NATIONAL MARINE DREDGING COMPANY PJSC

Reports and consolidated financial statements for the year ended 31 December 2022

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for the year ended 31 December 2022

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of National Marine Dredging Company PJSC (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 31 January 2022.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of consolidated financial statements of the current period. These matters were discussed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters are stated below:

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Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Revenue recognition</td><td></td></tr>
<tr><td>The Group reported revenue of AED 10,685 million during the year ended 31 December 2022. Revenue recognition is considered to be a key area of focus given there are multiple revenue streams associated with the Group which come from various decentralized operational locations.

The Groups business involves entering into contractual relationships with customers to provide a range of services with a significant proportion of the Group's revenues and profits derived from long term contracts. Revenue is quantitatively significant to the consolidated financial statements and requires management to apply significant judgements and make significant estimates when determining the amount of revenue to be recognised.

The significant judgements applied and estimates made in applying the Group's revenue recognition policies to long-term contracts entered into by the Group include determining the stage of completion, the timing of revenue recognition and the calculation of the percentage of completion.

The nature of these judgements results in them being susceptible to management override with a consequential impact of revenue being recognised in an incorrect period. Consequently, we considered revenue recognition to be a key audit matter.

The Group's revenue recognition accounting policy is included in note 3 to the consolidated financial statements.</td><td>We performed the following procedures, inter alia, in respect of revenue recognition:

• We obtained an understanding of the business process flow and performed walkthroughs to understand the key processes and identify key controls;

• We assessed the key controls over revenue to determine if they had been designed and implemented appropriately and tested these controls to determine if they had been operating effectively throughout the year;

• We performed audit procedures which included inspecting a sample of contracts, reviewing for variation orders, retrospectively reviewing estimated profit and costs to complete and enquiring of key personnel regarding potential contract losses;

• For material contracts identified, we have reviewed the contract terms and verified assumptions made in determining the amount of revenue to be recognised, including consideration of discounts, performance penalties and other cost implications of the contract;

• We performed analytical procedures by comparing the gross margins for the different types of revenue streams to the prior year. If we identified an unexpected margin, we carried out more focused testing on these revenue streams;

• We performed procedures to assess whether the revenue recognition criteria adopted by Group is appropriate and is in accordance with the Group's accounting policy and the requirements of IFRSs;

• We performed testing over manual journal entries posted to revenue to assist us in identifying unusual or irregular transactions; and

• We assessed the disclosure in the consolidated financial statements relating to revenue recognition against the requirements of IFRSs.</td></tr>
</table>

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Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of trade receivables and contract assets	
Gross trade and retention receivables and contract assets as at 31 December 2022 were AED 3,106 million and AED 3,115 million respectively, against which expected credit loss ("ECL") allowances of AED 46 million and AED 28 million were recorded, as reflected in notes 13 and 14. These assets represent 39% of the total assets presented in the consolidated statement of financial position and include balances of AED 146 million which had been outstanding for more than 180 days from the reporting date. Further, contract assets include AED 558 million which represents revenue recognised based on unsigned or verbal contracts. The Group assesses at each reporting date whether the financial assets carried at amortised cost are credit-impaired. Management has applied the simplified approach for measurement of ECL allowances relating to trade receivables and contract assets whereby the ECL allowance is measured at an amount equal to lifetime expected credit losses. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends relating to the Group's trade collections experience. The directors apply significant judgement and make significant estimates when determining how much to record as the ECL allowance. Consequently, together with the significant delays in collecting trade receivables, we have considered the carrying amount of trade receivables and contract assets to be a key audit matter. The Group's disclosures relating to this matter are included in notes 3 and 4 to the consolidated financial statements.	We performed the following procedures in relation to the allowance for ECL: • We obtained an understanding of the process of measurement of the allowance for ECL; • We identified the relevant controls over the determination of the allowance for ECL; • We assessed these controls to determine if they had been designed and implemented appropriately; • We compared the ECL model developed by management against the requirements of IFRSs and reviewed the methodology against accepted best practice; • We tested the arithmetical accuracy of the model; • We tested key assumptions, such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also considered the incorporation of forwardlooking factors to reflect the impact of future events on expected credit losses; • We agreed the results of the output of the ECL model developed by management to the amounts reported in the consolidated financial statements; and • We assessed the disclosure in the consolidated financial statements relating to this matter against the requirements of the IFRSs.

Other Information

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

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

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Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the UAE Federal Decree Law No. (32) of 2021, we report that for the year ended 31 December 2022:

- We have obtained all the information we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account of the Group;
- Investments in shares and stocks are included in notes 9 and 10 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2022;
- Note 29 to the consolidated financial statements of the Group discloses material related party balances, transactions and the terms under which they were conducted;
- Notes 1 and 27 to the consolidated financial statements discloses that the Group has made any social contributions during the financial year ended 31 December 2022; 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 2022 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021; or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
3 February 2023
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position
as at 31 December 2022

	Notes	2022 AED'000	2021 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	**6**	**4,338,615**	4,017,817
Right-of-use assets	**7**	**340,127**	308,849
Goodwill	**8**	**5,057**	5,057
Investments in equity accounted investees	**9**	**191,933**	55,850
Deferred tax assets	**11**	**8,468**	7,738
Contract assets	**14**	**-**	687,978
Retentions receivable		**8,184**	28,610
Total non-current assets		**4,892,384**	5,111,899
Current assets			
Inventories	**12**	**465,522**	343,161
Trade and other receivables	**13**	**4,741,330**	2,755,006
Contract assets	**14**	**3,087,043**	3,506,394
Financial assets at fair value through profit or loss	**10**	**34,535**	29,103
Derivative financial assets	**32**	**41,747**	6,403
Cash and bank balances	**15**	**2,783,732**	1,165,323
Total current assets		**11,153,909**	7,805,390
Total assets		**16,046,293**	12,917,289

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

Consolidated statement of financial position as at 31 December 2022 (continued)

	Notes	2022 AED'000	2021 AED'000
EQUITY AND LIABILITIES			
Equity			
Share capital	17	825,000	825,000
Merger reserve	18	765,000	765,000
Other reserves	19	(7,786)	143,184
Retained earnings		4,955,312	3,782,325
Equity attributable to the shareholders of the Company		6,537,526	5,515,509
Non-controlling interest		3,080	2,876
Total equity		6,540,606	5,518,385
Liabilities			
Non-current liabilities			
Provision for employees' end of service benefit	20	403,448	392,061
Long term borrowings	16	1,420,392	1,326,569
Long term lease liabilities	7	337,317	306,486
Total non-current liabilities		2,161,157	2,025,116
Current liabilities			
Trade and other payables	21	6,396,050	4,484,848
Contract liabilities	22	462,377	135,276
Derivative financial liabilities	32	47,236	5,639
Income tax payable	11	84,784	65,077
Short term borrowings	16	342,346	676,225
Short term lease liabilities	7	11,737	6,723
Total current liabilities		7,344,530	5,373,788
Total liabilities		9,505,687	7,398,904
Total equity and liabilities		16,046,293	12,917,289

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

Mohammed Thani Murshed Al Rumaithi Chairman	**Yasser Nasr Zaghloul** Group Chief Executive Officer	**Sreemont Prasad Barua** Group Chief Financial Officer

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

Consolidated statement of profit or loss
for the year ended 31 December 2022

	Notes	2022 AED'000	2021 AED'000
Revenue from contracts with customers	**23**	**10,685,339**	7,888,762
Contract costs		**(9,577,424)**	(6,821,581)
Gross profit		**1,107,915**	1,067,181
Share of net results of equity account investees	**9**	**5,203**	8,864
General and administrative expenses		**(159,419)**	(204,669)
Finance income	**24**	**28,772**	14,861
Finance costs	**25**	**(58,764)**	(54,549)
Foreign currency exchange (loss)/gain		**(31,571)**	21,964
Fair value (loss)/gain on financial assets at fair value through profit or loss	**10**	**(1,959)**	1,265
Gain on partial disposal of a subsidiary's operations	**9.1**	**237,615**	-
Fair value gain arising on re-measurement	**9.2**	**116,431**	-
Other income, net	**26**	**101,282**	145,122
Profit before tax		**1,345,505**	1,000,039
Income tax expenses/(credit) on foreign operations	**11**	**(41,982)**	2,520
Profit for the year	**27**	**1,303,523**	1,002,559
Profit attributable to:			
Shareholders of the Company		**1,303,319**	1,002,404
Non-controlling interests		**204**	155
Profit for the year		**1,303,523**	1,002,559
Basic and diluted earnings per share (in AED) attributable to equity holder of the Company	**28**	**1.58**	1.26

