

**NATIONAL PETROLEUM
CONSTRUCTION COMPANY**

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

NATIONAL PETROLEUM CONSTRUCTION COMPANY

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

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NATIONAL PETROLEUM CONSTRUCTION COMPANY

1

Directors' report for the year ended 31 December 2023

The Directors' have the pleasure in submitting this report, together with the audited consolidated financial statements of National Petroleum Construction Company ("the Company") and its subsidiaries (together referred to as the "Group") for year ended 31 December 2023.

Principal activities

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

Results

Revenue for the year was AED 7,941 million (2022: AED 5,382 million). Profit for the year was AED 780 million (2022: AED 577 million).

Appropriation of profits

	AED'000
Retained earnings at 1 January 2023	3,663,053
Profit attributable to the shareholder of NPCC	779,589
Retained earnings at 31 December 2023	4,442,642

Release

The Directors release from liability the management and the external auditor in connection with their duties for the year ended 31 December 2023.

Auditors

The Directors propose the re-appointment of Deloitte & Touche (M.E.) as external auditor for the year ending 31 December 2024.

On Behalf of the Board of Directors



Group Chief Executive Officer



Chief Executive Officer



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF NATIONAL PETROLEUM CONSTRUCTION COMPANY

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

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

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

Basis for Opinion

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

Other Information

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

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

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

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



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF NATIONAL PETROLEUM CONSTRUCTION COMPANY (continued)

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 International Financial Reporting Standards (IFRS Accounting Standards) and their preparation in compliance with the applicable provisions of the articles of association of the Company and the UAE Federal Decree Law No. (32) of 2021, and for such internal control as management determines is necessary to enable the preparation of 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.
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF NATIONAL PETROLEUM CONSTRUCTION COMPANY (continued)

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

- 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;
- The Group has maintained proper books of account;
- The financial information included in the report of the Directors is consistent with the books of account of the Group;
- As disclosed in note 1 to the consolidated financial statements, the Company has made investments during the financial year ended 31 December 2023;
- Note 19 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023.

Deloitte & Touche (M.E.)



Faeza Sohawon
Registration No. 5508
28 March 2024
Abu Dhabi
United Arab Emirates

**Consolidated statement of financial position
at 31 December 2023**

	Notes	2023 AED'000	2022 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,041,366	2,547,238
Right-of-use assets	23	286,599	294,262
Investment in equity accounted investees	6	24,134	23,667
Goodwill	7	5,057	5,057
Total non-current assets		3,357,156	2,870,224
Current assets			
Inventories	8	235,889	241,138
Trade and other receivables	9	3,199,319	2,978,200
Due from a related party	19	1,015,829	785,829
Contract assets	10	2,208,519	1,017,527
Cash and bank balances	11	3,003,586	1,681,864
Total current assets		9,663,142	6,704,558
Total assets		13,020,298	9,574,782
EQUITY AND LIABILITIES			
Equity			
Share capital	12	100,000	100,000
Statutory reserve	13	50,000	50,000
Restricted reserve	13	1,291	1,291
Currency translation reserve		(14,059)	(12,399)
Hedging reserve		14,812	(5,489)
Retained earnings		4,442,642	3,663,053
Equity attributable to the shareholder of the Company		4,594,686	3,796,456
Non-controlling interest		3,915	3,080
Total equity		4,598,601	3,799,536
Liabilities			
Non-current liabilities			
Term loans - non-current portion	14	580,287	844,721
Provision for employees' end of service benefits	15	260,343	239,393
Lease liabilities	23	297,866	304,304
Total non-current liabilities		1,138,496	1,388,418
Current liabilities			
Trade and other payables	16	6,795,129	3,785,095
Term loans - current portion	14	264,434	264,434
Lease liabilities	23	9,733	7,414
Contract liabilities	17	141,287	263,120
Income tax payable	18	72,618	66,765
Total current liabilities		7,283,201	4,386,828
Total liabilities		8,421,697	5,775,246
Total equity and liabilities		13,020,298	9,574,782


