NATIONAL MARINE DREDGING COMPANY PJSC

Reports and consolidated financial statements for the year ended 31 December 2023

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for the year ended 31 December 2023

Directors’ Report & Management Discussion and Analysis

The Board of Directors of National Marine Dredging Company (“NMDC” or the “Group”) have the pleasure of presenting the 2023 Annual Report along with the audited financial statements as at and for the year ended 31 December 2023.

Highlights

- 2023 will be engraved in the NMDC Group history as a special year, one in which the Group crossed the AED 2 billion net profit mark after two consecutive years of crossing the AED 1 billion threshold. The Group doubled its net profit after almost three years into the merger with NMDC Energy (formerly known as National Petroleum Construction Company (“NPCC”)) which took place on 11 February 2021.

- This year's exceptional financial performance, marked by a remarkable increase in both revenues and net profits, is not just a testament to our financial success but also reflects our commitment to strategic goals and momentum in growth. Our dedication to delivering dynamic, high-quality services has solidified our global presence in executing pivotal strategic projects, contributing significantly to comprehensive economic development in the markets in which we operate.

- In FY2023, NMDC reported total revenues of AED 16.7 billion, a 56% surge from the previous year’s AED 10.7 billion. This upward trajectory is further mirrored in the Group's net profits, which soared to AED 2.15 billion, marking a 65% increase from the AED 1.3 billion achieved in 2022.

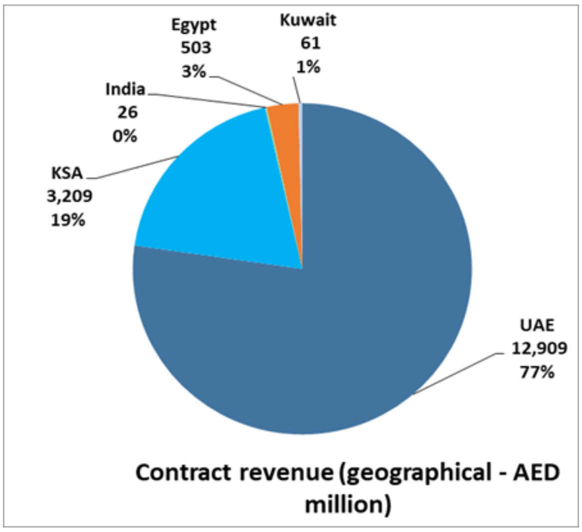
- The Group's assets reached a value of AED 20.8 billion in 2023 from AED 16.0 billion in 2022, coupled with an extensive order backlog valued at AED 54 billion. These figures are a testament to NMDC’s robust development initiatives and strategic geographic expansion, further enhancing its leadership in engineering, procurement, construction, and marine dredging sectors.

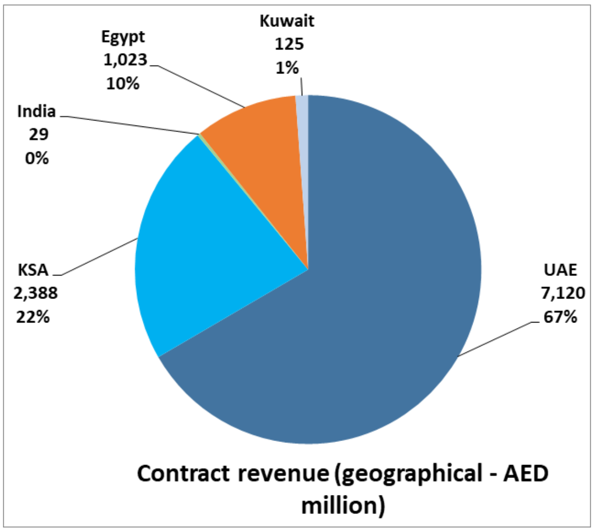
- NMDC Group is continuously spreading its wings, raising its ambition and actively participating in the Marine and EPC markets, which is reflected in the diversified portfolio of projects in hand.

- The Geographical spread of the Group's consolidated revenue of AED 16,708 million (2022: AED 10,685 million) presented in the pie chart below represents the Group's strong presence in Middle East and North Africa (MENA) region.

FY Dec' 2023

FY Dec' 2022





- **As a testament to its continuing growth, the Group has been awarded a number of new projects in 2023 and in 2024, as summarised below:**

  FY2023

  - Al Hudayriyat Island PDA – Enabling Works Package – Dredging, Grading and Filling and Ground Improvement Works awarded by The Modon Properties.
  - Estidama-Sales Gas Pipeline Network Enhancement project - ADNOC Gas Processing - EPC of pipeline and associated facilities to transport Sales Gas from Habshan to customers in Northern Emirates. This project is awarded in consortium with C.A.T International LTD - Abu Dhabi Branch.
  - Abu Dhabi National Oil Company "ADNOC" - EPC works for Installation of Seven (7) Jackets.
  - ADNOC Gas awarded (MERAM) Maximizing Ethane Recovery and Monetization in partnership with Tecnicas Reunidas. The Group has 50% share in this contract.

- EPC works for replacement of 125 km of 20" Main Oil Line (MOL) from Umm Lulu to Zirku Island awarded by ADNOC Offshore.

- ADNOC has awarded the Group the EPC contract for the Hail & Ghasha offshore development project as a joint venture with Italian oilfield services company Saipem. The Group has a 50% share in this contract.

January 2024

- ADNOC has awarded NMDC a project for the construction of Al Nouf Artificial Island, and to Das Island Reclamation project for TAMKEEN.

- NPC "National Projects & Construction LLC" has awarded the Group a project for the first phase of the Tilal Al Reem project.

- **Other events/highlights**

  - NMDC Group has earned a spot on the Forbes Middle East list of the top 100 sustainability leaders in the region, ranking second in the construction field.

  - NMDC Group CEO Eng. Yasser Zaghloul has been recognised and listed 18th among the Top 100 CEO's in the region, as ranked by Forbes Middle East. This prestigious accolade is a testament to his dedication, strategic vision, and tireless commitment to our success.

  - NMDC Energy (formerly known as National Petroleum Construction Company ("NPCC")), a subsidiary of NMDC, has been ranked the number one EPC Company in the Middle East, consecutively for the second year.

  - The Group has signed a MOU with Abu Dhabi Chamber of Commerce and Industry to engage Abu Dhabi based suppliers in key strategic projects as part of its support and to increase in-country value. As a result of the same, the "Let's Grow Together" initiative will be launched in order to improve the supplier awareness of market demands.

  - As part of the Group's International presence, the Group has actively participated in the Egypt Petroleum Show, in addition to MARLOG in Alexandria Egypt, to further strengthen its presence in the Egyptian market.

  - The Group has signed an MOU with Modon properties for all future projects as part of our commitment to continue delivering transformational projects that enhance the special features of Abu Dhabi and support its economic growth and prosperity.

- **Other events/highlights (continued)**

  - The Group has been allotted 109.6 million shares as a cornerstone investor in ADNOC Logistics & Services.

  - The Group has actively participated as a key sponsor of ADIPEC 2023, the world's largest energy exhibition and conference where it showcased its pioneering efforts in leading marine industry towards sustainability and decarbonization. The Group signed several MOU's and agreements during this event.

Financial Results

The Group achieved revenues of AED 16,708 million and net profits of AED 2,154 million for the year 2023 as compared to revenues of AED 10,685 million and net profits of AED 1,304 million in 2022.

On achievement of this exceptional performance, the Director's have proposed a dividend of AED 618,750 thousand, representing 75% of the Share Capital.

Financial Position

The Group's total assets reached a value of AED 20.8 billion at the end of the year 2023, which is an increase of 30% from the year 2022. The growth is on account of significant increase in operations, investment in machinery and equipment.

The Group's equity stands at AED 8,604 million at end of the year 2023, which is an increase of 32% from the year 2022. The growth is primarily on account of profits earned in the year 2023.

In 2023 Group maintained a debt-to-equity ratio at 17% which is lower than in 2022 due to reduction in debt on account of repayments and increase in equity value as mentioned above.

Capital Expenditure

In order to deliver our clients with services to the highest standard, we continue to invest in latest technologies, machinery and equipment that would support the future execution of large, complex projects and improve our margins. Accordingly, we have invested AED 1,197 million in fixed assets in the year 2023 compared to AED 821 million in the year 2022. The majority of the capital expenditure in 2023 relates to costs incurred on acquiring a new vessel, development of fabrication yard, and dry docking/upgrade of existing dredgers/support equipment.

Fleet

The Group currently owns a marine fleet of more than 120 vessels consisting of:

- 23 dredgers + 3 floating booster stations
- 3 Dynamic Positioning (DP2/DP3) Derrick / Pipelaying barges (with 4,200t -2,000t lifting capacity & more than 300 pax accommodation each
- 3 towed Derrick / Pipelaying barges
- 4 Self Elevating Platform work barges
- 90+ other support craft (Tugs, Barges, Multicats, Accommodation barge, etc)
- Extensive range of land based equipment (Excavators, cranes, generators, etc)

Following the merger, cross utilization of the fleet between the main business units is a key element of the Group's fleet management strategy to ensure the maximization of utilization and cost effective work execution on our portfolio of projects.

In addition to the above, the Group operationally controls (ownership transfer in process) 1 large cutter suction dredger and 9 other dredgers.

Information Technology

During the year 2023, NMDC Group has demonstrated noticeable achievements in all areas. It has automated many business processes to increase efficiency, enable decision making, enhance business users' experience and implemented new solutions to enhance service delivery. The most significant IT project in progress is the **ERTIQAA** business transformation program which will enable employees and clients to unlock value and transcend on the path of becoming a gold standard of productivity and performance. Set out below are the major achievements during the year:

- AVEVA ERM Phase 1 A project live.
  - The AVEVA ERM system maintains project related data from commencement up to completion. Governing sectors are Engineering, Procurement, & Construction. Engineering is already implemented, while Procurement and Construction will be implemented in March 2024.

- Mobile Development
  - Mobile Development (Phase 1) involves creating a mobile application for both iOS and Android platforms. The app's purpose is to streamline various daily employee activities, including NMDC's Employee Leave requests, Timesheet management, Gate pass processing, and more.

Information Technology (continued)

- CRM (Customer Relationship Management) Application
  - Strengthens the relationship between NMDC Group and its customers. Track customer interactions and feedback, identify areas for improvement, and personalize the customer experience.

- DMS Implementation across the NMDC Group
  - DMS Implementation (Phase 2) aims to roll out NMDC's Document Management system across the entire group, encompassing both projects and corporate departments. This involves replacing the existing DMS with the new G-DMS, enabling us to leverage the enhanced features and functionalities of the new system.

- NMDC GPT
  - AI-powered chatbot developed in house. It's based on a large language model and specializes in having engaging, human-like conversations to provide informative and comprehensive answers. It assists with various tasks, such as composing emails, and remaining documents.

Quality, Health, Safety and Environmental ("QHSE")

The year 2023 proved noteworthy for the QHSE department, marked by significant achievements and the establishment of synergy through the integration and fusion of the department across the business units (BU). This effort facilitated the announcement of NMDC-Group QHSEMS and practices. Additionally, the majority of the group- processes are mapped.

Strategic targets and initiatives are successfully met, aligning with our commitment to enhance our capacity to meet the expectations of both internal and external stakeholders. These efforts aimed to support business improvement initiatives and contribute to the positive impact on NMDC Group's overall financial performance.

Key achievements:

- All business units within NMDC Group have successfully passed the ISO 14001, ISO 45001, and ISO 9001 surveillance audits, along with OSHAD-SF, recording ZERO Non-Conformances (NCRs).
- NMDC Group recorded an impressive 0.05 for Lost Time Injury Frequency Rate (LTIFR) and 0.39 for Total Recordable Injury Frequency Rate (TRIR), surpassing our established benchmark.
- NMDC Group has completed the surveillance audit for ANAB certification (ANSI National Accreditation Board). NMDC Group is also accredited by OPITO. Furthermore, the inclusion of IOSH accreditation for Managing Safely is part of our training plan for new key personnel joining NMDC Group.
- NMDC Energy maintained weld repair rate lower than last year and significantly below the industry standard of 5%.
- Maintained an outstanding Project Quality Index above 93% (ARAMCO stretched target).