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

Consolidated statement of comprehensive income for the year ended 31 December 2022

	Note	2022 AED'000	2021 AED'000
Profit for the year		**1,303,523**	1,002,559
Other comprehensive income			
Items that may be subsequently reclassified to the consolidated statement of profit or loss in subsequent periods:			
Fair value (loss)/gain arising on hedging instruments during the year		**(6,253)**	5,125
Exchange differences arising on translation of foreign operations		**(275,049)**	287
Other comprehensive (loss)/income for the year		**(281,302)**	5,412
Total comprehensive income for the year		**1,022,221**	1,007,971
Profit attributable to:			
Shareholders of the Company		**1,022,017**	1,007,816
Non-controlling interests		**204**	155
Total comprehensive income for the year		**1,022,221**	1,007,971

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

Consolidated statement of changes in equity
for the year ended 31 December 2022

	Share capital AED'000	Merger reserve AED'000	Other reserves AED'000	Retained earnings AED'000	Equity attributable to the shareholders of the Company AED'000	Non-controlling interest AED'000	Total equity AED'000
Balance at 1 January 2021	575,000	(475,000)	37,532	2,955,161	3,092,693	2,746	3,095,439
Profit for the year	-	-	-	1,002,404	1,002,404	155	1,002,559
Other comprehensive income	-	-	5,412	-	5,412	-	5,412
Total comprehensive income for the year	-	-	5,412	1,002,404	1,007,816	155	1,007,971
Transfer to legal reserve (note 19)	-	-	100,240	(100,240)	-	-	-
Acquisition of subsidiary (note 5)	250,000	1,240,000	-	-	1,490,000	-	1,490,000
Dividend payable	-	-	-	(75,000)	(75,000)	(25)	(75,025)
Balance at 1 January 2022	825,000	765,000	143,184	3,782,325	5,515,509	2,876	5,518,385
Profit for the year	-	-	-	1,303,319	1,303,319	204	1,303,523
Other comprehensive income (note 19)	-	-	(281,302)	-	(281,302)	-	(281,302)
Total comprehensive income for the year	-	-	(281,302)	1,303,319	1,022,017	204	1,022,221
Transfer to legal reserve (note 19)	-	-	130,332	(130,332)	-	-	-
Balance at 31 December 2022	**825,000**	**765,000**	**(7,786)**	**4,955,312**	**6,537,526**	**3,080**	**6,540,606**

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

Consolidated statement of cash flows
for the year ended 31 December 2022

	Notes	2022 AED'000	2021 AED'000
Cash flows from operating activities			
Profit before tax		**1,345,505**	1,000,039
Adjustments for:			
Depreciation of property, plant and equipment	**6**	**420,768**	438,569
Depreciation of right-of-use assets	**7**	**13,881**	13,358
Gain on disposal of property, plant and equipment		**(29,828)**	(13,695)
Fair value loss/(gain) on financial assets at fair value through profit or loss	**10**	**1,959**	(1,265)
Dividend income		**-**	(371)
Provision for slow moving and obsolete inventories	**12**	**3,237**	2,311
Share of net results of equity accounted investees	**9**	**(5,203)**	(8,864)
Fair value adjustment from equity accounted investee	**9**	**(116,431)**	-
Gain on partial disposal of a subsidiary's operations	**9**	**(237,615)**	-
Provision for expected credit losses		**(35,187)**	108,568
Provision for onerous contracts		**316,416**	386,763
Reversal of provision for liquidated damages		**-**	(297,472)
Gain on bargain purchase		**-**	(49,708)
Finance income		**(28,772)**	(14,861)
Finance costs		**58,764**	54,549
Provision for employees' end of service benefits	**20**	**53,187**	67,393
		1,760,681	1,685,314
Income tax paid	**11**	**(39,900)**	(38,890)
Income tax refund	**11**	**26,995**	1,020
Employees' end of service benefit paid		**(41,800)**	(117,408)
Operating cash flows before movement in working capital		**1,705,976**	1,530,036
Change in inventories		**(119,589)**	51,493
Change in trade and other receivables		**(1,955,359)**	766,560
Change in contract assets		**822,999**	(837,466)
Change in contract liabilities		**327,101**	64,192
Change in trade and other payables		**1,901,102**	53,533
Net cash generated from operating activities		**2,682,230**	1,628,348

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

Consolidated statement of cash flows
for the year ended 31 December 2022 (continued)

	Notes	2022 AED'000	2021 AED'000
Cash flows from investing activities			
Purchase of property, plant and equipment	**6**	**(821,187)**	(178,612)
Proceeds from disposal of property, plant and equipment		**50,123**	9,877
Proceeds from disposal of a subsidiary's operations		**262,217**	-
Overdraft assumed on acquisition of subsidiary, net	**5**	**-**	(481,905)
Dividend received		**1,230**	1,836
Investment in financial assets at fair value through profit and loss		**(7,391)**	-
Interest received		**21,334**	14,861
Net cash used in investing activities		**(493,674)**	(633,943)
Cash flows from financing activities			
Proceeds from term loans		**459,125**	249,414
Repayment of term loans		**(336,057)**	(800,390)
Repayment of lease liabilities		**(21,102)**	(18,162)
Dividends paid		**-**	(75,369)
Interest paid		**(46,976)**	(42,435)
Net cash from generated from/(used in) from financing activities		**54,990**	(686,942)
Net increase in cash and cash equivalents		**2,243,546**	307,463
Cash and cash equivalents at 1 January		**802,199**	508,692
Effect of foreign exchange rate changes		**(262,013)**	(13,956)
Cash and cash equivalents at 31 December	**15**	**2,783,732**	802,199

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

1 General information

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

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

During 2020, the Company's shareholders accepted an offer from Abu Dhabi Development Holding Company ("ADQ") (an existing shareholder and an entity fully owned by the Government of Abu Dhabi) and other minority shareholders of National Petroleum Construction Company PJSC ("NPCC"), to acquire 100% of the shareholding of NPCC, in exchange for the issuance of 575,000,000 equity shares in the Company to ADQ and the other shareholders of NPCC. This transaction received regulatory approvals on 11 February 2021, and consequently, the Company's share capital stands increased to AED 825,000,000 from that date. As a result of this transaction, the Government of Abu Dhabi became the majority holder of the Company's shares. Subsequently, in May 2021, out of its total shareholding of 58.48% in the Company, ADQ transferred 44.2% to entities in the Alpha Dhabi Holding PJSC ("Alpha") group, a subsidiary of International Holding Company. With this transaction and along with its previous equity shareholding in the Company, Alpha became the majority shareholder of the Company (also refer to notes 5 and 17).

The Company is primarily engaged in the execution of engineering, procurement and construction contracts, dredging contracts and associated land reclamation works in the territorial waters of the UAE, principally under the directives of the Government of Abu Dhabi (the "Government"). The Group also operates in other jurisdictions in the region including Bahrain, Egypt, Saudi Arabia and India through its subsidiaries, branches and joint operations. During the year ended 31 December 2022, the Group has made AED 7.7 million as a social contributions (note 27).

