

Ezz Steel Company (S.A.E)
and its subsidiaries

Consolidated Financial Statements
Prepared in accordance with IFRS
For the year ended December 31, 2023

Ezz Steel Company (S.A.E) and its subsidiaries
Consolidated Financial Statements
For the year ended December 31, 2023

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**Independent Auditor's Report
To the Shareholders of Ezz Steel Company (S.A.E)****Report on the Audit of the Consolidated Financial Statements*****Qualified Opinion***

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

In our opinion, except for the effects of the matters described in the "*Basis for Qualified Opinion*" section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion***I. Recognition of receivables in relation to buy-back of shares and control reassessment***

As disclosed in Notes 13 and 41 to the consolidated financial statements, pursuant to voluntary delisting of the shares of Al Ezz Dekheila Steel Company – Alexandria ("EZDK") from the Egyptian Stock Exchange, the Group has recognised receivables in relation to buy-back of shares from the minority shareholders of EZDK amounting to EGP 8,695.96 million. Based on our assessment, the shares bought-back pursuant to delisting are, in substance, under the control of the Group and hence are required to be accounted for as an equity transaction under International Accounting Standard 32 "Financial Instruments: Presentation".

Further, we have assessed that the voting rights on the bought-back shares are suspended unless these are sold to other parties. This suspension of voting rights has resulted in change in the Group's effective ownership of Al Ezz Dekheila Steel Company – Alexandria from 64.06% to 99.75%, Al Ezz Rolling Mills Company from 64.06% to 99.75%, Al Ezz Flat Steel from 64.06% to 99.75%, Iron for Industrial, Trading and Constructing Steel from 57.66% to 89.78%, Contra Wood for Wood Products from 55.16% to 95.43% and Al Ezz for Medical Industries from 49.22% to 59.93%. Based on management's interpretation of the local laws and regulations of delisting shares rules, they have not considered the changes in Group's effective ownership in its subsidiaries while preparing these consolidated financial statements for the year ended December 31, 2023, which constitutes departure from the requirements of International Financial Reporting Standard 10 "Consolidated Financial Statements".

Had management accounted for the above-mentioned transaction as an equity transaction and reassessed the control in its subsidiaries in the light of applicable Laws and Regulations, the Group's trade and other receivables would decrease by EGP 8,695.96 million, non-controlling interest would decrease by EGP 6,159.70 million, net profit attributable to the owners of the Parent would have increase by EGP 858.12 million, earnings per share would increase by EGP 1.61 per share and total equity would have been decreased by EGP 8,695.96 million.

Independent Auditor's Report

To the Shareholders of Ezz Steel Company (S.A.E) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Basis for Qualified Opinion (continued)

II. Valuation of investment at fair value through other comprehensive income

As disclosed in Note 10 to the consolidated financial statements, the Group has an investment in unquoted equity shares of Egyptian Steel with an amount of EGP 2,500 million as at December 31, 2023. We have neither been provided with the basis for determination of the fair value of this investment nor have we been able to satisfy ourselves with the fair value of this investment as at December 31, 2023 by any alternative procedures. In the absence of sufficient appropriate audit evidence, we were unable to determine whether any adjustments to the carrying amount of this investment were necessary at year-end. Accordingly, we were unable to satisfy ourselves with valuation of this investment as at December 31, 2023. Our audit report on the consolidated financial statements for the year ended December 31, 2022 was also modified in respect of this matter.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with International Code of Ethics for Professional Accountants (including International Independence Standards) issued by International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the *Basis for Qualified Opinion* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter

How our audit addressed the key audit matter

Lack of exchangeability

As disclosed in Note 33.1 to the consolidated financial statements, the Group has concluded that there was lack of exchangeability between Egyptian Pound (EGP) and other currencies and vice versa during the year ended and as at December 31, 2023. Accordingly, the Group has assessed that the Central Bank's official exchange rates were not suitable for conversion/translation of foreign currency transactions/balances to EGP and early adoption of amendments to International Accounting Standard 21 ("IAS 21") will result in better presentation of these consolidated financial statements. The afore-said amendments clarify how an entity should assess whether a currency is exchangeable and how the Group should determine a spot exchange rate when exchangeability is lacking.

The assessment of whether there is lack of exchangeability between EGP and other currencies and vice versa involves significant judgement. Accordingly, this has been considered a key audit matter.

Our procedures included the following:

- Obtaining assessment from management as regards the facts and circumstances surrounding their conclusion and assessing the appropriateness of these facts and circumstances in the light of supporting evidence.
- Assessing the validity of the judgement made by the management in concluding the lack of exchangeability between EGP and other currencies during the year/as at December 31, 2023 on the basis of IAS 21.
- Assessing the completeness of disclosures of consolidated financial statements as per IFRS requirements and ensuring the accuracy and adequacy of disclosures related to early adoption of IAS 21 and lack of exchangeability.

Independent Auditor's Report
To the Shareholders of Ezz Steel Company (S.A.E) (continued)
Report on the Audit of the Consolidated Financial Statements (continued)
Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of deferred tax assets	
<p>As indicated in Note 20 to the consolidated financial statements, the Group has recognised deferred tax assets of EGP 5,192.12 million that mainly includes carried forward tax losses of Al Ezz Rolling Mills Company and Al Ezz Flat Steel and deferred tax assets recognised on foreign currency differences.</p> <p>Recovery of these deferred tax assets is analysed on management's estimate of availability of sufficient future taxable profits against which carried forward losses can be utilized. The future taxable profits are based on approved management's projections and are determined using certain key assumptions such as capacity utilization, gross margin percentage, inflation and interest rates.</p> <p>This analysis of recovery of deferred tax assets is considered a key audit matter because estimating future taxable profits require a significant degree of judgment.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> Assessing the design and implementation of certain relevant controls linked to the process of recognizing and measuring deferred tax assets. Assessing the reasonableness of criteria and the main assumptions considered by the Group in assessing the future taxable profits necessary to offset and utilize the deferred tax balance. Assessing the reasonableness of the amounts to be offset with taxable future profits, in accordance with applicable tax legislations. Analysing the consistency of forecast results which serve as a basis for analysing the recoverability of deferred tax assets with the business plan approved by the Group's management. Assessing the completeness of disclosures of consolidated financial statements as per IFRS requirements and ensuring the accuracy and adequacy of disclosures related to the deferred tax assets.

Other Matter

The consolidated financial statements, on which our qualified opinion is issued, have been prepared for the purpose of the Group meeting its continuing obligations under the Listing Rules of the London Stock Exchange. These consolidated financial statements are therefore not the statutory consolidated financial statements of the Group as required by the laws in the jurisdiction where the Group is registered and regulated. The Group has prepared and published a separate set of consolidated financial statements for the year ended December 31, 2023, in accordance with Egyptian Accounting Standards, and relevant laws and regulations ("EAS consolidated financial statements"). These EAS consolidated financial statements have been audited by another auditor, who expressed an unmodified opinion on those statements on April 8, 2024. Our audit opinion doesn't extend to those statutory consolidated financial statements.

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 for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent Auditor's Report**To the Shareholders of Ezz Steel Company (S.A.E) (continued)****Report on the Audit of the Consolidated Financial Statements (continued)*****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.

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

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

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

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

Independent Auditor's Report**To the Shareholders of Ezz Steel Company (S.A.E) (continued)****Report on the Audit of the Consolidated Financial Statements (continued)*****Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)***

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

**GRANT THORNTON UAE**

Dr. Osama El Bakry
Registration No. 935
Dubai, United Arab Emirates

November 26, 2024

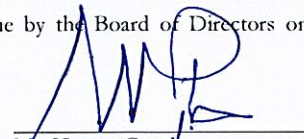
Ezz Steel Company (S.A.E) and its subsidiaries
Consolidated Financial Statements

Consolidated statement of financial position
As at December 31, 2023

	Notes	2023 EGP '000	2022 EGP '000
ASSETS			
Non-current assets			
Property, plant and equipment	6	24,704,524	21,799,442
Right-of-use assets	7	6,042	24,167
Goodwill and other intangible assets	8	371,770	388,058
Financial assets at fair value through other comprehensive income	10	2,499,960	2,520,522
Deferred tax assets	20	5,192,117	1,785,385
Trade and other receivables	13	46,726	57,507
Total non-current assets		32,821,139	26,575,081
Current assets			
Inventories	11	27,565,197	8,724,190
Trade and other receivables	13	24,707,020	13,256,296
Financial assets at amortised cost – treasury bills	14	1,513,822	566,332
Cash and bank balances	15	32,388,542	12,815,380
Total current assets		86,174,581	35,362,198
TOTAL ASSETS		118,995,720	61,937,279
EQUITY AND LIABILITIES			
Equity			
Share capital	16	2,716,325	2,716,325
Legal reserve	17(A)	1,358,163	1,358,163
Other reserves	17(B)	(1,176,073)	(1,176,073)
Accumulated losses		(7,785,316)	(8,627,268)
Treasury shares	16(B)	(82,302)	(82,302)
Deficit of equity attributable to the Owners of the Company		(4,969,203)	(5,811,155)
Non-controlling interests		6,187,341	5,157,882
Total equity/(Deficit of equity)		1,218,138	(653,273)
Non-current liabilities			
Borrowings	18	26,045,937	15,735,432
Employee benefit obligations	19	209,092	192,482
Deferred tax liabilities	20	3,652,795	3,145,527
Lease liabilities	7	-	34,939
Trade and other payables	22	4,487,620	3,121,114
Total non-current liabilities		34,395,444	22,229,494
Current liabilities			
Bank overdraft	21	218,442	638,717
Trade and other payables	22	35,585,267	19,600,990
Current portion of borrowings	18	42,461,487	17,034,756
Current income tax liabilities	23	3,691,348	2,444,108
Current portion of lease liabilities	7	35,957	30,115
Provisions	24	1,389,637	612,372
Total current liabilities		83,382,138	40,361,058
Total liabilities		117,777,582	62,590,552
TOTAL EQUITY AND LIABILITIES		118,995,720	61,937,279

These consolidated financial statements were approved and authorised for issue by the Board of Directors on November 26, 2024 and were signed on their behalf by:


Mr. Hassan Nough
Managing Director


Mr. Hazem Gouda
Chief Financial Officer

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

Ezz Steel Company (S.A.E) and its subsidiaries
Consolidated Financial Statements

Consolidated statement of profit or loss
For the year ended December 31, 2023

	Notes	2023 EGP '000	2022 EGP '000
Revenue	25	162,396,396	83,984,233
Cost of sales	26	(126,290,957)	(64,993,991)
GROSS PROFIT		36,105,439	18,990,242
Administrative and general expenses	27	(2,826,724)	(1,940,395)
Selling and marketing expenses	28	(2,746,372)	(963,028)
Other operating income	29	554,478	175,891
Other operating expenses	30	(2,067,374)	(901,304)
Operating profit		29,019,447	15,361,406
Finance income	31	2,475,149	414,174
Finance cost	32	(7,178,209)	(3,363,026)
Foreign currency losses	33	(21,601,091)	(4,466,564)
PROFIT BEFORE INCOME TAX		2,715,296	7,945,990
Income tax expense	23	(825,468)	(2,100,781)
NET PROFIT FOR THE YEAR		1,889,828	5,845,209
<i>Profit attributable to:</i>			
Owners of the Company		850,914	3,721,472
Non-controlling interests		1,038,914	2,123,737
		1,889,828	5,845,209
Earnings per share (expressed in EGP per share):			
Basic and diluted earnings per share	34	1.60	6.98

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

Ezz Steel Company (S.A.E) and its subsidiaries
Consolidated Financial Statements

Consolidated statement of comprehensive income
For the year ended December 31, 2023

	Note	2023 EGP '000	2022 EGP '000
Net profit for the year		1,889,828	5,845,209
Other comprehensive (loss)/income			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial (losses)/gains on remeasurements of employee benefit obligations	19	(4,133)	63,585
Other comprehensive (loss)/income for the year		<u>(4,133)</u>	<u>63,585</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,885,695</u>	<u>5,908,794</u>
Total comprehensive income attributable to:			
Owners of the Company		848,293	3,762,138
Non-controlling interests		<u>1,037,402</u>	<u>2,146,656</u>
		<u>1,885,695</u>	<u>5,908,794</u>

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

Ezz Steel Company (S.A.E) and its subsidiaries
Consolidated Financial Statements

Consolidated statement of changes in equity
For the year ended December 31, 2023

	Attributable to the Owners of the Company						Non- Total equity/ controlling (deficit of interest Equity) EGP '000 EGP '000
	Share capital EGP '000	Legal reserve EGP '000	Other reserves EGP '000	Accumulated losses EGP '000	Treasury shares EGP '000	Deficit of equity EGP '000	
As at January 1, 2022	2,716,325	1,358,163	(1,176,073)	(11,963,092)	(82,302)	(9,146,979)	3,430,686 (5,716,293)
<i>Total comprehensive income for the year:</i>							
Net profit for the year	-	-	-	3,721,472	-	3,721,472	2,123,737 5,845,209
Other comprehensive income for the year	-	-	-	40,666	-	40,666	22,919 63,585
Total comprehensive income for the year	-	-	-	3,762,138	-	3,762,138	2,146,656 5,908,794
<i>Transactions with shareholders:</i>							
Dividends distributed to non-controlling interests by subsidiaries	-	-	-	-	-	-	(422,460) (422,460)
Shares issued to non-controlling interest	-	-	-	-	-	-	3,000 3,000
Dividend distributed during the year (Note 16)	-	-	-	(426,314)	-	(426,314)	- (426,314)
Total transactions with shareholders	-	-	-	(426,314)	-	(426,314)	(419,460) (845,774)
As at December 31, 2022	2,716,325	1,358,163	(1,176,073)	(8,627,268)	(82,302)	(5,811,155)	5,157,882 (653,273)
<i>Total comprehensive income for the year:</i>							
Net profit for the year	-	-	-	850,914	-	850,914	1,038,914 1,889,828
Other comprehensive loss for the year	-	-	-	(2,621)	-	(2,621)	(1,512) (4,133)
Total comprehensive income for the year	-	-	-	848,293	-	848,293	1,037,402 1,885,695
<i>Transactions with shareholders:</i>							
Dividends distributed to non-controlling interests by subsidiaries	-	-	-	-	-	-	(4,386) (4,386)
Acquisition of treasury shares in a subsidiary	-	-	-	(6,341)	-	(6,341)	(3,557) (9,898)
Total transactions with shareholders	-	-	-	(6,341)	-	(6,341)	(7,943) (14,284)
As at December 31, 2023	2,716,325	1,358,163	(1,176,073)	(7,785,316)	(82,302)	(4,969,203)	6,187,341 1,218,138