 Mr. Yasser Zaghloul

Group Chief Executive Officer


 Mr. Ahmed Al Dhaheri

Chief Executive Officer


 Mr. 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 2023**

	Notes	2023 AED'000	2022 AED'000
Continuing operations			
Contract revenue	20	7,940,568	5,381,605
Direct costs		(6,795,192)	(4,738,584)
		<hr/>	<hr/>
Gross profit		1,145,376	643,021
Other operating expenses		(199,876)	(250,971)
General and administrative expenses		(121,408)	(22,398)
Other income, net		(21,624)	34,429
Finance cost, net	21	15,042	(30,840)
Depreciation of right-of-use assets	23	(12,305)	(10,612)
		<hr/>	<hr/>
Profit before tax from continuing operations		805,205	362,629
Income tax expense, net	18	(24,781)	(23,379)
		<hr/>	<hr/>
Profit for the year from continuing operations		780,424	339,250
Discontinued operations			
Gain on partial disposal of a division	19	-	237,615
		<hr/>	<hr/>
Profit for the year	22	780,424	576,865
Non-controlling interests		(835)	(204)
		<hr/>	<hr/>
Profit for the year - attributable to the Shareholder of the Company		779,589	576,661
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The accompanying notes form an integral part of these consolidated financial statements.

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

	2023 AED'000	2022 AED'000
Profit for the year	780,424	576,865
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Fair value gain/(loss) arising on hedging instruments during the year	20,301	(6,253)
Foreign exchange difference on translation of foreign operations	(1,660)	(2,505)
	<hr/>	<hr/>
Total comprehensive income for the year	799,065	568,107
Non-controlling interests	(835)	(204)
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Total comprehensive income for the year - attributable to the Shareholder of the Company	798,230	567,903
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The accompanying notes form an integral part of these consolidated financial statements.

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

	Share capital AED'000	Statutory reserve AED'000	Restricted reserve AED'000	Currency translation reserve AED'000	Hedging reserve AED'000	Retained earnings AED'000	Equity attributable to the shareholder of the Company AED'000	Non- controlling interest AED'000	Total equity AED'000
Balance at 1 January 2022	100,000	50,000	1,291	(9,894)	764	3,086,392	3,228,553	2,876	3,231,429
Profit for the year	-	-	-	-	-	576,661	576,661	204	576,865
Other comprehensive loss for the year	-	-	-	(2,505)	(6,253)	-	(8,758)	-	(8,758)
Total comprehensive (loss)/income for the year	-	-	-	(2,505)	(6,253)	576,661	567,903	204	568,107
Balance at 1 January 2023	100,000	50,000	1,291	(12,399)	(5,489)	3,663,053	3,796,456	3,080	3,799,536
Profit for the year	-	-	-	-	-	779,589	779,589	835	780,424
Other comprehensive (loss)/income for the year	-	-	-	(1,660)	20,301	-	18,641	-	18,641
Total comprehensive (loss)/income for the year	-	-	-	(1,660)	20,301	779,589	798,230	835	799,065
Balance at 31 December 2023	100,000	50,000	1,291	(14,059)	14,812	4,442,642	4,594,686	3,915	4,598,601

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

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

	Notes	2023 AED'000	2022 AED'000
Cash flows from operating activities			
Profit before tax from continuing operations		805,205	362,629
Profit before tax from discontinuing operations		-	237,615
<i>Adjustments for:</i>			
Depreciation of property and equipment	5	150,087	202,496
Depreciation of right-of-use assets, net of other movement	23	12,305	10,612
Loss on disposal of property, plant and equipment		(958)	17,523
Gain on disposal of a division		-	(237,615)
Allowance /(reversal) for expected credit loss on trade receivables	9	2,000	(683)
Allowance for expected credit loss on contract assets	10	208	55
Allowance for slow moving and obsolete inventories	8	1,439	3,237
Interest expenses, net	21	(27,444)	19,458
Finance cost on lease liabilities	23	12,402	11,382
Employees' end of service benefit charge	15	40,490	31,577
Share of profit of investment in associate	6	(1,727)	(1,091)
Operating cash flows before movements in working capital changes		994,007	657,195
Decrease/(increase) in inventories		3,810	(100,379)
(Increase)/decrease in contract assets		(1,191,200)	481,975
Increase in trade and other receivables		(240,269)	(1,085,464)
Increase in due from a related party		(230,000)	(64,845)
Increase in trade and other payables		3,047,481	1,976,545
(Decrease) / increase in contract liabilities		(121,833)	249,145
Cash generated from operating activities		2,261,996	2,114,172
Employees' end of service benefit paid	15	(19,540)	(29,667)
Income tax paid	18	(30,767)	(29,153)
Income tax refund	18	11,839	26,994
Net cash generated from operating activities		2,223,528	2,082,346
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(644,849)	(216,019)
Proceeds on disposal of property, plant and equipment		1,568	39,475
Investment in equity accounted investee	6	(77)	-
Short-term deposits placed with bank	11	(505,517)	-
Dividend received from equity accounted investee	6	1,337	1,230
Net cash used in investing activities		(1,147,538)	(175,314)
Cash flows from financing activities			
Interest received/(paid)	21	27,444	(19,458)
Repayment of lease liabilities		(8,756)	(6,953)
Interest paid on lease liabilities	21	(12,402)	(11,382)
Repayments of term loans	14	(264,434)	(264,434)
Funds transferred to a related party		-	(499,976)
Net cash used in financing activities		(258,148)	(802,203)
Net increase in cash and cash equivalents		817,842	1,104,829
Cash and cash equivalents at the beginning of the year		1,681,864	579,378
Net foreign exchange difference		(1,637)	(2,343)
Cash and cash equivalents at the end of the year	11	2,498,069	1,681,864
Non-cash transaction			
Transfer of end of service benefits		-	16,607

