
SDG 3 SDG 4 SDG 5 SDG 8 SDG 10	▪ Social and Human Resources Development ▪ Economic Development	▪ World Class Healthcare ▪ First Rate Education System	▪ Health and safety ▪ Employee Engagement and Skill Development ▪ Local Economic Value Creation ▪ Human Rights and Fair Compensation ▪ Emiratisation

A respectful workplace is par for the course with Arkan. We are a strong advocate of equipping our people to work without any insecurities and inhibitions. Human rights is not just a checkpoint for us but it is the most central component that fulfils the foundation of our relationship with our employees.

We value dignity, fairness and equality as the basis of our commitment to forge human rights at work. We understand the significant impact that we can make as a company and our Code of Ethics therefore, is a cornerstone for us to ensure that we are keeping to our commitments in channelling dignity and equality for all. Our whistleblowing framework plays a vital role here to support our employees in reporting violations to the code via all available communication channels.

We strictly comply with the UAE Labour Law and the policies laid out by the Federal Authority of Human Resources, and keep abreast with any revisions that occur in these regulations. All our subcontract security personnel are approved by the Ministry of Interior and we additionally conduct HSE induction training for all new security personnel. We are also dedicated to ensuring human rights policies are adopted across our supply chain including our suppliers, partners and communities. All our contractual agreements complement the Code of Ethics to ensure our suppliers adhere to the provision of human rights practices. This enables us to create due diligence in their business and thus, allows us to make bigger impacts in our value chain.

Our Human Capital

Arkan is committed to attracting, developing and retaining the best talent possible. Therefore, we strive to achieve excellence and create opportunities for recruitment, development and retention of our people. We aim at maintaining and building an engaged and diverse workforce to promote new ideas and innovation, reflecting the communities where we operate. We maintain an inclusive environment where our people feel respected, valued and encouraged to deliver their fullest contribution and thereby, act as the catalyst to help Arkan contribute to national and global goals.

Our full-time employees are entitled to the key benefits of comprehensive medical insurance and life & disability coverage. Arkan also recognises the need to retain certain exceptional, highly skilled and productive staff beyond the normal age of retirement. We also have zero tolerance for discrimination, sexual harassment or any other unlawful harassment based on age, race, colour, national origin, religion, gender, disability or any other legally protected category under the UAE law. These elements are recorded across various clauses in our Code of Conduct that strives to offer a secure and positive work environment to our employees.

The below data on our workforce presents our performance in human capital management. We continue to keep track of our progress and challenges in order to provide equal opportunities and fair compensation to all our employees. The 2021 data is consolidated for our four subsidiaries, Emirates Steel, ACF, EBF and Anabeeb, whereas the 2020 data includes only the latter three subsidiaries. Therefore, this data does not allow for a comparison across the two years.

Workforce Highlights	2020	2021
Total Workforce	954	2,881
Temporary Worker	**2020**	**2021**
Part time employees	0%	0%
Contractors/Consultants	1.06%	20%
Employee Turnover	**2020**	**2021**
Full time employees	6%	8.27%
Part time employees	0%	0%
Contractors/Consultants	0%	1.53%

Diversity and Inclusion

At Arkan, we rely on our diverse and inclusive workforce from various backgrounds, cultures and religions. Specifically focussed at SDG 5 (Gender Equality) and SDG 10 (Reduced Inequalities), we aim at fostering a workplace of belonging and growth. Therefore, our HR management and strategy are consistently evolving to make our female employees feel confident and empowered to grow and excel with unbiased treatment of any kind. Furthermore, our Talent Acquisitions Procedure promotes the establishment of guidelines and a framework for the talent acquisition in a fair, systematic, consistent and cost-effective manner to ensure timely fulfilment of our manpower needs. The Procedure clearly defines the minimum age limit for employment as 18 years to prevent child labour. We are also committed to ensure our suppliers comply with International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at work, stipulated in our Suppliers' Code in terms of child labour.

Our subsidiary, Emirates Steel has its very own "Women Empowerment Committee" under the purview of the Corporate Manager for Happiness and Well-being. The committee provides support to female employees and ensures that they have the same opportunities as their male counterparts.