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

Ezz Steel Company (S.A.E) and its subsidiaries
Consolidated Financial Statements

Consolidated statement of cash flows
For the year ended December 31, 2023

	Notes	2023 EGP '000	2022 EGP '000
OPERATING ACTIVITIES			
Profit for the year before income tax		2,715,296	7,945,990
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	6	1,311,991	1,225,542
Depreciation of right-of-use assets	7	18,125	18,125
Interest on lease liabilities	7	10,935	14,009
Amortisation of intangible assets	8	16,498	15,275
Accrued interest on treasury bills	14	(149,090)	(34,175)
Provision for slow-moving and obsolete inventories	11	20,492	45,000
Provision of employees' benefit obligations	19	35,201	48,420
Provisions formed during the year	24	897,858	228,817
Loss on disposal of property, plant and equipment	30	6	490
Impairment losses on non-financial assets	30	25,000	35,269
Finance income	31	(2,326,059)	(379,999)
Interest expense on borrowings and bank overdrafts	32	7,167,274	3,349,017
Foreign exchange differences		10,145,421	1,266,489
		19,888,948	13,778,269
<i>Working capital changes:</i>			
Inventories		(18,861,499)	677,941
Trade and other receivables		(11,121,477)	(2,257,556)
Trade and other payables		13,808,651	8,551,756
Provisions used		(120,593)	(173,947)
Employees' benefits obligations paid – net		(17,095)	(11,981)
Cash flows from operations		3,576,935	20,564,482
Interest paid		(7,062,959)	(3,192,857)
Income tax paid		(2,477,692)	(991,973)
Net cash flows (used in)/from operating activities		(5,963,716)	16,379,652
INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment		(3,233,458)	(1,909,939)
Proceeds from sale of property, plant and equipment		114	147
Payment for acquisition of intangible assets	8	(210)	(844)
Payment to purchase unquoted equity securities - FVOCI		(1,249,980)	(1,262,980)
Proceeds from sale of unquoted equity securities - FVOCI		20,562	-
Interest received		2,349,752	379,999
Movements to restricted bank balances		(6,313,079)	(1,097,208)
Movements from restricted bank balances		1,097,208	132,059
Payment for purchase of treasury bills		(2,931,519)	(489,403)
Proceeds from sale of treasury bills		2,133,118	89,507
Net cash flows used in investing activities		(8,127,492)	(4,158,662)
FINANCING ACTIVITIES			
Proceeds from borrowings	37	100,992,449	34,621,077
Repayments of borrowings	37	(73,194,379)	(38,131,272)
Lease payments	7	(40,032)	(38,703)
Acquisition of treasury shares		(9,898)	-
Dividends paid		(4,386)	(848,774)
Shares issued to non-controlling interest		-	3,000
Net cash flows from/(used in) financing activities		27,743,754	(4,394,672)
Net increase in cash and cash equivalents		13,652,546	7,826,318
Cash and cash equivalents at beginning of the year		11,079,455	3,078,835
Foreign exchange differences		1,035,980	174,302
Cash and cash equivalents at end of the year	15	25,767,981	11,079,455

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

Ezz Steel Company (S.A.E) and its subsidiaries Consolidated Financial Statements

Notes to the consolidated financial statements For the year ended December 31, 2023

1 General information

Ezz Steel Company (S.A.E) (the "Company") was established as "Al Ezz Steel Rebars Company S.A.E" on April 2, 1994, under the Law No. 159 of 1981 and was registered in the Commercial Register under number 472, Menofia Governorate, Egypt. The Company changed its name to "Ezz Steel Company S.A.E" on November 1, 2009.

The Company was initially established for a period of 25 years from the date of its registration in the Commercial Register. However, the term of the Company has been extended for a further period of 25 years with effect of April 2, 2019.

The registered address of the Company is Plot No. 129/B, Fourth Industrial Zone, El Sadat City, Menofeya, Egypt.

The Company is engaged in manufacturing, trading and distribution of building materials, all types of iron, ceramic, sanitary ware, pipes, mixers and taps and carrying on contracting works related thereto.

The Company's shares are listed on the Egyptian Stock Exchange and its global depositary receipts (each representing three ordinary shares) are also listed on the London Stock Exchange.

These consolidated financial statements as at December 31, 2023 comprise the Company and its subsidiaries (hereinafter referred to as the "Group"). The Group's financial year starts on January 1, and ends on December 31, each year.

The Group has prepared a separate set of consolidated financial statements in accordance with Egyptian Accounting Standards, and applicable laws and regulations for the year ended December 31, 2023, which does not constitute part of these consolidated financial statements.

The details of Company's principal subsidiaries, as at December 31, are set out below:

Subsidiaries	Effective ownership interest held by the Company		Effective ownership interest held by non- controlling interests	
	2023	2022	2023	2022
Al Ezz Dekheila Steel Company – Alexandria (A)	64.06%	64.06%	35.94%	35.94%
Al Ezz Rolling Mills Company (B)	64.06%	64.06%	35.94%	35.94%
Al Ezz Flat Steel (C)	64.06%	64.06%	35.94%	35.94%
Iron for Industrial, Trading and Constructing Steel (Contra Steel) (D)	57.66%	57.66%	42.34%	42.34%
Contra Wood for Wood Products (E)	55.16%	55.16%	44.84%	44.84%
Al Ezz for Medical Industries (F)	49.22%	49.22%	50.80%	50.80%

A. Al Ezz Dekheila Steel Company - Alexandria

Al Ezz Dekheila Steel Company - Alexandria ("EZDK") is established on July 17, 1982 under Commercial Register number 104918.

The registered address of EZDK is Alexandria-Matrouh Highway, Al Dekheila, Alexandria, Egypt.

EZDK is engaged in producing, shaping, manufacturing and trading of all forms of iron and steel products and provision of services and consultations relating to the technological, technical, administrative and financial aspects of iron and steel.

On August 5, 2023, the shareholders of EZDK resolved to authorise the voluntary delisting of EZDK's shares from the Egyptian Stock Exchange and EZDK was delisted from the Egyptian Stock Exchange on October 4, 2023 (refer Note 41 for details).

Ezz Steel Company (S.A.E) and its subsidiaries
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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

1 General information (continued)

B. Al Ezz Rolling Mills Company

Al Ezz Rolling Mills Company ("ERM") is established on March 10, 1986 under Commercial Register number 77038. ERM is a wholly owned subsidiary of EZDK.

The registered address of ERM is 8 Amr Street, Mohandeseen, Giza, Egypt.

ERM is engaged in producing of steel rebars, welded rebar mesh, iron billets, direct reduced iron and architectural material ancillary thereto.

C. Al Ezz Flat Steel

Al Ezz Flat Steel ("EFS") is established on July 25, 1998 under Commercial Register number 33296. EFS is a wholly owned subsidiary of EZDK.

The registered address of EFS is Suez, Industrial Economic Zone, North-West of the Gulf of Suez, Ain Sokhna, Suez, Egypt.

EFS is engaged in producing hot and cold rolled and acid and oil treated steel rolls, flat steel sheets, cut and acid and oil treated flat steel sheets, sponge iron, burned lime and steel blocks and slabs and rebars.

D. Iron for Industrial, Trading and Constructing Steel (Contra Steel)

Iron for Industrial, Trading and Constructing Steel (Contra Steel) ("Contra Steel") is established on May 31, 1995 under Commercial Register number 138227. The Group owns 57.66% interest in Contra Steel through its subsidiary EZDK (90% shares of Contra Steel are held by EZDK as at the reporting date).

The registered address of Contra Steel is Polt 6, Borg Al Arab, Alexandria, Egypt.

Contra Steel is engaged in production and trade of all metals, mineral products, constructions, maintenance, transportation, imports and exports.

E. Contra Wood for Wood Products

Contra Wood for Wood Products ("Contra Wood") is established on August 30, 1992 under Commercial Register number 93416. The Group owns 55.16% interest in Contra Wood through its subsidiary Contra Steel (95.67% shares of Contra Wood are held by Contra Steel as at the reporting date).

The registered address of Contra Wood is Plot No. 63, Industrial Zone No. 4, 6th October, Giza, Egypt.

Contra Wood is engaged in production of pipes supplies, steel casting foundry, and mechanical equipment.

F. Al Ezz for Medical Industries

Al Ezz for Medical Industries ("Ezz Medical") was established on August 11, 2020 under Commercial Register number 152115. As at reporting date, the Group holds 49.22% shareholding (30% directly and 19.22% through EZDK) in Ezz Medical. The management has assessed that the Group has controlling interest over Ezz Medical as the majority of its shares are currently held by the Group's companies along-with the ultimate beneficial owner of the Company.

The registered address of Ezz Medical is 35 Lebanon Street, Mohandeseen, Giza, Egypt.

Ezz Medical is established to manage a plant for producing medical supplies along with assembling medical supplies and equipment. However, Ezz Medical has no operations as at the reporting date.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

1 General information (continued)

Financial information of the subsidiaries of the Group as at and for the years ended December 31, 2023 and December 31, 2022, before consolidation adjustments, is as follows:

A. Financial position

	2023		
	Assets	Liabilities	Equity/ (deficit of assets)
	EGP '000	EGP '000	EGP '000
Al Ezz Dekheila Steel Company – Alexandria	94,214,496	77,044,346	17,170,150
Al Ezz Rolling Mills Company	13,675,145	21,431,736	(7,756,591)
Al Ezz Flat Steel	36,866,367	29,669,494	7,196,873
Iron for Industrial, Trading and Constructing Steel (Contra Steel)	1,876,811	567,153	1,309,658
Contra Wood for Wood Products	34,390	2,384	32,006
Al Ezz for Medical Industries	26,680	18,352	8,328
	2022		
	Assets	Liabilities	Equity/ (deficit of assets)
	EGP '000	EGP '000	EGP '000
Al Ezz Dekheila Steel Company – Alexandria	51,793,670	37,472,869	14,320,801
Al Ezz Rolling Mills Company	11,899,642	17,609,873	(5,710,231)
Al Ezz Flat Steel	19,690,136	14,591,849	5,098,287
Iron for Industrial, Trading and Constructing Steel (Contra Steel)	1,429,875	570,469	859,406
Contra Wood for Wood Products	31,748	2,362	29,386
Al Ezz for Medical Industries	26,271	18,252	8,019

B. Financial Performance

	2023		2022	
	Revenue EGP '000	Net profit/ (loss) EGP '000	Revenue EGP '000	Net profit/ (loss) EGP '000
Al Ezz Dekheila Steel Company – Alexandria	126,646,991	2,800,465	61,710,826	5,276,996
Al Ezz Rolling Mills Company	29,228,154	(2,550,693)	12,048,571	(753,677)
Al Ezz Flat Steel	51,095,895	2,098,586	19,350,333	1,104,145
Iron for Industrial, Trading and Constructing Steel (Contra Steel)	1,615,155	488,961	1,822,242	254,973
Contra Wood for Wood Products	43,350	7,277	37,822	5,778
Al Ezz for Medical Industries	-	309	-	(1,565)

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

1 General information (continued)

C. Cash flows

	2023		
	Operating activities EGP '000	Investing activities EGP '000	Financing activities EGP '000
Al Ezz Dekheila Steel Company – Alexandria	14,098,143	(10,209,294)	27,186
Al Ezz Rolling Mills Company	590,854	(25,876)	(446,698)
Al Ezz Flat Steel	551,601	(2,725,112)	7,520,089
Iron for Industrial, Trading and Constructing Steel (Contra Steel)	633,186	(776,646)	(41,844)
Contra Wood for Wood Products	6,787	16,668	(4,658)
Al Ezz for Medical Industries	-	-	-
	2022		
	Operating activities EGP '000	Investing activities EGP '000	Financing activities EGP '000
Al Ezz Dekheila Steel Company – Alexandria	12,947,243	(1,518,678)	(5,738,893)
Al Ezz Rolling Mills Company	1,639,044	(8,723)	(909,356)
Al Ezz Flat Steel	2,518,025	(1,354,181)	(653,833)
Iron for Industrial, Trading and Constructing Steel (Contra Steel)	689,423	(350,850)	(23,933)
Contra Wood for Wood Products	343	(11,529)	(1,469)
Al Ezz for Medical Industries	(2,652)	5,602	-

2 Basis for preparation

2.1 Statement of compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

2.2 Historical cost convention

These consolidated financial statements have been prepared under the historical cost basis, except for the following:

- Defined benefit obligations are recognised at the present value of future obligations using the projected credit unit method; and
- Financial instruments at fair value through other comprehensive income are measured at fair value.

2.3 Going concern basis of accounting

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to recover its financial assets within the credit terms and discharge its liabilities as and when these falls due.

During the year ended December 31, 2023, the Group incurred negative operating cash flows of EGP 5,963.716 million (2022: positive operating cash inflows of EGP 16,379.7 million) and as at that date, it had accumulated losses of EGP 7,785.3 million (2022: EGP 8,627.3 million). However, the Group has reported net after tax profit of EGP 1,889.8 million for the year ended December 31, 2023 (2022: EGP 5,845.2 million). The management believes that this positive trend profitability and source of finance will continue in the foreseeable future based on the five years' budgets and forecasts. Based on this, the management has a reasonable expectation that the Group has and will have adequate resources to continue in operational existence for the foreseeable future.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

3 New or revised standards and interpretations

3.1 Standards, Interpretations and amendments adopted as at January 1, 2023

Accounting pronouncements which have become effective from January 1, 2023 and have therefore been adopted are as follows:

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

Pursuant to adoption of amendments to IAS 1, all instances of the term 'significant accounting policies' have been replaced with 'material accounting policy information' in these consolidated financial statements for the year ended December 31, 2023. Other than the above, these amendments do not have a significant impact on these consolidated financial statements and therefore additional disclosures have not been made.

The Group has also elected to adopt the following amendments early:

Lack of Exchangeability (Amendments to IAS 21)

In August 2023 the International Accounting Standards Board issued Lack of Exchangeability (Amendments to IAS 21) to require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

These amendments are applicable for annual reporting periods beginning on or after January 1, 2025 with earlier application permitted. The management has assessed that early adoption of this amendment would result in better presentation of these consolidated financial statements due to specific circumstances prevailing in Egypt as at December 31, 2023. Accordingly, the amendments have been early adopted in these consolidated financial statements for the year ended December 31, 2023. The potential impacts of early adoption of these amendments are disclosed in Note 33.

3.2 Standards, amendments and interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

Other standards and amendments that are not yet effective and have not been adopted early by the Group are as follows:

Effective for annual reporting periods beginning on or after January 1, 2024:

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

Effective for annual reporting periods beginning on or after January 1, 2027:

- IFRS 18 Presentation and Disclosures in Financial Statements; and
- IFRS 19 Subsidiaries without Public Accountability: Disclosures.

The Group is in process of determining the potential effects of implementation of IFRS 18 and IFRS 19 on its consolidated financial statements. Other than the above, these amendments are not expected to have a significant impact on the consolidated financial statements in the period of initial application and therefore the disclosures have not been made.

