NMDC ENERGY PJSC
(formerly National Petroleum Construction Company)

REPORTS AND CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2024

NMDC Energy PJSC
(formerly National Petroleum Construction Company)

Reports and consolidated financial statements
31 December 2024

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NMDC ENERGY: Directors Report

for the year ended 31 December 2024

The Board of Directors of NMDC ENERGY (formerly National Petroleum Construction Company) have the pleasure of presenting the 2024 Annual Report along with the audited financial statements as at and for the year ended 31 December 2024.

Financial Performance

NMDC Energy ("Company" or "Group") has reported exceptional financial results for the financial year 2024, concluding a historic year marked by strategic international expansion, a healthy project pipeline, and the successful completion of its Initial Public Offering (IPO).

Group achieved 80% year-on-year increase in net profit for 2024, from AED 780 million to AED 1.41 billion and revenues soared from AED 7.94 billion to AED 14.44 billion, up 82% year-on-year, driven by strong operational performance and strategic expansion into new projects both locally and internationally.

The Group's assets reached a value of AED 16.5 billion in 2024 from AED 13 billion in 2023, coupled with an extensive order backlog valued at AED 50 billion. These figures are a testament to Group's robust development initiatives and strategic geographic expansion, further enhancing its leadership in engineering, procurement and construction.

The Group achieved record growth in its net profits for Q4 2024, reporting a net profit of AED 502 million, reflecting a 35% increase compared to the same period of 2023. Furthermore, Q4 2024 revenues came at an all-time record high of AED 4.7 billion, up 57% from the corresponding period in 2023.

Following the Group's stellar performance during the year, the Board of Directors have proposed a total cash dividend of AED 700 million for the financial year ended 31 December 2024, representing a cash dividend per share of AED 0.14. The 50% dividend pay-out is subject to shareholders approval at the Company's General Assembly Meeting.

Landmark Listing

NMDC Energy began trading on the Abu Dhabi Securities Exchange (ADX) following an Initial Public Offering (IPO) that was oversubscribed by 31.3 times. The offering of 1.15 billion shares in NMDC Energy, representing 23% of the total share capital, was made available to eligible investors at AED 2.8 per share. Final allocations were approximately 0.17% to Retail investors and 6% to Professional investors. NMDC Energy's listing served as an exceptional achievement that will define the pace for the sector's engineering, procurement and construction business in Abu Dhabi and beyond.

Fleet

NMDC Energy currently owns a marine fleet of 20 Vessels consisting of:

- **FOUR** Dynamic Positioning (DP2/DP3) Derrick / Pipelaying barges (with 4,200t -2,000t lifting capacity and more than 300 pax accommodation each).

  *Note1: DLS4200, DELMA2000, SHUJAA2000, SAFEEN3000.
  *Note2: DELMA and SHUJAA are 1600 tons.
- **THREE** towed Derrick / Pipelaying barges.
- **FOUR** Self-elevating platforms, and self-propelled work barges.
- **ONE** DP3 cable lay and hook up floating vessel: UMMSHAIF.
- **TWO** anchor handling tugs: YAS and SAADIYAT.
- **ONE** diving support vessel AL MARYAH.
- **THREE** cargo barges and **TWO** Launching/float over barges.

Furthermore, NMDC Energy has recently commissioned its 'Heavy Lift Vessel', which will be used to install offshore wind farms, supporting the company's dedication to accelerating energy transition across the sector.

Information Technology

In 2024, NMDC Energy's IT Department achieved several key milestones for the company, including embracing numerous AI-driven solutions focusing on innovation and efficiency.

Strategic projects that were undertaken include:

- **CONNECTED WORKFORCE:** A Real Time Location Systems (RTLS) solution which monitors NMDC Energy Yard employees to protect them and increase efficiency. Each employee receives a wearable device upon entering the Yard to help monitor their locations and movements. These devices send an alert to the dashboard in cases of extended immobility or a suspicious movement such as a fall, notifying HSE teams for immediate action, thereby minimizing incident risks and ensuring a prompt response.
- **AUGMENTED REALITY:** These systems work in operational environments, where they use laser-scanned data to create virtual environments and assists in project planning and risk assessment.
- **DIGITAL TWIN TECHNOLOGY:** Generates virtual models of physical assets such as wells, platforms, and pipelines. These models are essential for

monitoring, controlling, and optimizing performance. Moreover, NMDC Energy uses remote operating vehicles—unmanned robots equipped for underwater tasks, which are noted for their precision, integrated sensors, and capability for real-time data transmission.

- **COMMENT RESOLUTION SYSTEM:** This AI-powered system provides transformative advantages for the NMDC Energy, notably in terms of substantial man-hour savings, faster project delivery, and improved project management. This innovation is poised to enhance project management capabilities, delivering superior results for all stakeholders.
- **DOMAIN MIGRATION:** NMDC Energy users now operate under a consolidated domain and email system.

NMDC Energy was officially recognized and certified as an Industry 4.0 Digital Leader by the Ministry of Industry and Advanced Technology (MoIAT).

Health & Safety

For NMDC Energy, safety and efficiency are at the very core of all its operations. That's why it has always been an early adopter and sought to embed the latest fit-for-purpose solutions to improve its workforce's daily experiences. By doing this, it is not only able to support its workforce and keep them safe, but is also able to deliver projects to the highest of standards.

Some its key solutions aimed at enhancing workplace safety include:

- **BLIND SPOT DETECTION SYSTEM**: The solution is designed to provide full 360-degree visibility and eliminate blind spots around heavy machinery. With 360-degree cameras and an intelligent dashboard inside the operator's cabin, drivers can monitor every angle, even in the busiest and most hazardous areas.

  Instant alerts ensure immediate action, giving operators full control and awareness to prevent accidents before they happen.
- **SITE SAFETY ANALYZER:** A solution used in heavy assembly workshops with AI powered cameras alongside its intelligent dashboard which is controlled and displayed at a main control room for monitoring. From detecting unsafe acts, like not wearing the right protective gear, to monitoring potential hazards such as workers moving under suspended loads, our AI system is always on the lookout.

Beyond AI, the company boasts impressive achievements in the Health and Safety space, including:

- Achieving 20 million man-hours without LTI (Long-term Agreement Zulf AH west and East oil facilities).
- Successfully maintaining ISO 14001 and ISO 45001 certifications.
- Organizing a Contractor Forum, sharing NMDC Energy's key objectives and HSE development plan with subcontractors to enhance collaboration and safety performance across all projects.
- Senior management increased high-profile QHSE site visits to 400, demonstrating visible leadership and commitment to safety.
- Achieving a record-low Lost Time Injury Frequency Rate (LTIFR) of 0.04 and a Total Recordable Injury Frequency Rate (TRIR) of 0.35, further surpassing industry benchmarks.

Awards & Recognitions Recevied:

- ROSPA (The Royal Society for Prevention of Accidents - Gold Award)
- IPLOCA (British Safety Council, 10 consecutive gold awards)

Sustainability

With NMDC Group recently receiving an AA 'leader' rating from MSCI, the company continues to make significant strides in its business to build robust ESG considerations across its operations. NMDC Energy plays a prominent role in the renewable energy sector, particularly wind power, where it actively participates in the development, construction, and maintenance of wind power facilities, and facilitates the transition of energy companies to clean and renewable sources. Furthermore, the company continuously evaluates activities and programs to restore operational areas and protect natural ecosystems.

Sustainability (continued)

Achievements:

- NMDC Energy has planted 20,001 mangrove seedlings, which can capture 246 tons of CO_2 annually.
- The company launched a "Turtle Nesting" awareness campaign, where potential turtle nesting areas are identified and demarcated with appropriate signage for the protection of turtles during nesting and hatchling periods.
- NMDC Energy collaborated with many government and private entities such as the Environment Agency of Abu Dhabi (EAD) and Abu Dhabi National Oil Company (ADNOC) to promotes a sustainable environment within the UAE.
- NMDC Energy was awarded a prestigious EPC contract by Taiwan Power Company (Taipower) for pipeline installation, shore approach works and dredging for the Tung-Hsiao Power Plant 2nd Stage Renewal Project. The $1.136 billion project involves the design, construction and installation of 111 kilometers of linear subsea pipeline at depths ranging from 10 meters to 55 meters, stretching between Taichung and Tung-Hsiao on Taiwan's west coast. The scope of work includes shore approach works and dredging operations volume of approximately 6 million cubic meters. This strategic involvement is expected to significantly boost revenue while solidifying NMDC's leadership in sustainable energy solutions.

Awards:

- NMDC Energy was the winner of the recent 2024 IPLOCA Environmental Award for its "Blue Carbon" Initiative.

Competitive Strengths

NMDC Energy continues to lead within the Energy sector, due to its winning formula for business, which includes:

Exceptional project portfolio
NMDC Energy has been strategically focused on major projects including Hail & Ghasha, Estidama, MERAM, Ruwais LNG, Lower Zakum and Aramco CRPOs. It currently has a backlog of projects worth AED 50.4 billion, with the value of ongoing projects amounting to AED 70.22 billion.