Gender Diversity (%)		2020	2021
Full employees	**Male**	96%	96%
	Female	4%	4%
Entry level	**Male**	94%	96%
	Female	6%	4%
Mid level	**Male**	84%	93%
	Female	16%	7%
Senior level	**Male**	100%	93%
	Female	0%	7%
Executive level	**Male**	84%	100%
	Female	16%	0%

Gender Pay Ratio	2020	2021
Median male compensation to median female compensation	1:4	1:2.6

Occupational Safety

We understand that as a building materials company, our workforce, especially the blue-collar employees are prone to health and safety hazards. We therefore conduct regular environmental monitoring to evaluate air quality, noise levels, dust (Particulate Matter-10) and occupational hygiene with parameters such as Total Inhalable Nuisance Dust. Moreover, Arkan's commitment to 'cause no harm' throughout all operations has enabled us to build proactive and stringent measures to ensure hazard identification and risk management.

We are compliant with ISO 9001, ISO14001 and OHSAS 18001 through our Health, Safety & Environment (HSE) Policy as well as the Integrated Management Systems Policy to conduct adequate training and create awareness to avoid risk of injuries, accidents and occupational illnesses. Our various health and safety committees of management, supervisors, staff and labour employees ensure that everyone's concerns, suggestions and opinions on workplace health and safety are well addressed and represented.

The timely assessments and critical reviews of our commitments under Abu Dhabi Occupational Safety and Health Management System (OSHMS) has enabled us to determine gaps and track our progress that furthers the recommendations of Occupational Safety and Health in the Emirate of Abu Dhabi (OSHAD) Industrial Development Bureau.

**In 2021,
we had ZERO fatalities,
indicating robust compliance
and safety procedures at Arkan.**

Health & Safety Metrics	2020	2021
Lost Time Injury Frequency Rate (LTIFR) per 1,000,000 worked hours	0.35	0.83

The seven HSE Principles of Emirates Steel listed below, is an inspiration for building an efficient management system and mandatory employee safety training programs:

1. Working in a healthy, safe and environmentally responsible way is a condition for continued employment
2. All injuries, illnesses and HSE incidents can and must be prevented
3. Line management is responsible and accountable for HSE performance
4. Safety excellence is at the heart of business success
5. Involvement and training of all employees is essential to achieving HSE excellence
6. HSE risks must be reviewed and corrected periodically
7. Off-site health and safety is an important part of the HSE effort

Environmental Stewardship

Sustainable Development Goals	Abu Dhabi Economic Vision 2030	UAE National Vision 2021 Pillars	Material Issues
SDG 6 SDG 7 SDG 12 SDG 13	Infrastructure Development and Environmental Sustainability	Sustainable Environment and Infrastructure	▪ Energy Management and Emission Reduction ▪ Water and Effluents Management ▪ Waste Management ▪ GHG Emissions ▪ Contribute to the Circular Economy

As an energy intensive company with a wider risk of posing environmental challenges, Arkan is working hard to reduce its GHG emissions with strategic changes in operations and across the supply chain. As a leading manufacturer in building materials mainly steel, cement and PVCs, we are actively involved in exploring areas of improvement for our industrial activities and production efficiency through best practices and innovative technologies. Responsibility and stewardship are at the heart of our business, hence we are equally committed to preserve our biodiversity, consume natural resources sensibly, and implement waste reduction and water management activities rigorously.

Our due diligence and adherence to the HSE Policy, HSE Management System, Manual for Standard Operating Procedures, QEHSS Policy and Integrated Management Systems Policy enable us to minimise our environmental footprint. Additionally, the Operation Environment Management Plan (OEMP) of Emirates Steel details the initial review of the company's significant environmental and sustainability aspects to mitigate the impacts and carry out monitoring requirements. With our rigid process of monitoring, data analysis and changing work habits, we have maintained ZERO monetary fines for non-compliance cases related to the violation of any environmental laws and regulations. This is backed by our compliance to Environmental Management Systems under ISO 14001:2004 & ISO50001 and Industrial Facility Licences from the Environmental Agency of Abu Dhabi (EAD).

All our environmental metrics for the year 2021 are disclosed for our four subsidiaries representing as Arkan,

- **Emirates Steel:** Cover all steel production
- **Al Ain Cement Factory:** Cover all cement production
- **Emirates Blocks Factory:** Cover all production of blocks, pavers and dry mortar
- **Anabeeb:** Cover all production of PVC Pipes, GRP Pipes and Bags