Ezz Steel Company (S.A.E) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies

These consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below and on the following pages.

Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Specifically, the Group controls an investee if, and only if, the Group has:

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The consolidated financial statements include the assets, liabilities, income and expenses of subsidiaries controlled by the Group from the date the Group gains control until the date the Group ceases to control the subsidiary. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resulting gain or loss is recognised in consolidated statement of profit or loss. Any investment retained is recognised at fair value.

Business combinations

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

Business combinations (continued)

The acquisition method of accounting is used to account for all business combinations by the Group, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, liabilities incurred to the former owners of the acquired business, equity interests issued by the Group, fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date and is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured with changes in fair value being recognised in consolidated statement of comprehensive income.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a 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 these circumstances is measured based on the relative values of the operation disposed of and portion of the cash-generating unit retained.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Foreign currency translation

Functional and presentation currency

Functional currency of all the entities within the Group is Egyptian Pound ("EGP") which is also the Group's presentation currency. All values are rounded to the nearest thousands ('000) Egyptian Pound, except where noted otherwise.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

Foreign currency translation (continued)

Transactions and balances

Transactions in foreign currencies are translated to the presentation currency of the respective Group entity at exchange rates prevailing at the dates of the transactions (spot exchange rate).

Monetary assets and liabilities denominated in foreign currencies are translated to the presentation currency at the exchange rate applicable at the reporting date and the resulting foreign exchange gains and losses are recognised in the consolidated statement of profit or loss, except for monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to the consolidated statement of profit or loss. Tax charges and credits, if any, attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the presentation currency at the exchange rate when the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are not retranslated at the reporting date.

Determination of spot exchange rate

The spot exchange rate is determined as the exchange rate for immediate delivery and is observable from independent sources or independently verifiable recent market transactions.

The Group estimates the spot exchange rate at a measurement date when a currency is not exchangeable into another currency at a specified date. The Group assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If the Group is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

The Group takes in to account the following in estimating the spot exchange rate:

- Existence of an observable exchange rate available for a purpose other than for which the Group is assessing the exchangeability; and
- another estimation technique as deemed appropriate under the circumstances.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method except for rolling rings and miles which is depreciated using the units of production method.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

Property, plant and equipment (continued)

The useful lives can be summarised, as follows:

Classification

Buildings	8 – 50 years
Machinery and equipment	
- Rolling rings and mills	According to actual use
- Other machinery and equipment	5 – 25 years
Vehicles	2 – 5 years
Furniture and office equipment	3 – 10 years
Tools and appliances	4 – 5 years
Leasehold improvements	8 – 40 years

Residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other operating income/(expenses)" in the consolidated statement of profit or loss.

Projects under construction

Projects under construction are stated at cost less realised impairment losses, if any. Cost includes all expenditures associated with the acquisition of the asset and make it usable. When the assets are ready for its intended use, it is transferred from projects under construction to the appropriate category under property, plant and equipment and depreciated in accordance with Group's policies.

Leases

The Group has entered into various lease contracts having tenure of 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate.

I. Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follows:

Buildings	8 years
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Right-of-use assets is also subject to impairment.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

Leases (continued)

II. Lease liabilities

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

The finance cost is charged to the consolidated statement of profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

III. Short-term leases and leases of low-value assets

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

Goodwill and other intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, which can be controlled and are capable of generating future economic benefits.

Intangible assets are stated at purchase cost including any expenses that are directly attributable to preparing the asset for its intended use, net of accumulated amortisation and impairment losses, if any. Amortisation is recognised in consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this mostly reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Production license and computer software

Production license comprises amount paid by Al Ezz Flat Steel to Industrial Development Authority in Egypt to obtain approval for steel rebar production permit.

Computer software represents amount incurred in connection with the acquisition of ERP and other software being used by the Group.

These intangible assets are measured at historical cost less the accumulated amortisation and accumulated impairment losses, if any. Historical cost includes all expenditures associated with the acquisition of an intangible asset.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in the consolidated statement of profit or loss as it is incurred.

Amortisation is calculated to write-off the costs of these assets less their residual values, using straight-line method over their estimated useful lives, and is generally recognised in the consolidated statement of profit or loss. The useful lives in the calculation of amortisation are as follows:

Computer software	8 years
Production license	8 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

Goodwill and other intangible assets (continued)

Goodwill

Goodwill represents the excess of acquisition cost over the Group's share in the fair value of the investee's acquired net assets at the time of acquisition.

Goodwill is assessed for impairment at each reporting date, and impairment losses, if any, are recognised in the consolidated statement of profit or loss. 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.

On disposal of a subsidiary or where the Group ceases to exercise control, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but neither control nor joint control over those policies.

Investment in associate is accounted for using the equity method.

Under the equity method of accounting, interests in associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of post-acquisition profits or losses and movements in other comprehensive income. Goodwill relating to associates is included in the carrying amount of the investment and is not specifically tested for impairment.

Where the Group's share of losses exceeds its interest in an associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Unrealized gains on transactions between Group and its associates are eliminated to the extent of the Group's interest in these associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associates. At each reporting date, the Group determines whether there is objective evidence that the investment in an associate is impaired.

If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss within 'Share of profit/(loss) of an associate' in the consolidated statement of profit or loss.

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

Impairment of non-financial assets

Non-financial assets other than goodwill

Non-financial assets other than goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

Impairment of non-financial assets (continued)

Goodwill

Goodwill is not subject to amortisation and are tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination.

The recoverable amount of an asset or CGU is the greater of its value in use, and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in consolidated statement of profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Reversal of impairment loss

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost comprises direct materials, direct labour, other direct costs and an appropriate proportion of variable and fixed overhead expenditures, the latter being allocated on the basis of normal operating capacity but excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Costs are assigned to individual items of inventories using weighted average method. Work in process and finished goods are measured at actual manufacturing cost as the actual level of production of the Group approximates the normal capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and estimated costs necessary to make the sale.

The provision for slow moving and obsolete inventories is created in accordance with the management's assessment.

Financial instruments

Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss, as applicable); and
- those to be measured at amortised cost.

The Group's financial assets at fair value through other comprehensive income comprises equity investment in unlisted companies. The Group's financial assets at amortised cost include trade and most other receivables, treasury bills and cash and bank balances.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification (continued)

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI), as applicable. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and measurement

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition.

Trade receivables are initially recognised at transaction price (unless there is significant financing component) and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. According to the Group business model, the Group subsequently measures debt instruments at amortised cost for assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

Interest income from these financial assets is included in finance income using the effective interest rate method.

Any gain or loss arising on derecognition is recognised directly in the consolidated statement of profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses.

Impairment

The Group assesses on a forward-looking basis, the expected credit loss associated with its trade receivables and debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial liabilities

Classification

Financial liabilities are classified, at initial recognition, as borrowings or payables.

The Group's financial liabilities include lease liabilities, borrowings, bank overdrafts and trade and most other payables.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

Financial instruments (continued)

Financial liabilities (continued)

Recognition, measurement and derecognition

Financial liabilities are recognised initially at fair value, net of transaction costs incurred. These are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of these liabilities using the effective interest method.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in consolidated statement of profit or loss as other income or finance costs.

Offsetting of financial instruments

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

Fair value of financial instruments

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

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

Reserves

Legal reserve

The Group transfers 5% of its net profit for the year to legal reserve in accordance with applicable Laws and Regulations. This transfer is shown as a reclassification adjustment in the consolidated statement of changes in equity for the year in which it occurs.

The shareholders may resolve to discontinue such transfer once the legal reserve has reached 50% of the paid-up share capital of the Company. The legal reserve may be used for the benefit of the Company at the discretion of the Directors, subject to approval by shareholders.

Other reserves

The Directors of any entity within the Group may resolve to create reserve by setting aside share of yearly profits for future expenditure commitments and obligations or any other purpose as they deem appropriate.

Treasury shares

When any entity within the Group purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's shareholders until the shares are cancelled or reissued. Repurchased shares are classified as treasury shares and are presented in equity. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included within equity.

Dividends

Obligation is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Post-employment obligation

Defined benefit plan

Some of the entities within the Group are maintaining a supplementary pension scheme for their employees. The liability recognised in the consolidated statement of financial position in respect of this defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of profit or loss.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

Employee benefits (continued)

Post-employment obligation (continued)

Defined benefit plan (continued)

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and in the consolidated statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

For defined contribution plan, the Group has established a provident fund and also pays fixed contributions to the Social Insurance Authority in Egypt on a mandatory basis.

The Group has no further payment obligations once the contributions have been paid under the afore-said plans. The contributions are recognised as employee benefit expense when they are due.

Sharing of profits

The Group may distribute share of its profit to its employees in accordance with applicable Laws and Regulations. These are recognised in the consolidated statement of profit or loss for the period in which the employees' rights to receive the share of profit are established, and only when, it has a legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the expected obligation can be made.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer and in accordance with labour law. Falling due more than 12 months after the end of the reporting period are discounted to present value.

Taxation

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

Taxation (continued)

Deferred income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Value Added Tax ("VAT")

The Group is subject to VAT on its transactions inside Egypt and in other jurisdictions in which it operates at various rates. The amount of VAT liability is determined by applying the applicable tax rate to the invoiced amount of services (output VAT) less VAT paid on purchases made with the relevant supporting invoices (input VAT). The Group reports revenue net of value added tax for all the periods presented in the consolidated financial statements.

Salary Tax

In accordance with the Egyptian Tax Law, the Group withholds the Salary Tax due on each employee and remits the tax to the Tax Authority. Salary Tax withheld by the Group are recorded as liability in the consolidated statement of financial position.

Stamp Tax

Stamp tax law in Egypt is imposed on a variety of documents, such as contracts and on the values of certain transactions e.g. advertisements. Stamp tax is expensed in profit or loss as incurred.

Property Tax

Property tax is imposed on all buildings in Egypt. The tax rate is applied on the annual rental value of the taxable buildings after certain deduction allowed for maintenance. Property Tax expense is recognized on an accrual basis.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

The Group makes use of the exemption in IAS 37 not to disclose some or all of the information required by the accounting standard with regards to provisions when it can be expected that such disclosure would prejudice seriously the position of the Group in a dispute with other parties on the subject matter of the provision.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are recognised in consolidated profit or loss in the period in which they are incurred.

Revenue recognition

The Group recognises revenue from contracts with customers when control of the goods or services is transferred to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group recognises revenue from contracts with customers based on the five steps model set out as follows:

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 promise in a contract with a customer to transfer a good or services 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.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

Revenue recognition (continued)

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 depicts the amount of 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:

An entity shall consider the terms of the contract, as well as any laws that apply to the contract, when evaluating whether it has an enforceable right to payment for performance completed to date.

To determine the point in time at which a customer obtains control of a promised asset and the Group satisfies a performance obligation, the Group considers the requirements for control. In addition, the Group considers indicators of the transfer of control, which include, but are not limited to, the following:

- The Group has a present right to payment for the asset. The customer has legal title to the asset.
- The Group has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

Sales of goods

Sales are recognised as revenue at point in time when control of the products has transferred, being when the products are delivered to the customers, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Delivery occurs when the products have been shipped to the specific location, risks of damage and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, current accounts with banks, time deposits, and money market funds that have an initial maturity period of less than three months and are subject to an insignificant risk of changes in value, net of bank overdrafts, if any, that are repayable on demand and form an integral part of the Group's cash management.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Parent, excluding any costs of servicing equity other than ordinary shares, by the weight average number of ordinary shares in issue during the year (excluding ordinary shares purchased by the Group and held as treasury shares).

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

Earnings per share (continued)

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Group does not have any categories of dilutive potential ordinary shares, hence the diluted earnings per share is the same as the basic earnings per share.

Current versus non-current classification

The Company presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer and Board of Directors. The Board of the Company has appointed a Chief Operating Decision-Maker who assesses the financial performance and position of the Group and makes strategic decisions. This Chief Operating Decision-Maker has been identified as the Chief Executive Officer.

5 Accounting estimates, assumptions and judgments

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

5.1 Critical accounting estimates and assumptions

Estimates and adjustments are continually being evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results.

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Notes to the consolidated financial statements (continued)
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5 Accounting estimates, assumptions and judgments (continued)

5.1 Critical accounting estimates and assumptions (continued)

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Recognition of deferred tax assets

At each reporting date, the Group's management reviews the recoverable amount of deferred tax assets recognised by its subsidiaries with significant carried forward tax losses. Deferred tax assets on these tax losses are recognised to the extent that it is probable that these losses will be available for adjustment against future profits of these subsidiaries. As at December 31, 2023, the Group has recognised deferred tax assets on these carried forward tax losses amounting to EGP 1,328 million (2022: 1,054.2 million). The management of the Group has prepared a budget for the years upto 2028 and has assessed that these subsidiaries will have sufficient profits for adjusting carried forward losses in the forthcoming years (Note 20).

In addition to the carried forward losses, the Group has also recognised deferred tax assets of EGP 3,522.7 million on foreign currency differences (2022: EGP 582 million). The Group has assessed that these foreign currency differences will also be available for adjustment against taxable profits in future (Note 20).

5.2 Other accounting estimates

Impairment of goodwill

The Group tests whether goodwill has suffered any impairment at each reporting date. The recoverable amount of a cash generating unit (CGU) is determined using certain assumptions (Note 8.1). The changes in those assumptions may cause actual results to vary and cause adjustments to the goodwill within the next financial year.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At each reporting date, management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in Note 6.

Estimating the spot exchange rate

When the Group has assessed that there is lack of exchangeability between Egyptian Pound and other foreign currencies and vice versa, the Group estimates the spot exchange rates using an observable exchange rate, either with or without adjustment, as necessary.

In determining the observable exchange rate, the Group considers the following:

- whether several observable exchange rates exist;
- the purpose for which the currency is exchangeable;
- the nature of the exchange rate; and
- the frequency with which exchange rates are updated.

The basis for estimation of spot exchange rates as at and during the year ended December 31, 2023 have been disclosed in Note 33.1.

Employee benefit retirement obligations

The present value of employees' defined benefits obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost of employees' benefits include the discount rate of future cash outflows and any changes in these assumptions will impact the carrying amount of employees' benefits.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

5 Accounting estimates, assumptions and judgments (continued)

5.2 Other accounting estimates (continued)

Employee benefit retirement obligations (continued)

The Group determines the appropriate discount rate of cash flows at the end of each financial year. The discount rate is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefits obligations. The Group considers the discount rate at the end of the financial year on market returns on the government bonds denominated in the currency and the year estimated for the defined benefits obligations (Note 19).