Quality, Health, Safety and Environmental ("QHSE") continued

Key actions to elevate QHSE culture

- The QHSE Department successfully conducted over 715K QHSE training hours and executed 7 major HSE campaigns led by the corporate team.
- Conducted +100 Internal QHSE Audits across all departments, projects, and marine units as part of our Quality Assurance Program to ensure high-quality services.
- Management made 373 high-profile QHSE tours and site visits during 2023.
- The QHSE team conducted 13,823 Behavioural Safety Audits across all projects within NMDC Group to reinforce our safety culture and emphasize Safety as our top priority.

Our Competitive Strengths

We believe that we are well positioned to maintain and enhance our leadership position in the markets that we operate in, on account of our competitive strengths, some of which are:

The largest integrated EPC and Dredging company in the region
The merger transformed the NMDC Group into the leading integrated EPC company in the region, with increased scale, revenue and cost synergies, access to wider markets and revenue diversification (segmental, geographic and client base), and strong capabilities across the value chain to support future expansion plans.

Largest Portfolio of Marine Assets in the UAE
The Group owns a dredging and marine construction fleet consisting of 23 dredgers with capacities ranging from 1,795 KW to 26,100 KW, including two Trailing Suction Hopper Dredgers with capacities of 6000m3 and 8000m3.In addition, the Group owns 2 Dynamic Positioning (DP2/DP3) Derrick / Pipelaying barges (with 4,200t & 1,600t lifting capacity and more than 300 pax accommodation each, 1 Self Propelled Heavy Lift (With 2,500t lifting capacity with 240 pax accommodation), 3 towed Derrick / Pipelaying barges, and 4 Self Elevating Platform work barges.

These vessels are supported by a fleet of modern marine equipment such as tugs and multicat crafts, and ably assisted by A-Frame and barges wherever necessary. As part of NMDCs strategy, it continually reviews and expands its fleet to meet the demands of our customers, facilitate international expansion and provide a first class service on projects sanctioned.

Strong relationships with Customers
EPC Contracting and Dredging and Marine Construction are our main activities positioning us at the top as one of the largest players in the region, with an established track record and strong relationships with many customers in the region. Today our operations are highly-sophisticated, and the latest technology helps us meet our customer needs, and exceed their expectations.

Our strategic objectives

As a Group, we are committed to high quality and sustainable growth. Our strategy is underpinned by strategic objectives which consequently are each supported by many underlying initiatives:

- Cherish current markets
- Enter New Markets and Segments
- Strengthen Government, Client and Investor relations
- Improve Operations
- Control Projects
- Commit to Sustainability

These strategic objectives can only be accomplished when we assure that our internal operations are state-of-the-art from all aspects, therefore we will focus for the coming year on the following strategic enablers:

1. State-of-the-Art Systems
2. Motivated and skilled People
3. Efficient M&A

Internal control systems and their adequacy

The Company's internal control system is established to ensure that the Board and Management are able to achieve their business objectives in a prudent manner, safeguarding interests of the Company's shareholders and other stakeholders, whilst at the same time minimizing key risks such as fraud, unauthorized business activity, misleading financial statements, un-informed risk-taking, or breach of legal or contractual obligations, and also ensuring highest quality achieved in a safe and sustainable environment.

The guidelines for design and implementation of the internal control systems is provided by the Company's approved Corporate Governance Manual and applicable regulations. The Board and its Committees provide oversight on the systems, and the Management is responsible for ensuring that adequate internal controls (both financial and operational) are in place and applied to safeguard and manage the assets of the Company, in an effective and efficient manner.

The Company's internal control is designed to mitigate, not eliminate, significant risks faced. It is recognized that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss.

Internal control systems and their adequacy (continued)

This is achieved within the Company through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, assurance and control functions such as External Audit, Internal Audit, Ethics & Compliance, Risk Management, Quality and HSE. These ongoing processes, which comply with leading practices and the Corporate Governance Guide, were in place throughout the year under review and up to the date of approval of the annual report and financial statements.

During the year 2023, the Company was subject to the following independent assessments and improvement initiatives on its internal control system:

Annual external audit and interim reviews of NMDC Group consolidated financial statements through Deloitte, a professional services firm. The external audit work covers assessment of internal controls over financial reporting, although the same does not entail expressing an opinion on the effectiveness of the Company's internal controls.

Process reviews of NMDC Group business processes and functions through the Internal Audit Function, according to an Internal Audit Plan approved by the Audit Committee. The scope of internal audit for the year 2023 covered both core and support processes at NMDC Group, and were prioritized in accordance with Risk Analysis Methodology.

Compliance program was further strengthened by conducting fraud awareness workshops for employees across the group and via internal communications on code of business conduct and whistleblowing awareness.

Enterprise Risk Management practice is a crucial pillar for achieving NMDC Group desired business objectives, maintaining sustainability, and protecting all stakeholders interests efficiently and effectively, and therefore Risk Management practice is applied at the strategic level, corporate level and project levels across the Group.

The NMDC Group ERM framework and associated ERM policy was enhanced in 2023 along with the formation of a Group project Control & Risk Management department at the corporate level. The framework and policy were approved subsequently by the executive management. While global risks are intensifying with geopolitical tensions combined with technology driving new security risks, NMDC Group Risk Management Practice aims to enforce business sustainability and continuity by providing the means and mechanism to proactively manage and control threats and opportunities.

The Board met its internal control responsibilities in 2023 by reviewing presentations on independent assessments that were conducted, discussing control issues at Board meetings and reviewing the detailed reports from Board Committees, and found that the internal control environment was satisfactory for 2023. During 2023, the Company did not face any major issue requiring disclosure in any report or to the market.

Emiratization

Emiratization is a key performance indicator of NMDC Group vision and mission for the past years and surely for year 2023 across all its business units.

NMDC Group provides opportunities to Emiratis across the group, be it in office-based roles; or project-based role, onshore & offshore.

The Group is always striving to ensure Emiratization efforts are across all levels in the organization. For this through its Dredging Academy, the Dredging & Marine business units targets undergraduates Emiratis to prepare them for a career in the Dredging world. Similarly, our Energy BU welcomes yearly a good number of fresh graduates' engineers in various disciplines for its projects, and undergraduates for technician work at yards & workshops.

NMDC Group has collaborated with Government entities, universities and institutes to hire UAE Nationals in the EPC O&G construction and maritime transport industry through its fresh graduate engineering program.

In addition, the recruitment team prioritizes the selection of UAE nationals for all required vacancies across the group.

As of 2023, U.A.E Nationals constitute 9.6% of the organization workforce, with plans to keep increasing in the coming years.

NMDC
GROUP

ACKNOWLEDGMENT

On behalf of the Board, I wish to express our appreciation for the support and cooperation of the financial institutions, suppliers, subcontractors, business associates and government authorities and expect the same in future for sustaining the Group's growth rate. The Board would like to place on record its appreciation of the hard work, commitment and unstinting efforts put in by the Group's employees at all levels.

Mohammed Thani Murshed Al Rumaithi
Chairman

P.O.Box: 3649
Abu Dhabi - U.A.E.
01
MARINE DREDGING CO.

Deloitte & Touche (M.E.)
Level 11, Al Sila Tower
Abu Dhabi Global Market Square
Al Maryah Island
P.O. Box 990
Abu Dhabi
United Arab Emirates

Tel: +971 (0) 2 408 2424
Fax:+971 (0) 2 408 2525
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL MARINE DREDGING COMPANY PJSC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of National Marine Dredging Company PJSC (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of consolidated financial statements of the current period. These matters were discussed 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. The key audit matters are stated below:

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The Group reported revenue of AED 16,708 million during the year ended 31 December 2023. Revenue recognition is considered to be a key area of focus given there are multiple revenue streams associated with the Group which come from various decentralized operational locations. The Groups business involves entering into contractual relationships with customers to provide a range of services with a significant proportion of the Group's revenues and profits derived from long term contracts. Revenue is quantitatively significant to the consolidated financial statements and requires management to apply significant judgements and make significant estimates when determining the amount of revenue to be recognised. The significant judgements applied and estimates made in applying the Group's revenue recognition policies to long-term contracts entered into by the Group include determining the stage of completion, the timing of revenue recognition and the calculation of the percentage of completion. The nature of these judgements results in them being susceptible to management override with a consequential impact of revenue being recognised in an incorrect period. Consequently, we considered revenue recognition to be a key audit matter. The Group's revenue recognition accounting policy is included in note 3 to the consolidated financial statements.	We performed the following procedures, inter alia, in respect of revenue recognition: • We obtained an understanding of the business process flow and performed walkthroughs to understand the key processes and identify key controls; • We assessed the key controls over revenue to determine if they had been designed and implemented appropriately and tested these controls to determine if they had been operating effectively throughout the year; • We performed audit procedures which included inspecting a sample of contracts, reviewing for variation orders, retrospectively reviewing estimated profit and costs to complete and enquiring of key personnel regarding potential contract losses; • For material contracts identified, we have reviewed the contract terms and verified assumptions made in determining the amount of revenue to be recognised, including consideration of discounts, performance penalties and other cost implications of the contract; • We performed analytical procedures by comparing the gross margins for the different types of revenue streams to the prior year. If we identified an unexpected margin, we carried out more focused testing on these revenue streams; • We performed procedures to assess whether the revenue recognition criteria adopted by Group is appropriate and is in accordance with the Group's accounting policy and the requirements of IFRS Accounting Standards; • We performed testing over manual journal entries posted to revenue to assist us in identifying unusual or irregular transactions; and • We assessed the disclosure in the consolidated financial statements relating to revenue recognition against the requirements of IFRS Accounting Standards.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of trade and retention receivables and contract assets	
Gross trade and retention receivables and contract assets as at 31 December 2023 were AED 2,845 million and AED 4,492 million respectively, against which expected credit loss ("ECL") allowances of AED 28 million and AED 23 million were recorded, as reflected in notes 13 and 14. These assets represent 35% of the total assets presented in the consolidated statement of financial position and include balances of AED 383 million which had been outstanding for more than 180 days from the reporting date. Further, contract assets include AED 500 million which represents revenue recognised based on unsigned or verbal contracts. The Group assesses at each reporting date whether the financial assets carried at amortised cost are credit-impaired. Management has applied the simplified approach for measurement of ECL allowances relating to trade receivables and contract assets whereby the ECL allowance is measured at an amount equal to lifetime expected credit losses. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends relating to the Group's trade collections experience. The directors apply significant judgement and make significant estimates when determining how much to record as the ECL allowance. Consequently, together with the significant delays in collecting trade receivables, we have considered the carrying amount of trade receivables and contract assets to be a key audit matter. The Group's disclosures relating to this matter are included in notes 3 and 4 to the consolidated financial statements.	We performed the following procedures in relation to the allowance for ECL: • We obtained an understanding of the process of measurement of the allowance for ECL; • We identified the relevant controls over the determination of the allowance for ECL; • We assessed these controls to determine if they had been designed and implemented appropriately; • We compared the ECL model developed by management against the requirements of IFRS Accounting Standards and reviewed the methodology against accepted best practice; • We tested the arithmetical accuracy of the model; • We tested key assumptions, such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also considered the incorporation of forward looking factors to reflect the impact of future events on expected credit losses; • We agreed the results of the output of the ECL model developed by management to the amounts reported in the consolidated financial statements; and • We assessed the disclosure in the consolidated financial statements relating to this matter against the requirements of the IFRS Accounting Standards.

Other Information

The Board of Directors are responsible for the other information. The other information comprises the Directors' report, which we obtained prior to the date of this auditor's report, and the Group Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

Other Information (continued)

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

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

When we will read the Group's Annual Report, if we conclude that there is material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exits in terms of the auditing standards, which must be reported.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the articles of association of the Company and the UAE Federal Decree Law No. (32) of 2021, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

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

- 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 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.