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

**Notes to the consolidated financial statements
for the year ended 31 December 2023****1 General information**

National Petroleum Construction Company (NPCC) (the “Company”) was established on 2 April 1973 as a limited liability Company in the Emirate of Abu Dhabi, UAE. In 1987, the legal status of the Company was changed to a Public Joint Stock Company by the application of the Abu Dhabi Law No. (2) of 1987. The Company was owned by General Holding Corporation PJSC (“SENAAT”) and Chimera Investments LLC.

In 2021, National Marine Dredging Company (“NMDC”) acquired all the share of NPCC and became the sole shareholder of the Company. National Marine Dredging Company is a public shareholding company incorporated in the Emirate of Abu Dhabi by Law No. (10) of 1979, as amended by Decree No. (3) and (9) of 1985 issued by His Highness Sheikh Khalifa Bin Zayed Al Nahyan, who was then the Deputy Ruler of the Emirate of Abu Dhabi.

These consolidated financial statements include the financial performance and position of the Company, its subsidiaries and joint ventures (collectively referred to as the “Group”).

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

The Group has made investments as disclosed in note 6 and note 24 as of the reporting period 31 December 2023.

2 Application of new and revised International Financial Reporting Standards (IFRS Accounting Standards)**2.1 New and revised IFRS Accounting Standards applied with no material effect on the financial statements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.2 New and revised IFRS in issue but not yet effective

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

<u>New and revised IFRS Accounting Standards</u>	<u>Effective for annual periods beginning on or after</u>
<i>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</i>	Effective date not yet decided
<p>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.</p>	
<i>Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current</i>	1 January 2024
<p>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.</p>	
<p>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.</p>	

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

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

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

New and revised IFRS Accounting Standards

**Effective for
annual periods
beginning on or after**

Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants 1 January 2024

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

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

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

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

New and revised IFRS Accounting Standards

**Effective for
annual periods
beginning on or after**

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

1 January 2024

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

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

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

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

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

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

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

New and revised IFRS Accounting Standards

**Effective for
annual periods
beginning on or after**

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

1 January 2024

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine ‘lease payments’ or ‘revised lease payments’ such that the seller lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15, is a lease liability.

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

1 January 2024, subject to adoption by the jurisdiction

IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

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

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

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

New and revised IFRS Accounting Standards

**Effective for
annual periods
beginning on or after**

IFRS S2 Climate-related Disclosures

1 January 2024, subject to adoption by the jurisdiction

IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

Amendment to IAS 21— Lack of Exchangeability

1 January 2025

The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

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

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

**Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)****3 Material accounting policy information****3.1 Statement of compliance**

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

3.2 Basis of preparation

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

The principal accounting policies adopted are set out below:

3.3 Basis of consolidation

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

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

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

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

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

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

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

3 Material accounting policy information (continued)

3.3 Basis of consolidation (continued)

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

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

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

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

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

The Company has these subsidiaries over which it exercises effective control:

Name of subsidiaries	Country of incorporation and operations	Beneficial ownership interest (%)		Principal activity
		2023	2022	
National Petroleum Construction Co. (Saudi) LTD.	Kingdom of Saudi Arabia	100	100	Engineering Procurement Construction
NPCC Engineering Limited	India	100	100	Engineering
ANEWA Engineering Pvt. Ltd	India	80	80	Engineering
NPCC Service Malaysia SDN. BHD *	Malaysia	100	100	Engineering Procurement Construction
Al Dhabi For Construction Project LLC *	Iraq	100	100	Engineering Procurement Construction

*dormant entities

**Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)****3 Material accounting policy information (continued)****3.4 Goodwill**

Goodwill is initially recognised and measured as set out above.