1 General information (continued)

Name	*Country of incorporation*	*Percentage holding* ***2022***	*2021*	***Principal activities***
Subsidiaries of NMDC				
National Petroleum Construction Company PJSC ("NPCC")	UAE	**100%**	100%	Engineering Procurement and Construction.
Emarat Europe Fast Building Technology System Factory L.L.C. (Emarat Europe)	UAE	**100%**	100%	Manufacturing and supply of precast concrete.
National Marine Dredging Company (Industrial)	UAE	**100%**	100%	Manufacturing of steel pipes and steel pipe fittings and holding 1% investment in the Group's subsidiaries to comply with local regulations.
ADEC Engineering Consultancy L.L.C.	UAE	**100%**	100%	Consultancy services in the fields of civil, architectural, drilling and marine engineering along with related laboratory services.
Abu Dhabi Marine Dredging Co S.P.C.	Bahrain	**100%**	100%	Offshore reclamation contracts, services for fixing water installation for marine facilities and excavation contracts.
National Marine and Infrastructure India Private Limited	India	**100%**	100%	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction.
Subsidiaries of NPCC				
National Petroleum Construction Co. (Saudi) LTD.	Saudi Arabia	**100%**	100%	Engineering Procurement and Construction.
NPCC Engineering Limited	India	**100%**	100%	Engineering.
ANEWA Engineering Pvt. Ltd.	India	**80%**	80%	Engineering.
NPCC Service Malaysia SDN*	Malaysia	**100%**	100%	Engineering Procurement and Construction.
Abu Dhabi for Construction Projects*	Iraq	**100%**	100%	Engineering Procurement and Construction.
Branches of NMDC				
National Marine Dredging Company	Saudi Arabia	**Branch**	Branch	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction.
National Marine Dredging Company	Egypt	**Branch**	Branch	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction.
National Marine Dredging Company	Maldives	**Branch**	Branch	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction.
National Marine Dredging Company	Abu Dhabi	**Branch**	Branch	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction.
National Marine Dredging Company	Dubai	**Branch**	Branch	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction.

*dormant entities

1 General information (continued)

Name	Country of incorporation	Percentage holding 2022	2021	Principal activities
Joint Venture				
The Challenge Egyptian Emirates Marine Dredging Company	Egypt	**49%**	49%	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction.
Associates				
Principia SAS	France	**33.33%**	33.33%	Engineering and consultancy.
Safeen Survey and Subsea Services LLC	UAE	**49%**	-	Marine services related to oil industries.
Joint Operations of NPCC				
Technip – NPCC-Satah Full Field		**50%**	50%	Engineering, Procurement and Construction.
NPCC – Technip –UZ-750 (EPC-1)		**40%**	40%	Engineering, Procurement and Construction.
NPCC – Technip UL -2		**50%**	50%	Engineering, Procurement and Construction.
NPCC – Technip AGFA		**50%**	50%	Engineering, Procurement and Construction.
NPCC – Technip JV – US GAS CAP FEED		**50%**	50%	Engineering, Procurement and Construction.

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

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

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

Amendments to IFRS 3 Reference to the Conceptual Framework	The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.
Amendments to IAS 16 Property, Plant and Equipment— Proceeds before Intended Use	The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

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

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

Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use (continued)	The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.
Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	The Group has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle	The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards. *IFRS 1 First-time Adoption of International Financial Reporting Standards* The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1: D16(a). *IFRS 9 Financial Instruments* The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. IFRS 16 Leases The amendment removes the illustration of the reimbursement of leasehold improvements.

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

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

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle (continued)	*IAS 41 Agriculture* The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.
Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

2.2 New and revised IFRS in issue but not yet effective

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

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts (continued)*	1 January 2023

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In December 2021, the IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17) to address implementation challenges that were identified after IFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.	Effective date not yet decided
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively.	1 January 2023

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies	1 January 2023
The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.	
The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.	
Amendments to IAS 8 – Definition of Accounting Estimates	1 January 2023
The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications: • A change in accounting estimate that results from new information or new developments is not the correction of an error; • The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.	
The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.	

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:

  - Right-of-use assets and lease liabilities;
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

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

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

New and revised IFRSs	**Effective for annual periods beginning on or after**
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	1 January 2023
The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 *Insurance Contracts* from applying IFRS 9 *Financial Instruments*, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.	
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.	
Non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024
The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.	

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

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

3 Summary of significant accounting policies

Statement of compliance

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

Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and has come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law"). The Company has applied the requirements New Companies Law during the year ended 31 December 2022.

Functional and presentation currency

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

Basis of preparation

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

Basis of consolidation

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

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

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

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

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

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3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

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

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

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

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

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

Revenue recognition

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

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

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

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

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

Contract revenue

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

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

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

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Contract revenue (continued)

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

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

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

Warranty Obligations

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

Significant financing component

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

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Variation orders and claims

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

Liquidated damages and penalties

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

Cost to obtain and costs to fulfil a contract

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

Other income

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

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Property, plant and equipment

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

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

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

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

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

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

Depreciation methods, useful lives and residual values are reviewed at each financial year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

3 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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

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

Impairment of non-financial assets

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)

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

Investments in associates and joint ventures

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

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

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

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

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.

3 Summary of significant accounting policies (continued)

Investments in associates and joint ventures (continued)

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

Interests in joint operations

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

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

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

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

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

3 Summary of significant accounting policies (continued)

Inventories

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

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

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

Employee benefits

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

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

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

Borrowing costs

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

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3 Summary of significant accounting policies (continued)

Foreign currencies

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

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

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

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

Provisions

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

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

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

3 Summary of significant accounting policies (continued)

Provisions (continued)

Onerous contracts

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

Warranties

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

Cash and cash equivalents

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

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

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

Leases

The Group as a lessee

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

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

3 Summary of significant accounting policies (continued)

Leases (continued)

<u>*The Group as a lessee (continued)*</u>

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

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

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

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

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

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

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

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

Financial instruments

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

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

Financial assets

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

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

Classification of financial assets

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

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

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

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

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

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

(i) Amortised cost and effective interest method

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

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

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

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

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

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

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

(ii) Debt instruments classified as at FVTOCI

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

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

(iii) Equity instruments designated as at FVTOCI

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

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

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

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

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

(iv) Financial assets at FVTPL

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(iv) Financial assets at FVTPL (continued)

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

Impairment of financial assets

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

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

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

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

(i) Significant increase in credit risk

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(i) Significant increase in credit risk (continued)

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

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

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

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

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

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

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

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

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

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

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

Derecognition of financial liabilities

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

3 Summary of significant accounting policies (continued)

Financial liabilities and equity instruments (continued)

Derecognition of financial liabilities (continued)

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

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

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

Hedge accounting

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

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

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

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

3 Summary of significant accounting policies (continued)

Hedge accounting (continued)

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

Cash flow hedges

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

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

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

4 Critical accounting judgments and key sources of estimation uncertainty

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

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

4.1 Critical judgments in applying the Group’s accounting policies

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

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

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

Revenue recognition

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

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

Capitalisation of costs

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

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

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

Contract variations

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

Contract claims

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

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

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

Business model assessment

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

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

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

Joint arrangement

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

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

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

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

Significant increase in credit risk

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

Determining the lease term

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

Merger reserve

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

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

4.2 Key sources of estimation uncertainty

Contract revenue

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

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

4.2 Key sources of estimation uncertainty (continued)

Contract revenue

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

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

Useful lives and residual value of property, plant and equipment

Management reviews the residual values and estimated useful lives of property, plant and equipment at the end of each annual reporting period in accordance with IAS 16 *Property, Plant and Equipment*. Management determined that current year expectations do not differ from previous estimates based on its review. For the newly purchased vessels during the year, management performed an internal assessment supported by an external expert to determine the useful lives and residual value of these vessels.

When inventories become old or obsolete, an estimate is made of their net realisable value. Inventory items are categorised based on their movements during the year, their physical condition and their expected future use, and accordingly, different proportions of the value of each category are recognised as an allowance for impairment of slow moving and obsolete inventories. Based on the factors, management has identified inventory items as slow and now moving to calculate the allowance for slow moving inventories. Revisions to the allowance for slow moving inventories would require if the outcome of these indicative factors differ from the estimates. Allowance for slow moving inventories at 31 December 2022 AED 51,965 thousand (31 December 2021: AED 48,728 thousand).

Calculation of loss allowance

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

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

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As per ECL model, the impairment loss allowance for trade and retention receivables and contract assets required as at 31 December 2022 is AED 45,823 thousand (2021: AED 56,362 thousand) and AED 27,558 thousand (31 December 2021: AED 52,206 thousand), respectively.

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

4.2 Key sources of estimation uncertainty (continued)

Contract assets

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

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

Contract variations and claims

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

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

Useful lives and residual values of property, plant and equipment

The useful lives and residual values of the property and equipment are based on management's judgement of the historical pattern of useful live and the general standards in the industry. Management has reviewed the residual values and the estimated useful lives of property and equipment in accordance with IAS 16 Property, Plant and Equipment and has determined that current year expectations do not differ from previous estimates based on its review.