5.3 Judgements

Significant Judgements

Assessment/reassessment of control

The management makes judgements, as to whether or not the Group controls an investee, at the time of acquisition of the investee and subsequently if facts and circumstances indicate that there are changes to one or more of the three elements of control listed in IFRS 10. Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification of any of the Group's subsidiaries held as at January 1, 2023.

Determining whether there is a lack of exchangeability

Management ascertains whether there is a lack of exchangeability between Egyptian Pound and other currencies and vice versa based on the economic conditions prevailing in the jurisdiction where Group operates i.e. Egypt. The significant judgement exercised by the management in this regard are disclosed in Note 33.1.

Other Judgements

Determining the lease term

Extension and termination options are included in a number of leases agreements across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of termination options held are exercisable only by the Group and not by the respective lessor.

Judgement is exercised by the management to assess whether the exercise of an option is reasonably certain and whether it may be considered in determining the lease term. Management considers all facts and circumstances that create an economic incentive to exercise a termination option. Years after termination options are only included in the lease term if the lease is reasonably certain not to be terminated.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

6 Property, plant and equipment

	Land EGP '000	Buildings EGP '000	Machinery and equipment EGP '000	Vehicles EGP '000	Furniture and office equipment EGP '000	Tools and appliances EGP '000	Leasehold improvements EGP '000	Projects under construction EGP '000	Total EGP '000
2023									
Cost									
As at January 1, 2023	784,745	9,889,354	27,259,952	220,034	331,551	295,952	3,903	3,272,035	42,057,526
Additions during the year	-	-	-	-	-	-	-	4,217,193	4,217,193
Transfers	-	16,353	5,016,118	8,387	62,385	76,280	-	(5,179,523)	-
Disposals during the year	-	(209)	(185,684)	(1,137)	(11,577)	(529)	-	-	(199,136)
As at December 31, 2023	784,745	9,905,498	32,090,386	227,284	382,359	371,703	3,903	2,309,705	46,075,583
Accumulated depreciation:									
As at January 1, 2023	-	3,536,233	16,065,392	216,225	235,140	201,191	3,903	-	20,258,084
Charge for the year	-	222,842	1,013,337	9,045	27,757	39,010	-	-	1,311,991
Disposals during the year	-	(209)	(185,564)	(1,137)	(11,577)	(529)	-	-	(199,016)
As at December 31, 2023	-	3,758,866	16,893,165	224,133	251,320	239,672	3,903	-	21,371,059
Net book value as at									
December 31, 2023	784,745	6,146,632	15,197,221	3,151	131,039	132,031	-	2,309,705	24,704,524

Land includes a parcel of land purchased from Gulf of Suez Development Company with a consideration of EGP 28 million. The land was purchased in 2010 for the purpose of establishing an industrial project and has a total area of 928,000 square metres. Currently, the procedures to register the land in the name of the Group are in process. The Group also includes other parcels of land acquired from different parties from time to time that are pending registration in the name of the Group.

The Group has signed a sale and leaseback arrangement with HD Company in relation to a parcel of land with a cost amounting to EGP 70 million. As per the terms and conditions of the arrangement, the Group has a right to own the afore-said land at a predetermined amount at the end of a 7 years' term ending December 25, 2025. This sale and leaseback transaction has been assessed as a financing arrangement by the Group and has been accounted for accordingly.

During the year ended December 31, 2023, certain projects were completed during the year amounting to EGP 5,179.5 million (2022: EGP 402.6 million) which were transferred from projects under construction to relevant classes of property, plant and equipment.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

6 Property, plant and equipment (continued)

	Land EGP '000	Buildings EGP '000	Machinery and equipment EGP '000	Vehicles EGP '000	Furniture and office equipment EGP '000	Tools and appliances EGP '000	Leaschold improvements EGP '000	Projects under construction EGP '000	Total EGP '000
2022									
<i>Cost</i>									
As at January 1, 2022	782,142	9,876,983	27,078,637	220,988	296,628	261,886	3,903	1,585,311	40,106,478
Additions during the year	-	-	-	-	-	-	-	2,089,375	2,089,375
Transfers	2,603	12,371	317,877	-	35,721	34,079	-	(402,651)	-
Disposals during the year	-	-	(136,562)	(954)	(798)	(13)	-	-	(138,327)
As at December 31, 2022	784,745	9,889,354	27,259,952	220,034	331,551	295,952	3,903	3,272,035	42,057,526
<i>Accumulated depreciation:</i>									
As at January 1, 2022	-	3,311,816	15,260,742	211,830	212,124	169,817	3,903	-	19,170,232
Charge for the year	-	224,417	940,575	5,349	23,814	31,387	-	-	1,225,542
Disposals during the year	-	-	(135,925)	(954)	(798)	(13)	-	-	(137,690)
As at December 31, 2022	-	3,536,233	16,065,392	216,225	235,140	201,191	3,903	-	20,258,084
Net book value as at									
December 31, 2022	784,745	6,353,121	11,194,560	3,809	96,411	94,761	-	3,272,035	21,799,442

Depreciation included in the consolidated statement of profit or loss are allocated as follows:

	2023 EGP '000	2022 EGP '000
Cost of sales (Note 26)		
Administrative and general expenses (Note 27)	1,291,283	1,206,503
Selling and marketing expenses (Note 28)	20,115	18,440
	593	599
	<u>1,311,991</u>	<u>1,225,542</u>

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

6 Property, plant and equipment (continued)

Property, plant and equipment include fully depreciated assets amounting to EGP 4,469 million still in use as at December 31, 2023 (2022: EGP 3,854 million).

Projects under construction amounted to EGP 2,309.7 million as at December 31, 2023 mainly represents construction of a new plant for producing iron billets and iron sheets rolls in Al Ezz Flat Steel (2022: EGP 3,272 million mainly represented construction of an electric arc furnace with a production capacity of 1.6 million tons per year of molten steel in Al Ezz Flat Steel). The nature of these projects is as follows:

	2023 EGP '000	2022 EGP '000
Buildings	34,906	15,729
Machinery and equipment	2,216,008	3,232,999
Advance to suppliers	57,429	21,945
Other projects under construction	1,362	1,362
	2,309,705	3,272,035

Machinery and equipment include capitalized borrowing costs of EGP 254.2 million at average capitalisation rate of 14.38% per annum (2022: EGP 107.4 million at average capitalisation rate of 8% per annum).

7 Leases

The Group has entered in to lease agreements for some of its building located in Cairo, Egypt. The leases are reflected in the consolidated statement of financial position as right-of-use assets and lease liabilities.

I. Right-of-use assets

The carrying amounts of the right-of-use assets and the movements during the year are shown below:

	Buildings	
	2023 EGP '000	2022 EGP '000
Gross carrying amount		
As at January 1,	145,000	145,000
As at December 31,	145,000	145,000
Accumulated depreciation		
As at January 1,	120,833	102,708
Charge for the year (Note 27)	18,125	18,125
As at December 31,	138,958	120,833
Net carrying amount as at December 31,	6,042	24,167

II. Lease liabilities

The movements of lease liabilities during the year were as follows:

	Buildings	
	2023 EGP '000	2022 EGP '000
As at January 1,	65,054	89,748
Interest on lease liabilities (Note 32)	10,935	14,009
Payments during the year	(40,032)	(38,703)
As at December 31,	35,957	65,054

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7 Leases (continued)

II. Lease liabilities (continued)

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

	2023 EGP '000	2022 EGP '000
Non-current liabilities	-	34,939
Current liabilities	35,957	30,115
	<u>35,957</u>	<u>65,054</u>

Commitments in relation to leases payable and present value of lease liabilities are as follows:

	Buildings	
	2023 EGP '000	2022 EGP '000
Commitments in relation to leases		
Within one year	41,591	38,704
Later than one year and less than five years	-	38,704
Minimum lease payments	<u>41,591</u>	<u>77,408</u>
Present value of lease liabilities		
Within one year	35,957	30,115
Later than one year and less than five years	-	34,939
Present value of minimum lease payments	<u>35,957</u>	<u>65,054</u>

8 Goodwill and other intangible assets

	2023 EGP '000	2022 EGP '000
Goodwill (Note 8.1)	315,214	315,214
Other intangible assets (Note 8.2)	56,556	72,844
	<u>371,770</u>	<u>388,058</u>

8.1 Goodwill

Goodwill has arisen on the acquisition of Al Ezz Dekheila Steel Company – Alexandria during previous years. At the reporting date, this goodwill has been carried at an amount initially recognised at the time of acquisition of the afore-said subsidiary less accumulated impairment losses, if any.

Goodwill is monitored by management at the level of the respective cash generating unit i.e. at the level of Al Ezz Dekheila Steel Company – Alexandria. The impairment of goodwill is reviewed annually to ensure that its carrying value does not exceed the recoverable amount.

As at the reporting date, the management has assessed that the carrying value of goodwill is less than their recoverable amount, hence, no impairment loss was recognised in this regard in these consolidated financial statements (2022: EGP Nil). The recoverable amount of the respective cash generating unit is based on value in use, determined using certain key assumptions.

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8 Goodwill and other intangible assets (continued)

8.2 Other intangible assets

	Software EGP '000	Licenses EGP '000	Total EGP '000
2023			
<i>Gross carrying amount</i>			
As at January 1, 2023	104,225	35,857	140,082
Additions	210	-	210
As at December 31, 2023	104,435	35,857	140,292
<i>Accumulated amortization</i>			
As at January 1, 2023	56,992	10,246	67,238
Charge for the year	11,375	5,123	16,498
As at December 31, 2023	68,367	15,369	83,736
Net carrying amount as at December 31, 2023	36,068	20,488	56,556
2022			
<i>Gross carrying amount</i>			
As at January 1, 2022	103,381	35,857	139,238
Additions	844	-	844
As at December 31, 2022	104,225	35,857	140,082
<i>Accumulated amortization</i>			
As at January 1, 2022	46,840	5,123	51,963
Charge for the year	10,152	5,123	15,275
As at December 31, 2022	56,992	10,246	67,238
Net carrying amount as at December 31, 2022	47,233	25,611	72,844

Amortization expenses included in the consolidated statement of profit or loss are allocated as follows:

	2023 EGP '000	2022 EGP '000
Cost of sales (Note 26)	5,123	5,123
Administrative and general expenses (Note 27)	11,375	10,152
	16,498	15,275

9 Investment in associates

	Effective ownership		Carrying amount	
	2023	2022	2023	2022
	%	%	EGP '000	EGP '000
Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (Under Liquidation)	32.03%	32.03%	90	90
The Egyptian Company for Cleaning and Security Services	30.80%	30.80%	80	80
Al Ezz El Dekheila for Steel – Egypt	32.03%	32.03%	25	25
EZDK Steel UK Ltd.	32.03%	32.03%	1	1
			196	196
Impairment losses on investment in associates			(196)	(196)
			-	-

The values of these investments had fallen to zero. Therefore, the Group stopped recognition of further losses under the equity method for these investments. Management assessed that neither of these associates are material to the Group.

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10 Financial assets at fair value through other comprehensive income

The Group has designated the investments, as shown below, as financial assets at fair value through other comprehensive income ("FVOCI") because the Group intends to hold these investments for a long term and strategic purposes:

	Effective ownership		Carrying amount	
	2023 %	2022 %	2023 EGP '000	2022 EGP '000
<i>Unquoted equity securities</i>				
Egyptian Steel Company for Management of Steel Factories Projects ("Egyptian Steel")(a)	11.53%	11.53%	2,499,960	2,499,960
Arab Company for Special Steel (b)	0.64%	0.64%	4,263	4,263
Atlantic Pacific Transport Ltd. (c)	-	2.89%	-	4,016
<i>Collective investment scheme</i>				
Mazid Investment Fund (d)			-	13,000
			2,504,223	2,521,239
Cumulative changes in fair value			(4,263)	(717)
			2,499,960	2,520,522

Some of the strategic investments have been realised during the year and its related cumulative gains or loss have been transferred within equity accordingly.

(a) Egyptian Steel

In 2022, the Group invested in shares of Egyptian Steel, a company engaged in production of steel rebars and iron billets, through Al Ezz El Dekheila for Steel – Alexandria (a subsidiary) at cost of EGP 2,500 million. The investment is fully paid and no consideration is payable as at the reporting date (2022: EGP 1,250 million) (Note 22).

The management has assessed that the fair value of the afore-said investment, as at December 31, 2023, is approximately equal to the carrying cost.

(b) Arab Company for Special Steel

The Group holds the shares of Arab Company for Special Steel through its subsidiary, Al Ezz El Dekheila for Steel – Alexandria. The management has assessed that the fair value of the afore-said investment, as at December 31, 2023, is approximately equal to EGP Nil (2022: EGP Nil).

(c) Atlantic Pacific Transport Ltd.

The Group held the shares of Atlantic Pacific Transport Ltd. through its subsidiary, Iron for Industrial, Trading and Constructing Steel (Contra Steel). During the year ended December 31, 2023, Atlantic Pacific Transport Ltd. has been wound up and the investment has been fully derecognised accordingly.

(d) Mazid Investment Fund

These represent amount invested in collective investment scheme with Mazid Investment Fund during the year ended December 31, 2022.

During the year ended December 31, 2023, these investments were disposed by the Group for a consideration of EGP 13 million (i.e. amount equal to carrying value before disposal). Accordingly, no gains or loss on disposal have been recognised by the Group on disposal of this investment.

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10 Financial assets at fair value through other comprehensive income (continued)

Cumulative fair value

The movement in cumulative changes in fair value during the year is as follows:

	2023 EGP '000	2022 EGP '000
As at January 1,	717	717
Adjustments during the year	3,546	-
As at December 31,	4,263	717

11 Inventories

	2023 EGP '000	2022 EGP '000
Raw materials	10,094,493	4,275,038
Finished goods	7,709,579	1,745,615
Spare parts and consumables	3,622,776	2,326,617
Goods in transit	3,763,193	3,786
Work in process	2,555,763	533,249
	27,745,804	8,884,305
Less: provision for slow-moving and obsolete inventories	(180,607)	(160,115)
	27,565,197	8,724,190

The movement in provision for obsolete and slow-moving inventory during the year is as follows:

	2023 EGP '000	2022 EGP '000
As at January 1,	160,115	115,115
Charge for the year (Note 30)	20,492	45,000
As at December 31,	180,607	160,115

12 Financial instruments by category

	2023 EGP '000	2022 EGP '000
<i>Financial assets at fair value through OCI</i>		
Unquoted equity investments	2,499,960	2,520,522
<i>Financial assets at amortised cost</i>		
Trade and other receivables	7,181,330	9,100,177
Treasury bills	1,513,822	566,332
Cash and bank balances	32,388,542	12,815,380
	41,083,694	22,481,889
<i>Financial liabilities at amortised cost</i>		
Borrowings	68,507,424	32,770,188
Trade and other payables	34,122,506	20,179,770
Bank overdraft	218,442	638,717
Lease liabilities	35,957	65,054
	102,884,329	53,653,729

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12 Financial instruments by category (continued)

Trade and other receivables and trade and other payables disclosed above include only financial assets and liabilities (refer to Notes 13 and 22 for details). Refer to Note 4 for a description of the accounting policies for each category of financial instruments.