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 and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL MARINE DREDGING COMPANY PJSC (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the UAE Federal Decree Law No. (32) of 2021, we report that for the year ended 31 December 2023:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account of the Group;
- Investments in shares and stocks are included in notes 9 and 10 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2023;
- Note 29 to the consolidated financial statements of the Group discloses material related party balances, transactions and the terms under which they were conducted;
- Notes 1 and 27 to the consolidated financial statements discloses that the Group has made any social contributions during the financial year ended 31 December 2023; and

Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021; or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
14 February 2024
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position
as at 31 December 2023

	Notes	2023 AED'000	2022 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**5,137,916**	4,338,615
Investment properties	6	**40,000**	-
Right-of-use assets	7	**330,097**	340,127
Goodwill	8	**5,057**	5,057
Investments in equity accounted investees	9	**282,389**	191,933
Deferred tax assets	11	**6,465**	8,468
Retentions receivable		**222,548**	8,184
Total non-current assets		**6,024,472**	4,892,384
Current assets			
Inventories	12	**598,679**	465,522
Trade and other receivables	13	**5,315,075**	4,741,330
Contract assets	14	**4,691,691**	3,087,043
Financial assets at fair value through profit or loss	10	**461,750**	34,535
Derivative financial assets	32	**24,602**	41,747
Cash and bank balances	15	**3,730,932**	2,783,732
Total current assets		**14,822,729**	11,153,909
Total assets		**20,847,201**	16,046,293

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

Consolidated statement of financial position as at 31 December 2023 (continued)

	Notes	2023 AED'000	2022 AED'000
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**825,000**	825,000
Merger reserve	18	**765,000**	765,000
Other reserves	19	**33,303**	(7,786)
Retained earnings		**6,976,897**	4,955,312
Equity attributable to the shareholders of the Company		**8,600,200**	6,537,526
Non-controlling interest		**3,915**	3,080
Total equity		**8,604,115**	6,540,606
Liabilities			
Non-current liabilities			
Provision for employees' end of service benefit	20	**441,352**	403,448
Long term borrowings	16	**1,078,046**	1,420,392
Long term lease liabilities	7	**330,266**	337,317
Total non-current liabilities		**1,849,664**	2,161,157
Current liabilities			
Trade and other payables	21	**9,457,067**	6,396,050
Contract liabilities	22	**479,830**	462,377
Derivative financial liabilities	32	**9,790**	47,236
Income tax payable	11	**93,718**	84,784
Short term borrowings	16	**342,346**	342,346
Short term lease liabilities	7	**10,671**	11,737
Total current liabilities		**10,393,422**	7,344,530
Total liabilities		**12,243,086**	9,505,687
Total equity and liabilities		**20,847,201**	16,046,293

To the best of our knowledge, the financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of, and for, the periods presented in these consolidated financial statements.

Mohammed Thani Murshed Al Rumaithi
Chairman

Yasser Nasr Zaghloul
Group Chief Executive Officer

Sreemont Prasad Barua
Group Chief Financial Officer

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

شركة الجرافات البحرية الوطنية
ص.ب: ٣٦٤٩
أبوظبي - إ.ع.م.
P.O.Box: 3649
Abu Dhabi - U.A.E.
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NATIONAL MARINE DREDGING CO.

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

	Notes	2023 AED'000	2022 AED'000
Revenue from contracts with customers	23	16,707,980	10,685,339
Contract costs		(14,546,350)	(9,577,424)
Gross profit		2,161,630	1,107,915
Share of net results of equity account investees, net	9	52,647	5,203
General and administrative expenses		(265,889)	(159,419)
Finance income	24	134,032	28,772
Finance costs	25	(119,926)	(58,764)
Foreign currency exchange loss		(38,847)	(31,571)
Fair value gain/(loss) on financial assets at fair value through profit or loss	10	200,265	(1,959)
Gain on partial disposal of a subsidiary's operations	9.3	-	237,615
Fair value gain arising on re-measurement	9.4	-	116,431
Other income, net	26	64,076	101,282
Profit before tax		2,187,988	1,345,505
Income tax expenses on foreign operations	11	(33,640)	(41,982)
Profit for the year	27	2,154,348	1,303,523
Profit attributable to:			
Shareholders of the Company		2,153,513	1,303,319
Non-controlling interests		835	204
Profit for the year		2,154,348	1,303,523
Basic and diluted earnings per share (in AED) attributable to equity holder of the Company	28	2.61	1.58

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

Consolidated statement of comprehensive income
for the year ended 31 December 2023

	Note	2023 AED'000	2022 AED'000
Profit for the year	**27**	**2,154,348**	1,303,523
Other comprehensive income			
Items that may be subsequently reclassified to the consolidated statement of profit or loss in subsequent periods:			
Fair value gain/(loss) arising on hedging instruments during the year	**19**	**20,301**	(6,253)
Exchange differences arising on translation of foreign operations	**19**	**(111,140)**	(275,049)
Other comprehensive loss for the year		**(90,839)**	(281,302)
Total comprehensive income for the year		**2,063,509**	1,022,221
Profit attributable to:			
Shareholders of the Company		**2,062,674**	1,022,017
Non-controlling interests		**835**	204
Total comprehensive income for the year		**2,063,509**	1,022,221

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

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

	Share capital AED'000	Merger reserve AED'000	Other reserves AED'000	Retained earnings AED'000	Equity attributable to the shareholders of the Company AED'000	Non-controlling interest AED'000	Net equity AED'000
Balance at 1 January 2022	825,000	765,000	143,184	3,782,325	5,515,509	2,876	5,518,385
Profit for the year	-	-	-	1,303,319	1,303,319	204	1,303,523
Other comprehensive income	-	-	(281,302)	-	(281,302)	-	(281,302)
Total comprehensive income for the year	-	-	(281,302)	1,303,319	1,022,017	204	1,022,221
Transfer to legal reserve (note 19)	-	-	130,332	(130,332)	-	-	-
Balance at 1 January 2023	825,000	765,000	(7,786)	4,955,312	6,537,526	3,080	6,540,606
Profit for the year	-	-	-	2,153,513	2,153,513	835	2,154,348
Other comprehensive income	-	-	(90,839)	-	(90,839)	-	(90,839)
Total comprehensive income for the year	-	-	(90,839)	2,153,513	2,062,674	835	2,063,509
Transfer to legal reserve (note 19)	-	-	131,928	(131,928)	-	-	-
Balance at 31 December 2023	**825,000**	**765,000**	**33,303**	**6,976,897**	**8,600,200**	**3,915**	**8,604,115**

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

Consolidated statement of cash flows
for the year ended 31 December 2023

	Notes	2023 AED'000	2022 AED'000
Cash flows from operating activities			
Profit before tax		**2,187,988**	1,345,505
Adjustments for:			
Depreciation of property, plant and equipment	**5**	**394,160**	420,768
Depreciation of right-of-use assets	**7**	**14,666**	13,881
Gain on disposal of property, plant and equipment	**26**	**(6,314)**	(29,828)
Fair value (gain)/loss on financial assets at fair value through profit or loss	**10**	**(200,265)**	1,959
Provision for slow moving and obsolete inventories	**12**	**1,440**	3,237
Share of net results of equity accounted investees	**9**	**(52,647)**	(5,203)
Fair value adjustment from equity accounted investee	**9**	**-**	(116,431)
Gain on partial disposal of a subsidiary's operations	**9**	**-**	(237,615)
Provision for expected credit losses		**(22,255)**	(35,187)
Provision for onerous contracts		**75,000**	316,416
Finance income		**(134,032)**	(28,772)
Finance costs		**119,926**	58,764
Provision for employees' end of service benefits	**20**	**66,875**	53,187
		2,444,542	1,760,681
Income tax paid	**11**	**(30,767)**	(39,900)
Income tax refund	**11**	**11,838**	26,995
Employees' end of service benefit paid	**20**	**(28,971)**	(41,800)
Operating cash flows before movement in working capital		**2,396,642**	1,705,976
Change in inventories		**(134,597)**	(119,589)
Change in trade and other receivables		**(788,418)**	(1,955,359)
Change in contract assets		**(1,675,469)**	822,999
Change in contract liabilities		**17,453**	327,101
Change in trade and other payables		**3,057,243**	1,901,102
Net cash generated from operating activities		**2,872,854**	2,682,230

Consolidated statement of cash flows
for the year ended 31 December 2023 (continued)

	Notes	2023 AED'000	2022 AED'000
Cash flows from investing activities			
Purchase of property, plant and equipment and investment properties	**5&6**	**(1,218,233)**	(821,187)
Proceeds from disposal of property, plant and equipment		**8,464**	50,123
Proceeds from disposal of a subsidiary's operations		**-**	262,217
Additional investment in equity accounted investee	**9**	**(49,077)**	-
Dividend received from equity accounted investees	**9**	**1,337**	1,230
Investment in financial assets at fair value through profit and loss	**10**	**(228,959)**	(7,391)
Disposal of investments in financial assets at fair value through profit and loss	**10**	**2,009**	-
Movement in term deposit with original maturity more than three months	**15**	**(515,538)**	-
Interest received		**134,032**	21,334
Net cash used in investing activities		**(1,865,965)**	(493,674)
Cash flows from financing activities			
Proceeds from term loans		**-**	459,125
Repayment of term loans	**16**	**(342,346)**	(336,057)
Repayment of lease liabilities	**7**	**(25,504)**	(21,102)
Interest paid		**(107,177)**	(46,976)
Net cash from (used in)/generated from financing activities		**(475,027)**	54,990
Net increase in cash and cash equivalents		**531,862**	2,243,546
Cash and cash equivalents at 1 January		**2,783,732**	802,199
Effect of foreign exchange rate changes		**(100,200)**	(262,013)
Cash and cash equivalents at 31 December	**15**	**3,215,394**	2,783,732

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

1 General information

National Marine Dredging Company ("NMDC" or the "Company") is a public shareholding Company incorporated in the Emirate of Abu Dhabi. The Company was incorporated by Law No. (10) of 1979, as amended by Decree No. (3) and (9) of 1985 issued by His Highness Sheikh Khalifa Bin Zayed Al Nahyan, who was then the Deputy Ruler of the Emirate of Abu Dhabi. The registered address of the Company is P.O. Box 3649, Abu Dhabi, United Arab Emirates.

These consolidated financial statements include the financial performance and position of the Company and its subsidiaries, joint venture and branches (collectively referred to as the "Group"), details of which are set out below.

During 2020, the Company's shareholders accepted an offer from Abu Dhabi Development Holding Company ("ADQ") (an existing shareholder and an entity fully owned by the Government of Abu Dhabi) and other minority shareholders of National Petroleum Construction Company PJSC ("NPCC"), to acquire 100% of the shareholding of NPCC, in exchange for the issuance of 575,000,000 equity shares in the Company to ADQ and the other shareholders of NPCC. This transaction received regulatory approvals on 11 February 2022, and consequently, the Company's share capital stands increased to AED 825,000,000 from that date. As a result of this transaction, the Government of Abu Dhabi became the majority holder of the Company's shares. Subsequently, in May 2022, out of its total shareholding of 58.48% in the Company, ADQ transferred 44.2% to entities in the Alpha Dhabi Holding PJSC ("Alpha") group, a subsidiary of International Holding Company. With this transaction and along with its previous equity shareholding in the Company, Alpha became the majority shareholder of the Company.

The Company is primarily engaged in the execution of engineering, procurement and construction contracts, dredging contracts and associated land reclamation works in the territorial waters of the UAE, principally under the directives of the Government of Abu Dhabi (the "Government"). The Group also operates in other jurisdictions in the region including Bahrain, Egypt, Saudi Arabia and India through its subsidiaries, branches and joint operations. During the year ended 31 December 2023, the Group has made AED 2.9 million (2022: AED 7.8 million) as a social contributions (note 27).