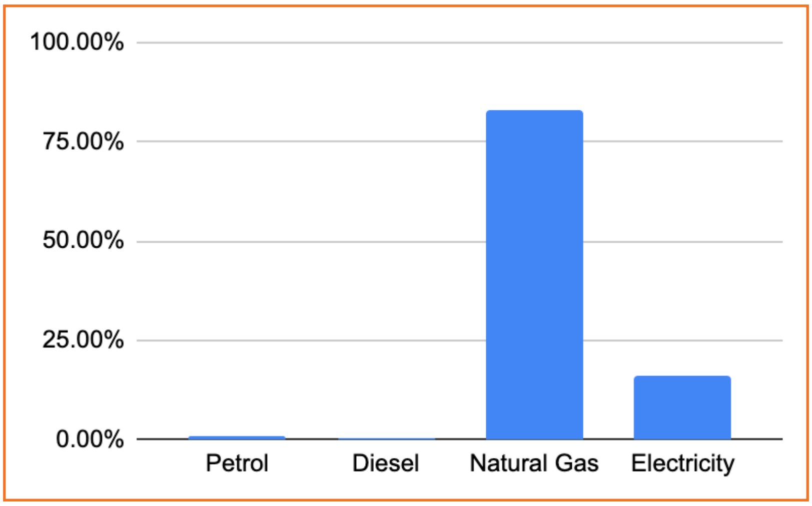
The data for 2020 and 2021 are not comparable, as 2020 data includes only Al Ain Cement factory, Emirates Blocks Factory and Anabeeb.

Energy Consumption

Energy Consumption	2020	2021
Direct Energy Consumption (GJ) - *Petrol, Diesel and Natural Gas*	10,554,270	49,499,140
Indirect Energy Consumption (GJ) - *Purchased electricity*	961,024	9,441,554
TOTAL ENERGY	**11,515,294**	**58,940,694.38**
	2020	**2021**
Total Energy Intensity (GJ/Tonne of Production)	5.37	7.89

In 2021, our energy mix included 48,857,630 GJ of natural gas consumption. Natural gas is the best fit for a sustainable renewable energy transition due to its competitiveness towards other fossil fuels. Arkan is fully committed to increasing the reliance on natural gas to integrate renewable energy in our business operations.

Energy Mix	2021
Petrol	0.93%
Diesel	0.16%
Natural Gas	82.89%
Electricity	16.02%



Climate Change

GHG Emissions	2020	2021
Scope 1 Direct GHG Emissions (Tonne of CO2e)	594,328	2,788,729
Scope 2 Indirect GHG Emissions (Tonne of CO2e)	250,734	2,463,343
Total GHG Emissions	**845,062**	**5,252,073**

- Scope 1 Emissions are derived from all direct energy consumption, with emission factors calculated based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
- Scope 2 Emissions are derived from all purchased energy consumption, with country specific emission factors derived from the International Energy Agency for country/regional electricity database.

	2020	2021
Emissions Intensity (KG of CO2e/Tonne of Production)	806	905.53

Climate risk mitigation is an intrinsic strand of Arkan's sustainability approach. As part of our efforts towards decarbonisation, Emirates Steel applies a framework to monitor energy and emissions related KPIs across its operations and facilities. The contribution to the construction of the Barakah Nuclear Energy Plant, the first peaceful nuclear plant in the Arab World is yet another significant endeavour that we take pride in, especially with the supply of 160,000 tons, equivalent to 60% of the Q-class and S-class rebar material that was used in the construction of the plant. Emirates Steel partnered with the Emirates Nuclear Energy Corporation (ENEC) since the start of the Barakah project, ensuring that the company's quality assurance and production processes are in accordance with the global standards for constructing nuclear power plants.

Dust reduction through the dedusting unit, slag processing to reduce by-product and produce slag aggregate, and Continuous Emission Monitoring System (CEMS) to monitor the emissions from the stacks are some of the flagship activities. We are consistently engaged in research and development to explore and implement climate-friendly approaches. These integration in our business activities and infrastructure are the indirect investments that Arkan is heavily involved in.

During 2020 and 2021, our subsidiary Al Ain Cement Factory made the following key investments towards climate risk mitigation:

	Area of Impact	Objective	Quantity (in Tons)	Amount invested (in AED)
1.	Clinker Shed	Improve air quality by avoiding storage of the clinker in the open yards	-	8,043,559.09
2.	FTP Purchasing	Using the FTP waste as a source of iron ore to reduce natural resource usage	68,285.62	1,365,712.31
3.	Copper Slag Purchasing	Using copper slag instead of iron ore to minimise reliance on natural source	64,116.63	2,757,015.30
			Total Investment (AED)	**12,166,287**

Water Management

Based in a water scarce region and being in a sector that requires a significant amount of water resource, we are dedicated to reducing the consumption rate as much as we can across all our business units and facilities. We aim at minimising our water usage by implementing an efficient management approach and water treatment infrastructure. We are also involved in conducting water consumption awareness and irrigation water conservation initiatives.