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

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

3.5 Investments in associates and joint ventures

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

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

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

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

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

**Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)****3 Material accounting policy information (continued)****3.5 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).

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

3 Material accounting policy information (continued)

3.6 Interests in joint operations

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

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

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

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

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

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

3.7 Revenue recognition

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

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

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

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

3 Material accounting policy information (continued)

3.7 Revenue recognition (continued)

Revenue recognition on construction contracts

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

Lump-sum engineering, procurement and construction project execution services contracts contain distinct goods and services that are not distinct in the context of the contract. These are therefore combined into a single performance obligation. The Group recognises revenue from its lump-sum engineering, procurement and construction project execution services contracts over time as the assets constructed are highly customized for the customers' needs with no alternative use and the Group has right to payment for performance completed to date.

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

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

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

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

If there is a difference in the timing of when the Group receives the advance and progress payments and when it recognises the contract revenue, the Group implies the existence of implicit significant financing component and adjusts transaction price to include the effects of time of value of money. The Group records interest on the delayed payments as interest income.

**Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)****3 Material accounting policy information (continued)****3.7 Revenue recognition (continued)***Warranty Obligations*

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

3.7.1 Other income*Interest income*

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

Dividend income

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

3.8 Foreign currencies

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

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

The assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity.

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

3 Material accounting policy information (continued)

3.9 Employees' benefits

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

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

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

3.10 Taxation

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

Current tax

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

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

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

3 Material accounting policy information (continued)

3.11 Property, plant and equipment

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

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

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

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

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

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

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

**Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)****3 Material accounting policy information (continued)****3.11 Property, plant and equipment (continued)***Capital work in progress*

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

3.12 Impairment of tangible excluding goodwill

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

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

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

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

3.13 Inventories

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

**Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)****3 Material accounting policy information (continued)****3.14 Financial instruments**

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

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

Financial assets

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

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

*Classification of financial assets***(i) Debt instruments designated at amortised cost**

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

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

Amortised cost and effective interest rate method

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

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

**Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)****3 Material accounting policy information (continued)****3.14 Financial instruments (continued)****Financial assets (continued)***Amortised cost and effective interest rate method (continued)*

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

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

Interest income is recognised in profit or loss and is included in the "finance income - interest income" line item.

Impairment of financial assets

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

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

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

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

3 Material accounting policy information (continued)

3.14 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

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

(ii) Definition of default

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

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

3 Material accounting policy information (continued)

3.14 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

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

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

**Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)****3 Material accounting policy information (continued)****3.14 Financial instruments (continued)****Financial assets (continued)***Derecognition of financial assets*

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

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

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

**Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)****3 Material accounting policy information (continued)****3.14 Financial instruments (continued)****Financial liabilities (continued)***Financial liabilities measured subsequently at amortised cost*

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

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

Derivative financial instruments

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

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

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

Hedge accounting

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

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

3 Material accounting policy information (continued)

3.14 Financial instruments (continued)

Derivative financial instruments (continued)

Hedge accounting (continue)

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

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

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

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

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

Cash flow hedges

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

**Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)****3 Material accounting policy information (continued)****3.14 Financial instruments (continued)****Derivative financial instruments (continued)***Cash flow hedges (continued)*

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

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

3.15 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

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

**Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)****3 Material accounting policy information (continued)****3.16 Dividend distribution**

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

3.17 Cash and cash equivalents

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

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 14. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the statement of financial position.

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

3.17 Leases*The Group as lessee*

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

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

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

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

**Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)****3 Material accounting policy information (continued)****3.17 Leases (continued)***The Group as lessee (continued)*

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

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

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

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

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

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

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

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

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

Going concern

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

**Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)****4 Critical accounting judgements and key sources of estimation of uncertainty**

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

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

Revenue recognition

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

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

Contract variations

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

Contract claims

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

**Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)****4 Critical accounting judgements and key sources of estimation of uncertainty (continued)**Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. The Group has not recognised any loss allowance against all receivables.

Determining the lease term

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

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.

Key sources of estimation uncertainty

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

Percentage-of-completion

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

**Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)****4 Critical accounting judgements and key sources of estimation of uncertainty (continued)**Percentage-of-completion (continued)

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

Taxation provisions

The Group's current tax provision of AED 73 million (2022: AED 67 million) relates to management's assessment of the amount of tax payable on open tax positions where the liabilities remain to be agreed with Central Board of Direct Taxes, India and General Authority of Zakat and Tax, Saudi Arabia.