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

1 General information (continued)

The Company has investments in the following subsidiaries, branches, joint venture, associates and joint operations:

Name	*Country of incorporation*	*Percentage holding 2023*	*2022*	*Principal activities*
Subsidiaries of NMDC				
National Petroleum Construction Company PJSC ("NPCC")	UAE	**100%**	100%	Engineering Procurement and Construction.
Emarat Europe Fast Building Technology System Factory L.L.C. (Emarat Europe)	UAE	**100%**	100%	Manufacturing and supply of precast concrete.
National Marine Dredging Company (Industrial)	UAE	**100%**	100%	Manufacturing of steel pipes and steel pipe fittings and holding 1% investment in the Group's subsidiaries to comply with local regulations.
ADEC Engineering Consultancy L.L.C.	UAE	**100%**	100%	Consultancy services in the fields of civil, architectural, drilling and marine engineering along with related laboratory services.
Abu Dhabi Marine Dredging Co S.P.C.	Bahrain	**100%**	100%	Offshore reclamation contracts, services for fixing water installation for marine facilities and excavation contracts.
National Marine and Infrastructure India Private Limited	India	**100%**	100%	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction.
Subsidiaries of NPCC				
National Petroleum Construction Co. (Saudi) LTD.	Saudi Arabia	**100%**	100%	Engineering Procurement and Construction.
NPCC Engineering Limited	India	**100%**	100%	Engineering.
ANEWA Engineering Pvt. Ltd.	India	**80%**	80%	Engineering.
NPCC Service Malaysia SDN*	Malaysia	**100%**	100%	Engineering Procurement and Construction.
Abu Dhabi for Construction Projects*	Iraq	**100%**	100%	Engineering Procurement and Construction.
Branches of NMDC				
National Marine Dredging Company	Saudi Arabia	**Branch**	Branch	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction.
National Marine Dredging Company	Egypt	**Branch**	Branch	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction.
National Marine Dredging Company	Maldives	**Branch**	Branch	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction.
National Marine Dredging Company	Abu Dhabi	**Branch**	Branch	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction.
National Marine Dredging Company	Dubai	**Branch**	Branch	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction.

*dormant entities

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

1 General information (continued)

Name	Country of incorporation	Percentage holding 2023	2022	Principal activities
Joint Venture				
The Challenge Egyptian Emirates Marine Dredging Company	Egypt	**49%**	49%	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction.
NT Energies L.L.C	UAE	**51%**	-	Engineering and Consultancy
Associates				
Principia SAS	France	**33.33%**	33.33%	Onshore and offshore oil and gas fields and facilities services; and Engineering consultancy.
Safeen Survey and Subsea Services LLC	UAE	**49%**	49%	Marine services related to oil industries.
Joint Operations of NPCC				
Saipem – NPCC - Hail and Ghasha		**50%**	-	Engineering, Procurement and Construction.
Technicas – NPCC - Meeram		**50%**	-	Engineering, Procurement and Construction
Technip – NPCC - Satah Full Field		**50%**	50%	Engineering, Procurement and Construction.
NPCC – Technip - UZ-750 (EPC-1)		**40%**	40%	Engineering, Procurement and Construction.
NPCC – Technip UL -2		**50%**	50%	Engineering, Procurement and Construction.
NPCC – Technip AGFA		**50%**	50%	Engineering, Procurement and Construction.
NPCC – Technip JV – US GAS CAP FEED		**50%**	50%	Engineering, Procurement and Construction.

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

2.1 New and revised IFRS Accounting Standards applied with no material effect on the financial statements

The following new and revised IFRS Accounting Standards, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these consolidated financial statements. The application of these revised IFRS Accounting Standards has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)

The Group has adopted IFRS 17 and the related amendments for the first time in the current year. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Group does not have any contracts that meet the definition of an insurance contract under IFRS 17.

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

2.1 New and revised IFRS Accounting Standards applied with no material effect on the financial statements

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies

The Group has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

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

The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

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

2.1 New and revised IFRS Accounting Standards applied with no material effect on the financial statements (continued)

Amendments to IAS 12 Income Taxes - International Tax Reform - Pillar Two Model Rules

The Group has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Group is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

The Group has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted.

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

2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

New and revised IFRS Accounting Standards	**Effective for annual periods beginning on or after**
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.	Effective date not yet decided
Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.	1 January 2024

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

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

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

New and revised IFRS Accounting Standards	Effective for annual periods beginning on or after
Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date). The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.	1 January 2024

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

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

New and revised IFRS Accounting Standards	Effective for annual periods beginning on or after
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements	1 January 2024

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

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

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

New and revised IFRS Accounting Standards	**Effective for annual periods beginning on or after**
Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback	1 January 2024
The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine ‘lease payments’ or ‘revised lease payments’ such that the seller lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.	
The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.	
As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15, is a lease liability.	
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	1 January 2024, subject to adoption by the jurisdiction
IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.	

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

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

New and revised IFRS Accounting Standards	Effective for annual periods beginning on or after
IFRS S2 Climate-related Disclosures IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.	1 January 2024, subject to adoption by the jurisdiction
Amendment to IAS 21— Lack of Exchangeability The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.	1 January 2025

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

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

3 Summary of significant accounting policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and applicable provisions of the Federal Decree law no 32 of 2021.

Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirhams (AED) which is the functional and presentation currency of the Group and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and financial assets at fair value through profit or loss, that have been measured at fair value.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has:

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not it's voting rights in an investee are sufficient to give it power, including:

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

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3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

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

Revenue recognition

IFRS 15 establishes a five-step model that applies to revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The five steps are:

Step 1 Identify contract(s) with a customer;
Step 2 Identify performance obligations in the contract;
Step 3 Determine the transaction price;
Step 4 Allocate the transaction price to the performance obligations in the contract; and
Step 5 Recognise revenue when (or as) the Group satisfies a performance obligation.

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

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

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described above. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Contract revenue

Contract revenue comprises revenue from execution of contracts relating to lump-sum engineering, procurement and construction project services, dredging activities and associated land reclamation works. Lump-sum engineering, procurement and construction project execution services contracts contain distinct goods and services that are not distinct in the context of the contract. These are therefore combined into a single performance obligation.

The Group recognises revenue from its lump-sum engineering, procurement and construction project execution services contracts over time as the assets constructed are highly customized for the customers' needs with no alternative use and the Group has right to payment for performance completed to date.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, and incentive payments, to the extent that it is probable that they will result in revenue, they can be measured reliably and will be approved by the customers. Claims are recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount can be measured reliably. Contract revenue also includes revenue from securing the award of significant projects for dredging and reclamation works. These amounts are recognised when all significant service obligations arising from the related services have been discharged.

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Contract revenue (continued)

If the outcome of a contract can be estimated reliably, contract revenue is recognised in the consolidated statement of profit or loss in proportion to the stage of completion of the contract. Based on the method that most reliably measures the actual work performed on each contract, the stage of completion is determined either on the basis of surveys of work performed or in the proportion of the contract costs incurred for work performed to date as compared to the estimated total contract costs. Losses on contracts are assessed on an individual contract basis and a provision is recorded for the full amount of any anticipated losses, including losses relating to future work on a contract, in the period in which the loss is first foreseen.

In case of contracts, where revenue is recognised on the basis of surveys of work performed, revenue is measured by applying contractual rates, or the minimum recoverable rates expected, to the actual quantities dredged or the related works performed. Revenue is adjusted subsequently based on final customer approval if rates approved are different from those originally used.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable; and contract costs should be recognised as an expense in the period in which they are incurred.

Warranty Obligations

The Group generally provides warranties for general repairs of defects that existed at the time of sale, as required by law. As such, all warranties are assurance-type warranties under IFRS 15, which the Group accounts for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Significant financing component

For lump sum engineering, construction and procurement projects, if there is a difference in the timing of when the Group receives the advance and progress payments and when it recognises the contract revenue, the Group implies the existence of implicit significant financing component and adjusts transaction price to include the effects of time of value of money. The Group records interest on the delayed payments as interest income. For other contracts generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Variation orders and claims

Variation orders and claims are only included in revenue when it is probable that these will be accepted and can be measured reliably. The Group provides for liquidated damages claims where the customer has the contractual right to apply liquidated damages and it is considered probable that the customer will successfully pursue such a claim.

Liquidated damages and penalties

Liquidated damages, penalties and similar payments, price concession (discounts) or deductions are accounted for as variable considerations. When management concludes on the existence of variable consideration, the Group estimates the amount of variable consideration at contract inception by using either (i) the expected value approach or (ii) the most likely amount. The Group use the method that best predicts the amount of consideration to which it will be entitled based on the terms of the contract. This would also apply to contractual incentive payments or early completion bonuses, if any.

Cost to obtain and costs to fulfil a contract

The Group applied the practical expedient to immediately expense contract acquisition costs when the asset that would have resulted from capitalising such costs would have been amortised within one year or less. The Group does not incur any costs to obtain a contract and costs to fulfil a contract that are eligible for capitalisation.

Other income

Sale of scrap
Income from the sale of scrap is recognized at the time customers take delivery and risk and rewards are transferred to customers as per agreed terms and conditions.

Dividend income
Dividend income is recognised in the consolidated statement of profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Insurance claim
Insurance claims is recognised in the consolidated statement of profit or loss on the date the Group receives the claim value.

Finance income
Finance income comprises interest income on bank deposits. Interest income is recognised as it accrues in the consolidated statement of profit or loss.

3 Summary of significant accounting policies (continued)

Property, plant and equipment

Include Recognition and measurement
Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfer from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency for purchase of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs
The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. Vessel overhaul and dry-docking costs are capitalised as a separate component of dredgers when incurred. The costs of day to day servicing of property, plant and equipment are recognised in the consolidated statement of profit or loss as incurred.

Depreciation
Depreciation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Vessel overhaul and dry docking costs are depreciated over the period up to next dry-docking, which is generally four years. The estimated useful lives for other items of property, plant and equipment for the current and comparative years are as follows:

	Years
Building and base facilities	25
Dredgers	5 - 30
Barges, support vessels, plant, pipelines and vehicles	1 - 40
Office equipment and furniture	3 - 5

Depreciation methods, useful lives and residual values are reviewed at each financial year end, with the effect of any changes in estimate accounted for on a prospective basis. Management has reviewed the estimated useful lives of property and equipment in accordance with IAS 16 “Property, Plant and Equipment”, and has adjusted the useful lives of certain vessels, barges and vehicles based on the expected usage/future economic benefit (effective from 1 January 2023).

This reassessment has resulted in reduction of depreciation charge for the current year by AED 39.2 million and an increase in the net book value of property, plant and equipment by the same amount.

3 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Capital work in progress
The Group capitalises all costs relating to the construction of tangible fixed assets as capital work-in-progress, up to the date of completion of the asset. Such costs are transferred from capital work-in-progress to the appropriate asset category upon completion, and are depreciated over their estimated useful economic lives from the date of such completion.

Derecognition
An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Insurance claim proceeds, if any, against an insured item of property, plant and equipment are recognised in "other income" in profit or loss.

Investment properties

Investment properties, which is property held to earn rental income and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any. Land is not depreciated.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

Impairment of non-financial assets

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

3 Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

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

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

3 Summary of significant accounting policies (continued)

Investments in associates and joint ventures (continued)

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

In addition, the Group accounts for all amounts previously recognised in consolidated statement of comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in consolidated statement of comprehensive income by that associate or joint venture would be reclassified to consolidated statement of profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to consolidated statement of profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to consolidated statement of profit or loss the proportion of the gain or loss that had previously been recognised in consolidated statement of comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to consolidated statement of profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

3 Summary of significant accounting policies (continued)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operations; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS Accounting Standards applicable to the particular assets, liabilities, revenues and expenses.
When a Group entity transacts with a joint operation in which a group entity is a joint operator (such a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operations, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of asset), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Inventories

Inventories comprise stores and consumable spares and are measured at the lower of cost and net realisable value. The costs of inventories are based on the weighted average method, and include expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Provision for slow moving and obsolete inventories is established based on expected usage as assessed by management.

3 Summary of significant accounting policies (continued)

Employee benefits

Accrual is made for estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of reporting period.

Provision is made for the full amount of end of service benefits due to employees in accordance with the UAE Labour Law and other applicable laws as per the jurisdictions of the relevant subsidiaries, for their period of service up to the end of the reporting period.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (2), 2000 for Pension and Social Security. Such contributions are charged to profit or loss during the employees' period of service.

Borrowing costs

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.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to the consolidated statement of profit or loss when the qualifying asset affects it. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

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.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

3 Summary of significant accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are translated to AED at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to AED at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between the amortised cost in AED at the beginning of the year, adjusted for effective interest and payments during the period and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are retranslated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to AED at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in the consolidated statement of profit or loss, except for the exchange differences arising on the retranslation of equity instruments at fair value through OCI and qualifying cash flow hedges to the extent the hedge is effective, which are recognised in other comprehensive income. Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into AED using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign currency translation reserves.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3 Summary of significant accounting policies (continued)

Provisions (continued)

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Warranties

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, to settle the Group's obligation based on past experience of the Group.