A description of the Group's consolidated financial statements risk, including risk management objectives and policies is disclosed in Note 39 and details about fair values of these financial assets and liabilities are described in Note 40.

13 Trade and other receivables

	2023 EGP '000	2022 EGP '000
<i>Financial assets at amortized cost</i>		
Trade receivables	2,613,451	2,029,061
Notes receivable	609,342	4,244,318
Trade receivables due from related parties (Note 35)	9,451	9,297
Trade and notes receivables – gross (Note 25)	3,232,244	6,282,676
Less: allowance for expected credit losses of trade receivables	(40,559)	(40,559)
Trade and notes receivables – net	3,191,685	6,242,117
Deposits	1,938,920	1,328,660
Letters of credit - cash margins	1,098,671	1,500,737
Due from related parties (Note 35)	927,378	28,498
Accrued interest	24,541	-
Letters of guarantee - cash margins	135	165
	<u>7,181,330</u>	<u>9,100,177</u>
<i>Non-financial assets</i>		
Receivable in relation to buy-back of shares of Al Ezz Dekheila Steel Company – Alexandria (Note 41)	8,695,961	-
Refundable taxes	2,881,049	1,711,268
Value added taxes receivables	2,275,003	992,903
Advances to suppliers and employee loans	1,768,323	742,370
Tax receivables from the Custom Authority	1,394,725	463,995
Claims receivables	110,806	105,097
Prepayments	262,696	267,556
Other debit balances	339,240	60,824
Less: impairment losses on other receivables	(155,387)	(130,387)
	<u>17,572,416</u>	<u>4,213,626</u>
	<u>24,753,746</u>	<u>13,313,803</u>

Trade and other receivables are classified as follows in the consolidated statement of financial position:

	2023 EGP '000	2022 EGP '000
Non-current portion	46,726	57,507
Current portion	24,707,020	13,256,296
	<u>24,753,746</u>	<u>13,313,803</u>

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement immediately and therefore are all classified as current. Details about the Group's impairment policies and calculation of the expected loss allowance are provided in Notes 4 and 39, respectively.

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13 Trade and other receivables (continued)

The movement in impairment losses on other receivables during the year is as follows:

	2023 EGP '000	2022 EGP '000
As at January 1,	130,387	95,223
Impairment for the year (Note 30)	25,000	35,164
As at December 31,	155,387	130,387

14 Financial assets at amortised cost - Treasury Bills

	2023 EGP '000	2022 EGP '000
Gross amounts at redemption	1,564,366	574,143
Less: unearned interest	(50,544)	(7,811)
Amount of Treasury Bills paid	1,513,822	566,332
Interest income recognised in the consolidated statement of profit or loss (Note 31)	149,090	34,175

The average effective interest rate related to treasury bills is 19.13% (2022: 15.61%).

The Group has adopted 12-month ECL model, based on management assessment, there is an immaterial impact on the outstanding balance of Treasury Bills due to the following factors:

- They are issued and guaranteed by the Government of Egypt;
- There is no history of default; and
- Incorporating forward-looking information would not result in any significant increase in expected default rate.

15 Cash and cash equivalents

	2023 EGP '000	2022 EGP '000
Bank balances - current accounts	26,708,605	12,485,328
Bank balances - time deposits*	5,011,185	5,973
Cheques under collection	73,095	234,779
Cash in hand	595,657	89,300
Cash and bank balances	32,388,542	12,815,380
Less: bank overdraft (Note 21)	(218,442)	(638,717)
Less: restricted bank balances**	(6,402,119)	(1,097,208)
Cash and cash equivalents	25,767,981	11,079,455

* The average rate on time deposits is 3 months LIBOR plus 1% during the year ended December 31, 2023 (2022: 3 months LIBOR plus 1%) with a maturity of 3 months.

** Restricted bank balances are withheld with the Group's bankers under credit facilities' agreements and outstanding letters of credits.

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16 Share capital

The Company's authorized share capital amounted to EGP 8,000 million, represented in 1,600 million shares of par value of EGP 5 each. As at December 31, 2023 and 2022, the issued and paid-up capital is distributed as follows:

	2023		
	No. of Shares	Shares value EGP '000	Percentage of ownership
Shareholders			
Engineer/Ahmed Abd El Aziz Ezz	360,986,470	1,804,932	66.45%
Treasury shares	10,373,195	51,866	1.91%
Others (public stocks)	171,905,362	859,527	31.64%
	<u>543,265,027</u>	<u>2,716,325</u>	<u>100.00%</u>
	2022		
	No. of Shares	Shares value EGP '000	Percentage of ownership
Shareholders			
Engineer/Ahmed Abd El Aziz Ezz	356,933,139	1,784,666	65.70%
Treasury shares	10,373,195	51,866	1.91%
Others (public stocks)	175,958,693	879,793	32.39%
	<u>543,265,027</u>	<u>2,716,325</u>	<u>100.00%</u>

A. Dividends

No dividends have been proposed by the Board of Directors during the year ended December 31, 2023 (2022: EGP 426.3 million).

B. Treasury shares

In prior years, the Group had acquired treasury shares at a value of EGP 10.4 million. As at December 31, 2023, these shares are outstanding for more than one year since their acquisition. The treasury shares are represented as follows:

- 9,462,714 shares (with an acquisition value of EGP 71.92 million). These shares are held in the name of Al Ezz Rolling Mills (a subsidiary) at the reporting date.
- 910,481 shares (with an acquisition value of EGP 10.38 million), purchased by the Company in pursuance with the Board of Directors decision on January 5, 2021 for purchase of 1% of paid-capital, up-to the maximum of one million shares.

17 Reserves

	2023 EGP '000	2022 EGP '000
Legal reserve (A)	1,358,163	1,358,163
Other reserves (B)	(1,176,073)	(1,176,073)
	<u>182,090</u>	<u>182,090</u>

A. Legal reserve

In accordance with Company Law No. 159 of 1981 and the Company's Articles of Association, 5% of annual net profit is transferred to the legal reserve. The Group may discontinue such transfers when the legal reserve reaches 50% of the share capital. The reserve is not eligible for distribution to the shareholders.

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17 Reserves (continued)

A. Legal reserve (continued)

During the year ended December 31, 2023, the Group did not make any transfer to statutory reserve (2022: EGP Nil).

B. Other reserves

In previous years, the Group acquired additional ownership interest in its existing subsidiary i.e. Al Ezz Dekheila Steel Company – Alexandria from non-controlling interests. Accordingly, the difference in the amount paid as consideration and the carrying amount of the non-controlling interest acquired has recognised as other reserve in equity, as follows:

	EGP '000
Carrying amounts of non-controlling interest acquired	2,620,756
Consideration paid to non-controlling interest	(3,796,829)
	<u>(1,176,073)</u>

18 Borrowings

	2023		
	Current EGP '000	Non-current EGP '000	Total EGP '000
Ezz Steel Company (S.A.E) (18.1)	6,472,209	121,960	6,594,169
Al Ezz Dekheila Steel Company – Alexandria (18.2)	23,171,295	22,547,027	45,718,322
Al Ezz Rolling Mills Company (18.3)	1,246,198	2,845,090	4,091,288
Al Ezz Flat Steel (18.4)	11,571,785	531,860	12,103,645
	<u>42,461,487</u>	<u>26,045,937</u>	<u>68,507,424</u>
	2022		
	Current EGP '000	Non-current EGP '000	Total EGP '000
Ezz Steel Company (S.A.E) (18.1)	4,415,908	538,194	4,954,102
Al Ezz Dekheila Steel Company - Alexandria (18.2)	10,119,783	10,566,200	20,685,983
Al Ezz Rolling Mills Company (18.3)	1,113,330	3,896,537	5,009,867
Al Ezz Flat Steel (18.4)	1,385,735	734,501	2,120,236
	<u>17,034,756</u>	<u>15,735,432</u>	<u>32,770,188</u>

18.1 Ezz Steel Company (S.A.E)

	Term loans EGP '000	Credit facilities EGP '000	Total EGP '000
December 31, 2023	540,122	6,054,047	6,594,169
December 31, 2022	890,702	4,063,400	4,954,102

Term loans

On January 18, 2015, the Group signed an agreement with the National Bank of Egypt and the Arab African International Bank ("Security Agent") for a joint long-term loan of EGP 1.7 billion.

The loan has a tenure of 7 years, payable in 26 non-equal quarterly instalments and carries interest at 3.5% above 3 months' lending rate of the Central Bank of Egypt. The loan is secured against first degree fonds de commerce mortgage on the Company including Sadat factory.

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18 Borrowings (continued)

18.1 Ezz Steel Company (S.A.E) (continued)

Credit facilities

The Group obtained credit facilities from various banks in Egypt amounting to EGP 6,054 million (2022: EGP 4,063 million). The Group is obligated to pay the due amounts in full whenever the facilities are due.

The interest rate is 1.5% to 2% above corridor rate. The facilities are secured by promissory notes for the full facility amount.

18.2 Al Ezz Dekheila Steel Company – Alexandria

	Term loans EGP '000	Credit Facilities EGP '000	Total EGP '000
December 31, 2023	9,677,621	36,040,701	45,718,322
December 31, 2022	5,706,565	14,979,418	20,685,983

Term loans

	2023 EGP '000	2022 EGP '000
National Bank of Egypt	2,340,320	1,897,290
Emirates NBD Bank PJSC	2,705,890	-
Qatar National Bank	1,403,148	1,287,030
Bank of Alexandria	875,992	632,606
Arab African International Bank	872,508	654,324
Banque Du Caire	572,496	480,175
National Bank of Kuwait	419,894	286,267
Hongkong and Shanghai Banking Corporation	271,373	204,873
Export Development Bank of Egypt	216,000	264,000
	9,677,621	5,706,565

Banks	Guarantees/ securities	Currency	Instalments	Interest rate
National Bank of Egypt	Restriction on disposal of assets	EGP	20 quarterly instalments ending on June 15, 2028	2% above corridor rate
Qatar National Bank	Right to seize assets in case of default	EGP	26 quarterly instalments ending on January 31, 2029	1% above corridor rate
Qatar National Bank (foreign currency loan)	Right to seize assets in case of default	USD	26 quarterly instalments ending on August 31, 2025	4% plus LIBOR rate
Arab African International Bank (foreign currency loan)	An insurance policy with 110% of outstanding balance.	USD	28 quarterly instalments ending on November 28, 2025	4% plus LIBOR rate

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18 Borrowings (continued)

18.2 Al Ezz Dekheila Steel Company – Alexandria (continued)

Term loans (continued)

Banks	Guarantees/ securities	Currency	Instalments	Interest rate
Banque Du Caire (foreign currency loan)	An insurance policy with 110% of outstanding balance	USD	28 quarterly instalments ending on December 31, 2028	2% above corridor rate
Banque Du Caire	Insurance policy with 110% of outstanding balance	EGP	28 quarterly instalments ending on December 31, 2028	3.5% plus LIBOR rate
National Bank of Kuwait (foreign currency loan)	Restriction on disposal of assets	USD	26 quarterly instalments ending on August 28, 2026	3.5% plus LIBOR rate
Hongkong and Shanghai Banking Corporation	Collection of foreign currency proceeds through a designated bank account	EGP	12 semi annual instalments ending on January 15, 2026	2% plus corridor rate
Hongkong and Shanghai Banking Corporation (foreign currency loan)	Collection of foreign currency proceeds through a designated bank account	EURO	12 semi annual instalments ending on January 15, 2026	3.5% plus LIBOR rate
Export Development Bank of Egypt	Right to seize assets in case of default	EGP	24 quarterly instalments ending on February 17, 2028	1.25% to 1.5% above corridor rate
Emirates NBD Bank PJSC (foreign currency loan)	Negative pledge against assets	USD	12 semi annual instalments ending on May 08, 2029	Libor rate + 5.5%

Credit facilities

The Group obtained credit facilities from various banks amounting to EGP 36,041 million (2022: EGP 14,979 million).

These credit facilities have maturities ranging from 1 to 12 months and carry interest rates at prevailing market rates.

18.3 Al Ezz Rolling Mills Company

	Term loans EGP '000	Credit Facilities EGP '000	Total EGP '000
December 31, 2023	3,896,536	194,752	4,091,288
December 31, 2022	5,009,834	33	5,009,867

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18 Borrowings (continued)

18.3 Al Ezz Rolling Mills Company (continued)

Term loan

The Group obtained a loan from National Bank of Egypt amounting to EGP 3,897 million (2022: EGP 5,010 million). The interest rate is 1.5% to 2% above corridor rate. The loan is secured through mortgage of property, plant and equipment of Al Ezz Rolling Mills Company.

Credit facility

The Group obtained a credit facility from National Bank of Egypt and Bank Misr amounting to EGP 195 million (2022: EGP 0.33 million). The credit facility has maturity of 12 months and carry interest rate at 1.5% above corridor rate.

18.4 Al Ezz Flat Steel

	Term loans EGP '000	Credit facilities EGP '000	Total EGP '000
December 31, 2023	1,270,572	10,833,073	12,103,645
December 31, 2022	1,025,255	1,094,981	2,120,236

Term loans

The Group obtained loans from National Bank of Egypt, Bank Misr and SACE Bank amounting to EGP 1,271 million (2022: EGP 1,025 million). The interest rate is 1.5% above corridor rate or 3.5% plus LIBOR rate. The loans are secured through banks' right to seize assets in case of default on payments.

Credit facilities

The Group obtained credit facilities from National Bank of Egypt and Bank Misr amounting to EGP 10,833 million (2022: EGP 1,095 million). These credit facilities have maturities up to 12 months and carry interest rates at prevailing market rates.

18.5 Movement in borrowings

Credit facilities

	2023 EGP '000	2022 EGP '000
As at January 1,	20,137,832	24,932,666
Proceeds from credit facilities during the year	94,664,383	31,356,084
Repayments of credit facilities during the year	(65,217,800)	(36,150,918)
Effect of foreign currency differences	3,538,158	-
As at December 31,	53,122,573	20,137,832

Term loans

	2023 EGP '000	2022 EGP '000
As at January 1,	12,632,356	9,906,926
Proceeds from term loans during the year	6,328,066	3,264,993
Repayments of term loans during the year	(7,976,579)	(1,980,354)
Effect of foreign currency differences	4,401,008	1,440,791
As at December 31,	15,384,851	12,632,356

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18 Borrowings (continued)

18.6 Fair values of the loans

Fair value of the loans is approximately equal to their carrying values since the loans are bearing market prevailing variable interest rates.