Calculation of loss allowance

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

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

Impairment of trade and other receivables and contract assets at 31 December 2023 are AED 2,288 thousand (2022: AED 288 thousand) and AED 691 thousand (2022: AED 483 thousand), respectively.

Allowance for inventory obsolescence

Management has estimated the recoverability of inventory balances and has considered the allowance required for inventory obsolescence based on the current economic environment. Accordingly, allowance for inventory obsolescence as at 31 December 2023 is AED 53 million (2022: AED 52 million).

Useful lives and residual values of property and equipment

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

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

**Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)****4 Critical accounting judgements and key sources of estimation of uncertainty (continued)**Impairment of property, plant and equipment

The Group tests annually whether property, plant and equipment have suffered any impairment. In determining whether an impairment loss should be recorded in profit or loss, management makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows attributable to property, plant and equipment.

Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Warranty provision

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

Derivative financial instruments

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

Legal claims and contingencies

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

Discount rate used for initial measurement of lease liability

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Management is satisfied that there is no impairment on goodwill as at 31 December 2023 and 31 December 2022.

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

5 Property, plant and equipment

	Buildings AED'000	Plant, barges and vehicles AED'000	Furniture and office equipment AED'000	Capital work in progress AED'000	Total AED'000
Cost					
1 January 2022	543,285	5,767,935	114,728	57,740	6,483,688
Additions	-	7,024	4,124	204,871	216,019
Transfers	4,181	34,120	-	(38,301)	-
Disposal/write-offs	-	(466,737)	(737)	-	(467,474)
Transfer to a related party	(4,701)	(170,502)	(483)	-	(175,686)
Exchange difference	-	-	(1,275)	-	(1,275)
1 January 2023	542,765	5,171,840	116,357	224,310	6,055,272
Additions	67	39,365	10,746	594,671	644,849
Transfers	34,262	550,016	333	(584,611)	-
Disposal/write-offs	-	(10,392)	-	-	(10,392)
Exchange difference	-	-	(100)	-	(100)
31 December 2023	577,094	5,750,829	127,336	234,370	6,689,629
Accumulated depreciation					
1 January 2022	368,870	3,426,725	97,218	-	3,892,813
Charge for the year	12,189	183,340	6,967	-	202,496
Disposal/write-offs	-	(457,996)	(719)	-	(458,715)
Transfer to a related party	(2,540)	(124,527)	(380)	-	(127,447)
Exchange difference	-	-	(1,113)	-	(1,113)
1 January 2023	378,519	3,027,542	101,973	-	3,508,034
Charge for the year	12,864	129,456	7,767	-	150,087
Disposal/write-offs	-	(9,782)	-	-	(9,782)
Exchange difference	-	-	(76)	-	(76)
31 December 2023	391,383	3,147,216	109,664	-	3,648,263
Carrying amount					
At 31 December 2023	185,711	2,603,613	17,672	234,370	3,041,366
At 31 December 2022	164,246	2,144,298	14,384	224,310	2,547,238

As at 31 December 2023, property, plant and equipment include fully depreciated assets amounting to AED 2,169 million (2022: AED 2,074 million).

Certain property, plant and equipment (five barges) have been pledged as security against a borrowing facility (Note 14).

The buildings in Mussafah are constructed on land leased from Abu Dhabi Municipality (Note 23).

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

6 Investment in equity accounted investees

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

	2023 AED'000	2022 AED'000
NT Energies*	77	-
Principia SAS	24,057	23,667
	<hr/>	<hr/>
	24,134	23,667
	<hr/>	<hr/>

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

	2023 AED'000	2022 AED'000
Balance at 1 January	23,667	23,806
Acquisition during the year	77	-
Share of profit for the year	1,727	1,091
Dividend received during the year	(1,337)	(1,230)
	<hr/>	<hr/>
Balance at 31 December	24,134	23,667
	<hr/>	<hr/>

During the year 2023, the Group signed an agreement with France-based company Technip Energies to establish a Joint Venture, NT Energies. The Group owns 51% share in the Joint Venture.

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

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

6 Investment in equity accounted investees (continued)

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

	2023 AED'000	2022 AED'000
Total assets	50,424	49,657
Total liabilities	(28,310)	(26,682)
Net assets	22,114	22,975
Group's share of net assets of associate	7,371	7,658
Total revenue	63,272	41,637
Total profit for the year	5,442	3,274
Group's share in profit	1,727	1,091

* **NT Energies:** The entity was incorporated in the current year and operations have not yet commenced.

** **Principia SAS:** the revenue and the profit shown in above table are related to the latest available financial information.