Cash and cash equivalents

In the statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 15. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash

Leases

The Group as a lessee

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

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

3 Summary of significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

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

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

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

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

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

3 Summary of significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

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

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

<u>Classification of financial assets (continued)</u>

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

(i) Amortised cost and effective interest method (continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the “finance income” (note 24).

(ii) Debt instruments classified as at FVTOCI

The corporate bonds are classified as at FVTOCI. The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not being reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called ‘accounting mismatch’) that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

(iv) Financial assets at FVTPL (continued)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

<u>Impairment of financial assets (continued)</u>

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

<u>Impairment of financial assets (continued)</u>

(i) Significant increase in credit risk (continued)

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

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

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

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

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

Financial liabilities

Trade and other payables and due to related parties, classified as ‘financial liabilities’, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short term liabilities when the recognition of interest is immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Derecognition of financial liabilities (continued)

The Group enters into derivative financial instruments to manage exposure to variable interest rate fluctuations. Further details of derivative financial instruments are disclosed in note 32.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in consolidated statement of profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of recognition in consolidated statement of profit or loss depends on the nature of the hedging relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the consolidated financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations, as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

3 Summary of significant accounting policies (continued)

Hedge accounting (continued)

Note 32 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in consolidated statement of comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in consolidated statement of profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to consolidated statement of profit or loss in the periods when the hedged item affects consolidated statement of profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect consolidated statement of comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to consolidated statement of profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in consolidated statement of comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to consolidated statement of profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to consolidated statement of profit or loss.

4 Critical accounting judgments and key sources of estimation uncertainty

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

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

4.1 Critical judgments in applying the Group’s accounting policies

The following are the critical judgments, apart from those involving estimations (see 4.2 below), that the management have made in the process of applying the Group’s accounting policies and have the most significant effect on the amounts recognised in the consolidated financial statements.

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

4.1 Critical judgments in applying the Group's accounting policies (continued)

Revenue recognition

Management considers recognising revenue over time, if one of the following criteria is met, otherwise revenue will be recognised at a point in time:

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

Capitalisation of costs

Management determines whether the Group will recognise an asset from the costs incurred to fulfil a contract and costs incurred to obtain a contract if the costs meet all the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and
- the costs are expected to be recovered.

Such asset will be amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Contract variations

Contract variations are recognised as revenue only to the extent that the Group is confident of realising the economic benefits of the variation in accordance with its interpretation of the underlying circumstances. The Group considers prior experience, application of contract terms and the relationship with the customers in making its judgement.

Contract claims

Contract claims are recognised as revenue only when the Group is confident of realising the economic benefits of the claim in accordance with its assessment of the underlying circumstances. The Group reviews judgments related to these contract claims periodically and adjustments are made in the future periods, if assessments indicate that such adjustments are appropriate.

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

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

4.1 Critical judgments in applying the Group's accounting policies (continued)

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how group of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Determining whether unsigned (verbal) agreements meet the definition of contract under IFRS 15

Certain projects for the Government of Abu Dhabi, its departments or related parties, and for customers in Egypt, are executed on the basis of verbally agreed terms (including estimates of total project cost and timelines) in line with the Group's historical business practice. Management has determined such unsigned verbal agreements meet the definition of a 'contract with customer' under IFRS 15 on the basis of external legal opinions. Based on legal opinions, management considers such unsigned verbal agreements to meet the definition of a 'contract with customer' under IFRS 15 since the Group and the customer agree upon the essential elements of a contract and any other lawful conditions, though matters of detail are left to be agreed upon at a later date, and the contract is deemed to be made and binding even in the absence of agreement on these matter of detail. In addition, under Article 132 of the UAE Civil code and under the Supreme Administrative Court Ruling in Case no. 134 of 42 Judicial Year dated 22 July 1997 a contract can be oral or written and a contract can also result from acts which demonstrate the presence of mutual consent between the relevant parties.

Joint arrangement

For assessing joint control, the Group has considered the contractual agreement of sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. For the purpose of assessing whether a joint arrangement is a joint venture or joint operation, the Group has considered whether it has joint control on the rights to the net assets of the arrangements, in which case these are treated as joint ventures, or rights to the assets and obligations for the liabilities relating to the arrangement, in which case these are treated as joint operations.

The Group has concluded that the Group entity "The Challenge Egyptian Emirates Marine Dredging Company", is a joint venture because each party has equal representation on the Board of Directors and unanimous consent of the Board of Directors is required for any resolution to be passed and the Group has rights to the net assets of the joint arrangement established by contractual agreement.

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

4.1 Critical judgments in applying the Group’s accounting policies (continued)

Significant increase in credit risk

As explained in note 3, ECL are measured as an allowance equal to 12 month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

Merger reserve

Judgment is needed to determine whether a financial instrument, or its component parts, on initial recognition is classified as a financial liability, a financial asset or an equity instrument in accordance with IAS 32. In making its judgment, the Group considered, in particular, whether the instrument includes a contractual obligation to deliver cash or another financial asset to another entity and whether it may be settled in the Group’s own equity instrument. Accordingly, it was concluded that merger reserve should be part of equity.

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

4.2 Key sources of estimation uncertainty

Contract revenue

Revenue from construction contracts is recognised in the consolidated statement of profit or loss when the outcome of the contract can be reliably estimated. The measurement of contract revenue is affected by a variety of uncertainties (including cost estimation and surveys of work performed) that depend on the outcome of future events.

As stated in note 3 to the consolidated financial statements, contract revenue is recognised in the consolidated statement of profit or loss on the basis of stage of completion of the contracts. The stage of completion can be measured by various methods. The management uses one of the following methods that measure reliably the actual work performed on the contract, depending on the nature of the contract:

- surveys of work performed; or
- the proportion that costs incurred to date bear to the estimated total costs of the contract.

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

4.2 Key sources of estimation uncertainty (continued)

Contract revenue (continued)

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

The above estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue recognised may increase or decrease from period to period.

Impairment of inventories

When inventories become old or obsolete, an estimate is made of their net realisable value. Inventory items are categorised based on their movements during the year, their physical condition and their expected future use, and accordingly, different proportions of the value of each category are recognised as an allowance for impairment of slow moving and obsolete inventories. Based on the factors, management has identified inventory items as slow and now moving to calculate the allowance for slow moving inventories. Revisions to the allowance for slow moving inventories would require if the outcome of these indicative factors differ from the estimates. Allowance for slow moving inventories at 31 December 2023 AED 53,405 thousand (note 12) (31 December 2022: AED 51,965 thousand).

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The Group uses estimates for the computation of loss rates.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As per ECL model, the impairment loss allowance for trade and retention receivables and contract assets required as at 31 December 2023 is AED 27,747 thousand (2022: AED 45,823 thousand) and AED 23,379 thousand (31 December 2022: AED 27,558 thousand), respectively.

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

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

4.2 Key sources of estimation uncertainty (continued)

Contract assets

Contract assets represent amounts relating to work performed which is yet to be billed to customers. Contract assets are measured by applying the minimum recoverable rates expected, to the actual quantities dredged or the related works performed. The contract assets expected to be realised after a period of one year from the reporting date are classified and presented as non-current. Significant judgments are involved in management's assessment of the amounts of revenue and contract assets recognised and the recoverability of these amounts. These judgments are reviewed as events occur and accordingly any changes thereon may have an impact on the amount of revenue recognised and contract assets in these consolidated financial statements.

The Group receives lump sum payments from certain clients in settlement of outstanding invoices and as advances for several projects. The allocation of proceeds against invoices and contract assets is determined based on management's judgment.

Contract variations and claims

Contract variations are recognised as revenues only to the extent that it is probable that they will result in revenue which can be reliably measured. This requires the exercise of estimating the value of variations based on management's prior experience, application of contract terms and the relationship with the customers.

Contract claims are recognised as revenue only when management believes that an advanced stage of negotiation has been reached and the revenue can be estimated with reasonable certainty. Management reviews the judgement related to these contract claims periodically and adjustments are made in the future periods, if assessments indicate that such adjustments are appropriate.

Useful lives and residual values of property, plant and equipment

The useful lives and residual values of the property and equipment are based on management's judgement of the historical pattern of useful live and the general standards in the industry. Management has reviewed the estimated useful lives of property and equipment in accordance with IAS 16 Property, Plant and Equipment, and has adjusted the useful lives of certain vessels, barges and vehicles based on the expected usage/future economic benefit (effective from 1 January 2023).

This reassessment has resulted in reduction of depreciation charge for the current year by AED 39.2 million and an increase in the net book value of property, plant and equipment by the same amount.

Impairment of property, plant and equipment

The Group assesses for indicators of impairment of property, plant and equipment at each reporting period. In determining whether impairment losses should be recorded, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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

4.2 Key sources of estimation uncertainty (continued)

Uncertain tax positions

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long term nature and complexity of existing contractual agreements, differences may arise between the actual results and adjustments to tax income and expense already recorded. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Assessing the recoverability of deferred income tax assets requires the Group to make significant assumptions related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. As of 31 December 2023, the Group has recognised a balance of AED 6,465 thousand as a deferred tax asset (note 11) (31 December 2022: AED 8,468 thousand). The uncertain tax positions, for example tax disputes, have been accounted for by the applying the most likely amount. The most likely amount is the single most likely amount in a range of realistically possible options.

Legal claims and contingencies

When assessing the possible outcomes of legal claims and contingencies, the Group rely on the opinions of the legal counsel. The opinions of the Group's legal counsel are based on their professional judgment and take into consideration the current stage of proceedings and legal experience accumulated with respect to various matters. As the results of the claims may ultimately be determined by courts or otherwise settled, they may be different from such estimates.

Discount rate used for initial measurement of lease liability

The Group, as a lessee, measures the lease liability at the present value of the unpaid lease payments at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group, on initial recognition of the lease, uses its incremental borrowing rate. Incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in similar economic environment.

Derivative financial instruments

The fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

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

4.2 Key sources of estimation uncertainty (continued)

Warranty provision

Management has estimated contract warranty costs expected to arise on projects, based on management's best estimates, past experience and expected future maintenance costs.

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

5 Property, plant and equipment

	Building and base facilities AED'000	Dredgers AED'000	Barges support vessels, plan and pipelines and vehicles AED'000	Office equipment and furniture AED'000	Capital work-in-progress AED'000	Total AED'000
Cost						
At 1 January 2022	609,931	971,556	6,341,465	127,608	65,053	8,115,613
Additions	2,434	5,038	94,914	8,131	710,670	821,187
Transfers	4,181	470,465	34,786	3	(515,444)	(6,009)
Disposals	(5,118)	(7,034)	(644,651)	(1,987)	-	(658,790)
Exchange differences	(3)	-	(4,430)	(2,140)	-	(6,573)
At 1 January 2023	611,425	1,440,025	5,822,084	131,615	260,279	8,265,428
Additions	1,598	10,457	432,605	11,390	740,568	1,196,618
Transfers	40,151	(1,066)	553,212	728	(593,025)	-
Disposals	-	(106)	(11,864)	(922)	-	(12,892)
Exchange differences	-	-	(1,482)	(211)	-	(1,693)
At 31 December 2023	**653,174**	**1,449,310**	**6,794,555**	**142,600**	**407,822**	**9,447,461**
Accumulated depreciation						
At 1 January 2022	375,228	74,477	3,547,078	101,013	-	4,097,796
Charge for the year	22,630	88,237	298,739	11,162	-	420,768
Disposals	(2,625)	(312)	(586,036)	(1,284)	-	(590,257)
Exchange differences	-	-	(304)	(1,190)	-	(1,494)
At 1 January 2023	395,233	162,402	3,259,477	109,701	-	3,926,813
Charge for the year	24,523	99,794	258,535	11,308	-	394,160
Disposals	-	-	(10,529)	(214)	-	(10,743)
Exchange differences	-	(369)	(238)	(78)	-	(685)
At 31 December 2023	**419,756**	**261,827**	**3,507,245**	**120,717**	**-**	**4,309,545**
Carrying amount						
At 31 December 2023	**233,418**	**1,187,483**	**3,287,310**	**21,883**	**407,822**	**5,137,916**
At 31 December 2022	216,192	1,277,623	2,562,607	21,914	260,279	4,338,615

a. Certain items of property, plant and equipment with a carrying value of AED 2,143 million (2022: AED 2,212 million) have been pledged to secure the borrowings of the Group (see note 16). The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.
b. Property, plant and equipment includes fully depreciated assets of AED 2,274 million (2022: AED 2,137 million).
c. Building and base facilities are located in Mussafah, Abu Dhabi, UAE on leased land.