18.7 Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offer rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform').

As at December 31, 2023, the Group's IBOR exposure, indexed to EURO and USD LIBOR, is limited to multiple existing loans. The management is under discussion with the respective borrowers for necessary amendments to these loan agreements having contractual terms indexed to EURO and USD LIBOR. The management believes that the impact of revision of the loan agreements will not have a material impact on the consolidated financial statements of the Group in future periods (refer to Notes from 18.1 to 18.4 for details).

19 Employee benefit obligations

Some entities within the Group maintain a Supplementary Pension Scheme for their employees. These employees are entitled to benefits upon their retirement based on a defined benefit plan. The entitlement is based on the length of service i.e. minimum number of years served and final remuneration package of the employee upon retirement (refer to Note 4). The plan is fully funded by the Group and no separately administered fund has been established in this regard. The defined benefit obligation is calculated using the projected credit unit method.

The amounts recognised at the consolidated statement of financial position date and movement thereon, are disclosed as follows:

	2023 EGP '000	2022 EGP '000
Balance as at January 1,	219,197	246,343
Provision for employees' benefit obligations	35,201	48,420
Actuarial loss/(gain) on measurement of defined benefit liability	4,133	(63,585)
Contributions received from employees during the year	7,167	7,368
Payments/adjustments during the year	(24,262)	(19,349)
Balance as at December 31	241,436	219,197

Employee benefit obligations are classified as follows in the consolidated statement of financial position:

	2023 EGP '000	2022 EGP '000
Non-current portion	209,092	192,482
Current portion (Note 22)	32,344	26,715
	241,436	219,197

The break-up of provision for the year is as follows:

	2023 EGP '000	2022 EGP '000
Current service cost	2,312	16,705
Interest on defined benefit obligation	32,889	31,715
	35,201	48,420

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19 Employee benefit obligations (continued)

The break-up of actuarial loss/(gain) on measurement of defined benefit liability is as follows:

	2023 EGP '000	2022 EGP '000
Impact of changes in financial assumptions	(75,865)	(39,390)
Impact of changes in experience adjustments	79,998	(24,195)
	<u>4,133</u>	<u>(63,585)</u>

Provision for the year has been included in the consolidated statement of profit or loss are as follows:

	2023 EGP '000	2022 EGP '000
Cost of sales (Note 26)	27,515	38,056
Administrative and general expenses (Note 27)	5,741	7,673
Selling and marketing expenses (Note 28)	1,945	2,691
	<u>35,201</u>	<u>48,420</u>

Actuarial assumptions

	2023	2022
Discount rate		
- Net benefit obligations	24.70%	17.00%
- Net cost	17.00%	14.70%
Life table (years)	A49-52	A49-52

20 Deferred taxation

20.1 Recognised deferred tax assets and liabilities

	2023		2022	
	Assets EGP '000	Liabilities EGP '000	Assets EGP '000	Liabilities EGP '000
Property, plant and equipment		(3,261,470)	-	(2,887,300)
Provisions and impairment	333,465	-	134,497	-
Lease liabilities	7,909	-	14,685	-
Carried forward tax losses	1,328,040	-	1,054,216	-
Tax on unpaid dividends	-	(391,021)	-	(258,227)
Foreign currency differences	3,522,703	(304)	581,987	-
	<u>5,192,117</u>	<u>(3,652,795)</u>	<u>1,785,385</u>	<u>(3,145,527)</u>

As at the reporting date, the Group has recognized deferred tax assets on carried forward tax losses of AI Ezz Flat Steel and AI Ezz Rolling Mills Company. The management has assessed that the Group will be able to adjust these tax losses against profits in the future years, based on the 5 years' estimated taxable profits of these subsidiaries.

20.2 Movement of deferred tax (assets)/liabilities - net

	2023 EGP '000	2022 EGP '000
Balance as at January 1,	1,360,142	1,765,954
Charged to consolidated statement of profit or loss (Note 23.1)	(2,899,464)	(383,359)
Adjustments during the year	-	(22,453)
Balance as at December 31,	<u>(1,539,322)</u>	<u>1,360,142</u>

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20 Deferred taxation (continued)

20.3 Unrecognised deferred tax assets

	2023 EGP '000	2022 EGP '000
Impairment losses on other receivables	11,337	11,317
Provisions	127,629	132,341
Tax losses	500,622	481,120
	<u>639,588</u>	<u>624,778</u>

The deferred tax assets have not been recognised in respect of the above items due to uncertainty of the utilization of their benefits in the foreseeable future. The Group does not expect tax losses that are available for offsetting against future taxable profits.

21 Bank overdraft

Bank overdraft amounted to EGP 218.4 million as at December 31, 2023 (2022: EGP 638.7 million). This facility forms an integral part of the Group's cash management to finance its working capital. The average interest rate for bank overdraft was 1.5% to 3.5% above corridor rate during the year ended December 31, 2023 (2022: 1.5% to 3.5% above corridor rate).

22 Trade and other payables

	2023 EGP '000	2022 EGP '000
<i>Financial liabilities at amortized cost</i>		
Trade payables	16,423,842	11,975,484
Notes payable	12,572,270	3,707,701
Accrued expenses	2,549,404	1,676,588
Payable to supplier against acquisition of property, plant and equipment	1,983,611	999,876
Accrued interest	519,501	415,186
Retention payables	72,300	96,747
Dividends payables	1,566	1,612
Due to related parties (Note 35)	12	56,596
Payable against acquisition of shares of Egyptian Steel (Note 10)	-	1,249,980
	<u>34,122,506</u>	<u>20,179,770</u>
<i>Non-financial liabilities</i>		
Advance from customers (Note 25)	5,246,740	1,829,753
Withholding tax payable	331,316	139,889
Payable to port authorities	96,483	96,483
Current portion of employee benefit obligation (Note 19)	32,344	26,715
Social insurance payable	9,090	19,054
Value added tax payables	-	327,706
Other credit balances	234,408	102,734
	<u>5,950,381</u>	<u>2,542,334</u>
	<u>40,072,887</u>	<u>22,722,104</u>

Trade and other payables are classified as follows in the consolidated statement of financial position:

	2023 EGP '000	2022 EGP '000
Non-current portion	4,487,620	3,121,114
Current portion	35,585,267	19,600,990
	<u>40,072,887</u>	<u>22,722,104</u>

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22 Trade and other payables (continued)

Trade payables include an amount of EGP 273.3 million (2022: 1,847.7 million) payable to electricity and natural gas supplying companies. These balances had original maturities upto 48 months and carried interest rates at 8.75% (2022: 8.75%).

Trade payables also include an amount of USD 37 million, equivalent to EGP 1,836.9 million (2022: EGP 915.6 million) borrowed by Al Ezz Flat Steel Company, a subsidiary from one of the suppliers of the Group i.e. Daneili Company. This amount carries interest at variable rates linked to LIBOR plus 1.2%.

Payable to suppliers against acquisition of property, plant and equipment represents amount due to Danieli Company by Al Ezz Flat Steel and Al Ezz Rolling Mills Company, a subsidiary against purchase of machinery and equipment in prior years. The amount is payable in Euros in quarterly instalments ending in 2026 and carries interest upto 2%. The amount is secured by joint guarantees from the Company and Al Ezz Dekheila Steel Company - Alexandria.

23 Taxations

23.1 Income tax expense

	2023 EGP '000	2022 EGP '000
<i>Current tax expense</i>		
- Current year (Note 23.3)	3,724,932	2,484,140
<i>Deferred tax</i>		
- Origination and reversal of temporary differences (Note 20.2)	(2,899,464)	(383,359)
	<u>825,468</u>	<u>2,100,781</u>

23.2 Reconciliation of tax expense

	2023 EGP '000	2022 EGP '0000
Net profit for the year before income tax	2,715,296	7,945,990
Income tax according to the current tax law (22.5%)	(610,942)	(1,787,848)
Tax on dividends from subsidiaries and associates	(4,212)	(40,064)
Provisions and impairment	(8,676)	(34,760)
Exempted investments income	1,750	(23,565)
Tax impact on treasury bills	3,514	848
Adjustments on other items	(74,109)	(122,232)
Previous years' tax differences	-	98,640
Tax on undistributed profit in subsidiaries and associates	(132,793)	(191,800)
Income tax expense (Note 23.1)	<u>(825,468)</u>	<u>(2,100,781)</u>
Effective tax rate	<u>30%</u>	<u>26%</u>

23.3 Movement of current income tax liabilities

	2023 EGP '000	2022 EGP '000
As at January 1,	2,444,108	929,489
Income tax paid during the year	(1,937,188)	(143,512)
Withholding tax receivable	(488,769)	(785,975)
Income tax for the year (Note 23.1)	3,724,932	2,484,140
Adjustment during the year	(51,735)	(40,034)
As at December 31,	<u>3,691,348</u>	<u>2,444,108</u>

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23 Taxation (continued)

23.4 Tax positions

Due to the nature of tax assessment process in jurisdiction where the Group is operating, the final outcome of tax liabilities are contingent upon the inspection and final assessment by the tax authorities. Below is a summary of the tax status of the significant components of the Group as at reporting date.

A. Ezz Steel Company

Corporate Tax

The Company was exempt from income tax for a 10 years' period from January 1, 1997 to December 31, 2006, in accordance with article No. (24) of Law No. (59) for 1979 related to development of the New Urban Communities.

The tax inspection was performed for the period from the Company's inception till December 31, 2017, and all taxes due were paid.

For the years from 2018 to 2019, the Company has filed the tax returns and has paid the related tax liabilities. However, the tax inspection is still in the process by relevant tax authorities.

For tax years from 2020 to 2022, the Company has filed the tax returns and has paid the related tax liabilities. Further, the Company has not been inspected by the relevant tax authorities yet for these periods.

Sales Tax and VAT

The tax inspection was performed for the period from the Company's inception till 2015, and all taxes due were paid.

The tax inspection was done for years from 2016 to 2020 and differences were settled by the tax authorities through deduction from the Company's credit balance.

For the years from 2021 to 2023, the Company has submitted monthly tax returns on time to the relevant tax authorities. However, the Company has not been inspected by the relevant tax authorities yet for these periods.

Salary Tax

The tax inspection was performed for the period from the Company's inception till 2018, and all taxes due were paid.

The tax inspection was performed for the years from 2019 to 2020 has been concluded and the settlement of difference identified is in process.

For the years 2021 and 2022, the Company has submitted annual tax forms and payroll reconciliations on time to the relevant tax authorities. However, the tax inspection is still in the process by relevant tax authorities.

For the year 2023, the Company has submitted annual tax forms and payroll reconciliations on time to the relevant tax authorities. However, the Company has not been inspected by the relevant tax authorities yet for this period.

Stamp Tax

The tax inspection was performed for the periods from inception till the end of December 31, 2020, and the tax resulting from the tax inspection and assessment were settled and paid to the relevant tax authorities.

For the period from 2021 to 2022 the Company paid all tax dues. However, the tax inspection is still in the process by relevant tax authorities.

For the year 2023, the Company paid all tax dues.

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23 Taxation (continued)

23.4 Tax positions (continued)

A. Ezz Steel Company (continued)

Property Tax

The tax assessment has been issued and paid up to December 31, 2021.

B. Al Ezz Dekheila Steel Company – Alexandria (EZDK)

Corporate Tax

The tax inspection was performed till December 31, 2017, and all taxes due were paid.

For the years from 2018 to 2019, EZDK has filed the tax returns in its legal periods and has paid the tax liability. However, the tax inspection is in process by relevant tax authorities.

For tax years from 2020 to 2023, EDZK has filed tax returns and has paid the tax dues. Further EDZK has not been inspected by the relevant tax authorities yet for these periods.

Sales Tax and VAT

The tax inspection was performed till 2020, and all taxes due were paid.

For the years from 2021 to 2023, EZDK has submitted monthly tax returns on time to the relevant tax authorities. However, EZDK has not been inspected by the relevant tax authorities yet for these periods.

Salary Tax

The tax inspection was performed for the period till 2016, and all taxes due were paid.

The tax inspection was performed for the years from 2017 to 2020 has been concluded and the settlement of difference identified is in process.

For the years from 2021 to 2023, EZDK has submitted annual tax forms and payroll reconciliations on time to the relevant tax authorities. However, EZDK has not been inspected by the relevant tax authorities yet for these periods.

Stamp Tax

The tax inspection was performed for the periods from inception till the end of December 31, 2020, and the tax resulting from the tax inspection and assessment were settled and paid to the relevant tax authorities.

For the years from 2021 to 2023, EZDK paid all tax dues.

Property Tax

The tax assessment has been issued and paid up to December 31, 2021.

Pending disputes: EZDK has submitted a request to the Agamy Real Estate Taxes Authority in order to benefit from the Prime Minister's Resolution No. 61 of 2022 which states that the Ministry of Finance will bear the tax on real estate built for industrial sectors. The request is currently in process.

C. Al Ezz Flat Steel (EFS)

Corporate Tax

The tax inspection was performed till December 31, 2019, and all taxes due were paid.

For tax years from 2020 to 2023, EFS has filed tax returns and has paid the tax liability. Further EFS has not been inspected by the relevant tax authorities yet for these periods.

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23 Taxation (continued)

23.4 Tax positions (continued)

C. Al Ezz Flat Steel (EFS) (continued)

Sales Tax and VAT

The tax inspection was performed till 2020, and all taxes due were paid.

For the years from 2021 to 2023, EFS has submitted monthly tax returns on time to the relevant tax authorities. However, EFS has not been inspected by the relevant tax authorities yet for these periods.

Salary Tax

The tax inspection was performed for the period till 2020, and all taxes due were paid.

For the years from 2021 to 2023, EFS has submitted annual tax forms and payroll reconciliations on time to the relevant tax authorities. However, EFS has not been inspected by the relevant tax authorities yet for these periods.

Stamp Tax

The tax inspection was performed for the period till December 31, 2020, and all taxes due were paid.

For the years from 2021 to 2023, EFS paid all tax dues.

Property Tax

The tax assessment has been issued and paid up to December 31, 2021.

D. Al Ezz Rolling Mills Company (ERM)

Corporate Tax

The Company was exempt from tax for the period from its inception till December 31, 1999, in accordance with article No. (24) from Law No. (59) for 1979 related to development of the New Urban Communities.

The tax inspection was performed till December 31, 2019, and there are no outstanding dues.

For tax years from 2020 to 2023, ERM has filed tax returns, but, not been inspected by the relevant tax authorities yet for these periods.

Sales Tax and VAT

The tax inspection was performed till 2020, and all taxes due were paid.

For the years from 2021 to 2023, ERM has submitted monthly tax returns on time to the relevant tax authorities. However, ERM has not been inspected by the relevant tax authorities yet for these periods.