Our subsidiary, Emirates Steel whose data is reported for the year 2021 only, is also in compliance with Environmental Permit Application (EPA), Environment Impact Assessment (EIA), Operational Environmental Management Plan (OEMP) and Construction Environmental Management Plan (CEMP) for its assessment methodologies.

Water Management	2020	2021
Municipal water supplies or other public or private water utilities (m3)	393,021	731,438
Volume of water recycled or reused (m3)	30	30

The increase in water consumption in 2021 is due to the addition of our biggest subsidiary, Emirates Steel, as part of the merger. While there is a significant numeric difference, it does not imply the profligate use of water resources in the company. Our discharged water is in line with the Abu Dhabi Sewage Water Services and Centre of Waste Management (TADWEER) directives.

Waste Management

We believe that we play a major role in contributing to the circular economy and therefore, across all our subsidiaries, we are highly focused at managing and reusing waste and by-products. In addition to fulfilling the due diligence towards waste minimisation, we also do rigid oversight of all our hazardous waste in our production.

Some of our important activities in the waste management area are:

- By-product and waste management, and reduction KPIs are monitored through the Emirates Steel Environmental Impact Assessment and Operation Management Plan (Emirates Steel).
- All generated spillages are recycled back into our production process (Al Ain Cement Factory).
- Our concrete waste and damaged blocks are crushed and reused as raw material for block production (Emirates Block Factory). Till date we are successfully recycling 25% of concrete in our process.
- Optimisation of our PVC waste recycling by blending crushed PVC materials in the production process (Anabeeb).

Emirates Steel's Waste Reduction Action Plan (WRAP) for 2021-2022 ensures the best waste reduction practices are adopted to comply with local regulatory requirements in the Emirate of Abu Dhabi. This will further the identification and estimation of waste generated to meet every year's reduction targets. This Plan also includes increasing employees' awareness and participation, providing adequate training on environmental issues as well as encouraging a source reduction philosophy.

Being a Good Neighbour

Sustainable Development Goals	Abu Dhabi Economic Vision 2030	UAE National Vision 2021 Pillars	Material Issues
SDG 8 SDG 11	▪ Economic Development ▪ Social and Human Resources Development	▪ First Rate Education System ▪ Cohesive Society and Preserved Identity ▪ Competitive Knowledge Economy	▪ Local Economic Value Creation ▪ Community Engagement ▪ Customer Relations and Satisfaction ▪ Supply Chain Management

The welfare of our local community is an essential responsibility that we, at Arkan, are whole-heartedly and proactively ready to lead on. For us, the local community and customers are our valued neighbourhood. While we actively promote Emiratisation in our growing workforce, we are equally supportive of creating values in our community as a whole. We also deliver exceptional and reliable customer service to meet the evolving needs of our customers as a sustainable company in the building materials industry.

Emiratisation

Arkan is dedicated to advancing the UAE Vision 2021 and Abu Dhabi Economic Vision 2030, which holds the prosperity of Emirati nationals as a key area of growth. To address this effectively, we prioritise giving opportunities to UAE nationals and advance our efforts by succession planning and rotation programs that cater to retaining and training our local employees with opportunities to increase their knowledge and skills. We also conduct work placement to train UAE students and fresh graduates in securing employment.

Emiratisation (%)	2020	2021
Percentage of national employees in the total workforce	8%	19%

138% increase in the Emiratisation in our combined workforce.

Emirates Steel's initiative of 'Career Aspiration Program' (CAP) focuses on the core fundamentals required to prepare our Emirati youth to lead the UAE's industrial sector. This is a developmental program, wherein we provide fresh engineering graduates a career start with practical and technical skills-based training.

Community Investment

We aim to serve and cultivate the community in our neighbourhood with the best support that we can provide at any given time. During the ongoing crisis of COVID-19, we continued to extend our support to Maan for 'Together We Are Good', an initiative implemented by the Government of Abu Dhabi to serve the vulnerable groups in society.

We provided support towards healthcare, education, food supplies and basic needs to the people in need.

Emirates Steel has outlined its support across four main pillars under the CSR and Community Engagement Strategic Framework: Education, Environment, Health and Society. We believe in investing in our community beyond our philanthropic efforts and look towards long-lasting impacts that we can make. One of these activities is our collaboration with academic institutions to fill the existing educational gaps. We consistently provide interested engineering youth with training and scholarships, wherever possible to help them scale their education in a professional field with quality technical skills.