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

6 Investment properties

Investment properties comprises of a plot of land located in Abu Dhabi, UAE. The title to this plot of land was transferred to the Company during June 2023.

7 Right-of-use assets and lease liabilities

	Right-of-use assets (land) AED'000	**Lease liabilities AED'000**
As at 1 January 2022	308,849	313,209
Acquisition during the year	45,159	45,159
Depreciation expense	(13,881)	-
Interest expense	-	11,788
Payments	-	(21,102)
As at 1 January 2023	**340,127**	**349,054**
Addition during the year	**4,636**	**4,638**
Depreciation expense	**(14,666)**	-
Interest expense	-	**12,749**
Payments	-	**(25,504)**
As at 31 December 2023	**330,097**	**340,937**

The Group leases includes land with the average lease term is 20-30 years (2022: 20-30 years).

Lease liabilities is disclosed in the consolidated statement of financial position as follows:

	2023 AED'000	2022 AED'000
Current liabilities	**10,671**	11,737
Non-current liabilities	**330,266**	337,317
Total	**340,937**	349,054

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

	2023 AED'000	2022 AED'000
Depreciation on right-of-use assets	**14,666**	13,881
Interest expense on lease liabilities	**12,749**	11,788

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

7 Right-of-use assets and lease liabilities (continued)

	2023 **AED'000**	2022 AED'000
Less than 1 year	**10,345**	**11,737**
More than 1 year to 5 years	**38,565**	**47,738**
Later than 5 years	**292,027**	**289,579**
	340,937	**349,054**

8 Goodwill

Acquisition of subsidiaries

In 2015, the Group acquired 80% stake in ANEWA Engineering Pvt LTD through one of its subsidiaries NPCC Engineering Limited, India.

Acquisition date fair values of the identifiable assets and liabilities of the subsidiaries were determined as follows:

	Total **AED'000**
Fair value of net assets acquired	12,749
Consideration paid	7,692
Goodwill on acquisition	5,057

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

9 Investment in equity accounted investees

The carrying amounts of the Group's investments in equity accounted investees at 31 December are as follows:

	2023 **AED'000**	2022 AED'000
NT Energies (note 9.2)	**77**	-
Safeen Survey and Subsea Services LLC	**236,642**	140,067
Principia SAS	**24,057**	23,667
The Challenge Egyptian Emirates Marine Dredging Company	**21,613**	28,199
	282,389	191,933

The movements in investment in equity accounted investees are as follows:

	2023 **AED'000**	2022 AED'000
At 1 January	**191,933**	55,850
Acquisition during the year (note 9.1 & 9.2)	**49,077**	-
Transfers from property, plant, and equipment (note 9.4)	**-**	23,636
Fair value gain arising on the re-measurement (note 9.4)	**-**	116,431
Dividend received during the year	**(1,337)**	(1,230)
Foreign exchange movement	**(9,931)**	(7,957)
Share of profit for the year, net	**52,647**	5,203
At 31 December	**282,389**	191,933

9.1 During the year, the Group made an additional cash contribution of AED 49 million to the joint venture, Safeen Survey and Subsea Services LLC (Safeen).

9.2 During the year, the Group signed an agreement with France-based company Technip Energies to establish a Joint Venture, NT Energies. The Group owns 51% share in the Joint Venture.

9.3 During the prior year, the Group incorporated an entity, Safeen Survey and Subsea Services LLC (Safeen) with Abu Dhabi Ports as a shareholder. The Group made an in-kind contribution to Safeen with a transfer of its Diving and Subsea Division property, plant and equipment, employees, and revenue contracts. The Group disposed 51% of its interest in Safeen to Abu Dhabi Ports Company PJSC resulting in a gain of AED 237,615 thousand.

9.4 The Group retained 49% interest in Safeen which was initially recognised at a cost of AED 23,636 thousand. Subsequently, the interest was remeasured at fair value resulting in a gain of AED 116,431 thousand. The investment in Safeen is accordingly recorded at a total value of AED 140,067 thousand.

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

9 Investment in equity accounted investees (continued)

The latest available financial information in respect of the Group's investment in equity accounted investees are summarised below:

	2023 AED'000	2022 AED'000
Total assets	**2,278,793**	1,332,686
Total liabilities	**(1,521,866)**	(708,579)
Net assets	**756,927**	624,107
Group's share of net assets	**370,894**	302,212
Total revenue	**890,782**	742,945
Total profit for the year	**81,476**	38,142
Group's share in profit	**52,647**	5,203

9.5 Principia: the revenue and the profit shown in above table are related to the period ended 30 November 2023. Full year financial statements of Principia are not available at the date of finalization of these consolidated financial statements, thus the above total assets, total liabilities and net assets does not include the values of Principia.

10 Financial assets at fair value through profit or loss

	2023 AED'000	2022 AED'000
Investment in quoted UAE equity securities	**461,750**	34,535

Movement on in the financial assets at fair value through profit or loss;

	2023	2022
At 1 January	**34,535**	29,103
Acquisition during the year	**228,959**	7,391
Disposal during the year	**(2,009)**	-
Change in fair value	**200,265**	(1,959)
	461,750	34,535

10 Financial assets at fair value through profit or loss (continued)

The fair value of the quoted UAE equity securities at the reporting date is based on the quoted market prices at 31 December 2023 as per Level 1 valuation (note 32).

11 Taxation

The component of foreign income tax expense are:

	2023 **AED'000**	2022 AED'000
Current tax:		
Current tax on profits for the year	**44,727**	55,430
Reversal of tax provisions	**(11,397)**	(9,917)
Total current tax expense	**33,330**	45,513
Deferred tax:		
Origination and reversal of temporary differences	**310**	(3,531)
Total deferred tax	**310**	(3,531)
Income tax expense	**33,640**	41,982

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2023 **AED'000**	2022 AED'000
Profit before income tax	**482,005**	264,173
Average tax rate *	**9%**	20%
Income tax expense (excludes prior years tax provision reversal)	**45,037**	51,899

***Tax calculated at domestic tax rates applicable to profits in respective tax jurisdictions, which ranges from 2.5% - 22.5% (2022: 2.5% - 22.5%).

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

11 Taxation (continued)

Income tax charge

The tax rate used for reconciliation above are rates applicable to the profits in the respective foreign tax jurisdictions, mainly in Egypt, India and Saudi Arabia.

The movement in income tax payable is as follows:

	2023	2022
	AED'000	AED'000
At 1 January	**84,784**	65,077
Charge for the year	**33,640**	41,982
Refund received during the year	**11,838**	26,995
Movement in deferred tax asset	**(2,003)**	-
Exchange difference	**(3,774)**	(9,370)
Payments during the year	**(30,767)**	(39,900)
At 31 December	**93,718**	84,784

The movement in deferred tax assets is as follows:

	2023	2022
	AED'000	AED'000
At 1 January	**8,468**	7,738
(Credited)/charged to profit or loss for the year	**(310)**	3,531
Other temporary and translation differences	**(1,693)**	(2,801)
At 31 December	**6,465**	8,468

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

12 Inventories

	2023 AED'000	2022 AED'000
Spare parts, fuel and consumables	**652,084**	517,487
Less: allowance for slow moving and obsolete inventories	**(53,405)**	(51,965)
	598,679	465,522

Movement in the allowance for slow moving inventories:

	2023 AED'000	2022 AED'000
At 1 January	**51,965**	48,728
Charge during the year	**1,440**	3,237
At 31 December	**53,405**	51,965

13 Trade and other receivables

	2023 AED'000	2022 AED'000
Trade receivables	**2,534,329**	2,917,822
Retention receivables	**310,584**	188,127
Less: allowance for expected credit losses	**(27,747)**	(45,823)
	2,817,166	3,060,126
Deposits and prepayments	**587,002**	195,081
Advances paid to suppliers	**1,195,606**	1,053,927
ICV retention receivables	**214,924**	153,500
VAT and GST receivables	**38,682**	34,768
Advances paid to employees	**31,852**	34,988
Development work in progress	**147,329**	31,621
Other receivables	**282,514**	177,319
	5,315,075	4,741,330

The average credit period on sales of goods is 60 days (2022: 60 days). No interest is charged on outstanding trade receivables.

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

13 Trade and other receivables (continued)

Receivables, net are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

Allowance for expected credit losses
The Group recognises lifetime expected credit loss (ECL) for trade and retention receivables using the simplified approach. To determine the expected credit losses all debtors are classified into four categories:

- Category I – billed receivables and unbilled receivables from governments and related companies;
- Category II – private companies with low credit risk;
- Category III – private companies with high credit risk; and
- Category IV – debtors at default.

Trade and retentions receivable as at 31 December 2023

	Categories				
	I	**II**	**III**	**IV**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Expected credit loss rate	**0% to 2%**	**2% to 3%**	**3% to 99%**	**100%**	
Estimated total gross carrying amount	**2,771,351**	**50,771**	**-**	**22,791**	**2,844,913**
Provision for expected credit losses	**(3,457)**	**(1,499)**	**-**	**(22,791)**	**(27,747)**
Net trade and retention receivables	**2,767,894**	**49,272**	**-**	**-**	**2,817,166**

Trade and retentions receivable as at 31 December 2022

	Categories				
	I	II	III	IV	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Expected credit loss rate	0% to 2%	2% to 3%	3% to 99%	100%	
Estimated total gross carrying amount	2,698,311	391,251	-	16,387	3,105,949
Provision for expected credit losses	(28,224)	(1,212)	-	(16,387)	(45,823)
Net trade and retention receivables	2,670,087	390,039	-	-	3,060,126

13 Trade and other receivables (continued)

These are adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. Trade receivables are considered past due once they have passed their contracted due date. Management has not recognised an expected credit loss in respect of delays in recovery of receivables expected to be recovered in full in the future as these are expected to be recovered in the short term and therefore no discounting adjustment is required.

Ageing of trade and retention receivables

The ageing of non-impaired trade and retention receivables is as follows:

	2023	2022
	AED'000	AED'000
Not past due	**1,714,769**	2,143,478
Past due (1 day-90 days)	**612,892**	732,063
Past due (91 days–180 days)	**106,374**	38,137
Past due (above 180 days)	**383,131**	146,448
	2,817,166	3,060,126

Movement in the provision for expected credit losses on trade and retention receivables is as follows:

	2023	2022
	AED'000	AED'000
At 1 January	**45,823**	56,362
Reversal during the year	**(18,076)**	(10,539)
At 31 December	**27,747**	45,823

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

14 Contract assets

	2023	2022
	AED'000	AED'000
Construction contracts	**4,492,198**	2,582,182
Less; allowance for expected credit losses	**(23,379)**	(27,558)
	4,468,819	2,554,624
Work in progress	**222,872**	532,419
	4,691,691	3,087,043

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

The management always measure the loss allowance on contract assets at an amount equal to lifetime ECL, taking into account the historical default experience, the nature of the customer and where relevant, the sector in which they operate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts contract assets.

	2023	2022
	AED'000	AED'000
Changes in contract assets during the year		
At 1 January	**2,554,624**	3,527,909
Add: revenue recognised during the year	**16,707,980**	10,685,339
Add: movement in expected credit loss provision	**4,179**	24,648
Add: discounting of non-current portion	**-**	7,418
Less: progress billings	**(14,797,964)**	(11,690,690)
At 31 December	**4,468,819**	2,554,624

14 Contract assets (continued)

Construction contracts, net of allowance for expected credit losses and discount, are analysed as follows:

	2023 **AED'000**	2022 AED'000
Unsigned contracts		
Government of Abu Dhabi and its related entities	**444,813**	204,519
Equity accounted investees	**27,698**	350,948
Other entities	**27,954**	2,961
	500,465	558,428
Signed contracts		
Government of Abu Dhabi and its related entities	**1,531,952**	528,979
Equity accounted investees	**115,335**	819,357
Other entities	**2,321,067**	647,860
	3,968,354	1,996,196
	4,468,819	2,554,624

Allowance for expected credit losses

The Group recognises lifetime expected credit loss (ECL) for construction contracts using the simplified approach. To determine the expected credit losses all debtors are classified into four categories:

- Category I – billed receivables and unbilled receivables from governments and related companies;
- Category II – private companies with low credit risk;
- Category III – private companies with high credit risk; and
- Category IV – debtors at default.