Unmatched capabilities
NMDC Energy has invested AED 200 million in its Mussafah yard to promote its modernization, reduce its carbon footprint and improve efficiency – while its ICAD 4 expansion will enhance the yards' current coating and piping facilities, thereby enhancing its capacity by 70%. Most recently, the company has inaugurated an advanced fabrication yard in Ras Al Khair, Saudi Arabia. The 400,000 sqm state-of-the-art yard, part of the Ras Al Khair Special Economic Zone, boasts a production capacity of 40,000 tons per year and will provide offshore facilities fabrication as well as onshore modularization.

Competitive Strengths (continued)

Economic Contributions
NMDC Energy is committed to supporting local economies within the geographies it operates in. Locally, the company is reinjecting AED 17 billion back into the economy by enhancing opportunities for UAE- based small and medium businesses and prioritizing local resources and suppliers. In KSA, NMDC Energy continued to reinject billions of dollars into the Saudi economy and industry, to drive positive economic impact in Saudi Arabia, leading to NMDC Energy's current In-Kingdom Total Value Add (iktva) score of 39% in 2025.

Strategic Objectives

The mission of the NMDC Energy is to leverage the talent and experience of our people and provide opportunities to build successful and rewarding careers, while serving our clients through delivering sustainable solutions and beyond, and always maintain to focus on generating exceptional returns.

Our strategy is underpinned by strategic objectives which consequently are each supported by many underlying initiatives:

- Cherish current markets
- Diversify vertically, horizontally, and geographically
- Strengthen government, clients, investors, partners and suppliers
- Improve core operations
- Manage portfolio
- Commit to sustainability
- Focus on Safety

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. Motivated and skilled people
2. Best practice processes
3. AI-enabled technology and systems
4. Fit-for-purpose assets
5. Open and collective culture

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, uninformed risk- taking, or breach of legal or contractual obligations, and also ensuring highest quality achieved in a safe and sustainable environment.

Internal control systems and their adequacy (continued)

The guidelines for design and implementation of the internal control systems are provided by the Group'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.

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 2024, 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 Energy consolidated financial statements is performed by Deloitte, a professional services firm.

Process reviews of NMDC Energy business processes and projects through the Internal Audit Function, according to an Internal Audit Plan approved by the Audit Committee. The scope of internal audit for the year 2024 covered both core and support processes and were prioritized in accordance with Risk Analysis Methodology.

Compliance program was further strengthened by adopting a revised code of conduct and related policies in line with best practices, conducting fraud awareness workshops for employees across the company and via internal communications on code of business conduct and whistleblowing awareness.

Enterprise Risk Management practice is a crucial pillar for achieving NMDC Energy's 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 entity. While global risks are intensifying with geopolitical tensions combined with technology driving new security risks, NMDC Group's Risk Management Practice aims to enforce business sustainability and continuity by providing the means and mechanism to proactively manage and control threats and opportunities.

Internal control systems and their adequacy (continued)

The Board met its internal control responsibilities in 2024 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 2024. During 2024, the Company did not face any major issue requiring disclosure in any report or to the market.

Emiratization

NMDC Energy is committed to nurturing national talent and fostering future Emirati leaders. It has launched a number of programs that were instrumental in promoting Emiratization within one of the country's most strategic sectors. In 2024, NMDC Energy encompassed 444 Emiratis, with an Emiratization rate of 13.6%.

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 Company'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.

Mohamed Hamad Almehairi
Chairman

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Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NMDC ENERGY PJSC (formerly National Petroleum Construction Company)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of NMDC Energy PJSC (formerly National Petroleum Construction Company) (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International 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.

Deloitte.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NMDC ENERGY PJSC (formerly National Petroleum Construction Company) (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter

Revenue recognition
The Group reported revenue of AED 14,440 million during the year ended 31 December 2024.
 	
The Group's business involves entering into contractual relationships with customers to provide a range of engineering, procurement and construction (EPC) services with a significant proportion of the revenues derived from long term contracts. The Group recognises revenue over a period of time and measures the progress using the input method by measuring the proportion of total costs incurred for the work performed as at the reporting date, relative to the estimated total costs of the contract at completion.
 	
The measurement of the amount of revenue, including variation orders, to be recognised requires management to apply significant judgements and make significant estimates. These judgements and estimates also include the determination of the expected cost to meet the performance obligations under a contract.
 	
The nature of these judgements and estimates results in them being susceptible to management override. In addition, revenue is quantitatively significant to the financial statements. Consequently, we have identified revenue recognition as a key audit matter.
 	
Management has also recognised contract assets of AED 3,106 million and contract liabilities of AED 937 million in the consolidated statement of financial position. Contract assets represent revenue that had been earned by the reporting date but had not yet been billed to customers. Contract liabilities represent the excess of cash received from customers for contracts over the revenue earned for those contracts.
	We performed the following procedures, inter alia, in respect of revenue recognition:
	
	• We obtained an understanding of the business process adopted by management to measure and recognize revenue and performed walkthroughs to understand the key processes and identify key controls;
	• We assessed the abovementioned controls to determine if they had been designed and implemented appropriately and tested these controls to determine if they had been operating effectively;
	• We challenged management's key judgements applied in the determination of forecast costs to complete the project under the percentage of completion method;
	• We obtained a sample of contracts and reviewed the contract terms and conditions, including variation orders and ensured these were appropriately recorded in the accounting records. We have also retrospectively reviewed the estimated profits and costs to complete and enquired of key personnel regarding potential contract losses to identify projects with potential losses;
	• We performed, for a sample of contracts, analytical procedures by comparing the current year margins with their prior year margins. Where we identified an unexpected margin, we carried out more focused testing on these contracts;
	• We reperformed the mathematical accuracy of the calculations used to determine revenue recognised under the percentage of completion method;
	• We performed the following procedures in respect of contract assets:
	  ◦ We agreed the amount of contract assets reported in the consolidated statement of financial position to a report prepared by management; and
	  ◦ We recalculated, on a sample basis, the amount of the contract asset recorded with reference to the underlying contracts with customers and the work performed.

Key audit matters (continued)

Revenue recognition (continued)	How our audit addressed the key audit matter (continued)

The Group's revenue recognition accounting policy is included in note 3 to the consolidated financial statements. Details about key estimates and judgements relating to revenue are disclosed in note 4 to the consolidated financial statements. Further, details about revenue are included in note 21 to the consolidated financial statements.	• We performed the following procedures in respect of contract liabilities:
	  ◦ We agreed the amount of contract liabilities reported in the consolidated statement of financial position to a report prepared by management;
	  ◦ We recalculated, on a sample basis, the amount of the contract liability recorded with reference to the underlying contracts with customers and the cash amounts received;
	  ◦ We determined, for a sample of cash receipts in bank statements prior to the reporting date, that the related credit had been correctly recorded in revenue, trade receivables or contract liabilities.
	• We reconciled the list of the actual costs for the current year to the total costs of the projects under the percentage of completion;
	• We performed test of details for the actual costs related to the contracts;
	• We performed procedures to assess whether the revenue recognition criteria adopted by Company are in accordance with 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, including post-year-end reversals; and
	• We assessed the disclosure in the consolidated financial statements relating to revenue recognition against the requirements of 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 and will not express any form of assurance conclusion thereon.

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

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

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 exists 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 as issued by the IASB and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (32) of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NMDC ENERGY PJSC (formerly National Petroleum Construction Company) (continued)

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

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NMDC ENERGY PJSC (formerly National Petroleum Construction Company) (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the UAE Federal Law No. (32) of 2021, we report that for the year ended 31 December 2024:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (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 and records of the Group;
- As disclosed in note 1 to the consolidated financial statements, the Company has made investments during the financial year ended 31 December 2024;
- Note 20 to the consolidated financial statements discloses the material related party transactions and balances, and the terms under which they were conducted; and;
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2024 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 consolidated financial position as at 31 December 2024.

Deloitte & Touche (M.E.)

F. Sohawon

Faeza Sohawon
Registration No. 5508
2 February 2025
Abu Dhabi
United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2024

	Notes	2024 AED'000	2023 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	**5**	**3,452,735**	3,041,366
Right-of-use assets	**6**	**437,477**	286,599
Investment in equity accounted investees	**7**	**22,895**	24,134
Goodwill	**8**	**5,057**	5,057
Total non-current assets		**3,918,164**	3,357,156
Current assets			
Inventories	**9**	**250,480**	235,889
Trade and other receivables	**10**	**5,032,523**	3,174,717
Due from a related party	**20**	**-**	1,015,829
Contract assets	**11**	**3,106,102**	2,208,519
Derivative financial assets		**12,056**	24,602
Cash and bank balances	**12**	**4,215,465**	3,003,586
Total current assets		**12,616,626**	9,663,142
Total assets		**16,534,790**	13,020,298
EQUITY AND LIABILITIES			
Equity			
Share capital	**13**	**2,500,000**	100,000
Statutory reserve	**14**	**190,410**	50,000
Restricted reserve		**1,291**	1,291
Currency translation reserve		**(20,454)**	(14,059)
Hedging reserve		**(14,541)**	14,812
Retained earnings		**2,556,336**	4,442,642
Equity attributable to the shareholders of the Company		**5,213,042**	4,594,686
Non-controlling interest		**6,061**	3,915
Total equity		**5,219,103**	4,598,601

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2024 (continued)

	Notes	2024 AED'000	2023 AED'000
Liabilities			
Non-current liabilities			
Term loan	15	**315,853**	580,287
Provision for employees' end of service benefits	16	**302,549**	260,343
Derivative financial liability		**15,222**	-
Lease liabilities	6	**363,949**	297,866
Total non-current liabilities		**997,573**	1,138,496
Current liabilities			
Trade and other payables	17	**8,744,670**	6,027,781
Term loan	15	**264,434**	264,434
Due to a related party	20	**70,180**	757,558
Derivative financial liability		**11,375**	9,790
Lease liabilities	6	**86,432**	9,733
Contract liabilities	18	**937,350**	141,287
Income tax payable	19	**203,673**	72,618
Total current liabilities		**10,318,114**	7,283,201
Total liabilities		**11,315,687**	8,421,697
Total equity and liabilities		**16,534,790**	13,020,298

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.