Impairment of property, plant and equipment

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

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

4.2 Key sources of estimation uncertainty (continued)

Uncertain tax positions

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long term nature and complexity of existing contractual agreements, differences may arise between the actual results and adjustments to tax income and expense already recorded. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Assessing the recoverability of deferred income tax assets requires the Group to make significant assumptions related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. As of 31 December 2022, the Group has recognised a balance of AED 8,468 thousand as a deferred tax asset (31 December 2021: AED 7,738). The uncertain tax positions, for example tax disputes, have been accounted for by the applying the most likely amount. The most likely amount is the single most likely amount in a range of realistically possible options.

Legal claims and contingencies

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

Discount rate used for initial measurement of lease liability

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

Derivative financial instruments

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

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

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

4.2 Key sources of estimation uncertainty (continued)

Warranty provision

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

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 at 31 December 2022 and 31 December 2021.

5 Acquisition of National Petroleum Construction Company PJSC

As stated in note 1, in 2020, the Company received and approved an offer from the shareholders of NPCC to transfer 100% of the shareholding of NPCC to NMDC (the "Transaction"). On 11 February 2021 (the "Acquisition Date") all regulatory approvals related to the Transaction were received, and the entire issued share capital of NPCC was transferred to NMDC in consideration for the issuance of a convertible instrument by NMDC to NPCC's shareholders on the acquisition date. This convertible instrument was converted upon issuance into 575,000,000 ordinary shares at a par value of AED 1 each representing 69.70% of the issued share capital of the post-merger combined entity.

In accordance with IFRS 3 *Business Combinations,* the Transaction is accounted for as a reverse acquisition with NPCC being deemed to be the Accounting Acquirer and NMDC deemed to be the Accounting Acquiree for accounting purposes. NPCC was determined to be the Accounting Acquirer based on the following facts and circumstances: (i) the transaction was effected by the way of an exchange of equity instruments (ii) as a result of this merger, ADQ, the majority shareholder of NPCC and 32% shareholder of NMDC immediately prior to the merger, held a majority shareholding of 58.48% of the share capital of the Company, post-acquisition (iii) ADQ has the ability to elect the majority of the Board members of the Company; and (iv) NPCC's consolidated financial performance and position were greater than NMDC as indicated by the parameters in the following table:

	NPCC			**NMDC**		
	2018	2019	2020	2018	2019	2020
AED'000						
Revenue	5,341,014	6,064,094	4,424,373	1,532,069	2,810,733	3,776,232
Profit after tax	543,092	471,272	106,992	120,959	180,844	351,756
Total assets	6,994,340	6,961,691	7,397,813	4,741,391	5,766,705	7,231,363

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

5 Acquisition of National Petroleum Construction Company PJSC (continued)

Based on the principles of reverse acquisition, (i) the information presented in these consolidated financial statements for the comparative period are those of the Accounting Acquirer; (ii) the share capital is adjusted to reflect the share capital of the Accounting Acquiree and therefore share capital presented in the consolidated statement of changes in equity is of NMDC (refer note 17); (iii) the assets acquired and liabilities assumed of NMDC are reported at their fair values as of the Acquisition Date; (iv) NMDC remains the continuing registrant and the reporting company (also referred as the Company as defined above); and (v) a merger reserve of AED 765,000 thousand has been created (refer note 18) and earnings per share for the comparative period has been adjusted (refer note 28).

Purchase consideration
In a business combination in which the acquirer and the acquiree (or its former owners) exchange only equity interests, the fair value of the acquiree's equity interests may be more reliably measurable than the fair value of the acquirer's equity interests. If so, the acquirer should determine the amount of goodwill by using the fair value of the acquiree's equity interests rather than the fair value of the equity interests transferred.

Since the transaction is deemed to be a reverse acquisition, purchase consideration would be an equivalent of the equity interests that would have had to be issued by NPCC to give NMDC shareholders the same proportionate shareholding. At the date of merger NPCC had 100,000,000 outstanding issued shares AED 1 each. It represented 69.7% of the value of the combined entity. NPCC, as the accounting acquirer, issued hypothetical shares to the shareholders of NMDC that represented 30.3% of the value of the combined entity. To this end, NPCC issued 43,478,261 hypothetical shares as the purchase consideration for the acquisition of NMDC. According to the deal, NMDC would issue 575,000,000 shares in exchange for 100,000,000 shares in NPCC, which implies that the exchange ratio is 5.75 NMDC shares for 1 NPCC share. The market price of NMDC shares on 10 February 2021 ("the Transaction Date") was AED 5.96 per share. Considering that the fair value of NPCC shares at the Transaction Date was AED 34.27 per share, consequently, the purchase consideration is considered to be AED 1,490,000 thousand.

The following table summarizes the acquisition date fair value of the consideration transferred:

Post-merger capital structure (from the perspective of NPCC - the accounting acquirer)	**Shares**	***% Ownership***
NPCC outstanding shares pre-transaction	100,000,000	69.7%
Shares to be issued to NMDC to achieve post-merger capital structure	43,478,261	30.3%
Post-merger capital structure (Reverse acquisition)	**143,478,261**	100%

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

5 Acquisition of National Petroleum Construction Company PJSC (continued)

Purchase consideration calculation

Number of new shares NMDC will issue to obtain 100% of NPCC	575,000,000
Number of NPCC outstanding shares pre-transaction	100,000,000
Exchange ratio: number of NMDC shares per 1 NPCC share	5.75
NMDC quoted share price at the Transaction Date, AED	5.96
Fair Value of 1 share in NPCC at the Transaction Date, AED	34.27
Shares to be issued to NMDC to achieve post-merger capital structure	43,478,261
Consideration transferred for the reverse acquisition (43,478,261 new shares issued at AED 34.27 per share), AED’000	1,490,000

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised fair values of assets acquired and liabilities assumed:

	AED’000
Assets	
Property, plant and equipment	1,527,764
Right-of-use assets	24,210
Investment in equity accounted investee	24,438
Financial assets at fair value through profit or loss	27,838
Inventories	244,292
Trade and other receivables	1,345,312
Contract assets	2,400,347
Deferred tax asset	4,142
Total assets	5,598,343
Liabilities	
Terms loans	(566,897)
Overdraft (net of cash and bank balance)	(481,905)
Lease liabilities	(12,416)
Employees end of service benefits	(133,300)
Trade and other payables	(2,864,117)
	(4,058,635)
Net assets acquired	1,539,708
Purchase consideration	(1,490,000)
Gain on bargain purchase (note 26)	49,708

5 Acquisition of National Petroleum Construction Company PJSC (continued)

Gain on bargain purchase

The acquisition resulted in a bargain purchase transaction because the fair value of the net assets acquired exceeded the purchase consideration. The bargain purchase gain of AED 49,708 is recognised and presented under "Other income, net" in the consolidated income statement of profit or loss.

Acquisition related costs

The Group has incurred acquisition-related costs amounting to AED 4,567 thousand.

Revenue and profit before tax contributed by the Accounting Acquiree

For the period from 11 February 2021 to 31 December 2021, the Accounting Acquiree contributed revenue of AED 3,946,235 thousand and net profit before tax of AED 835,506 thousand to the Group's results. If the Transaction had occurred on 1 January 2021, management estimates that consolidated pro-forma revenue would have been AED 8,247,827 thousand, and consolidated pro-forma net profit before tax for the year would have been AED 999,526 thousand.