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

14 Contract assets (continued)

Construction contracts as at 31 December 2023

	Categories				
	I AED'000	**II AED'000**	**III AED'000**	**IV AED'000**	**Total AED'000**
Expected credit loss rate	**0% to 2%**	**2% to 3%**	**3% to 99%**	**100%**	
Estimated total gross carrying amount	**4,448,462**	**38,185**	**-**	**5,551**	**4,492,198**
Provision for expected credit losses	**(16,671)**	**(1,157)**	**-**	**(5,551)**	**(23,379)**
Net contract assets	**4,431,791**	**37,028**	**-**	**-**	**4,468,819**

Construction contracts as at 31 December 2022

	Categories				
	I AED'000	II AED'000	III AED'000	IV AED'000	Total AED'000
Expected credit loss rate	0% to 2%	2% to 3%	3% to 99%	100%	
Estimated total gross carrying amount	2,276,399	296,935	-	8,848	2,582,182
Provision for expected credit losses	(15,833)	(2,877)	-	(8,848)	(27,558)
Net contract assets	2,260,566	294,058	-	-	2,554,624

Movement in the provision for expected credit losses on construction contracts (unbilled receivables) is as follows:

	2023 AED'000	2022 AED'000
At 1 January	**27,558**	52,206
Reversal during the year, net	**(4,179)**	(24,648)
At 31 December	**23,379**	27,558

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

14 Contract assets (continued)

Work in progress

Work in progress represents costs incurred on projects for which the Group is required to meet specific contractual obligations such as joint inspections, milestone completion and customer acceptance/handover, prior to billing the customer. Those obligations are expected to progressively be met over time, resulting in a winding down of the balance throughout the remaining contractual period.

15 Cash and cash equivalents

	2023	2022
	AED'000	AED'000
Cash in hand	**3,283**	1,822
Cash at banks:		
Current accounts	**919,321**	735,491
Short term deposits	**2,808,328**	2,046,419
Cash and bank balances	**3,730,932**	2,783,732
Less: short-term deposit with original maturity more than three months	**(515,538)**	-
Cash and cash equivalents	**3,215,394**	2,783,732

Cash and cash equivalents comprise of short-term deposits having original maturities of three months or less. Major deposits, carry interest in the range of 3.15%-6.20% per annum (2022: 2.9% - 4.73% per annum).

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

16 Borrowings

	2023 AED'000	2022 AED'000
Long term borrowings		
Non-current portion of term loans	**1,078,046**	1,420,392
Short term borrowings		
Current portion of term loans	**342,346**	342,346

The term loans comprise of the following:

Term loan 1:

A drawdown from a syndicated loan agreement amounting to USD 500 million carrying an effective interest rate of Term SOFR + 0.90% (2022: LIBOR + 0.90%). The total syndicated loan agreement consists of two portions; Conventional amounting to USD 167 million, and Islamic amounting to USD 333 million. In accordance with the terms of the agreement, the loan is repayable in quarterly instalments which commenced from June 2020 and is expected to be fully repaid by March 2027. The loan is secured against mortgage of five (5) vessels. The outstanding balance of the loan facility at 31 December 2023 is AED 845 million (2022: AED 1.1 billion).

Term loan 2:

A term loan of AED 249 million obtained in December 2022, with a 5 years tenor which carries an interest rate of 1 month EIBOR + 1.15% per annum. The loan is repayable in quarterly instalments commencing from March 2023 and is expected to be fully repaid by December 2026. This loan is secured against mortgage of a Hopper Dredger. The outstanding balance of the loan facility at 31 December 2023 is AED 185 million (2022: AED 217 million).

Term loan 3:

During 2022, a term loan of AED 459 million was obtained in June 2022, with a 10 years tenor and an interest rate of 1 month EIBOR + 0.88% per annum. The loan is repayable in quarterly instalments commencing from August 2023 and is expected to be fully repaid by May 2032. The outstanding balance of the loan facility at 31 December 2023 is AED 390 million (2022: AED 436 million). This loan is secured against mortgage of a Dredger.

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

16 Borrowings (continued)

The contractual repayment schedule of the term loans is as follows:

	2023 AED'000	2022 AED'000
Less than one year	**342,346**	342,346
1 to 5 years	**1,078,046**	1,213,783
5 years and above	**-**	206,609
At 31 December	**1,420,392**	1,762,738

Movement in the term loans:

	2023 AED'000	2022 AED'000
Balance at 1 January	**1,762,738**	1,639,670
Loan obtained during the year	**-**	459,125
Loan repayments	**(342,346)**	(336,057)
At 31 December	**1,420,392**	1,762,738

17 Share capital

	2023 AED'000	2022 AED'000
Authorised, issued and fully paid		
825,000,000 (31 December 2022: 825,000,000) ordinary shares of AED 1 each	**825,000**	825,000

At the Annual General Meeting of the Company held on 28 April 2023, the Shareholders approved the purchase of certain assets, valued at AED 624.8 million, in exchange for mandatory convertible bonds, convertible into 19,379,653 new equity shares of the Company, at AED 32.24 per share. Upon the issuance of these new shares, the total issued share capital of the Company will increase to AED 844,379,653. At 31 December 2023, legal formalities relating to the execution of this transaction were ongoing.

18 Merger reserve

In accordance with IFRS 3 and per the principles of reverse acquisition, the equity structure appearing in these consolidated financial statements reflects the capital structure (number of shares) of the Accounting Acquiree (NMDC), including the shares issued by NMDC to NPCC to effect the business combination. This results in the creation of a 'Merger reserve'. The Merger reserve of AED 765,000 thousand is calculated as the difference between:

(a) Sum of purchase consideration AED 1,490,000 thousand and the share capital of NPCC prior to the merger of AED 100,000 thousand; and

(b) Post-merger share capital of the Company of AED 825,000 thousand (825,000,000 shares at par value of AED 1).

The retroactive adjustment of AED 475,000 thousand is the difference between the value of new shares, which NMDC issued to obtain 100% of NPCC and the value of NPCC outstanding shares pre-merger.

19 Other reserves

	Legal reserve AED'000	Restricted reserve AED'000	Hedging reserve AED'000	Foreign currency translation reserve AED'000	Total AED'000
At 1 January 2022	150,240	1,291	764	(9,111)	143,184
Transfer of 10% of current year profit	130,332	-	-	-	130,332
Fair value gain on revaluation of hedging instruments	-	-	(6,253)	-	(6,253)
Cumulative translation adjustment on foreign operations	-	-	-	(275,049)	(275,049)
At 1 January 2023	**280,572**	**1,291**	**(5,489)**	**(284,160)**	**(7,786)**
Transfer of 10% of current year profit	**131,928**	-	-	-	**131,928**
Fair value gain on revaluation of hedging instruments	-	-	**20,301**	-	**20,301**
Cumulative translation adjustment on foreign operations	-	-	-	**(111,140)**	**(111,140)**
At 31 December 2023	**412,500**	**1,291**	**14,812**	**(395,300)**	**33,303**

19 Other reserves (continued)

Legal reserve

In accordance with UAE Federal Law No. (32) of 2021, 10% of the annual profit of the Group is transferred to a non-distributable legal reserve. Transfers to this reserve are required to be made until such time as it equals 50% of the paid-up share capital of the Company.

Restricted reserve

The statutory reserves of the subsidiaries have been transferred to the restricted reserve as these amounts are not available for distribution.

20 Provision for employees' end of service benefits

	2023	2022
	AED'000	AED'000
At 1 January	**403,448**	392,061
Charge for the year	**66,875**	53,187
Paid during the year	**(28,971)**	(41,800)
At 31 December	**441,352**	403,448

During the year, the Group has contributed a total amount of AED 20,640 thousand (2022: AED 27,778 thousand) towards the Abu Dhabi Pension and Retirement Benefits Fund.

21 Trade and other payables

	2023	2022
	AED'000	AED'000
Trade payables	**1,890,540**	1,426,446
Project and other accruals	**4,166,625**	2,826,428
Advances from customers (note 21.1)	**2,576,831**	1,426,419
Provisions (note 21.2)	**444,910**	336,826
Dividends payable (note 21.3)	**-**	21,693
Retentions payable	**177,448**	111,539
VAT payables	**67,354**	122,821
Other payables	**133,359**	123,878
	9,457,067	6,396,050

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

21 Trade and other payables (continued)

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. No interest is payable on the outstanding balances.

21.1 Advances from customers

These represent amounts received in advance from customers for certain projects which will be adjusted against future billing during the course of the projects as per contractual terms.

21.2 Provisions

	2023	2022
	AED'000	AED'000
Provision for liquidated damages	**11,887**	11,887
Provision for Board remuneration and employee bonus	**137,174**	83,622
Provision for future losses	**97,987**	97,777
Provision for unused vacations	**101,594**	68,739
Provision for warranty	**14,093**	10,364
Other provisions	**82,175**	64,437
	444,910	336,826

21.3 Dividends payable

	2023	2022
	AED'000	AED'000
At 1 January	**21,693**	22,268
Payments during the year	**(21,693)**	(575)
	-	21,693

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

22 Contract liabilities

	2023 AED'000	2022 AED'000
Contract liabilities	**479,830**	462,377

The above amount represents deferred revenue arising from construction contracts. These contracts have performance obligations (unsatisfied or partially unsatisfied) which is expected to be recognised as revenue over the remaining tenor of these contracts.

23 Revenue from contracts with customers

23.1 Revenue by activity

	UAE AED'000	**International AED'000**	**Group AED'000**
31 December 2023			
Dredging, reclamation and marine construction	**8,284,618**	**492,897**	**8,777,515**
Engineering, procurement and construction	**4,634,465**	**3,296,000**	**7,930,465**
Total	**12,919,083**	**3,788,897**	**16,707,980**
31 December 2022			
Dredging, reclamation and marine construction	3,856,956	1,023,404	4,880,360
Engineering, procurement and construction	3,262,634	2,542,345	5,804,979
Total	7,119,590	3,565,749	10,685,339

23.2 Timing of revenue recognition

	2023 AED'000	2022 AED'000
Services transferred over time	**16,707,980**	10,685,339

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

23 Revenue from contracts with customers (continued)

23.3 Other information

The following table provides information relating to the Group's major customers who individually contribute more than 10% of Group revenue:

	Dredging and Marine AED'000	Engineering Procurement & Construction AED'000	Total AED'000
31 December 2023			
Customer 1	**-**	**3,208,864**	**3,208,864**
Customer 2	**713,806**	**3,979,917**	**4,693,723**
Customer 3	**3,901,601**	**-**	**3,901,601**
Customer 4	**1,864,526**	**-**	**1,864,526**
	6,479,933	**7,188,781**	**13,668,714**
31 December 2022			
Customer 1	-	2,275,502	2,275,502
Customer 2	623,801	1,683,565	2,307,366
Customer 3	771,781	-	771,781
Customer 4	1,083,801	-	1,083,801
	2,479,383	3,959,067	6,438,450

23.4 Unsatisfied performance obligation

The transaction price allocated to (partially) unsatisfied performance obligations at 31 December 2023 and 31 December 2022 are as set out below:

	2023 AED'000	2022 AED'000
Within one year	**20,834,214**	16,097,177
More than one year	**33,221,463**	14,642,805
	54,055,677	30,739,982

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

24 Finance income

	2023 AED'000	2022 AED'000
Interest income	**134,032**	21,334
Release of discounting on long term contract assets	**-**	7,438
	134,032	28,772

Finance income comprises income from short term deposits, which carry interest at variable market rates.

25 Finance costs

	2023 AED'000	2022 AED'000
Interest expense on term loans	**107,177**	46,976
Interest expense on lease liabilities	**12,749**	11,788
	119,926	58,764

Finance costs mainly include bank interest on term loans, lease liabilities and other bank transaction charges.