7 Goodwill

Acquisition of subsidiaries

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

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

7 Goodwill (continued)

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

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

Impairment testing of goodwill

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

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

8 Inventories

	2023 AED'000	2022 AED'000
Materials, fuel and spare parts	289,295	293,103
Less: allowance for slow and obsolete inventories	(53,404)	(51,965)
	<hr/>	<hr/>
	235,889	241,138
	<hr/>	<hr/>
Movement in the allowance for slow moving inventories		
At 1 January	51,965	48,728
Charge for the year	1,439	3,237
	<hr/>	<hr/>
At 31 December	53,404	51,965
	<hr/>	<hr/>

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

9 Trade and other receivables

	2023 AED'000	2022 AED'000
Trade receivables	1,201,880	1,605,747
Less: allowance for expected credit losses	(2,288)	(288)
	<hr/>	<hr/>
	1,199,592	1,605,459
Prepayments and advances	949,179	441,332
Advances paid to foreign supplier	621,844	645,919
Contract retentions	263,288	123,708
VAT and GST receivables, net	31,689	34,687
Derivative financial asset	24,602	41,747
Advances paid to employees	15,067	18,369
Other receivables	94,058	66,979
	<hr/>	<hr/>
	3,199,319	2,978,200
	<hr/>	<hr/>

Included in trade and other receivables are amounts of AED 354.3 million (2022: AED 146.3 million) due from entities disclosed in note 19 to the consolidated financial statements.

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

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

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

Movement in the allowance for expected credit losses

	2023 AED'000	2022 AED'000
At 1 January	288	971
Charge / (reversal) for the year	2,000	(683)
	<hr/>	<hr/>
At 31 December	2,288	288
	<hr/>	<hr/>

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

9 Trade and other receivables (continued)

Ageing of trade receivables

	2023 AED'000	2022 AED'000
1 to 90 days	1,178,338	1,557,383
More than 91 days	23,542	48,364
	<hr/> 1,201,880 <hr/>	<hr/> 1,605,747 <hr/>

10 Contract assets

	2023 AED'000	2022 AED'000
Construction contracts	2,209,210	1,018,010
Less: allowance for expected credit losses	(691)	(483)
	<hr/> 2,208,519 <hr/>	<hr/> 1,017,527 <hr/>

Significant changes in contract assets balance during the year:

	2023 AED'000	2022 AED'000
As at 1 January	1,018,010	1,499,985
Add: Revenue recognised during the year from contract	7,940,568	5,381,605
Less: Transfer of contract assets recognised to trade receivables	(6,749,368)	(5,863,580)
	<hr/> 2,209,210 <hr/>	<hr/> 1,018,010 <hr/>

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

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

10 Contract assets (continued)

Contract assets are analysed as follows:

	2023 AED'000	2022 AED'000
<i>Signed contracts</i>		
Government of Abu Dhabi and its related entities	1,161,422	367,923
Other entities	1,047,788	650,087
	2,209,210	1,018,010

11 Cash and bank balances

	2023 AED'000	2022 AED'000
Cash in hand	691	592
Cash at banks	427,783	505,917
Short-term deposits	2,575,112	1,175,355
Cash and bank balances	3,003,586	1,681,864
Less: short-term deposits with maturity more than three months	(505,517)	-
Cash and cash equivalents	2,498,069	1,681,864

Cash and cash equivalents comprise of short-term deposits having original maturities of three months or less. The deposits, carry interest in the range of 3.15%-6.20% per annum (31 December 2022: 3.7% to 4.2%). Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central bank of United Arab Emirates. Accordingly, management of the Company estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12-month ECL.

12 Share capital

The capital of the Company as of 31 December was made up of 100,000 thousand shares of AED 1 each and was distributed as follows:

	2023 AED'000	2022 AED'000
National Marine Dredging Company PJSC	100,000	100,000

During the year 2021, National Marine Dredging Company ("NMDC") acquired all the share of National Petroleum Construction Company (NPCC) and became the sole shareholder in the Company.

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

13 Statutory reserve and restricted reserve

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

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

14 Term loans

	2023 AED'000	2022 AED'000
Non-current portion	580,287	844,721
Current portion	264,434	264,434
	<hr/> 844,721 <hr/>	<hr/> 1,109,155 <hr/>

On February 27, 2020, the Company signed a syndicated loan agreement amounting to USD 500 million (AED 1,836 million), carrying effective interest rate of Term SOFR plus 0.90% (2022: LIBOR plus 0.90 %). The total syndicated loan agreement consists of two portions: Conventional amounting to USD 167 million, and Islamic amounting to USD 333 million. The outstanding amount of this loan as at 31 December 2023 is USD 230 million which is equivalent to AED 845 million. In accordance with the terms of the agreement between the two parties, the loan is repayable in quarterly installments starting from June 2020 and is expected to be fully repaid by March 2027. The loan is secured against mortgage of 5 vessels of the Company.