Salary Tax

The tax inspection was performed for the period till 2020, and all taxes due were paid.

For the years 2021, 2022 and 2023, ERM has submitted annual tax forms and payroll reconciliations on time to the relevant tax authorities. However, ERM has not been inspected by the relevant tax authorities yet for these periods.

Stamp Tax

The tax inspection was performed for the period till December 31, 2020, and all taxes due were paid.

For the years 2021, 2022 and 2023, ERM paid all tax dues.

Property Tax

The tax assessment has been issued and paid up to December 31, 2021.

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24 Provisions

	Government and third parties' claims EGP '000	Employees lawsuits EGP '000	Total EGP '000
<i>December 31, 2023</i>			
As at January 1, 2023	610,417	1,955	612,372
Provisions formed during the year (Note 30)	847,858	50,000	897,858
Provisions utilized during the year	(120,593)	-	(120,593)
As at December 31, 2023	1,337,682	51,955	1,389,637
	Government and third parties' claims EGP '000	Employees lawsuits EGP '000	Total EGP '000
<i>December 31, 2022</i>			
As at January 1, 2022	555,547	1,955	557,502
Provisions formed during the year (Note 30)	228,817	-	228,817
Provisions utilized during the year	(173,947)	-	(173,947)
As at December 31, 2022	610,417	1,955	612,372

Provisions relate to claims expected to be made by authorities, employees and third parties in connection with the Group's operations and obligations. The provisions are re-assessed and reviewed by management at each reporting date and the amount provided is adjusted based on latest development, discussions and agreements with concerned parties.

25 Revenue from contracts with customers

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time. The Group disaggregate revenue by products line and by geographical location as disclosed in Note 38 (segment reporting).

B. Contract balances

	2023 EGP '000	2022 EGP '000
Contract assets - Trade and notes receivables – gross (Note 13)	3,232,244	6,282,676
Contract liabilities - Advances from customers (Note 22)	5,246,740	1,829,753

26 Cost of sales

	2023 EGP '000	2022 EGP '000
Raw materials consumed	91,811,644	44,452,101
Utilities	26,345,731	11,366,695
Spare parts and consumables	6,644,405	3,239,717
Indirect manufacturing overheads	3,699,694	1,078,141
Direct salaries and wages	3,421,982	2,641,201
Depreciation of property, plant and equipment (Note 6)	1,291,283	1,206,503
Maintenance	1,030,059	319,131
Provision for employees benefit obligations (Note 19)	27,515	38,056
Amortisation of intangible assets (Note 8)	5,123	5,123
Total manufacturing cost	134,277,436	64,346,668
Changes in finished goods and work in progress	(7,986,479)	647,323
	126,290,957	64,993,991

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27 Administrative and general expenses

	2023 EGP '000	2022 EGP '000
Salaries and wages	1,333,871	1,229,574
Insurance expenses	524,701	286,150
Legal and professional	348,665	90,025
Corporate social responsibility (CSR) expenses	172,293	18,826
IT expenses	76,462	39,017
Rent expenses	47,348	78,040
Entertainment expenses	40,247	32,519
Security and cleaning expenses	26,866	24,858
Repair and maintenance expenses	24,676	10,754
Depreciation of property, plant and equipment (Note 6)	20,115	18,440
Depreciation of Right-of-use-assets (Note 7)	18,125	18,125
Amortisation of intangible assets (Note 8)	11,375	10,152
Utilities	6,406	6,353
Provision for employees benefit obligations (Note 19)	5,741	7,673
Subscriptions and postage	7,726	16,267
Other expenses	162,107	53,622
	2,826,724	1,940,395

28 Selling and marketing expenses

	2023 EGP '000	2022 EGP '000
Exports related expenses	1,655,103	537,118
Advertising expenses	681,414	120,192
Salaries and wages	169,748	134,231
Freight	103,426	94,494
Market surveys	20,193	10,900
Provision for employees benefit obligations (Note 19)	1,945	2,691
Depreciation of property, plant and equipment (Note 6)	593	599
Other expenses	113,950	62,803
	2,746,372	963,028

29 Other operating income

	2023 EGP '000	2022 EGP '000
Scrap sales	314,757	123,751
Amounts recovered under settled claims	150,775	-
Others	88,946	52,140
	554,478	175,891

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30 Other operating expenses

	2023 EGP '000	2022 EGP '000
Donations	1,006,112	527,851
Provisions formed during the year (Note 24)	897,858	228,817
Impairment losses on non-financial assets (Note 13)	25,000	35,269
Provision for slow-moving and obsolete inventories (Note 11)	20,492	45,000
Losses on disposal of property, plant and equipment	6	490
Others	117,906	63,877
	<u>2,067,374</u>	<u>901,304</u>

Donations are in normal course of business of the Group and are generally made as part of "Corporate Social Responsibility" strategy for promotion of sports, education and welfare activities.

31 Finance income

	2023 EGP '000	2022 EGP '000
Interest income on time deposits and restricted bank balances	2,326,059	379,999
Interest income on treasury bills (Note 14)	149,090	34,175
	<u>2,475,149</u>	<u>414,174</u>

32 Finance cost

	2023 EGP '000	2022 EGP '000
Interest expense on borrowings and bank overdrafts	7,167,274	3,349,017
Interest on lease liabilities (Note 7)	10,935	14,009
	<u>7,178,209</u>	<u>3,363,026</u>

33 Foreign currency losses

	2023 EGP '000	2022 EGP '000
Realized foreign currency losses	13,332,536	2,239,459
Unrealized foreign currency losses	8,268,555	2,227,105
	<u>21,601,091</u>	<u>4,466,564</u>

33.1 Lack of exchangeability

The Group's management has assessed that there was lack of exchangeability between EGP and other currencies during the period from March 1, 2023 till March 6, 2024 and the Central Bank's official rates were not suitable for translation/conversion of foreign currency balances/transactions existing as at /occurring during that period to the following reasons:

- Egypt had severe shortages of foreign currencies during the year ended December 31, 2023, and these shortages resulted in huge gaps between demand and supply of these foreign currencies in the Egyptian market. In order to manage the situation, strict exchange controls measures were imposed by the Egyptian Government. This included suspension of retail foreign currency payments (either online or through credit/debit cards), suspension of foreign currency withdrawals from Egyptian Banks, imposition of limits on purchase of foreign currency exceeding a specified amount (amount varied depending upon the nature of operations of the entity), imposition of limits on payments of foreign currency abroad and restrictions on opening/settlement of foreign currency denominated letter of credits.

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33 Foreign currency losses - net (continued)

33.1 Lack of exchangeability (continued)

The presence of these Government-imposed controls, thereby prohibiting the exchange of EGP and foreign currencies or limiting the volume of foreign currency transactions was indicative of lack of exchangeability between EGP and other currencies and vice versa.

- The Group is primarily imports oriented and majority of its raw materials come from abroad. However, due to presence of the afore-said measures, the Group was neither able to obtain other than insignificant amounts of foreign currencies needed for its operations, nor it could easily open letters of credits at the Central Bank's official rate. Therefore, it had to resort to other foreign currency management tools including but not limited to payment to foreign suppliers in EGP and other available foreign currencies, obtaining additional borrowings in foreign currencies to fund its operations or arranging purchases of foreign currencies at exchange rates significantly higher than Central Bank's official rates. Therefore, the use of Central Bank's official rates for conversion/translation of foreign currency transactions/balances would result in consolidated financial statements being misleading to its users.
- Subsequent to the reporting date (refer Note 42 for details), the Central Bank of Egypt also implemented an exchange rate flexibility, allowing the value of the EGP to be regulated by market forces as an attempt to alleviate an already ailing economy. As the result of these measures, the EGP weakened by almost 60% i.e. from 30.9386 EGP/USD to 49.5743 EGP/USD. This also undermined the reliability of Central Bank's rates for use in conversion/translation of the afore-said transaction and balances and indicated the existence of lack of exchangeability between EGP and other foreign currencies during the afore-said period.

Estimated spot rates

The Group has estimated and used the following exchange rates for conversion/translation of foreign currency transactions and balances occurring during the year/existing as at December 31, 2023:

	AED	EURO	GBP	JPY	USD	CHF
<i>Closing exchange rates*</i>						
December 31, 2023	13.4980	54.9481	63.3163	0.3521	49.5743	59.3208
<i>Average exchange rates**</i>						
March	9.5004	37.9080	43.0647	0.2628	34.8900	38.1395
April	10.4191	42.1740	48.1114	0.2807	38.2565	42.7877
May	10.4173	40.8503	47.3003	0.2733	38.2565	42.0170
June	10.4159	41.7761	48.7694	0.2676	38.2565	42.7304
July	12.2515	49.6575	57.9015	0.3198	45.0000	51.7837
August	12.2515	49.2255	57.3030	0.3088	45.0000	51.2996
September	12.2520	47.5785	54.7515	0.3023	45.0000	49.1857
October	13.1182	51.1544	58.6324	0.3233	48.1817	52.9237
November	15.3498	61.9159	71.6453	0.3839	56.3692	64.4146
December	15.5458	63.2844	72.9221	0.4055	57.0953	67.8494

- * The Group has estimated the closing exchange rates as at December 31, 2023 by adjusting exchange rate as at March 6, 2024 (i.e. the date at which conditions indicating lack of exchangeability were removed) with certain factors including the prevailing interest rates, market expectations existing as at reporting date, expected changes in the economic condition occurring between December 31, 2023 to March 6, 2024.

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33 Foreign currency losses - net (continued)

33.1 Lack of exchangeability (continued)

Estimated spot rates (continued)

** Average exchange rates for the period from March 1, 2023 to December 31, 2023 have been estimated, using the following information.

- Indicative quotations obtained from financial institutions after adjustment for market conditions prevailing in the relevant periods.
- Exchange rates actually incurred by the Group on monthly basis i.e. Actual amount of EGP paid each month against total amount of foreign currency acquired during the relevant month.

Had the Group used the official Central Bank's exchange rate for conversion/translation of foreign currency transaction/balances for the year ended/as at December 31, 2023, the financial impact would have been as follows:

	Estimated rate EGP '000	Official Central Bank's rate EGP '000	Impact EGP '000
<i>Realized foreign currency losses</i>			
Net profit for the year	(13,332,536)	(11,653,079)	(1,679,457)
Total equity	(13,332,536)	(11,653,079)	(1,679,457)
<i>Unrealized foreign currency losses</i>			
Net profit for the year	(8,268,556)	(15,052,682)	6,784,126
Total equity	(8,268,556)	(15,052,682)	6,784,126

Carrying amounts of affected assets and liabilities and the related financial impact is quantified as follows:

	Estimated rate EGP '000	Official Central Bank's rate EGP '000	Impact EGP '000
Carrying amounts of assets	11,168,462	6,947,033	4,221,429
Carrying amounts of liabilities	(72,862,355)	(45,319,689)	(27,542,666)

The Group is not significantly exposed to any specific risks arising out of the estimation of spot exchange rate and using the same for translating the foreign currency balances. The Group's overall exposure to foreign currency risk is disclosed in Note 39.

34 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

	2023	2022
Profit attributable to owners of the Parent (EGP '000)	850,914	3,721,472
Weighted average number of ordinary shares in issue		
Ordinary shares in '000 (Note 16)	543,265	543,265
Treasury shares in '000 (Note 16)	(10,373)	(10,373)
Weighted average number of ordinary shares in issue ('000)	532,892	532,892
Basic earnings per share (EGP)	1.60	6.98

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34 Earnings per share (continued)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group does not have any categories of dilutive potential ordinary shares. Hence, the diluted earnings per share is equivalent to the basic earnings per share.

35 Related parties

The Group entered into several transactions with companies and entities that are included within the definition of related parties. The related parties comprise the Group' Board of Directors, their entities, companies under common control, and employees of senior management. Non-controlling interest are also considered by the Group as related parties.

Balances with related parties as at the reporting date are as follows:

	2023 EGP '000	2022 EGP '000
Amounts due from related parties		
<i>Entities under common control</i>		
<i>Trade receivables from related parties</i>		
Al Ezz for Trading and Distributing Building Materials (Note 13)	9,451	9,297
<i>Other receivables from related parties</i>		
Al Ezz Group Holding Company for Industry and Investment	871,242	-
Al Ezz for Ceramics and Porcelain	37,564	28,487
Ezz International	18,510	-
Gulf of Suez Development Company	62	11
	<u>927,378</u>	<u>28,498</u>
	<u>936,829</u>	<u>37,795</u>
Amounts due to related parties		
<i>Entities under common control</i>		
Al Ezz for Trading and Distributing Building Materials	12	12
Al Ezz Group Holding Company for Industry and Investment	-	56,584
	<u>12</u>	<u>56,596</u>

Transactions with related parties during the year are as follows:

	2023 EGP '000	2022 EGP '000
<i>Entities under common control</i>		
Funds transferred – net	929,467	-
Expenses reimbursements – net	25,551	(730)
Sales to related parties during the year	935	1,035
Purchases from related parties during the year	(335)	(34)

The management decides the terms and conditions of transactions and services provided from/to related parties, as well as other expenditures. The related parties' balances outstanding as at December 31, 2023 and 2022 are non-interest bearing and the terms of transactions occurred with the related parties during the year are not significantly different from those that could have been obtained from third parties.

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35 Related parties (continued)

Key management compensation

The amounts incurred by the Group as compensation to the Board Members and key management personnel during the years ended December 31, 2023 and 2022 are as follows:

	2023 EGP '000	2022 EGP '000
Salaries and other benefits	353,227	375,639

36 Commitments and contingent liabilities

36.1 Capital commitments

The Group has capital commitments of EGP 116 million as at December 31, 2023 (2022: EGP 79.05 million) in respect of capital expenditure.

36.2 Contingent liabilities

	2023 EGP '000	2022 EGP '000
Letters of credit	11,276,673	6,416,094
Letters of guarantee	5,498,620	343,769
	16,775,293	6,759,863

These represent letters issued by commercial banks in favour of other parties in relation to payments for materials and acquisition of property, plant and equipment imported during the year.

37 Cash flow information

37.1 Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities is disclosed in Notes 7 and 18. The details of proceeds from/repayments of borrowings during the year is disclosed as follows:

	2023		2022	
	Proceeds EGP '000	Repayments EGP '000	Proceeds EGP '000	Repayments EGP '000
Credit facilities (Note 18.5)	94,664,383	(65,217,800)	31,356,084	(36,150,918)
Term loans (Note 18.5)	6,328,066	(7,976,579)	3,264,993	(1,980,354)
	100,992,449	(73,194,379)	34,621,077	(38,131,272)

38 Operating segments

The Group operates across three segments in the market. No operating segments have been aggregated to form the below referred reportable operating segments. Inter-segment transactions arise in the normal course of business.