In 2019, we invested AED 160,000 (0.02% of the company's revenue) towards community welfare. In 2020 due to the impacts of the pandemic, we raised our community commitments significantly to AED 567,140 (0.07% of the company's revenue).

In 2021, we invested AED 348,000 towards community development and initiatives. This was the contribution from only Emirates Steel (0.0044% of the company's revenue).

Arkan stays committed to finding synergies in our capabilities to support the priority issues in our community to make greater impacts.

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Category	Metric	Corresponding GRI Standards	Corresponding SDG	Page no. or Notes
ENVIRONMENT	E1. GHG Emissions	GRI 305: Emissions 2016	13 CLIMATE ACTION	26
	E2. Emissions Intensity	GRI 305: Emissions 2016	13 CLIMATE ACTION	27
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	E4. Energy Intensity	GRI 302: Energy 2016	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	26
	E5. Energy Mix	GRI 302: Energy 2016	7 AFFORDABLE AND CLEAN ENERGY	26
	E6. Water Usage	GRI 303: Water and Effluents 2018	6 CLEAN WATER AND SANITATION	28
	E7. Environmental Operations	GRI 103: Management Approach 2016		19, 25 (Our Integrated Management Systems Policy, along with our compliance to ISO standards)
	E8. Management Environmental Oversight	GRI 102: General Disclosures 2016		Our policies and standards are reviewed periodically.
	E9. Board Environmental	GRI 102: General Disclosures 2016		
	E10. Climate Risk Mitigation		13 CLIMATE ACTION	26, 27

Category	Metric	Corresponding GRI Standards	Corresponding SDG	Page no. or Notes
SOCIAL	S1. CEO Pay Ratio	GRI 102: General Disclosures 2016	10 REDUCED INEQUALITIES	19
	S2. Gender Pay Ratio	GRI 405: Diversity and Equal Opportunity 2016	5 GENDER EQUALITY	23
	S3. Employee Turnover	GRI 401: Employment 2016		22
	S4. Gender Diversity	GRI 102: General Disclosures 2016 GRI 405: Diversity and Equal Opportunity 2016	5 GENDER EQUALITY	23
	S5. Temporary Worker Ratio	GRI 102: General Disclosures 2016		22
	S6. Non Discrimination	GRI 103: Management Approach 2016	10 REDUCED INEQUALITIES	22
	S7. Injury Rate	GRI 403: Occupational Health and Safety 2018	3 GOOD HEALTH AND WELL-BEING	24
	S8. Global Health and Safety	GRI 103: Management Approach 2016	3 GOOD HEALTH AND WELL-BEING	19,23
	S9. Child and Forced Labour	GRI 103: Management Approach 2016*	8 DECENT WORK AND ECONOMIC GROWTH	22
	S10. Human Rights	GRI 103: Management Approach 2016	10 REDUCED INEQUALITIES	16, 21
	S11. Nationalisation (Percentage of nationals in the total workforce)		8 DECENT WORK AND ECONOMIC GROWTH	29
	S12. Community Investment	GRI 413: Local Communities 2016	8 DECENT WORK AND ECONOMIC GROWTH	30

Category	Metric	Corresponding GRI Standards	Corresponding SDG	Page no. or Notes
GOVERNANCE	G1. Board Diversity	GRI 405: Diversity and Equal Opportunity 2016	5 GENDER EQUALITY	18
	G2. Board Independence			19
	G3. Incentivized Pay			N/A
	G4. Supplier Code of Conduct		12 RESPONSIBLE CONSUMPTION AND PRODUCTION	19
	G5. Ethics and Prevention of Corruption		16 PEACE, JUSTICE AND STRONG INSTITUTIONS	19
	G6. Data Privacy			We are not required to comply with GDPR in the UAE. However, we comply with the UAE-NESA standards which consist of 188 security controls.
	G7. Sustainability Reporting			This year we are publishing ESG Report 2021 in-line with ADX disclosures.
	G8. Disclosure Practises			This year our ESG Report is in-line with SCA guidelines and the 31 ESG ADX disclosures, which are mapped against GRI Standards and the SDGs. Our previous sustainability reports were published in accordance with GRI Standards.
	G9. External Assurance	GRI 102: General Disclosures 2016		Our report is not verified by a third-party audit firm, but we have engaged in an internal assurance process.