Trade and retention receivables contributed by the Accounting Acquiree

On 11 February 2021, the acquired business includes trade and retention receivables with a fair value of AED 896,463 thousand and a gross contractual value of AED 1,100,820 thousand.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

6 Property, plant and equipment

	Building and base facilities AED'000	Dredgers AED'000	Barges support vessels, plan and pipelines and vehicles AED'000	Office equipment and furniture AED'000	Capital work-in-progress AED'000	Total AED'000
Cost						
At 1 January 2021	537,705	-	5,791,855	113,017	18,526	6,461,103
Acquisition of a subsidiary	53,416	924,079	511,402	10,927	27,940	1,527,764
Additions	14,606	2,970	79,957	3,978	77,101	178,612
Transfers	4,261	44,538	9,652	63	(58,514)	-
Disposals	(57)	(31)	(51,401)	(182)	-	(51,671)
Exchange differences	-	-	-	(195)	-	(195)
At 1 January 2022	609,931	971,556	6,341,465	127,608	65,053	8,115,613
Additions	2,434	5,038	94,914	8,131	710,670	821,187
Transfers	4,181	470,465	34,786	3	(515,444)	(6,009)
Disposals	(5,118)	(7,034)	(644,651)	(1,987)	-	(658,790)
Exchange differences	(3)	-	(4,430)	(2,140)	-	(6,573)
At 31 December 2022	**611,425**	**1,440,025**	**5,822,084**	**131,615**	**260,279**	**8,265,428**
Accumulated depreciation						
At 1 January 2021	356,564	-	3,262,292	90,167	-	3,709,023
Charge for the year	18,664	74,477	334,406	11,022	-	438,569
Disposals	-	-	(49,620)	(13)	-	(49,633)
Exchange differences	-	-	-	(163)	-	(163)
At 1 January 2022	375,228	74,477	3,547,078	101,013	-	4,097,796
Charge for the year	22,630	88,237	298,739	11,162	-	420,768
Disposals	(2,625)	(312)	(586,036)	(1,284)		(590,257)
Exchange differences	-	-	(304)	(1,190)	-	(1,494)
At 31 December 2022	**395,233**	**162,402**	**3,259,477**	**109,701**	**-**	**3,926,813**
Carrying amount						
At 31 December 2022	**216,192**	**1,277,623**	**2,562,607**	**21,914**	**260,279**	**4,338,615**
At 31 December 2021	234,703	897,079	2,794,387	26,595	65,053	4,017,817

a. Certain items of property, plant and equipment with a carrying value of AED 2,212 million (2021: AED 1,864 million) have been pledged to secure the borrowings of the Group (see note 16). The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

b. Property, plant and equipment includes fully depreciated assets of AED 2,137 million.

c. Building and base facilities are located in Mussafah, Abu Dhabi, UAE on leased land.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

7 Right-of-use assets and lease liabilities

	Right-of-use assets (land) AED'000	Lease liabilities AED'000
As at 1 January 2021	297,997	306,841
Acquisition during the -year	24,210	12,416
Depreciation expense	(13,358)	-
Interest expense	-	12,114
Payments	-	(18,162)
As at 1 January 2022	**308,849**	**313,209**
Addition during the year	**45,159**	**45,159**
Depreciation expense	**(13,881)**	-
Interest expense	-	**11,788**
Payments	-	**(21,102)**
As at 31 December 2022	**340,127**	**349,054**

The Group leases includes land with the average lease term is 20 - 30 years (2021: 2 - 30 years).

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

	2022 AED'000	2021 AED'000
Current liabilities	**11,737**	6,723
Non-current liabilities	**337,317**	306,486
Total	**349,054**	313,209

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

	2022 AED'000	2021 AED'000
Depreciation on right-of-use assets	**13,881**	13,358
Interest expense on lease liabilities	**11,788**	12,114

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

	2022	2021
	AED'000	AED'000
Less than 1 year	**11,737**	6,723
More than 1 year to 5 years	**47,738**	39,339
Later than 5 years	**289,579**	267,147
Total	**349,054**	313,209

8 Goodwill

Acquisition of subsidiaries

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

9 Investment in equity accounted investees

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

	2022 AED'000	2021 AED'000
At 1 January	**55,850**	24,013
Acquisition during the year (note 5)	**-**	24,438
Transfers from property, plant, and equipment (note 9.2)	**23,636**	-
Fair value gain arising on the re-measurement (note 9.2)	**116,431**	-
Dividend received during the year	**(1,230)**	(1,465)
Foreign exchange movement	**(7,957)**	-
Share of profit for the year	**5,203**	8,864
At 31 December	**191,933**	55,850

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

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

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

	2022 AED'000	2021 AED'000
Safeen Survey and Subsea Services LLC (note 9.2)	**140,067**	-
Principia SAS	**23,667**	23,806
The Challenge Egyptian Emirates Marine Dredging Company	**28,199**	32,044
	191,933	55,850

The total assets, total liabilities and net assets under financial information of the equity accounted investees above exclude the balances related to an associate "Principia", as this information was unavailable.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

10 Financial assets at fair value through profit or loss

	2022 AED'000	2021 AED'000
At 1 January	**29,103**	-
Acquisition during the year	**7,391**	27,838
Change in fair value	**(1,959)**	1,265
	34,535	29,103

The financial assets at fair value through profit or loss (FVTPL) at the end of reporting date are detailed below.

	2022 AED'000	2021 AED'000
Investment in quoted UAE equity securities	**34,535**	29,103

The fair value of the quoted UAE equity securities at the reporting date is based on the quoted market prices at 31 December 2022 as per Level 1 valuation (note 32).

11 Taxation

The component of foreign income tax expense/(credit) are:

	2022 AED'000	2021 AED'000
Current tax:		
Current tax on profits for the year	**55,430**	37,480
Reversal of tax provisions created in prior years relating to Group's operation in India	**(9,917)**	(40,000)
Total current tax expense/(credit)	**45,513**	(2,520)
Deferred tax:		
Origination and reversal of temporary differences	**(3,531)**	-
Total deferred tax:	**(3,531)**	-
Income tax expense/(credit)	**41,982**	(2,520)

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

11 Taxation (continued)

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

	2022 AED'000	2021 AED'000
Profit before income tax	**264,173**	172,551
Tax calculated at domestic tax rates applicable to profits in respective tax jurisdictions	**20%**	22%
Income tax expense (excludes prior years tax provision reversal)	**51,899**	37,480

Income tax charge

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

The movement in income tax payable is as follows:

	2022 AED'000	2021 AED'000
At 1 January	**65,077**	86,606
Assumed on acquisition	-	15,265
Charge/(credit) for the year	**41,982**	(2,520)
Refund received during the year	**26,995**	1,020
Movement in deferred tax asset	**-**	3,596
Exchange difference	**(9,370)**	-
Payments during the year	**(39,900)**	(38,890)
At 31 December	**84,784**	65,077

The movement in deferred tax assets is as follows:

	2022 AED'000	2021 AED'000
At 1 January	**7,738**	-
Acquired on acquisition (note 5)	**-**	4,142
Charged / (redited) to profit or loss for the year	**3,531**	(4,572)
Other temporary and translation differences	**(2,801)**	8,168
At 31 December	**8,468**	7,738

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

12 Inventories

	2022 AED'000	2021 AED'000
Spare parts, fuel and consumables	**517,487**	391,889
Less: allowance for slow moving and obsolete inventories	**(51,965)**	(48,728)
	465,522	343,161

Movement in the allowance for slow moving inventories:

	2022 AED'000	2021 AED'000
At 1 January	**48,728**	46,417
Charge during the year	**3,237**	2,311
At 31 December	**51,965**	48,728

13 Trade and other receivables

	2022 AED'000	2021 AED'000
Trade receivables, net of allowance for expected credit loss	**2,871,999**	1,787,619
Retention receivables – current portion	**188,127**	17,105
Deposits and prepayments	**195,081**	84,297
Advances paid to suppliers	**1,053,927**	480,003
VAT and GST receivables	**34,768**	183,217
Advances paid to employees	**34,988**	31,674
Other receivables	**362,440**	171,091
	4,741,330	2,755,006

The average credit period on sales of goods is 60 days (2021: 60 days). No interest is charged on outstanding trade receivables.