Mohamed Hamad Ghanem Hamad Almehairi Chairman	**Ahmed Al Dhaheri** Chief Executive Officer	**Sreemont Prasad Barua** Group Chief Financial Officer

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
Contract revenue	21	**14,440,106**	7,940,568
Direct costs		**(12,643,369)**	(6,795,192)
Gross profit		**1,796,737**	1,145,376
Other operating expenses		**(272,842)**	(199,876)
General and administrative expenses		**(122,828)**	(133,713)
Other income, net	24	**141,070**	(1,726)
Finance income	22	**117,451**	91,279
Finance costs	23	**(61,895)**	(76,237)
Foreign currency exchange losses, net		**(18,535)**	(21,625)
Share of results from equity accounted investees	7	**1,406**	1,727
Profit before tax		**1,580,564**	805,205
Income tax expense, net	19	**(174,314)**	(24,781)
Profit for the year		**1,406,250**	780,424
Non-controlling interests		**(2,146)**	(835)
Profit for the year - attributable to the Shareholders of the Company	25	**1,404,104**	779,589
Basic and diluted earnings per share (in AED) attributable to equity holders of the Company	26	**0.62**	0.34

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2024

	2024 AED'000	2023 AED'000
Profit for the year	**1,406,250**	780,424
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss)/gain arising on hedging instruments during the year	**(29,353)**	20,301
Foreign exchange difference on translation of foreign operations	**(6,395)**	(1,660)
Total comprehensive income for the year	**1,370,502**	799,065
Non-controlling interests	**(2,146)**	(835)
Total comprehensive income for the year - attributable to the Shareholders of the Company	**1,368,356**	798,230

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2024

	Share capital AED'000	Statutory reserve AED'000	Restricted reserve AED'000	Currency translation reserve AED'000	Hedging reserve AED'000	Retained earnings AED'000	Equity attributable to the shareholder of the Company AED'000	Non-controlling interest AED'000	Total equity AED'000
Balance at 1 January 2023	100,000	50,000	1,291	(12,399)	(5,489)	3,663,053	3,796,456	3,080	3,799,536
Profit for the year	-	-	-	-	-	779,589	779,589	835	780,424
Other comprehensive (loss)/income for the year	-	-	-	(1,660)	20,301	-	18,641	-	18,641
Total comprehensive (loss)/income for the year	-	-	-	(1,660)	20,301	779,589	798,230	835	799,065
Balance at 1 January 2024	**100,000**	**50,000**	**1,291**	**(14,059)**	**14,812**	**4,442,642**	**4,594,686**	**3,915**	**4,598,601**
Profit for the year						1,404,104	1,404,104	2,146	1,406,250
Other comprehensive (loss)/income for the year	-	-	-	(6,395)	(29,353)	-	(35,748)	-	(35,748)
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**(6,395)**	**(29,353)**	**1,404,104**	**1,368,356**	**2,146**	**1,370,502**
Issue of share capital (note 1)	2,400,000	-	-	-	-	(2,400,000)	-	-	-
Dividend paid (note 27)	-	-	-	-	-	(750,000)	(750,000)	-	(750,000)
Transfer to statutory reserve (note 14)	-	140,410	-	-	-	(140,410)	-	-	-
Balance at 31 December 2024	**2,500,000**	**190,410**	**1,291**	**(20,454)**	**(14,541)**	**2,556,336**	**5,213,042**	**6,061**	**5,219,103**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
Cash flows from operating activities			
Profit before tax		**1,580,564**	805,205
Adjustments for:			
Depreciation of property and equipment	**5**	**198,028**	150,087
Depreciation of right-of-use assets	**6**	**48,815**	12,305
Gain on disposal of property, plant and equipment		**(8,323)**	(958)
Allowance for expected credit losses, net		**494**	2,208
Allowance for slow moving and obsolete inventories	**9**	**1,383**	1,439
Finance income		**(117,451)**	(91,279)
Finance costs		**65,829**	76,237
Employees' end of service benefit charge	**16**	**63,191**	40,490
Share of profit of investment in associate	**7**	**(1,406)**	(1,727)
Operating cash flows before movements in working capital changes		**1,831,124**	994,007
Employees' end of service benefit paid	**16**	**(20,985)**	(19,540)
Income tax paid, net	**19**	**(43,259)**	(18,928)
		1,766,880	955,539
Working capital changes			
Change in inventories		**(15,974)**	3,810
Change in trade and other receivables		**(1,857,490)**	(240,269)
Change in due from /to a related party, net		**328,451**	(230,000)
Change in contract assets		**(898,393)**	(1,191,200)
Change in contract liabilities		**796,063**	(121,833)
Change in trade and other payables		**2,716,889**	3,047,481
Net cash generated from operating activities		**2,836,426**	2,223,528
Cash flows from investing activities			
Purchase of property, plant and equipment	**5**	**(609,510)**	(644,849)
Proceeds on disposal of property, plant and equipment		**8,323**	1,568
Investment in equity accounted investee	**7**	**-**	(77)
Movement in short-term deposits placed with bank	**12**	**(85,205)**	(505,517)
Interest received		**117,451**	91,279
Dividend received from equity accounted investee	**7**	**2,645**	1,337
Net cash used in investing activities		**(566,296)**	(1,056,259)
Cash flows from financing activities			
Repayments of term loan	**15**	**(264,434)**	(264,434)
Repayment of lease liabilities	**6**	**(73,282)**	(21,158)
Dividend paid	**27**	**(750,000)**	-
Interest paid		**(49,458)**	(63,835)
Net cash used in financing activities		**(1,137,174)**	(349,427)
Net increase in cash and cash equivalents		**1,132,956**	817,842
Cash and cash equivalents at the beginning of the year		**2,498,069**	1,681,864
Net foreign exchange difference		**(6,282)**	(1,637)
Cash and cash equivalents at the end of the year	**12**	**3,624,743**	2,498,069
Non-cash transaction			
Increase in share capital	**1**	**2,400,000**	-

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

1 General information

NMDC Energy PJSC (formerly “National Petroleum Construction Company”) (“NMDC Energy” or the “Company”) was established on 2 April 1973 as a limited liability Company in the Emirate of Abu Dhabi, UAE. In 1987, the legal status of the Company was changed to a Public Joint Stock Company by the application of the Abu Dhabi Law No. (2) of 1987. 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, its subsidiaries and joint ventures (collectively referred to as the “Group’).

The principal activities of the Group include engineering, procurement and construction (EPC) services in the development of offshore and onshore oil and gas fields for the Arabian Gulf and the regional markets.

The Company was owned by General Holding Corporation PJSC (“SENAAT”) and Chimera Investments LLC. In 2021, NMDC Group PJSC (formerly National Marine Dredging Company) (“NMDC” or “Parent Company”) acquired all the share of the Company and became the sole shareholder of the Company. The Parent Company is a public shareholding company incorporated in the Emirate of Abu Dhabi 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.

During the current year, the name of the Company was changed from National Petroleum Construction Company to NMDC Energy PJSC. This change of name was registered with the concerned authority on 6 February 2024.

In August 2024, the Company announced its intention to float its shares on the Abu Dhabi Securities Exchange (“ADX”) through an Initial Public Offering (IPO), pursuant to the resolution of the shareholder of the Company. The shareholder approved the listing and the sale by way of offer to the public of part of its share capital in the Company. The subscription period commenced on 30 August 2024 and closed on 4 September 2024 and trading of the shares commenced on 11 September 2024.

Prior to the IPO, the Board of Directors of the Parent Company approved the updated Article of Association dated 23 August 2024, with the adoption of the following:

- the nominal value of the shares to be reduced to AED 0.50 per share from AED 1 per share;
- the share capital of the Company to be increased to AED 2,500,000 thousand from AED 100,000 thousand, by the way of capitalising from the retained earnings of the Company amounting to AED 2,400,000 thousand;
- the number of shares to be increased to 5,000,000 thousand shares from 100,000 thousand shares;
- all the Company’s shares, including the new shares, shall be of equal ranking to one another in rights and obligations.