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

	2023 AED'000	2022 AED'000
Less than one year	264,434	264,434
1 to 3 years	528,870	528,869
3 to 5 years	51,417	315,852
	<hr/> 844,721 <hr/>	<hr/> 1,109,155 <hr/>

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

14 Term loans (continued)

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

	2023 AED'000	2022 AED'000
Balance at 1 January	1,109,155	1,373,589
Loan repayment	(264,434)	(264,434)
	<hr/>	<hr/>
Balance at 31 December	844,721	1,109,155
	<hr/> <hr/>	<hr/> <hr/>

15 Provision for employees' end of service benefits

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

	2023 AED'000	2022 AED'000
At 1 January	239,393	254,090
Charge for the year	40,490	31,577
Paid during the year	(19,540)	(29,667)
Transferred to a related party (note 19)	-	(16,607)
	<hr/>	<hr/>
At 31 December	260,343	239,393
	<hr/> <hr/>	<hr/> <hr/>

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

16 Trade and other payables

	2023	2022
	AED'000	AED'000
Job and other accruals	3,151,971	2,119,511
Advances received on contracts	2,451,068	1,011,789
Trade payables	873,921	373,360
VAT payables	96,542	106,736
Provision for employees leave salary	64,722	38,017
Provision for board remuneration and employee bonus	52,850	30,000
Provision for air fare	37,319	25,325
Retentions payable	20,537	8,612
Warranty provision	14,093	10,364
Derivative financial liabilities	9,790	47,235
Provision for future losses	686	2,280
Other payables	13,723	5,089
Other accruals	7,907	6,777
	<hr/> 6,795,129 <hr/>	<hr/> 3,785,095 <hr/>

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

Included in trade and other payables are amounts of AED 1,217 million (2022: AED 346.8 million) due to entities disclosed in note 19 to the consolidated financial statements.

17 Contract liabilities

	2023	2022
	AED'000	AED'000
Construction contracts	141,287	263,120
	<hr/>	<hr/>

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

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

18 Income tax payable

	2023 AED'000	2022 AED'000
At 1 January	66,765	45,545
Charge for the year	36,178	33,296
Reversals during the year	(11,397)	(9,917)
Refund during the year	11,839	26,994
Payments during the year	(30,767)	(29,153)
	<hr/>	<hr/>
At 31 December	72,618	66,765
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

19 Related parties

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

Related balances and transactions are disclosed in note 6, 9, 10, 11, 15, 16 and 17 to the consolidated financial statements.

	2023 AED'000	2022 AED'000
<i>Related party transactions</i>		
Contract revenues	10,103	19,000
	<hr/>	<hr/>
Material and services purchased	161,394	222,864
	<hr/>	<hr/>
Back-charge of costs	354,361	146,364
	<hr/>	<hr/>
Sub-contract costs	429,900	247,650
	<hr/> <hr/>	<hr/> <hr/>

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

19 Related parties (continued)

	2023 AED'000	2022 AED'000
Interest income	33,365	-
Gain on partial disposal of a division*	-	237,615
Disposal of property, plant and equipment-net*	-	48,238
Transfer of end of service benefits*	-	16,607
Dividend received from an associate	1,337	1,230

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

Due from related parties

National Marine Dredging Company PJSC (NMDC) **	1,015,829	785,829
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* In the prior year, the Company's parent company incorporated an entity, Safeen Survey and Subsea Services LLC (Safeen), where, as part of the agreement, the Company made an in-kind contribution to Safeen by transferring its Division and Subsea division's property, plant and equipment, employees and revenue contracts, resulting in a gain of AED 237,615 thousand.

** The balance due from a related party principally represents an amount of AED 285,731 thousand (2022: AED 285,731) pertaining to the sale of Safeen Survey and Subsea Services to the parent Company and an amount of AED 729,976 thousand (2022: AED 500,000) resulted from its cash pooling arrangement with its parent company.