13 Trade and other receivables (continued)

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

Allowance for expected credit losses

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

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

Trade and retentions receivable as at 31 December 2022

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

Trade and retentions receivable as at 31 December 2021

	Categories				
	I AED'000	**II AED'000**	**III AED'000**	**IV AED'000**	**Total AED'000**
Expected credit loss rate	**0 to 2%**	**0 to 3%**	**3 to 99%**	**100%**	
Estimated total gross carrying amount	1,418,745	407,711	-	34,630	1,861,086
Provision for expected credit losses	(17,634)	(4,098)	-	(34,630)	(56,362)
Net trade and retention receivables	1,401,111	403,613	-	-	1,804,724

13 Trade and other receivables (continued)

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

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

	2022 **AED'000**	2021 AED'000
Trade and retention receivables	**3,105,949**	1,861,086
Less: provision for expected credit losses	**(45,823)**	(56,362)
At 31 December	**3,060,126**	1,804,724

Ageing of trade and retention receivables

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

	2022 **AED'000**	2021 AED'000
Not past due	**2,143,478**	1,077,095
Past due (1 day-90 days)	**732,063**	441,012
Past due (91 days–180 days)	**38,137**	38,480
Past due (above 180 days)	**146,448**	248,137
	3,060,126	1,804,724

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

	2022 **AED'000**	2021 AED'000
At 1 January	**56,362**	-
(Reversal)/charge during the year	**(10,539)**	56,362
At 31 December	**45,823**	56,362

14 Contract assets

	2022 AED'000	2021 AED'000
Non-current		
Construction contracts, net of allowance for expected credit losses and discounting	-	307,508
Work in progress	-	380,470
	-	687,978
Current		
Construction contracts, net of allowance for expected credit losses	**2,554,624**	3,220,401
Work in progress	**532,419**	285,993
	3,087,043	3,506,394

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

14.1 Construction contracts, net of allowance for expected credit loss and discount

This represents unbilled balances expected to be billed after a period of 12 months from the reporting date and accordingly classified and presented as non-current. The balance is presented net of allowance for expected credit losses and discount. The value of discount was AED Nil recorded in the consolidated statement of profit or loss.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

14 Contract assets (continued)

14.2 Construction contracts, net of allowance for expected credit losses

The directors of the Group always measure the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience, the nature of the customer and where relevant, the sector in which they operate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under construction contracts.

	2022 **AED'000**	2021 AED'000
Changes in contract assets during the year		
At 1 January	**3,527,909**	1,395,528
Add: acquisition during the year	**-**	1,595,194
Add: revenue recognised during the year	**10,685,339**	7,888,762
Add/(less): movement in expected credit loss provision	**24,648**	(52,206)
Add/(less): discounting of non-current portion	**7,418**	(7,418)
Less: progress billings	**(11,690,690)**	(7,291,951)
Total *(including non-current portion)*	**2,554,624**	3,527,909

14 Contract assets (continued)

14.2 Construction contracts, net of allowance for expected credit losses (continued)

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

	2022 AED'000	2021 AED'000
Unsigned contracts		
Government of Abu Dhabi and its related entities	**204,519**	232,267
Equity accounted investees	**350,948**	248,440
Other entities	**2,961**	-
	558,428	480,707
Signed contracts		
Government of Abu Dhabi and its related entities	**1,050,610**	1,520,150
Equity accounted investees	**819,357**	193,229
Other entities	**126,229**	1,333,823
	1,996,196	3,047,202
	2,554,624	3,527,909

Allowance for expected credit losses

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

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

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

14 Contract assets (continued)

14.2 Construction contracts, net of allowance for expected credit losses (continued)

Construction contracts as at 31 December 2022

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

Construction contracts as at 31 December 2021

	Categories I AED'000	II AED'000	III AED'000	IV AED'000	Total AED'000
Expected credit loss rate	**0 to 2%**	**0 to 3%**	**3 to 99%**	**100%**	
Estimated total gross carrying amount	2,898,606	672,665	-	8,844	3,580,115
Provision for expected credit losses	(51,181)	(38,181)	-	(8,844)	(52,206)
Net contract assets	2,893,425	634,484	-	-	3,527,909

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

	2022 AED'000	2021 AED'000
At 1 January	**52,206**	-
(Reversal)/charge during the year	**(24,648)**	52,206
At 31 December	**27,558**	52,206

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

14 Contract assets (continued)

14.3 Work in progress

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

The work in progress balance on which revenue is expected to be earned post one year from the reporting date is classified and presented as non-current.

15 Cash and cash equivalents

	2022 AED'000	2021 AED'000
Cash in hand	**1,822**	2,036
Cash at banks:		
Cash in hand	**735,491**	803,527
Short term deposits, with maturity less than 90 days	**2,046,419**	359,760
Cash and bank balances	**2,783,732**	1,165,323
Less: bank overdraft (note 16)	**-**	(363,124)
	2,783,732	802,199

Short-term deposits have original maturities of three months or less. These deposits, carry interest in the range of 2.9% - 4.73% per annum (2021: 1.2% - 8.2% per annum). Bank overdraft carried interest at the prevailing market rate.

16 Borrowings

	2022 AED'000	2021 AED'000
Long term borrowings		
Non-current portion of term loans	**1,420,392**	1,326,569
Short term borrowings		
Current portion of term loans	**342,346**	313,101
Bank overdrafts	**-**	363,124
	342,346	676,225

The term loans comprise of the following:

Term loan 1:

A drawdown from a syndicated loan agreement amounting to USD 500 million carrying an effective interest rate of LIBOR + 0.90%. The total syndicated loan agreement consists of two portions; Conventional amounting to USD 167 million, and Islamic amounting to USD 333 million. In accordance with the terms of the agreement, the loan is repayable in quarterly instalments which commenced from June 2020 and is expected to be fully repaid by March 2027. The loan is secured against mortgage of five (5) vessels. The outstanding balance of the loan facility at 31 December 2022 is AED 1.11 billion (2021: AED 1.37 billion).

Term loan 2:

A term loan of AED 249 million obtained in December 2021, with a 5 years tenor which carries an interest rate of 1 month EIBOR + 1.15% per annum. The loan is repayable in quarterly instalments commencing from March 2022 and is expected to be fully repaid by December 2026. This loan is secured against mortgage of a Hopper Dredger. The outstanding balance of the loan facility at 31 December 2022 is AED 217 million (2021: AED 249 million).

Term loan 3:

A short term loan amounting to AED 200 million with a total tenor of 12 months which carries an interest rate of 1 month EIBOR + 1.3% per annum. The loan is payable in twelve (12) monthly instalments which commenced from February 2021. This loan is fully repaid in the current year.

Term loan 4:

During the year, a term loan of AED 459 million was obtained in June 2022, with a 10 years tenor and an interest rate of 1 month EIBOR + 0.88% per annum. The loan is repayable in quarterly instalments commencing from August 2022 and is expected to be fully repaid by May 2032. The outstanding balance of the loan facility at 31 December 2022 is AED 436 million (2021: AED Nil). This loan is secured against mortgage of a Dredger.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

16 Borrowings (continued)

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

	2022 AED'000	2021 AED'000
Less than one year	**342,346**	313,101
1 to 5 years	**1,213,783**	1,275,154
5 years and above	**206,609**	51,415
At 31 December	**1,762,738**	1,639,670

Movement in the term loans:

	2022 AED'000	2021 AED'000
Balance at 1 January	**1,639,670**	1,638,024
Liabilities assumed on acquisition	**-**	566,897
Loan obtained during the year	**459,125**	249,414
Foreign exchange fluctuation	**-**	(14,275)
Loan repayments	**(336,057)**	(800,390)
At 31 December	**1,762,738**	1,639,670

17 Share capital

	2022 AED'000	2021 AED'000
Authorised, issued and fully paid		
825,000,000 (31 December 2021: 825,000,000) ordinary shares of AED 1 each	**825,000**	825,000

As described in note 5 to these consolidated financial statements, the merger between NMDC and NPCC is recognised as reverse acquisition as per IFRS 3 Business combination. Accordingly, the share capital at 31 December 2020 is adjusted retroactively to reflect the number of shares (575,000,000 shares) issued to the shareholders of NPCC in the Company.