Upon completion of the IPO, the Parent Company continues to own a majority 77% stake in the Company, and 20.15% are subscribed through ADX. Furthermore, the Parent Company transferred 2.85% of shares as in kind consideration in connection with acquisition of certain plots of land for commercial use.

The Group has made investments as disclosed below as of the reporting period 31 December 2024.

1 GENERAL INFORMATION (continued)

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

Name	*Country of incorporation*	*Percentage holding* ***2024***	*2023*	***Principal activities***
Subsidiaries				
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
Al Dhabi Construction Projects LLC*	Iraq	**100%**	100%	Engineering, Procurement and Construction
NMDC Marine Services L.L.C. S.P.C*	United Arab Emirates (UAE)	**100%**	100%	Marine Logistics Services

*dormant entities

Joint Ventures				
NT Energies L.L.C	UAE	**51%**	51%	Engineering and Consultancy
Associates				
Principia SAS	France	**33.33%**	33.33%	Engineering and consultancy
Joint Operations				
Saipem – NPCC - Hail and Ghasha		**50%**	50%	Engineering, Procurement and Construction.
Technicas – NPCC – MERAM		**50%**	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.
TJN Ruwais LNG (Note 28)		**20%**	-	Engineering, Procurement and Construction.

During the year 2024, the Group signed an agreement with Technip Energies France - Abu Dhabi ("T.EN"), JGC Corporation Abu Dhabi ("JGC") to establish a Joint Operation, TJN Ruwais LNG. The Group owns 20% share in the Joint Operation.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2024, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current

The Group has adopted the amendments to IAS 1, published in January 2020, for the first time in the current year. The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

The group has adopted the amendments to IAS 1, published in November 2022, for the first time in the current year. 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 non-current). 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.

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

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

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements

The Group has adopted the amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments for the first time in the current year.

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 is 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 amendments contain specific transition provisions for the first annual reporting period in which the group applies the amendments. Under the transitional provisions an entity is not required to disclose:

- comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those amendments.
- the information otherwise required by IAS 7:44H(b)(ii)–(iii) as at the beginning of the annual reporting period in which the entity first applies those amendments.

Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers 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.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

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

2.2 New and revised IFRSs in issue but not yet effective

New and revised IFRSs	**Effective for annual periods beginning on or after**
IFRS 18 Presentation and Disclosures in Financial Statements	1 January 2027

IFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 Earnings per Share.

IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation.

IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027

IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements.

A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply IFRS 19 if, at the end of the reporting period:

- it is a subsidiary (this includes an intermediate parent)
- it does not have public accountability, and
- its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 19 Subsidiaries without Public Accountability: Disclosures (continued) A subsidiary has public accountability if: • its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or • it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance entities, securities brokers/dealers, mutual funds and investment banks often meet this second criterion). Eligible entities can apply IFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply IFRS 19 in its consolidated financial statement may do so in its separate financial statements.	1 January 2027
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information 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.	Effective date not yet decided by the regulator in the United Arab Emirates
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.	Effective date not yet decided by the regulator in the United Arab Emirates

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendment to IAS 21— Lack of Exchangeability	1 January 2025

The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so.

When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique. Examples of an observable exchange rate include:

- a spot exchange rate for a purpose other than that for which an entity assesses exchangeability.
- the first exchange rate at which an entity is able to obtain the other currency for the specified purpose after exchangeability of the currency is restored (first subsequent exchange rate).

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendment to IAS 21— Lack of Exchangeability (continued)	1 January 2025
An entity using another estimation technique may use any observable exchange rate – including rates from exchange transactions in markets or exchange mechanisms that do not create enforceable rights and obligations and adjust that rate, as necessary, to meet the objective as set out above.	
When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, the entity is required to disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.	
Amendments IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments	1 January 2026
The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 Financial Instruments.	
Annual improvements to IFRS Accounting Standards — Volume 11	1 January 2026
The pronouncement comprises the following amendments: • IFRS 1: Hedge accounting by a first-time adopter • IFRS 7: Gain or loss on derecognition • IFRS 7: Disclosure of deferred difference between fair value and transaction price • IFRS 7: Introduction and credit risk disclosures • IFRS 9: Lessee derecognition of lease liabilities • IFRS 9: Transaction price • IFRS 10: Determination of a 'de facto agent' • IAS 7: Cost method	

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 Material accounting policy information

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) and applicable provision of the UAE Federal Decree Law no. (32) of 2021.

3.2 Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of consideration given in exchange for assets.

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.

The principal accounting policies adopted are set out below:

3.3 Basis of consolidation

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

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

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

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

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

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

3 Material accounting policy information (continued)

3.3 Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the 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.

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. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3.4 Goodwill

Goodwill is initially recognised and measured as set out above.

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

The Group's policy for goodwill arising on the acquisition of an associate is described below.

3 Material accounting policy information (continued)

3.5 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.

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.

3 Material accounting policy information (continued)

3.5 Investments in associates and joint ventures (continued)

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 Material accounting policy information (continued)

3.6 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 operation; and its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with the IFRS Standards applicable to the particular assets, liabilities, revenue and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, 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 assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

3.7 Revenue recognition

Revenue is recognised to the extent that it is probable economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria also apply Engineering, Procurement & Construction (EPC) revenues from fixed-price lump sum contracts are recognised using the percentage-of-completion method, by reference to the progress towards completion method, based on entity's efforts or inputs to the satisfaction of performance obligation (e.g. resources consumed, labour hours expended, cost incurred, time elapsed or machine hours used) relative to the total expected inputs required in order to satisfy the performance obligation. In the early stages of contract completion, when the outcome of a contract cannot be estimated reliably, contract revenues are recognised only to the extent of costs incurred that are expected to be recoverable.

Provision is made for all losses expected to arise on completion of contracts entered into at the reporting date, whether or not work has commenced on these contracts.

Incentive payments are included in revenue when the contract is sufficiently advanced that it is probable that the specified performance standards will be met or exceeded and the amount of the incentive payments can be measured reliably.

3 Material accounting policy information (continued)

3.7 Revenue recognition (continued)

Revenue recognition on construction contracts

The Group provides lump-sum engineering, procurement and construction project services to the oil and gas production and processing industry.

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.

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.

Contract modifications, e.g. approved variation orders, are accounted for as part of the existing contract, with a cumulative catch up adjustment to revenue.

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.

Variable consideration is recognised to the extent it is 'highly probable' that a significant revenue reversal will not occur in future periods, when the related uncertainty associated with the variable consideration is subsequently resolved.

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.

3 Material accounting policy information (continued)

3.7 Revenue recognition (continued)

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.

3.7.1 Other income

Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and effective interest rate applicable.

Dividend income
Dividend income from investments is recognised when the shareholder’s right to receive payment has been established.

3.8 Foreign currencies

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Group’s functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the ssdates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except as otherwise stated in the Standards.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

The assets and liabilities of the Group’s foreign operations are translated at exchange rates prevailing on the reporting date. 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 date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity.

3 Material accounting policy information (continued)

3.9 Employees' 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 each reporting period.

A provision is also made for the full amount of end of service benefits due to employees in accordance with the Group's policy, which is at least equal to the benefits payable in accordance with UAE Labour Law, for their period of service up to the end of each reporting period. An accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefits is disclosed as a non-current liability.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Agency in accordance with the Abu Dhabi Retirement Pensions and the Benefit Funds and covered by Pension and Leaving Benefits Law No. 2/2000 for Pension and Social Security. Such contributions are charged to the statement of financial performance during the employees' period of service.

3.10 Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

3 Material accounting policy information (continued)

3.10 Taxation (continued)

Deferred tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors reviewed the group's investment property portfolios and concluded that none of the group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the ‘sale’ presumption set out in the amendments to IAS 12 is not rebutted. As a result, the group has not recognised any deferred taxes on changes in fair value of the investment properties as the group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

3 Material accounting policy information (continued)

3.11 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of Property, plant and equipment is their purchase cost, together with any incidental expense of acquisition.

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

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of profit or loss as incurred.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each statement of financial position date, with the effect of any changes in estimate accounted for on a prospective basis.

The principal annual rates used for this purpose are as follows:

	Years
Buildings	25
Plant, barges and vehicles	4-40
Furniture and office equipment	3-5

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. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

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. In the prior year, management reviewed the estimated useful lives of property, plant and equipment in accordance with IAS 16 Property, and had adjusted the useful lives of certain plant, barges and vehicles based on the expected usage / future economic benefit (effective from 1 January, 2023).

This reassessment resulted in reduction of depreciation charge for the previous year by AED 39.2 million and an increase in the carrying amount of property, plant and equipment by the same amount.

3 Material accounting policy information (continued)

3.11 Property, plant and equipment (continued)

Capital work in progress

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

3.12 Impairment of tangible excluding goodwill

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

3.13 Inventories

Inventories are stated at the lower of cost and net realisable value after taking an allowance for any slow moving or obsolete items. Cost comprises the purchase price, import duties, transportation handling and other direct costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the moving weighted average method.

3 Material accounting policy information (continued)

3.14 Financial instruments

Financial assets and financial liabilities are recognised in the Group's 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 the consolidated statement of 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

(i) Debt instruments designated at amortised cost

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.