Segment	Revenue		Gross profit		Operating profit	
	2023 EGP '000	2022 EGP '000	2023 EGP '000	2022 EGP '000	2023 EGP '000	2022 EGP '000
Flat Steel	66,460,365	32,061,614	18,850,803	8,406,415	16,180,948	7,110,016
Rebar	94,818,406	50,835,655	16,533,123	9,856,176	12,195,957	7,582,262
Others	1,117,625	1,086,964	721,513	727,651	642,542	669,128
Total	162,396,396	83,984,233	36,105,439	18,990,242	29,019,447	15,361,406

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38 Operating segments (continued)

Operating profit is reconciled to net profit as follows:

	2023 EGP '000	2022 EGP '000
Operating profit	29,019,447	15,361,406
Finance income	2,475,149	414,174
Finance cost	(7,178,209)	(3,363,026)
Foreign exchange losses	(21,601,091)	(4,466,564)
Income tax	(825,468)	(2,100,781)
Net profit	1,889,828	5,845,209

The segment information disclosed in the table above represents the segment information provided to the Chief Operating Decision Maker of the Group.

Management has determined the operating segments based on the information reviewed by the Chief Operating Decision Maker of the Group for the purpose of allocating and assessing resources.

The Group's Chief Executive Officer is the chief operating decision maker and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

All of the segments' sales are made to external customers. The Group does not sell more than 5% of the total sales to a single customer.

Geographical segments

The assets and liabilities of the Group are geographically located in Egypt. Therefore, detailed disclosures have not been provided. Geographical location-wise disaggregation of revenue of the Group are as follows:

	2023 EGP '000	2022 EGP '000
Within Egypt	94,657,864	68,690,022
Outside Egypt	67,738,532	15,294,211
Total	162,396,396	83,984,233

39 Financial risk management

The Group's activities expose it to a variety of financial risks i.e. credit risk, market risk (including foreign exchange risk, price risk and cash flow interest rate risk) and liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group objectives, policies and processes for measuring and managing risks, and the Group management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group risk management framework. The Group risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group's management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

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Notes to the consolidated financial statements (continued)
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39 Financial risk management (continued)

The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Risk	Exposure arising from	Measurement	Management
Market risk - foreign exchange	Transactions not denominated in Egyptian Pounds	Cash flow forecasting, sensitivity analysis	by dealing with local banks which offer official exchange rates and matching of long and short positions in foreign currencies.
Market risk - interest rate	Long-term borrowing at variable rates	Sensitivity analysis	Investment in treasury bills and bank deposits
Credit risk	Cash and cash equivalents, trade receivables and financial assets at amortized cost	Aging analysis, credit ratings	Diversification of bank deposits, credit limits and governmental treasury bills
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

39.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. The Group is exposed to this risk for various financial instruments. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2023	2022
	EGP '000	EGP '000
Trade and other receivables	7,181,330	9,100,177
Treasury bills	1,513,822	566,332
Bank balances	31,792,885	12,726,080
Total	40,488,037	22,392,589

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk has less of an influence on credit risk.

The Group seeks to limit its credit risk with respect to counter parties by setting various credit limits and monitoring outstanding receivables. Adequate follow up procedures are followed for the recovery of receivables as per the terms of the contracts.

Most of Group's revenue is represented in sales transactions with many customers with close values for each customer. Hence, there is no concentration of credit risk on specific customers.

Impairment of trade and other receivables

The Group applies simplified approach available in IFRS 9 for measuring the expected credit losses which uses a lifetime expected loss allowance for all the trade and notes receivables.

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39 Financial risk management (continued)

39.1 Credit risk (continued)

Trade and other receivables (continued)

Impairment of trade and other receivables (continued)

Other receivables (deposits and letters of credit) are considered to have low credit risk as these are either due from public sector companies or financial institutions having reputable credit ratings. Therefore, the loss allowance recognised on these receivables is based on the 12 months expected loss.

To measure the expected credit losses, these financial assets have been grouped based on shared link characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2023 or January 1, 2023, respectively, and the corresponding historical credit losses experiences within this period. The historical loss rates are adjusted to reflect the current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The loss allowance as at December 31, 2023 and December 31, 2022 was determined as follows:

	Total EGP '000	Neither past due not impaired EGP '000	Past due but not impaired				
			<30 Days EGP '000	31 - 90 Days EGP '000	91 - 180 Days EGP '000	181 - 360 Days EGP '000	> 360 Days EGP '000
December 31, 2023							
Expected loss rate	0.56%	0.00%	0.32%	0.00%	12.55%	0.34%	100%
Gross carrying amount	7,221,889	7,059,958	20,719	14,320	26,062	63,872	36,958
Loss allowance	40,559	43	66	-	3,272	220	36,958
	Total EGP '000	Neither past due not impaired EGP '000	Past due but not impaired				
			<30 Days EGP '000	31 - 90 Days EGP '000	91 - 180 Days EGP '000	181 - 360 Days EGP '000	> 360 Days EGP '000
December 31, 2022							
Expected loss rate	0.44%	0.00%	0.02%	0.02%	1.05%	3.93%	100.00%
Gross carrying amount	9,140,736	8,642,498	352,022	62,502	17,761	26,756	39,197
Loss allowance	40,559	44	69	12	186	1,051	39,197

Treasury bills

Treasury bills are issued by the government and are considered with a high credit rating.

Cash at banks and short-term bank deposits

Credit risk relating to bank balances and short-term bank deposits arises from the risk that the counterparty becomes insolvent, and accordingly, is unable to return the deposited funds. To mitigate this risk, wherever possible, the Group conducts transactions and deposits funds with financial institutions with high investment grade and reasonable and acceptable credit ratings.

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39 Financial risk management (continued)

39.2 Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign exchange risk

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate.

The Group is exposed to currency risk on transactions denominated in a currency other than the respective functional currencies of the Group, primarily the U.S. Dollars (USD) and Euro. In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level through purchase or sale of the foreign currencies with current prices necessary to cover mismatch of currency positions.

As at year end, major financial assets/(liabilities) in foreign currencies were as follows:

	2023			2022
	Assets	Liabilities	Net	Net
	EGP '000	EGP '000	EGP '000	EGP '000
United States Dollars (USD)	10,743,139	(69,172,217)	(58,429,078)	(21,285,796)
Euros	415,826	(3,570,967)	(3,155,141)	(1,376,643)

Sensitivity analysis

The following table details the Group's sensitivity to a 30% (2022: 30%) increase and decrease in EGP against the relevant foreign currencies with all other variables held constant. 30% (2022: 30%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 30% (2022: 30%) change in foreign currency rates. A positive number below indicates an increase in profit or equity where EGP strengthens 30% (2022: 30%) against the relevant currency. For a 30% weakening of EGP against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	Effect on profit and equity	
	2023	2022
	EGP '000	EGP '000
United States Dollars (USD)	17,528,723	6,385,739
Euro	946,542	412,993

Other market price risk

Other market price risk is the risk that changes in market prices, such as equity prices, will affect the Group's results or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Cash flow interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by short term treasury bills and bank deposits which are renewed with the applicable interest rate at the time of renewal. Borrowings measured at amortised cost with variable rates do not expose the group to fair value interest rate risk.

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39 Financial risk management (continued)

39.2 Market risk (continued)

Cash flow interest rate risk (continued)

As at reporting date, the interest rate profile of the Group's financial instruments is as follows:

	2023 EGP '000	2022 EGP '000
<i>Financial instruments with variable interest rates</i>		
Financial assets - bank deposits	6,432,394	1,103,181
Financial assets – treasury bills	1,513,822	566,332
Financial liabilities – borrowings	(68,507,424)	(32,770,188)
Net exposure	(60,561,208)	(31,100,675)

Sensitivity analysis

The following table illustrates the sensitivity of the Group's profit and closing equity to a reasonably possible change in interest rates of $\pm 5\%$ (2022: $\pm 2\%$) with all other variables held constant. These changes are considered to be reasonably possible based on observation of current market conditions.

The sensitivity analysis includes only outstanding variable interest-bearing financial assets and liabilities and discloses the period end impact for a 5% (2022: 2%) change in the variable rate component of interest. Positive figures represent an increase in profit or equity.

	Decrease in interest rate		Increase in interest rate	
	Profit EGP '000	Equity EGP '000	Profit EGP '000	Equity EGP '000
2023 (5%)	3,028,060	3,028,060	(3,028,060)	(3,028,060)
2022 (2%)	622,013	622,013	(622,013)	(622,013)

39.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that the sufficient cash on demand to meet expected operational expenses for a suitable period, including the service of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Maturities of financial liabilities

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

	Within 1 year EGP '000	1 to 5 years EGP '000	More than 5 years EGP '000	Total EGP '000
<i>December 31, 2023</i>				
Borrowings	42,461,487	26,045,937	-	68,507,424
Trade and other payables	29,634,886	4,487,620	-	34,122,506
Bank overdraft	218,442	-	-	218,442
Lease liabilities	41,591	-	-	41,591
	72,356,406	30,533,557	-	102,889,963

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39 Financial risk management (continued)

39.3 Liquidity risk (continued)

Maturities of financial liabilities (continued)

	Within 1 year EGP '000	1 to 5 Years EGP '000	More than 5 years EGP '000	Total EGP '000
<i>December 31, 2022</i>				
Borrowings	17,034,756	12,070,673	3,664,759	32,770,188
Trade and other payables	17,058,656	3,121,114	-	20,179,770
Bank overdraft	638,717	-	-	638,717
Lease liabilities	38,704	38,704	-	77,408
	<u>34,770,833</u>	<u>15,230,491</u>	<u>3,664,759</u>	<u>53,666,083</u>

Loan covenants

Under the terms of the major borrowing facilities, the Group is mainly required to comply with the following financial covenants:

- Current ratio should not be less than 1
- Net debt to EBITA should not exceed 3 times of total debt;
- Debt coverage ratio should not be less than 1:1;
- Financial leverage should not exceed the range of 3.0:2.5;
- The cash operating profit after tax over finance cost ratio should not be less than 1 time of the total payments;
- Receivable Cover ratio at least 1.4:1; and
- Consolidated cash should not be less than EGP 1.85 billion or USD 80 million whichever is higher.

As at December 31, 2023 and 2022, the Group was in compliance with the debt covenants.

39.4 Capital management

The Group's objectives when managing capital is to safeguard their ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Board of Directors' policy is to maintain a strong capital base so as to maintain the confidence of its investors, creditors and the market and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Board also monitors the level of dividends paid to shareholders.

There were no changes in the Group's approach to capital management during the period. The Group is not subject to externally imposed capital requirements. Equity is measured at EGP 1,218.1 million as at December 31, 2023 (2022: Deficit of equity amounted to EGP 653.3 million)

40 Fair value measurement

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

The fair value measurement is based on the presumption that the transaction to sell the asset or pay the liability takes place either:

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

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40 Fair value measurement (continued)

The Group should be able to have access to the principal market or the most advantageous market. In the absence of principal market, the Group does not need to conduct a thorough search of possible markets to determine the principal or the most advantageous market. However, the Group takes into consideration all information reasonably available.

The below shows the financial assets and liabilities at fair value in the consolidated financial statements as at December 31, 2023 and 2022 within the hierarchy of the fair value, based on the input levels that are considered to be significant to the fair value measurement as a whole:

Level 1 -	Inputs of quoted prices (unadjusted) in active markets for identical assets or liabilities which the Group can have access to at the date of measurement.
Level 2 -	Inputs other than quoted prices included within level I that are observable for the asset or liability, either directly or indirectly.
Level 3 -	Unobservable inputs of the asset or the liability.

The fair values of financial instruments are not materially different from their carrying values. The fair value of financial assets and liabilities are considered at the amount at which the instrument could be exchanged in a current transaction between willing parties.

The following methods and assumptions were used to estimate the fair values:

- Cash and bank balances, treasury bills, trade receivables, other financial assets, amounts due from related parties, trade and other payables and amounts due to related parties approximate their carrying amounts, largely due to the short-term maturities of these instruments.
- For borrowings, fair value is approximately equal to the carrying amount since these bear variable interest rate that approximate the market prevailing rates.
- Fair value of financial assets at FVOCI has been disclosed in Note 10.

41 Delisting of Al Ezz Dekheila Steel Company – Alexandria (EZDK)

On August 5, 2023, the shareholders of Al Ezz Dekheila Steel Company – Alexandria (EZDK) resolved for voluntary delisting of EZDK's shares from the Egyptian Stock Exchange. In pursuance with the resolution, minority shareholders were provided an opportunity to sell off and surrender their shareholding at exercise price of EGP 1,250 per share within a period of 3 months from resolution date. The fund required to purchase the shares from the minority shareholders was deposited by the Group in a separate bank account under the control of the regulatory authority in accordance with relevant Egyptian Laws and Regulations.

As at December 31, 2023, 6,940,595 shares had been transferred from the minority shareholders' names to a special account under the relevant Egyptian law and regulations. Based on the relevant laws and regulations, the management has assessed that this amount paid on buying back the shares from minority shareholders will be recognised as receivable until the decision for their final disposal is taken.

42 Subsequent events

- The Central Bank's Monetary Policy Committee decided at its meeting on Thursday, February 1, 2024, to raise the overnight deposit and lending rates and the Central Bank main transaction by 200 basis points to 21.25%, 22.25% and 21.75%, respectively. Also, credit and discount rates had been raised by 200 basis points to reach 21.75%.
- The Central Bank's Monetary Policy Committee decided at its meeting on Wednesday, March 6, 2024, to raise the overnight deposit and lending rates and the Central Bank main transaction by 600 basis points to 27.25%, 28.25% and 28.75%, respectively. Also, credit and discount rates had been raised by 600 basis points to reach 27.75%.

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42 Subsequent events (continued)

- On Wednesday, March 6, 2024, the Central Bank also implemented an exchange rate flexibility, allowing the value of the Egyptian pound to be regulated by market forces as an attempt to alleviate an already ailing economy. As the result of these measures, the EGP weakened by almost 60% i.e. from 30.9386 EGP/USD to 49.5743 EGP/USD.
- In pursuance with applicable laws and regulations, the shareholders of the Company resolved, in the extra ordinary general meeting held on July 8, 2024, to cancel 910,481 treasury shares (with an acquisition value and a face value of EGP 10.38 million and EGP 4.55 million respectively) outstanding as at December 31, 2023.
- On August 8, 2024, a notice of anti-dumping investigations was initiated by European Trade Commission in respect of imports of hot-rolled flat steel originating in certain countries including Egypt. The investigations were initiated based on a complaint submitted by the European Steel Association (EUROFER) to the relevant authorities in Europe. As the Group is the sole exporter of hot rolled flat steel to the European Union from Egypt, certain data may be required to be provided in relation to its exports to the investigating authorities. The investigations are currently ongoing and the outcome of the same shall be determined by the management in due course, once further information is received from investigating authorities.