The Company's shareholders received 250,000,000 shares in the Company as purchase consideration and accordingly the issued share capital of the Company increased to 825,000,000 shares.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

18 Merger reserve

In accordance with IFRS 3 and per the principles of reverse acquisition, the equity structure appearing in these consolidated financial statements reflects the capital structure (number of shares) of the Accounting Acquiree (NMDC), including the shares issued by NMDC to NPCC to effect the business combination (note 5). This results in the creation of a 'Merger reserve'. The Merger reserve of AED 765,000 thousand is calculated as the difference between:

(a) Sum of purchase consideration AED 1,490,000 thousand (note 5) and the share capital of NPCC prior to the merger of AED 100,000 thousand; and

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

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

19 Other reserves

	Legal reserve AED'000	Restricted reserve AED'000	Hedging reserve AED'000	Foreign currency translation reserve AED'000	Total AED'000
At 1 January 2021	50,000	1,291	(4,361)	(9,398)	37,532
Transfer of 10% of current year profit	100,240	-	-	-	100,240
Fair value gain on revaluation of hedging instruments	-	-	5,125	-	5,125
Cumulative translation adjustment on foreign operations	-	-	-	287	287
At 1 January 2022	**150,240**	**1,291**	**764**	**(9,111)**	**143,184**
Transfer of 10% of current year profit	**130,332**	-	-	-	**130,332**
Fair value gain on revaluation of hedging instruments	**-**	-	**(6,253)**	-	**(6,253)**
Cumulative translation adjustment on foreign operations	**-**	-	-	**(275,049)**	**(275,049)**
At 31 December 2022	**280,572**	**1,291**	**(5,489)**	**(284,160)**	**(7,786)**

19 Other reserves (continued)

Legal reserve

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

Restricted reserve

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

20 Provision for employees' end of service benefits

	2022 AED'000	2021 AED'000
At 1 January	**392,061**	308,776
Assumed on acquisition (note 5)	**-**	133,300
Charge for the year	**53,187**	67,393
Paid during the year	**(41,800)**	(117,408)
At 31 December	**403,448**	392,061

During the year, the Group has contributed a total amount of AED 27,778 thousand (2021: AED 28,827 thousand) towards the Abu Dhabi Pension and Retirement Benefits Fund.

21 Trade and other payables

	2022 AED'000	2021 AED'000
Trade payables	**1,426,446**	1,303,095
Project and other accruals	**2,826,428**	1,696,939
Advances from customers (note 12.1)	**1,426,419**	603,730
Provisions (note 12.2)	**336,826**	401,845
Dividends payable (note 12.3)	**21,693**	22,268
Retentions payable	**111,539**	55,200
VAT payables	**122,821**	176,161
Other payables	**123,878**	225,610
	6,396,050	4,484,848

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

21 Trade and other payables (continued)

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

21.1 Advances from customers

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

21.2 Provisions

	2022 **AED'000**	2021 AED'000
Provision for liquidated damages	**11,887**	19,783
Provision for Board remuneration and employee bonus	**83,622**	101,740
Provision for future losses	**97,777**	88,695
Provision for unused vacations	**68,739**	58,693
Provision for warranty	**10,364**	25,891
Other provisions	**64,437**	107,043
	336,826	401,845

21.3 Dividends payable

	2022 **AED'000**	2021 AED'000
At 1 January	**22,268**	-
Liabilities assumed on acquisition	**-**	22,612
Dividend approved for payment during the year	**-**	75,000
Payments during the year	**(575)**	(75,344)
	21,693	22,268

At the annual general meeting held on 15 March 2022, the shareholders approved a dividend of AED Nil relating to the year ended 31 December 2021 (AED 0.30 per share for the total amounting to AED 75,000 thousand for the year ended 31 December 2021).

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

22 Contract liabilities

	2022 **AED'000**	2021 AED'000
Contract liabilities	**462,377**	135,276

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

23 Revenue from contracts with customers

23.1 Revenue by activity and geography

	UAE **AED'000**	**International** **AED'000**	**Group** **AED'000**
31 December 2022			
Dredging and reclamation	**1,906,307**	**1,023,404**	**2,929,711**
Marine construction	**1,950,649**	**-**	**1,950,649**
Engineering, procurement and construction	**3,262,634**	**2,542,345**	**5,804,979**
Total	**7,119,590**	**3,565,748**	**10,685,339**
31 December 2021			
Dredging and reclamation	1,300,094	568,462	1,868,556
Marine construction	1,816,373	-	1,816,373
Engineering, procurement and construction	1,107,429	3,096,404	4,203,833
Total	4,223,896	3,664,866	7,888,762

23.2 Timing of revenue recognition

	2022 **AED'000**	2021 AED'000
Services transferred over time	**10,685,339**	7,888,762

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

23 Revenue from contracts with customers (continued)

23.3 Other information

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

	Dredging and reclamation AED'000	**Marine construction AED'000**	**Other Engineering Procurement & Construction AED'000**	**Total AED'000**
31 December 2022				
Customer 1	**-**	**-**	**2,275,502**	**2,275,502**
Customer 2	**26,737**	**597,064**	**1,683,565**	**2,307,366**
	26,737	**597,064**	**3,959,067**	**4,582,868**
31 December 2021				
Customer 1	**-**	**-**	2,569,467	2,569,467
Customer 2	102,164	1,155,152	774,125	2,031,441
	102,164	1,155,152	3,343,592	4,600,908

23.4 Unsatisfied performance obligation

The transaction price allocated to (partially) unsatisfied performance obligations at 31 December 2022 and 31 December 2021 are as set out below:

	2022 AED'000	2021 AED'000
Within one year	**16,097,177**	7,527,063
More than one year	**14,642,805**	11,650,259
	30,739,982	19,177,322

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

24 Finance income

	2022 AED'000	2021 AED'000
Interest income	**21,334**	14,861
Release of discounting on long term contract assets	**7,438**	-
	28,772	14,861

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

25 Finance costs

	2022 AED'000	2021 AED'000
Interest expense on bank overdraft and term loans	**(46,976)**	(42,435)
Interest expense on lease liabilities	**(11,788)**	(12,114)
	(58,764)	(54,549)

Finance costs mainly include bank interest on overdraft facilities, term loans, lease liabilities and other bank transaction charges. Overdraft facilities carry interest at prevailing market rates.

26 Other income, net

	2022 AED'000	2021 AED'000
Gain on bargain purchase (note 5)	**-**	49,708
Insurance claim	**18,385**	22,591
Income from scrap sales	**38,539**	46,651
Gain on sale of property, plant and equipment	**29,828**	13,695
Miscellaneous income	**14,530**	12,477
	101,282	145,122

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

27 Profit for the year

Profit for the year is stated after:

	2022	2021
	AED'000	AED'000
Salaries and other benefits	**1,688,872**	1,493,395
Depreciation of property, plant and equipment	**420,768**	438,569
Social contributions	**7,757**	7,295
Recovery of long outstanding receivable *	**-**	330,015

*In previous year, the Group entered into a final settlement for one of its projects whereby an amount of AED 330,015 thousand was agreed as full and final settlement for the project dues which were previously written off by the Group. As such, the recovery has been recorded in the consolidated statement of profit or loss under contract costs as a reduction of total contract costs. This amount is fully recovered in the current year.

28 Earnings per share

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

	2022	2021
	AED'000	AED'000
Profit attributable to the shareholders of the Company (AED'000)	**1,303,319**	1,002,404
Weighted average number of ordinary shares ('000)	**825,000**	796,233
Earnings per share attributable to the shareholders of the Company (AED)	**1.58**	1.26

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

28 Earnings per share (continued)

In accordance with the requirements of IFRS 3, the basic earnings per share in these consolidated financial statements, following a reverse acquisition, for the comparative year have been restated. The basic earnings per share for the comparative year was calculated by dividing NPCC's profit attributable to ordinary shareholders for the comparative year by NPCC's historical weighted average number of ordinary shares that were outstanding, multiplied by the exchange ratio established by the business combination agreement.

Diluted earnings per share as of 31 December 2022 and 31 December 2021 are equivalent to basic earnings per share.