Amortised cost and effective interest rate method

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

3 Material accounting policy information (continued)

3.14 Financial instruments (continued)

Financial assets (continued)

Amortised cost and effective interest rate method (continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments 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 - interest income" 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, 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. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

3 Material accounting policy information (continued)

3.14 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 as at the reporting date with the risk of a default occurring on the financial instrument as 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.

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.

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:

(1) The financial instrument has a low risk of default,
(2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) 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.

(ii) Definition of default

The Group employs statistical models to analyse the data collected and generate estimates of probability of default ("PD") of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Group.

3 Material accounting policy information (continued)

3.14 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(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:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) 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;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

(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.

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.

3 Material accounting policy information (continued)

3.14 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 when 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 and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in the consolidated statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in the consolidated statement profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in statement of other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch statement of in profit or loss. The remaining amount of change in the fair value of liability is recognised in statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in statement of other comprehensive income are not subsequently reclassified to statement of profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

3 Material accounting policy information (continued)

3.14 Financial instruments (continued)

Financial liabilities (continued)

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortised cost using the effective interest method.

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 (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) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge 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 legal 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 expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

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

3 Material accounting policy information (continued)

3.14 Financial instruments (continued)

Derivative financial instruments (continued)

Hedge accounting (continue)

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.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

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 other 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 profit or loss, and is included in the ‘other gains and losses’ line item.

3 Material accounting policy information (continued)

3.14 Financial instruments (continued)

Derivative financial instruments (continued)

Cash flow hedges (continued)

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects 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 other 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 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 other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

3.15 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 that 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 reporting date, 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 the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a 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.

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.

3 Material accounting policy information (continued)

3.16 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.17 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 12. 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.

3.17 Leases

The Group as lessee

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

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

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

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

3 Material accounting policy information (continued)

3.17 Leases (continued)

The Group as lessee (continued)

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

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

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

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

4 Critical accounting judgements and key sources of estimation of uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities 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. Revisions to accounting estimates are recognised in the period 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.

Critical judgements in applying the Group's accounting policies

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

<u>Revenue recognition</u>

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

a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
c) 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.

<u>Contract variations</u>

Contract variations are recognised as revenues only to the extent that it is probable that they will not result in a significant reversal of revenue in subsequent periods. Management considers prior experience, application of contract terms and the relationship with the customers in making their judgement.

<u>Contract claims</u>

Contract claims are recognised as revenue only when management believes that only to the extent that it is probable that they will not result in a significant reversal of revenue in subsequent periods. Management reviews the judgment related to these contract claims periodically and adjustments are made in the future periods, if assessments indicate that such adjustments are appropriate.

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

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets 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. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. The Group has not recognised any loss allowance against all receivables.

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). The Group has lease contracts less than 1 year which are considered as operating leases on the judgement that the lease period will not be extended beyond the lease contracts.

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.

Offsetting of related party balances

Balances due from/to related parties as disclosed in note 20 are reported on a net basis in the accompanying consolidated financial statements. Management has established that a legally enforceable right to set off such amounts exist, and the Group intends to settle on net basis or to realise the assets and settle the liabilities simultaneously.

Key sources of estimation uncertainty

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

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

Percentage-of-completion

The Group uses the input method to recognise revenue on the basis of entity's efforts or inputs to the satisfaction of a performance obligation in accounting for its construction contracts. This is done by measuring the costs incurred to date relative to the total expected costs to be incurred (forecast final costs).

At each reporting date, the Group is required to estimate stage of completion and costs to complete on its construction contracts. These estimates require the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates also include the cost of potential claims by subcontractors and the cost of meeting other contractual obligations to the customers. Effects of any revision to these estimates are reflected in the year in which the estimates are revised. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts. The Group uses its commercial teams together with project managers to estimate the costs to complete of construction contracts. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, increase in labour and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

Taxation provisions

The income tax positions taken are considered by the Group to be supportable and are intended to withstand challenge from tax authorities. However, it is acknowledged that these positions are uncertain and include interpretations of complex tax laws which could be disputed by tax authorities. Evolving insights, for example following final tax assessments for prior years, can result in additional tax burdens or benefits, and new tax risks may arise.

The Group judges these positions on their technical merits on a regular basis using all the information available (legislation, case law, regulations, established practice, authoritative doctrine as well as the current state of discussions with tax authorities, where appropriate). A liability is recorded for each item that is not probable of being sustained on examination by the tax authorities, based on all relevant information. The liability is calculated taking into account the most likely outcome or the expected value, depending on which is thought to give a better prediction of the resolution of each uncertain tax position in view of reflecting the likelihood of an adjustment being recognised upon examination. These estimates are based on facts and circumstances existing at the end of the reporting period. The tax liability and income tax expense include expected penalties and late payment interests arising from tax disputes. Further, tax implications on unremitted earnings from foreign subsidiaries are not considered material to the Group as management currently do not intend to have remittances from its foreign operations.

Management has used its best estimate of the correct value of liability to recognise in each case, which includes a judgement on the length of the future time period to use in such assessments.

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

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.

Impairment of trade and other receivables and contract assets at 31 December 2024 are AED 1.97 million (2023: AED 2.29 million) and AED 1.50 million (2023: AED 0.69 million), respectively.

Allowance for inventory obsolescence

Management has estimated the recoverability of inventory balances and has considered the allowance required for inventory obsolescence based on the current economic environment. Accordingly, allowance for inventory obsolescence as at 31 December 2024 is AED 54.8 million (2023: AED 53 million).

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. In the previous year, management had reviewed the estimated useful lives of property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment and has adjusted the useful lives of certain plant, barges and vehicles based on the expected usage / future economic benefit (effective from 1 January, 2023).

This reassessment resulted in reduction of depreciation charge for the prior 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 tests annually whether property, plant and equipment have suffered any impairment. In determining whether an impairment loss should be recorded in profit or loss, management makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows attributable to property, plant and equipment.

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.

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.

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

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.

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.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Management is satisfied that there is no impairment on goodwill as at 31 December 2024 and 31 December 2023.

5 PROPERTY, PLANT AND EQUIPMENT

	Buildings AED'000	Plant, barges and vehicles AED'000	Furniture and office equipment AED'000	Capital work in progress AED'000	Total AED'000
2024					
Cost					
1 January 2024	577,094	5,750,829	127,336	234,370	6,689,629
Additions	-	96,155	9,551	503,804	609,510
Transfers	-	32,363	-	(32,363)	-
Disposal	-	(23,290)			(23,290)
Exchange difference	-		(404)		(404)
31 December 2024	**577,094**	**5,856,057**	**136,483**	**705,811**	**7,275,445**
Accumulated depreciation					
1 January 2024	391,383	3,147,216	109,664	-	3,648,263
Charge for the year	15,490	174,799	7,739	-	198,028
Disposal/write-offs	-	(23,290)	-	-	(23,290)
Exchange difference	-	-	(291)	-	(291)
31 December 2024	406,873	3,298,725	117,112	-	3,822,710
Carrying amount					
At 31 December 2024	**170,221**	**2,557,332**	**19,371**	**705,811**	**3,452,735**
2023					
Cost					
1 January 2023	542,765	5,171,840	116,357	224,310	6,055,272
Additions	67	39,365	10,746	594,671	644,849
Transfers	34,262	550,016	333	(584,611)	-
Disposal/write-offs	-	(10,392)	-	-	(10,392)
Exchange difference	-	-	(100)	-	(100)
31 December 2023	577,094	5,750,829	127,336	234,370	6,689,629
Accumulated depreciation					
1 January 2023	378,519	3,027,542	101,973	-	3,508,034
Charge for the year	12,864	129,456	7,767	-	150,087
Disposal/write-offs	-	(9,782)	-	-	(9,782)
Exchange difference	-	-	(76)	-	(76)
31 December 2023	391,383	3,147,216	109,664	-	3,648,263
Carrying amount					
At 31 December 2023	185,711	2,603,613	17,672	234,370	3,041,366

Certain items of property, plant and equipment with a carrying value of AED 1,346 million (2023: AED 1,450 million) have been pledged to secure the borrowings of the Group (note 15). The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Property, plant and equipment includes fully depreciated assets of AED 2,335 million (2023: AED 2,169 million).

The buildings in Mussafah are constructed on land leased from Abu Dhabi Municipality (Note 6).

6 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases several assets including land, premises, vessels, equipment. The average lease term is 1 to 26 years. Interest rate on the leases ranges from 4% - 6.6%.

Right-of-use assets

	Equipment 2024 AED'000	**Land 2024 AED'000**	**Total 2024 AED'000**	Total* 2023 AED'000
1 January	**-**	**286,599**	**286,599**	294,262
Additions during the year	**199,693**		**199,693**	4,642
Depreciation expense	**(34,965)**	**(13,850)**	**(48,815)**	(12,305)
31 December	**164,728**	**272,749**	**437,477**	286,599

*As at 31 December 2023, the right-of-use assets comprised of land only.