26 Other income, net

	2023 AED'000	2022 AED'000
Insurance claim	**6,206**	18,385
Income from scrap sales	**36,404**	38,539
Gain on sale of property, plant and equipment	**6,314**	29,828
Miscellaneous income	**15,152**	14,530
	64,076	101,282

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

27 Profit for the year

Profit for the year is stated after:

	2023 AED'000	2022 AED'000
Salaries and other benefits	**2,191,681**	1,688,872
Depreciation of property, plant and equipment	**394,160**	420,768
Depreciation of right-of-use assets	**14,666**	13,881
Social contributions	**2,895**	7,757

28 Earnings per share

Basic earnings per share has been computed by dividing the profit for the year attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2023	2022
Profit attributable to the shareholders of the Company (AED'000)	**2,153,513**	1,303,319
Weighted average number of ordinary shares ('000)	**825,000**	825,000
Earnings per share attributable to the shareholders of the Company (AED)	**2.61**	1.58

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

28 Earnings per share (continued)

Diluted earnings per share as of 31 December 2023 and 31 December 2022 are equivalent to basic earnings per share.

29 Related party transactions and balances

Related parties include majority Shareholders, equity accounted investees, Directors and key management personnel, management entities engaged by the Group and those enterprises over which majority Shareholders, Directors, the Group or its affiliates can exercise significant influence, or which can exercise significant influence over the Group. In the ordinary course of business, the Group provides services to, and receives services from, such enterprises on terms agreed by management.

Balances with related parties included in the consolidated statement of financial position are as follows:

	2023 AED'000	2022 AED'000
Due from equity accounted investee for project related work:		
Trade and other receivables	**499,864**	146,364
Trade and other payables	**429,900**	247,650
Contract assets	**147,803**	540,660
Due from/to other related parties:		
Trade and other receivables	**63,429**	38,739
Contract assets	**38,143**	38,143
Trade and other payables	**33,010**	54,916
Bank balances	**2,793,662**	1,866,368
Borrowings	**575,671**	653,583

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

29 Related party transactions and balances (continued)

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	2023 AED'000	2022 AED'000
Other related parties		
Material and services purchased / received	**97,310**	51,974
Revenue earned	**-**	33,114
Interest income/(expense), net	**23,743**	(3,312)
Equity accounted investee		
Revenue earned	**390,643**	742,864

Transactions with key management personnel

Compensation of key management personnel is as follows:

	2023 AED'000	2022 AED'000
Salaries and other short-term benefits	**10,943**	9,743
Employees' end of service benefits	**717**	632
	11,660	10,375
Number of key management personnel	**4**	4

30 Interest in joint operations

The Group has share of assets, liabilities and results of operations for the following joint operations along with share percentage:

	2023	2022
Joint operations		
Saipem – NPCC – Hail and Ghasha	**50%**	**-**
Technicas – NPCC – Meeram	**50%**	**-**
Technip – NPCC – Satah Full Field	**50%**	50%
NPCC – TECHNIP – UZ-750 (EPC-1)	**40%**	40%
NPCC – TECHNIP UL-2	**50%**	50%
NPCC – TECHNIP AGFA	**50%**	50%
NPCC - Technip JV - US GAS CAP Feed	**50%**	50%

The consolidated financial statements include the following amounts as a result of proportionate consolidation of its interests in joint operations:

	2023 **AED'000**	2022 AED'000
Total assets	**1,577,073**	60,008
Total liabilities	**(1,520,028)**	(39,438)
Net assets	**57,045**	20,570
Total revenue	**71,049**	11,033
Profit for the year	**36,475**	11,693

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

31 Contingencies and commitments

	2023	2022
	AED'000	AED'000
Bank guarantees	**13,350,209**	10,491,238
Letters of credit	**289,220**	465,903
Capital commitments	**188,303**	86,011
Purchase commitments	**5,378,558**	4,537,861

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

32 Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk, equity risk and credit risk. The Group's management reviews and agrees policies for managing each of these risks which are summarised below.

Credit risk

The Group seeks to limit its credit risk with respect to customers by dealing with good reputation and financially sound customers and monitoring outstanding receivables. Of the trade receivables at 31 December 2023, 79% is due from the Group's five largest customers (31 December 2022: 81%). The maximum exposure is the carrying amount as disclosed in note 13 to the consolidated financial statements.

With respect to credit risk arising from the other financial assets of the Group, including cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group manages its credit risk with respect to banks by only dealing with reputable banks.

Liquidity risk

The Group seeks to limit its liquidity risk by ensuring bank facilities are available. As at 31 December 2023, the Group has AED 1,124,500 thousand (2022: AED 1,284,500 thousand) of un-utilised credit facilities from banks.

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

32 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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

	On demand AED'000	Less than 1 year AED'000	1 to 5 years AED'000	More than 5 years AED'000	Total AED'000
At 31 December 2023					
Trade and other payables*	-	**2,807,329**	-	-	**2,807,329**
Lease liabilities	-	**23,603**	**89,518**	**429,897**	**543,018**
Term loans	-	**426,047**	**1,043,944**	**178,568**	**1,648,558**
Total	**-**	**3,256,979**	**1,133,462**	**608,465**	**4,998,905**
At 31 December 2022					
Trade and other payables	-	2,227,987	-	-	2,227,987
Lease liabilities	-	24,003	109,545	431,395	564,943
Term loans	-	414,557	1,357,971	232,632	2,005,160
Total	-	2,666,547	1,467,516	664,027	4,798,090

*Trade and other payables exclude contract accruals and advances received from customers.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include bank deposits and equity investments.

32 Financial risk management objectives and policies (continued)

Interest rate risk

The Group is mainly exposed to interest rate risk on bank overdrafts and term loans.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit for one year.

	Effect on profit/equity AED '000
2023	
+100 increase in basis points	**(14,204)**
-100 decrease in basis points	**14,204**
2022	
+100 increase in basis points	(17,627)
-100 decrease in basis points	17,627

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract, and is disclosed below.

The average interest rate is based on the outstanding balances at the end of the financial year.

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the 3 months Term SOFR rate. The Group will settle the difference between the fixed and floating interest rate on a net basis.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the end of the reporting year AED 422,338 thousand (2022: AED 554,578 thousand):

	USD'000	***AED'000***
2023		
Instrument I: outstanding receive floating pay fixed Term SOFR 3M (0.8%)	**6,700**	**24,602**
2022		
Instrument I: outstanding receive floating pay fixed USD LIBOR 3M (0.8%)	11,367	41,747

32 Financial risk management objectives and policies (continued)

Foreign currency risk

Foreign currency risk is the risk that financial instrument will fluctuate due to change in foreign exchange rates. Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures.

The Group is exposed to exchange rate fluctuations related to the Euro, Egyptian Pound, Indian Rupees and Sterling Pound denominated as assets and liabilities. Other currencies are pegged to AED, and hence no currency fluctuation risks exist for them.

	2023		2022	
	Liabilities AED'000	**Assets AED'000**	Liabilities AED'000	Assets AED'000
Egyptian Pound	**197,286**	**684,687**	146,194	1,011,867
Euro	**272,622**	**153,192**	46,053	72,210
	469,908	**837,879**	192,247	1,084,077

Based on the sensitivity analysis to a 5% increase/decrease in the AED against the relevant foreign currencies (assumed outstanding for the full year):

(a) there is AED 24,370 thousand (2022: AED 43,284) net revaluation gain/ loss on the Egyptian Pound outstanding balances.

(b) there is AED 5,972 thousand (2022: AED 1,308 thousand) net revaluation gain/ loss on the Euro outstanding balances.

Equity price risk

The Group's listed equity securities are susceptible to market price arising from uncertainties about future values of the investment securities. The Group manages equity price risk through diversification and placing limits on individual and total equity investments. The Group's management reviews and approves all investment decisions.

The following demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible fair value changes in equity prices, with all variables held constant. The effect of the decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

32 Financial risk management objectives and policies (continued)

Investments carried at fair value through profit or loss

2023	***AED'000***
5% change in variables	**23,088**
2022	*AED'000*
5% change in variables	1,727

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts. The Group also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to six months. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sales or purchase transactions take place.

The following table details the forward foreign currency contract outstanding at the end of the reporting period:

	Foreign currency	**Notional amount AED'000**	**Fair value AED'000**	**Fair value changes AED'000**
2023				
Forward contract	**EUR&GBP**	**164,255**	**154,465**	**(9,790)**
2022				
Forward contract	EUR	644,445	597,209	(47,236)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022. Capital comprises share capital, reserves, retained earnings, and is measured at AED 8,600,200 thousand as at 31 December 2023 (2022: AED 6,537,526 thousand).

**Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)**

32 Financial risk management objectives and policies (continued)

Fair value of financial instruments

Fair value measurement recognized in the consolidated statement of financial position

The fair values of the Group's financial assets and liabilities as at 31 December 2023 and 31 December 2022 are not materially different from their carrying values at that reporting date.

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities which are measured at fair value as at 31 December 2023 and 31 December 2022:

	Total AED'000	Quoted prices in active markets (Level 1) AED'000	Significant observable inputs (Level 2) AED'000	Significant unobservable inputs (Level 3) AED'000
As at 31 December 2023				
Derivative financial asset	**24,602**	**-**	**24,602**	**-**
Derivative financial liability	**(9,790)**	**-**	**(9,790)**	**-**
Financial assets at fair value through profit or loss (FVTPL)	**461,750**	**461,750**	**-**	**-**
As at 31 December 2022				
Derivative financial asset	41,747	-	41,747	-
Derivative financial liability	(47,236)	-	(47,236)	-
Financial assets at fair value through profit or loss (FVTPL)	34,535	34,535	-	-

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

33 Segment information

Geographical segment information

The Group has aggregated its segments into Dredging & Marine and Energy.

The following table shows the Group's segment analysis:

	Dredging & Marine AED'000	Energy AED'000	31 December 2023 Group AED'000
Segment revenue	8,849,285	7,940,568	16,789,853
Intersegment revenue	-	-	(81,873)
Revenue	-	-	16,707,980
Segment gross profit	1,241,202	920,428	2,161,630
Share of net results of equity accounted investees	-	-	52,647
General and administrative expenses	-	-	(265,889)
Foreign currency exchange loss	-	-	(38,847)
Fair value gain on financial assets at fair value through profit or loss	-	-	200,265
Finance income			134,032
Finance costs	-	-	(119,926)
Other income, net	-	-	64,076
Profit before tax for the year	1,382,782	805,206	2,187,988
Income tax charge	(8,858)	(24,782)	(33,640)
Profit after tax	1,373,924	780,424	2,154,348
Total assets	8,842,732	12,004,469	20,847,201
Total liabilities	4,598,212	7,644,874	12,243,086

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

33 Segment information (continued)

	Dredging & Marine AED'000	Energy AED'000	31 December 2022 Group AED'000
Segment revenue	5,368,662	5,381,605	10,750,267
Intersegment revenue	-	-	(64,928)
Revenue	-	-	10,685,339
Segment gross profit	713,824	394,091	1,107,915
Share of net results of equity accounted investees	-	-	5,203
General and administrative expenses	-	-	(159,419)
Foreign currency exchange loss	-	-	(31,571)
Fair value gain on financial assets at fair value through profit or loss	-	-	(1,959)
Finance income	-	-	28,772
Finance costs	-	-	(58,764)
Gain on partial disposal of a subsidiary's operations	-	-	237,615
Fair value gain arising on the remeasurement	-	-	116,431
Other income, net	-	-	101,282
Profit before tax for the year	745,261	600,244	1,345,505
Income tax charge	(18,603)	(23,379)	(41,982)
Profit after tax	726,658	576,865	1,303,523
Total assets	7,257,341	8,788,952	16,046,293
Total liabilities	3,920,827	5,584,860	9,505,687

34 Subsequent events

Corporate Income Tax

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 September 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000.

During the year, the Group has assessed the impact of deferred tax assets or liabilities as per the requirement of IAS 12 "Income Taxes" and concluded that based on their assessment there are no identifiable temporary differences and therefore no Deferred Tax Assets (DTA) / Deferred Tax Liabilities (DTL) required to be recognized for the year ended 31 December 2023.

Proposed dividend

During the meeting held on 12 February 2024, the Board of Directors proposed a dividend of AED 618,750 thousand (75% of Company's share capital) representing AED 0.75 per share for the year ended 31 December 2023.

35 Approval of consolidated financial statements

The consolidated financial statements were approved by management and authorised for issue on 12 February 2024.