29 Related party transactions and balances

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

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

	2022 AED'000	2021 AED'000
Due from equity accounted investee for project related work:		
Trade and other receivables (note 13)	**146,364**	183,183
Contract assets (note 14)	**540,660**	463,542
Due from/to other related parties:		
Trade and other receivables (note 13)	**38,739**	66,800
Contract assets (note 14)	**38,143**	194,136
Trade and other payables (note 21)	**54,916**	70,842
Bank balance (note 15)	**1,866,368**	857,236
Borrowings (note 16)	**653,583**	495,402

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

29 Related party transactions and balances (continued)

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

	2022 AED'000	2021 AED'000
Other related parties		
Material and services purchased / received	**51,974**	18,638
Revenue earned	**33,114**	920,561
Interest expense (net)	**3,312**	11,025
Equity accounted investee		
Revenue earned	**742,864**	545,849

Transactions with key management personnel

Compensation of key management personnel is as follows:

	2022 AED'000	2021 AED'000
Salaries and other short-term benefits	**9,743**	7,979
Employees' end of service benefits	**632**	573
	10,375	8,552

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

30 Interest in joint operations

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

	2022	2021
Joint operations		
Technip – NPCC – Satah Full Field	**50%**	50%
NPCC – TECHNIP – UZ-750 (EPC-1)	**40%**	40%
NPCC – TECHNIP UL-2	**50%**	50%
NPCC – TECHNIP AGFA	**50%**	50%
NPCC - Technip JV - US GAS CAP Feed	**50%**	50%

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

	2022 AED'000	2021 AED'000
Total assets	**60,008**	140,801
Total liabilities	**39,438**	27,804
Net assets	**20,570**	112,997
Total revenue	**11,033**	6,847
Profit for the year	**11,693**	45,368

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

31 Contingencies and commitments

	2022 AED'000	2021 AED'000
Bank guarantees	**10,491,238**	7,264,399
Letters of credit	**465,903**	270,034
Capital commitments	**86,011**	41,293
Purchase commitments	**4,537,861**	1,672,312

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

32 Financial risk management objectives and policies

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

Credit risk

The Group seeks to limit its credit risk with respect to customers by dealing with good reputation and financially sound customers and monitoring outstanding receivables. Of the trade receivables at 31 December 2022, 81% is due from the Group's five largest customers (31 December 2021: 84%). The maximum exposure is the carrying amount as disclosed in note 13 to the consolidated financial statements.

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

Liquidity risk

The Group seeks to limit its liquidity risk by ensuring bank facilities are available. As at 31 December 2022, the Group has AED 1,284,500 thousand (2021: AED 911,876 thousand) of un-utilised credit facilities from banks.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

32 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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

	On demand AED'000	Less than 1 year AED'000	1 to 5 years AED'000	More than 5 years AED'000	Total AED'000
At 31 December 2022					
Trade and other payables	-	**2,227,987**	-	-	**2,227,987**
Lease liabilities	-	**24,003**	**109,545**	**431,395**	**564,943**
Term loans	-	**414,557**	**1,357,971**	**232,632**	**2,005,160**
Total	**-**	**2,666,547**	**1,467,516**	**664,027**	**4,798,090**
At 31 December 2021					
Trade and other payables	-	2,254,895	-	-	2,254,895
Lease liabilities	-	6,723	39,339	267,147	313,209
Bank overdrafts	363,124	-	-	-	363,124
Term loans	-	337,955	1,340,337	51,757	1,730,049
Total	363,124	2,599,573	1,379,676	318,904	4,661,277

Market risk

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

32 Financial risk management objectives and policies (continued)

Interest rate risk

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

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

	Effect on profit/equity AED '000
2022	
+100 increase in basis points	**(17,627)**
-100 decrease in basis points	**17,627**
2021	
+100 increase in basis points	(20,028)
-100 decrease in basis points	20,028

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 USD LIBOR rate. The Group will settle the difference between the fixed and floating interest rate on a net basis.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the end of the reporting year AED 554,578 thousand (2021: AED 686,758 thousand):

	USD'000	***AED'000***
2022		
Instrument I: outstanding receive floating pay fixed USD LIBOR 3M (0.8%)	**11,367**	**41,747**
2021		
Instrument I: outstanding receive floating pay fixed USD LIBOR 3M (0.8%)	1,665	6,115

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

32 Financial risk management objectives and policies (continued)

Foreign currency risk

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

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

	2022		2021	
	Liabilities AED'000	**Assets AED'000**	Liabilities AED'000	Assets AED'000
Egyptian Pound	**146,194**	**1,011,867**	520,735	1,377,874
Euro	**46,053**	**72,210**	56,851	1,453
Saudi Riyal	**16,103**	**1,517,164**	449,199	456,062
	208,350	**2,601,241**	1,026,785	1,835,389

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 **43,284** thousand (2021: AED 42,857) net revaluation gain/ loss on the Egyptian Pound outstanding balances.

(b) there is AED **1,308** thousand (2021: AED 2,770 thousand) net revaluation gain/ loss on the Euro outstanding balances.

(c) there is AED **75,053** thousand (2021: AED 343 thousand) net revaluation gain/ loss on the Saudi Riyal outstanding balances.

Equity price risk

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

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

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

32 Financial risk management objectives and policies (continued)

Investments carried at fair value through profit or loss

2022	***AED'000***
5% change in variables	**1,727**
2021	*AED'000*
5% change in variables	1,455

Forward foreign exchange contracts

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

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

	Foreign currency	**Notional amount AED'000**	**Fair value AED'000**	**Fair value changes AED'000**
2022				
Forward contract	**EUR**	**644,445**	**597,209**	**(47,236)**
2021				
Forward contract	EUR	265,971	260,620	(5,351)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021. Capital comprises share capital, reserves, retained earnings, and is measured at AED 6,537,526 thousand as at 31 December 2022 (2021: AED 5,515,509 thousand).

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

32 Financial risk management objectives and policies (continued)

Fair value of financial instruments

Fair value measurement recognized in the consolidated statement of financial position

The fair values of the Group's financial assets and liabilities as at 31 December 2022 and 31 December 2021 are not materially different from their carrying values at that reporting date.

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities which are measured at fair value as at 31 December 2022 and 31 December 2021:

	Total AED'000	Quoted prices in active markets (Level 1) AED'000	Significant observable inputs (Level 2) AED'000	Significant unobservable inputs (Level 3) AED'000
As at 31 December 2022				
Derivative financial asset	**41,747**	-	**41,747**	-
Derivative financial liability	**(47,236)**	-	**(47,236)**	-
Financial assets at fair value through profit or loss (FVTPL)	**34,535**	**34,535**	-	-
As at 31 December 2021				
Derivative financial asset	6,403	-	6,403	-
Derivative financial liability	(5,639)	-	(5,639)	-
Financial assets at fair value through profit or loss (FVTPL)	29,103	29,103	-	-

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

33 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 Egypt, Kingdom of Saudi Arabia, Bahrain, India, Kuwait, Maldives and East Africa.

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

			31 December 2022
	UAE AED'000	International AED'000	Group AED'000
Segment revenue	7,678,859	3,565,748	11,244,608
Intersegment revenue	-	-	(559,269)
Revenue			10,685,339
Segment gross profit	691,416	416,499	1,107,915
Share of net results of equity accounted investees	-	-	5,203
General and administrative expenses	-	-	(159,419)
Foreign currency exchange gain/(loss)	-	-	(31,571)
Fair value gain on financial assets at fair value through profit or loss	-	-	(1,959)
Finance income			28,772
Finance costs	-	-	(58,764)
Gain on partial disposal of a subsidiary's operations	-	-	237,615
Fair value gain arising on the remeasurement	-	-	116,431
Other income, net	-	-	101,282
Profit before tax for the year			1,345,505
Income tax charge on foreign operations	-	(41,982)	(41,982)
Profit after tax			1,303,523
Total assets	12,369,517	3,676,776	16,046,293
Total liabilities	6,966,648	2,539,039	9,505,687

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

33 Segment information (continued)

	UAE AED'000	International AED'000	31 December 2021 Group AED'000
Segment revenue	4,664,507	3,664,866	8,239,373
Intersegment revenue	-	-	(440,611)
Revenue			7,888,762
Segment gross profit	1,052,491	14,690	1,067,181
Share of net results of equity accounted investees	-	-	8,864
General and administrative expenses	-	-	(204,669)
Foreign currency exchange gain	-	-	21,964
Fair value gain on financial assets at fair value through profit or loss	-	-	1,265
Finance income	-	-	14,861
Finance costs	-	-	(54,549)
Other income, net			145,122
Profit before tax for the year			1,000,039
Income tax credit on foreign operations	-	2,520	2,520
Profit after tax			1,002,559
Total assets	9,706,721	3,210,568	12,917,289
Total liabilities	4,918,066	2,480,838	7,398,904

34 Subsequent events

Corporate Income Tax

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance (“MoF”) issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (“CT Law”) to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% could be applied to taxable income not exceeding a particular threshold or to certain types of entities, to be prescribed by way of a Cabinet Decision.

The Group is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities, which will be applicable for the Group for the financial year beginning 1 January 2024.

35 Reclassification of prior year balances

Certain comparative figures have been reclassified/regrouped, 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.

36 Approval of consolidated financial statements

The consolidated financial statements were approved by management and authorised for issue on 1 February 2023.