Lease liabilities

	2024 AED'000	2023 AED'000
1 January	**307,599**	311,718
Additions during the year	**199,693**	4,637
Interest expense	**16,371**	12,402
Payments	**(73,282)**	(21,158)
31 December	**450,381**	307,599

6 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

	2024 AED'000	2023 AED'000
Analysed as:		
Non-current liabilities	**363,949**	297,866
Current liabilities	**86,432**	9,733
	450,381	307,599

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

	2024 AED'000	2023 AED'000
Depreciation on right-of-use assets		
Direct costs	**34,965**	-
General and administrative expenses	**13,850**	12,305
	48,815	12,305
Interest expense on lease liabilities		-
Direct costs	**3,934**	
Finance costs (note 23)	**12,437**	12,402
	16,371	12,402

	2024 AED'000	2023 AED'000
Maturity analysis		
Not later than 1 year	**109,864**	21,744
Later than 1 year and not later than 5 years	**174,725**	78,575
Later than 5 years	**360,670**	380,013
	645,259	480,332
Less: unearned interest	**(194,878)**	(172,733)
	450,381	307,599

7 INVESTMENT IN EQUITY ACCOUNTED INVESTEES

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

	2024 **AED'000**	2023 AED'000
NT Energies	**77**	77
Principia SAS	**22,818**	24,057
	22,895	24,134

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

	2024 **AED'000**	2023 AED'000
Balance at 1 January	**24,134**	23,667
Acquisition during the year	**-**	77
Share of profit for the year	**1,406**	1,727
Dividend received during the year	**(2,645)**	(1,337)
Balance at 31 December	**22,895**	24,134

During the previous 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.

The Group acquired 33% shares of the Principia SAS ("Principia") a Company registered in Marseille, France from IGEN SARL (which owns 16.67% of the share capital of Principia) and GRENERGY SARL (which owns 16.67 % of the share capital of Principia) (together, referred to as "Sellers") in the sale purchase agreement dated 23 June 2016 with effect from 27 July 2016.

7 INVESTMENT IN EQUITY ACCOUNTED INVESTEES (continued)

Summarised financial information in respect of the Group's equity accounted investees is set out below:

	2024 **AED'000**	2023 AED'000
Total assets	**43,165**	50,424
Total liabilities	**(24,969)**	(28,310)
Net assets	**18,196**	22,114
Group's share of net assets of associate	**6,065**	7,371
Total revenue	**64,051**	63,272
Total profit for the year	**4,219**	5,442
Group's share in profit	**1,406**	1,727

8 GOODWILL

Acquisition of subsidiary

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

8 GOODWILL (continued)

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

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

Impairment testing of goodwill

Goodwill acquired through business combination of AED 5,057 thousand is allocated to individual cash generating units for impairment testing.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. During the year no impairment was noted and recorded on Goodwill.

9 INVENTORIES

	2024 AED'000	2023 AED'000
Materials, fuel and spare parts	**305,268**	289,293
Less: allowance for slow and obsolete inventories	**(54,788)**	(53,404)
	250,480	235,889

Movement in the allowance for slow moving inventories

At 1 January	**53,405**	51,965
Charge for the year	**1,383**	1,439
At 31 December	**54,788**	53,404

10 TRADE AND OTHER RECEIVABLES

	2024	2023
	AED'000	AED'000
Trade receivables	**2,098,445**	1,201,880
Less: allowance for expected credit losses	**(1,972)**	(2,288)
	2,096,473	1,199,592
Advances to suppliers	**1,947,065**	1,017,951
Prepayments	**374,245**	553,072
Contract retentions	**484,345**	263,288
VAT and GST receivables, net	**19,021**	31,689
Advances paid to employees	**13,008**	15,067
Other receivables	**98,366**	94,058
	5,032,523	3,174,717

Included in trade and other receivables are amounts of AED 84 thousand (2023: AED 354.3 million) due from entities disclosed in note 20 to the consolidated financial statements.

The average credit period on contract revenue is 45 days. No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable 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. None of the trade receivables that have been written off is subject to enforcement activities.

Movement in the allowance for expected credit losses

	2024	2023
	AED'000	AED'000
At 1 January	**2,288**	288
(Reversal) / charge for the year	**(316)**	2,000
At 31 December	**1,972**	2,288

10 TRADE AND OTHER RECEIVABLES (continued)

Ageing of trade receivables

	2024 **AED'000**	2023 AED'000
1 to 90 days	**2,027,798**	1,178,338
More than 91 days	**68,675**	21,254
	2,096,473	1,199,592

11 CONTRACT ASSETS

	2024 **AED'000**	2023 AED'000
Construction contracts	**3,107,603**	2,209,210
Less: allowance for expected credit losses	**(1,501)**	(691)
	3,106,102	2,208,519

Significant changes in contract assets balance during the year:

	2024 **AED'000**	2023 AED'000
1 January	**2,209,210**	1,018,010
Add: Revenue recognised during the year from contracts	**14,440,106**	7,940,568
Less: Transfer of contract assets recognised to trade receivables	**(13,541,713)**	(6,749,368)
31 December	**3,107,603**	2,209,210

Invoicing to the client for fixed-price contracts is based on milestones defined in the contracts and therefore, the timing of revenue recognition is different from the timing of invoicing of the contract. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

11 CONTRACT ASSETS (continued)

Movement in the allowance for expected credit losses:

	2024	2023
	AED'000	AED'000
At 1 January	**691**	483
Charge for the year	**810**	208
At 31 December	**1,501**	691

Contract assets are analysed as follows:

	2024	2023
	AED'000	AED'000
Signed contracts		
Government of Abu Dhabi and its related entities	**1,310,954**	1,161,422
Other entities	**1,796,649**	1,047,788
	3,107,603	2,209,210

12 CASH AND BANK BALANCES

	2024	2023
	AED'000	AED'000
Cash in hand	**487**	691
Cash at banks	**1,462,920**	427,783
Short-term deposits	**2,752,058**	2,575,112
	4,215,465	3,003,586
Less: short-term deposits with maturity more than three months	**(590,722)**	(505,517)
Cash and cash equivalents	**3,624,743**	2,498,069

Cash and cash equivalents comprise of short-term deposits having original maturities of three months or less. The deposits, carry interest in the range of 2%-7% per annum (2023: 3.15%-6.20% per annum).

Included in cash and bank balances are amounts of AED 2,954 million (31 December 2023: AED 2,209 million) held with a related party as disclosed in note 20. Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective jurisdiction. Accordingly, management of the Company estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12-month ECL.

13 SHARE CAPITAL

As disclosed in the note 1, the share capital of the Company was increased during the year and the Company's authorised and issued share capital is 5,000,000 thousand shares with a par value of AED 0.50 each as at 31 December 2024 (2023:100,000 thousand shares with a par value of AED 1 each);

	2024	2023
	AED'000	AED'000
Authorised, issued and paid-up capital	**2,500,000**	100,000

14 STATUTORY RESERVE AND RESTRICTED RESERVE

In accordance with the provisions of the UAE Federal Decree Law No. (32) of 2021, 10% of profit for the year is required to be transferred to the statutory reserve, until such reserve reaches 50% of the issued and fully paid-up capital of the Company. 10% of current year net profit is accordingly transferred to the statutory reserve. This reserve is not available for distribution.

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

15 TERM LOAN

	2024	2023
	AED'000	AED'000
Non-current portion	**315,853**	580,287
Current portion	**264,434**	264,434
	580,287	844,721

On February 27, 2020, the Company signed a syndicated loan agreement amounting to USD 500 million (AED 1,836 million), carrying effective interest rate of Term SOFR plus 0.90% (2023: Term SOFR plus 0.90%). The total syndicated loan agreement consists of two portions: Conventional amounting to USD 167 million, and Islamic amounting to USD 333 million. The outstanding amount of this loan as at 31 December 2024 is USD 158 million (31 December 2023: USD 230 million) which is equivalent to AED 580 million (31 December 2023: AED 845 million). In accordance with the terms of the agreement between the two parties, the loan is repayable in quarterly installments starting from June 2020 and is expected to be fully repaid by March 2027. The loan is secured against mortgage of 5 vessels of the Company.

The Group has complied with the financial covenants as of the reporting period.

15 TERM LOAN (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2024	2023
	AED'000	AED'000
At 1 January	**844,721**	1,109,155
Loan repayment	**(264,434)**	(264,434)
At 31 December	**580,287**	844,721

The contractual repayment schedule of the term loan is as follow:

	2024	2023
	AED'000	AED'000
Less than one year	**264,434**	264,434
1 to 3 years	**315,853**	528,870
3 to 5 years	**-**	51,417
	580,287	844,721

Movement in term loan:

	2024	2023
	AED'000	AED'000
Balance at 1 January	**844,721**	1,109,155
Loan repayment	**(264,434)**	(264,434)
Balance at 31 December	**580,287**	844,721

16 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

The movement in the provision for employees' end of service benefits is as follows:

	2024	2023
	AED'000	AED'000
At 1 January	**260,343**	239,393
Charge for the year	**63,191**	40,490
Paid during the year	**(20,985)**	(19,540)
At 31 December	**302,549**	260,343

17 TRADE AND OTHER PAYABLES

	2024	2023
	AED'000	AED'000
Job and other accruals	**4,485,703**	2,725,375
Advances received on contracts	**3,148,175**	2,451,068
Trade payables	**568,942**	542,959
VAT payables	**170,243**	96,542
Retentions payable	**139,980**	20,537
Provision for employees leave salary	**84,268**	64,722
Provision for board remuneration and employee bonus	**71,387**	52,850
Provision for air fare	**42,154**	37,319
Warranty provision	**9,500**	14,093
Provision for future losses	**11,319**	686
Other payables	**4,331**	13,723
Other accruals	**8,668**	7,907
	8,744,670	6,027,781

The average credit period on purchase of goods is 45 days (2023 45 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit terms.

Included in trade and other payables are amounts of AED 78 million (2023: AED 1,217 million) due to entities disclosed in note 20 to the consolidated financial statements.

18 CONTRACT LIABILITIES

	2024	2023
	AED'000	AED'000
Construction contracts	**937,350**	141,287

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

19 TAXATION

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No.47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023. Generally, UAE businesses will be subject to a 9% rate CT rate. A rate of 0% will apply to taxable income not exceeding AED 375,000. The Law is now considered to be enacted from the perspective of IAS 12 – Income Taxes. The UAE entities are subject to CT commencing 1 June 2023.

	2024	2023
	AED'000	AED'000
Current income tax		
Current income tax charge – net	**187,148**	36,178
Prior year adjustment	**(13,382)**	(11,397)
Total current tax	**173,766**	24,781
Deferred tax		
Deferred income tax charge	**548**	-
Total income tax expense recognised in consolidated income statement	**174,314**	24,781

Tax rates differ between jurisdictions in which the Group operates in. The tax rate applicable in the UAE is 9% (2023: 0%) for taxable profits exceeding AED 375,000. The overall effective tax rate for the Group, including all applicable jurisdictions, is 11 % (2023: 3.1%).

19 TAXATION (continued)

Movement of the income tax payable is as follow:

	2024	2023
	AED'000	AED'000
At 1 January	**72,618**	66,765
Charge for the year	**187,696**	36,178
Prior year adjustments	**(13,382)**	(11,397)
Refund during the year	**-**	11,839
Payments during the year	**(43,259)**	(30,767)
At 31 December *	**203,673**	72,618

*Deferred tax liability of AED 548 thousand is included in the income tax payable as at 31 December 2024 (31 December 2023: nil)

The difference between the applicable tax rate and the Group's effective tax rate arises due various adjustments being made in accordance with the corporate tax law which are stated below:

	2024	2023
	AED'000	AED'000
Profit before tax	**1,580,564**	805,205
Prima facie tax expense at 9% (2023: 0%)	**142,251**	-
Tax effect of difference:		
Tax effect on taxable dividend from KSA subsidiary	**58,500**	-
Tax effect of application of UAE tax law	**(979)**	
Tax effect of different tax rate of subsidiaries operating in foreign jurisdiction*	**(21,074)**	36,178
Others	**8,998**	-
Income tax expense	**187,696**	36,178
Prior year adjustment	**(13,382)**	(11,397)
Total income tax charge – net	**174,314**	24,781

*The tax results from operations in India, Kuwait and Saudi Arabia and is calculated in accordance with taxation laws in the respective countries.

19 TAXATION (continued)

As of year-end, the Group is liable to pay tax in United Arab Emirates, India, Kuwait and Saudi Arabia. The income tax assessments for certain periods are pending finalisation in some countries in which the Group operates. The Group has no significant deferred tax assets or liabilities in the foreign jurisdictions at the reporting date.

Charge for the year is accrued based on the management best estimate of expected future tax liabilities.

Litigation
The Company has an ongoing tax litigation in India relating to whether a Permanent Establishment existed in India in the fiscal years 2006/07 until 2021/22. The Company has already received several decisions supporting its position including at the Delhi high court where the action of the Indian tax authorities was quashed. The case is currently pending adjudication at the Supreme Court of India.

In the opinion of the Company's tax advisors in India, the chances of the Company winning the litigation in the Supreme Court of India are more likely than not. The tax advisors have estimated the Company's tax liability for this matter in the probable scenario to be approximately AED 44 million including interest up to 31 December 2024. On this basis, an amount of AED 44 million is recorded as part of the Group overall tax provision at 31 December 2024.

Applicability of Pillar Two
The Organisation of Economic Cooperation and Development (OECD) has published GloBE Model Rules, which include a minimum 15% tax rate by jurisdiction ("Pillar Two"). Various countries have enacted or intend to enact tax legislation to comply with Pillar Two rules. As of the reporting date, Pillar Two legislation has not been substantively enacted in the UAE. The Group is in the process of an assessment of its impact on its future earnings.

20 RELATED PARTIES

The Group, in the ordinary course of business, entered into a variety of transactions at agreed terms and conditions, with Companies, entities or individuals that fall within the definition of "related parties" as defined in IAS 24 *Related Party Disclosures*. Related parties comprise the Shareholder, key management staff and business entities related to them, companies under common ownership and/or common management and control, their Directors and key management personnel.

Related balances and transactions are disclosed in note 10, 12, and 17 to the consolidated financial statements.

20 RELATED PARTIES (continued)

	2024 **AED'000**	2023 AED'000
Related party transactions		
Contract revenues	**-**	10,103
Material and services purchased	**172,659**	161,394
Sub-contract costs	**926,222**	429,900
Charter of vessel	**56,709**	-
Back charge of costs	**317,082**	354,361
Corporate overheads, net	**74,640**	50,252
Interest income	**65,425**	33,365
Share of profit from equity accounted investee	**1,406**	1,727
Dividend received from equity accounted investee	**2,645**	1,337
Dividend paid	**750,000**	-
Other income	**64,286**	-

At the reporting date, balances with related parties were as follows:

	Due from balance		**Due to balance**	
	2024 ***AED'000***	2023 *AED'000*	**2024** ***AED'000***	2023 *AED'000*
NMDC Group PJSC (NMDC)	**-***	1,015,829**	**70,180***	757,558

20 RELATED PARTIES (continued)

*As of the reporting date, balances due from/to a related party are presented on a net basis as a legally enforceable right to set off such amounts exist, and the Management intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

**The balance due from a related party as at 31 December 2023 principally represents an amount of AED 285,731 pertaining to the sale of Safeen Survey and Subsea Services to the Parent Company and an amount of AED 729,976 thousand resulted from its cash pooling arrangements with its Parent Company. These balances were settled during the current year.

Due from/to other related parties:	**2024** **AED'000**	2023 AED'000
Trade and other receivables	**84**	354,361
Trade and other payables	**121,806**	459,551
Bank balances	**2,953,913**	2,208,535

Compensation of key management personnel is as follows:

	2024 **AED'000**	2023 AED'000
Salaries and other short-term benefits	**8,961**	7,245
Employees' end of service benefits	**628**	725
	9,589	7,970
Number of key management personnel	**4**	3

21 CONTRACTS REVENUE

	2024	2023
	AED'000	AED'000
Revenue by project type		
Energy	**14,440,106**	7,940,568
Revenue by activity		
Engineering, procurement and construction	**14,440,106**	7,940,568
Timing of revenue recognition		
Revenue recognised over the period	**14,440,106**	7,940,568
Revenue by customer segments		
Governmental companies	**13,703,647**	7,079,835
Non-Governmental companies	**736,459**	860,733
	14,440,106	7,940,568

Unsatisfied performance obligation

The transaction price allocated to (partially) unsatisfied performance obligations at 31 December 2024 and 31 December 2023 are as set out below:

	2024	2023
	AED'000	AED'000
Within one year	**18,862,245**	13,706,313
More than one year	**31,542,583**	29,973,114
	50,404,828	43,679,427

Other information

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

	2024	2023
	AED'000	AED'000
Engineering, procurement and construction		
Customer 1	**8,262,974**	3,208,864
Customer 2	**5,426,569**	3,979,917

22 FINANCE INCOME

	2024	2023
	AED'000	AED'000
Interest income on bank deposits	**117,451**	91,279

23 FINANCE COSTS

	2024	2023
	AED'000	AED'000
Interest expense on term loans	**49,458**	63,835
Interest expense on lease liabilities (note 6)	**12,437**	12,402
	61,895	76,237

24 OTHER INCOME /(EXPENSE), NET

	2024	2023
	AED'000	AED'000
Income from scrap sales	**29,934**	36,404
Gain on sale of property, plant and equipment	**8,323**	958
Reversal of prior years' accruals	**21,524**	-
Reimbursement of expenses*	**64,286**	-
Others	**17,003**	(39,088)
	141,070	(1,726)

*This represents the reimbursement, by the Parent Company, of income tax payable by the Company on dividends received by the Company from its foreign subsidiary.

25 PROFIT FOR THE YEAR

	2024 **AED'000**	2023 AED'000
Profit for the year is stated after:		
Staff costs	**1,625,808**	1,342,321
Depreciation of property, plant and equipment	**198,028**	150,087
Depreciation of right-of-use assets	**48,815**	12,305

26 EARNINGS PER SHARE

Basic earnings per share have 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.

	2024	2023
Profit attributable to the shareholders of the Company (AED'000)	**1,404,104**	779,589
Weighted average number of ordinary shares ('000)	**2,261,918**	2,261,918
Earnings per share attributable to the shareholders of the Company (AED)	**0.62**	0.34

The weighted average number of ordinary shares outstanding during the period and for comparative period have been adjusted for the effect of capitalization arising from the issuance of 4,900,000 thousand ordinary shares on 24 July 2024.

27 DIVIDEND

At the National Marine Dredging Company's Board meeting held on 12 February 2024, the Board approved a dividend of AED 750,000 thousand (and paid in full during the period), relating to the previous years (2023: AED nil).

28 INTEREST IN JOINT OPERATIONS

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

28 INTEREST IN JOINT OPERATIONS (continued)

	2024 **AED'000**	2023 AED'000
Total assets	**3,318,965**	1,577,073
Total liabilities	**(3,180,599)**	(1,540,694)
Net assets	**138,366**	36,379
Total revenue	**3,085,056**	71,049
Profit for the year	**288,365**	36,475

29 CONTINGENT LIABILITIES AND COMMITMENTS

	2024 **AED'000**	2023 AED'000
Letters of guarantee	**13,727,864**	11,703,758
Letters of credit	**155,832**	147,319
Capital commitments	**143,308**	145,058
Purchase commitments	**6,185,651**	5,378,558

30 SEGMENT INFORMATION

Geographical segment information

The Group has aggregated its geographical segments into UAE and International. UAE segment includes projects in the UAE, while international segment includes operations in Kingdom of Saudi Arabia, Bahrain, India, and Kuwait.

The following table shows the Group's geographical segment analysis:

			31 December 2024
	UAE	**International**	**Group**
	AED'000	**AED'000**	**AED'000**
Segment revenue	**8,691,092**	**5,749,014**	**14,440,106**
Segment gross profit	932,268	864,469	**1,796,737**
Other operating expenses	-	-	**(272,842)**
General and administrative expenses	-	-	**(122,828)**
Other income, net	-	-	**141,070**
Finance income	-	-	**117,451**
Finance costs	-	-	**(61,895)**
Foreign currency exchange loss	-	-	**(18,535)**
Share of results from equity accounted investees	-	-	**1,406**
Income tax expense, net	**(138,512)**	**(35,802)**	**(174,314)**
Profit after tax			**1,406,250**
Total assets	**11,905,699**	**4,629,091**	**16,534,790**
Total liabilities	**7,641,011**	**3,674,676**	**11,315,687**

30 SEGMENT INFORMATION (continued)

Geographical segment information (continued)

	UAE AED'000	International AED'000	31 December 2023 Group AED'000
Segment revenue	4,645,180	3,295,388	7,940,568
Segment gross profit	779,364	366,012	1,145,376
Other operating expenses			(199,876)
General and administrative expenses	-	-	(133,713)
Other income, net	-	-	(1,726)
Finance income	-	-	91,279
Finance costs	-	-	(76,237)
Finance cost, net	-	-	(21,625)
Share of results from equity accounted investees	-	-	1,727
Income tax expense	-	(24,781)	(24,781)
Profit after tax			780,424

	UAE AED'000	International AED'000	31 December 2023 Group AED'000
Total assets	9,517,355	3,502,943	13,020,298
Total liabilities	5,781,292	2,640,405	8,421,697

31 Capital management

The primary objective of the Group's capital risk management activities is to ensure that it maintains 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 economic conditions.

The Group monitors capital using a leverage ratio, which is net debt divided by total capital defined as equity plus net debt. The capital structure of the Group consists of debt, which includes term loan cash and cash equivalents and equity comprising share capital, statutory reserve and retained earnings.

The gearing ratio, determined as net debt to equity, at the yearend was as follows:

	2024 AED'000	2023 AED'000
Term loan (note 15)	**580,287**	844,721
Cash and bank balances (note 12)	**(4,215,465)**	(3,003,586)
Net debt	**(3,635,178)**	(2,158,865)
Equity (note 13)	**5,219,103**	4,598,601
Net debt to equity ratio	**-**	-

32 Financial instruments

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), commercial and credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group undertakes significant number of transactions denominated in foreign currencies including US Dollar, Sterling Pound, Euro, Indian Rupees and Saudi Riyal. Hence, exposures to exchange rate fluctuations arise.

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

The carrying amounts of the Group's Euro and Sterling Pound denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2024	2023	**2024**	2023
	AED'000	AED'000	**AED'000**	AED'000
Euro	**841,275**	19,560	**628,562**	212,539
Sterling pound	**14,656**	4,826	**35,790**	37,962

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 10,636 thousand (2023: AED 9,649 thousand) net revaluation gain/loss on the Euro outstanding balances.

(b) there is AED 1,057 thousand (2023: AED 1,657 thousand) net revaluation gain/loss on the Sterling Pound outstanding balances.

32 Financial instruments (continued)

Financial risk management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

If interest rates on loans had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2024 would decrease/increase by AED 2.9 million (2023: decrease/increase by AED 4.2 million).

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable interest-bearing deposits and borrowings.

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 (2023: 3 months Term SOFR) rate. The Group will settle the difference between the fixed and floating interest rate on a net basis.

32 Financial instruments (continued)

Financial risk management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

Interest rate swap contracts (continued)

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 of AED 290,144 thousand (31 December 2023: AED 422,361 thousand):

2024			**USD'000**	**AED'000**
Instrument I: outstanding receive				
Floating, pay fixed	USD SOFR 3M	0.8%	**3,283**	**12,056**
2023				
Instrument I: outstanding receive				
Floating, pay fixed	USD LIBOR 3M	0.8%	6,700	24,602

Fair value represents the amount at which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Differences can therefore arise between book value under the historical cost method and fair value estimates.

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) the carrying amounts approximate to their fair value. This applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

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 6 months. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sales or purchase transactions take place.

32 Financial instruments (continued)

Financial risk management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

Forward foreign exchange contracts

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

	Foreign currency	Notional value AED'000	Fair value AED'000	Fair value changes AED'000
2024				
Forward contract	**EU, GBP & JPY**	**559,390**	**532,793**	**(26,597)**
2023				
Forward contract	USD & EUR	164,255	154,465	(9,790)

(b) Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, due from group companies and committed transactions. Management assesses the credit quality of its customers, taking into account financial position, past experience and other factors. Individual risk limits are based on management's assessment on a case-by-case basis.

The Group's policy is to place cash and cash equivalents and term deposits with reputable banks, financial institutions, and its Parent Company and the Group's management does not expect any losses from non-performance of its counterparties as it believes that adequate allowance has been created against the impaired receivables.

The Group's trade receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount of the trade receivables as disclosed in note 10.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Group establishes an allowance for impairment that represents its estimate of probability of default in respect of trade and other receivables.

32 Financial instruments (continued)

Financial risk management (continued)

(c) Liquidity risk

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

	Less than 1 year AED'000	**1 – 5 years AED'000**	**More than 5 years AED'000**	**Total AED'000**
At 31 December 2024				
Trade and other payables*	**5,405,433**	**-**	**-**	**5,405,433**
Lease liabilities	**109,864**	**174,725**	**360,669**	**645,258**
Term loans	**264,434**	**331,041**	**-**	**595,475**
Due to a related party	**70,180**	**-**	**-**	**70,180**
	5,849,911	**505,766**	**360,669**	**6,716,346**
At 31 December 2023				
Trade and other payables*	3,465,392	-	-	3,465,392
Lease liabilities	21,744	78,575	380,013	480,332
Term loans	264,434	627,357	-	891,791
Due to a related party	757,558	-	-	757,558
	4,509,128	705,932	380,013	5,595,073

*Trade and other payables exclude advances received on contracts, warranty provision, provision for future losses and VAT payable.

Fair value of financial instruments

Management considers that the fair values of financial assets and financial liabilities in the consolidated financial statements approximate their carrying amounts.

33 Financial instruments by category

	2024 AED'000	2023 AED'000
Financial assets		
Cash and bank balances	**4,215,465**	3,003,586
Contract assets	**3,106,102**	2,208,519
Trade and other receivables (excluding prepaid expenses)	**4,658,278**	2,621,645
	11,979,845	7,833,750
Financial liabilities		
Trade and other payables*	**5,405,433**	3,465,392
Lease liabilities	**450,381**	307,599
Term loans	**580,287**	844,721
Due to related party	**70,180**	757,558
	6,506,281	5,375,270

***Trade and other payables exclude advances received on contracts, warranty provision, provision for future losses and VAT payable.

34 RECLASSIFICATION OF PRIOR YEAR BALANCES

Certain comparative figures have been reclassified wherever necessary, as to conform to the presentation adopted in these consolidated financial statements. These reclassifications do not materially change the presentation of the consolidated financial statements.

35 SUBSEQUENT EVENT

Proposed dividend
During the meeting held on 30 January 2025, the Board of Directors proposed a dividend of AED 700,000 thousand (28% of the Company's share capital) representing AED 0.14 per share for the year ended 31 December 2024.

36 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by Board of Directors and authorised for issue on 30 January 2025.