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

20 Contracts revenue

	2023	2022
	AED'000	AED'000
Revenue by project type		
Energy	7,940,568	5,381,605
	<hr/>	<hr/>
Revenue by activity		
Engineering, procurement and construction	7,940,568	5,381,605
	<hr/>	<hr/>
Timing of revenue recognition		
Revenue recognised over the period	7,940,568	5,381,605
	<hr/>	<hr/>
Revenue by customer segments		
Governmental companies	7,079,835	4,707,338
Non-Governmental companies	860,733	674,267
	<hr/>	<hr/>
	7,940,568	5,381,605
	<hr/>	<hr/>

Unsatisfied performance obligation

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

	2023	2022
	AED'000	AED'000
Within one year	13,706,313	8,667,000
More than one year	29,973,114	9,655,000
	<hr/>	<hr/>
	43,679,427	18,322,000
	<hr/>	<hr/>

Other information

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

	2023	2022
	AED'000	AED'000
Engineering, procurement and construction		
Customer 1	3,208,864	2,387,209
	<hr/>	<hr/>
Customer 2	3,979,917	2,184,681
	<hr/>	<hr/>

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

21 Finance income (costs), net

	2023 AED'000	2022 AED'000
Interest income on deposits/(expense on term loans) – net	27,444	(19,458)
Interest expense on lease liabilities (note 23)	(12,402)	(11,382)
	<hr/> 15,042 <hr/>	<hr/> (30,840) <hr/>

22 Profit for the year

	2023 AED'000	2022 AED'000
Profit for the year is stated after:		
Staff costs	1,342,321	1,061,854
	<hr/> 150,087 <hr/>	<hr/> 202,496 <hr/>

23 Group as a Lessee

The Group leases several assets including land, premises, vessels, equipment. The average lease term is 1 to 26 years. Interest rate on the leases ranges from 4% - 5.6%.

Right-of-use assets

	2023 AED'000	2022 AED'000
1 January	294,262	287,385
Additions during the year	4,642	17,489
Depreciation expense	(12,305)	(10,612)
31 December	<hr/> 286,599 <hr/>	<hr/> 294,262 <hr/>

Lease liabilities

	2023 AED'000	2022 AED'000
1 January	311,718	301,182
Additions during the year	4,637	17,489
Interest expense (note 21)	12,402	11,382
Payments	(21,158)	(18,335)
31 December	<hr/> 307,599 <hr/>	<hr/> 311,718 <hr/>

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

23 Group as a Lessee (continued)

	2023 AED'000	2022 AED'000
Lease liability – classification		
Current	9,733	7,414
Non-current	297,866	304,304
	307,599	311,718
	2023 AED'000	2022 AED'000
Maturity analysis		
Not later than 1 year	21,744	20,544
Later than 1 year and not later than 5 years	78,575	80,975
Later than 5 years	380,013	399,356
	480,332	500,875
Less: unearned interest	(172,733)	(189,157)
	307,599	311,718

24 Interest in joint operations

During the year, the Group has invested in two new joint operations. The Group has share of assets, liabilities and results of operations of the following joint operations:

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

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

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

24 Interest in joint operations (continued)

	2023 AED'000	2022 AED'000
Total assets	1,577,073	60,008
Total liabilities	(1,540,694)	(48,316)
Net assets	36,379	11,692
Total revenue	71,049	11,033
Profit for the year	36,475	11,693

25 Contingent liabilities and commitments

	2023 AED'000	2022 AED'000
Letters of guarantee	11,703,758	6,415,076
Letters of credit	147,319	345,003
Capital commitments	145,058	58,602
Purchase commitments	5,378,558	4,537,862

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

26 Capital management

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

The Group manages its capital structure, and makes adjustments to it, in light of changes in economic conditions.

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

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

	2023 AED'000	2022 AED'000
Debt (note 14)	844,721	1,109,155
Cash and bank balances (note 11)	(3,003,586)	(1,681,864)
	<hr/>	<hr/>
Net debt	(2,158,865)	(572,709)
	<hr/>	<hr/>
Equity	4,598,601	3,799,536
	<hr/>	<hr/>
Net debt to equity ratio	-	-
	<hr/>	<hr/>

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

27 Financial instruments

Financial risk management

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

	Liabilities		Assets	
	2023	2022	2023	2022
	AED'000	AED'000	AED'000	AED'000
Euro	19,560	5,663	212,539	71,528
Sterling pound	4,826	749	37,962	13,888

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 9,649 thousand (2022: AED 3,293 thousand) net revaluation gain/loss on the Euro outstanding balances.
- (b) there is AED 1,657 thousand (2022: AED 657 thousand) net revaluation gain/loss on the Sterling Pound outstanding balances.

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

27 Financial instruments (continued)

Financial risk management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

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

Interest rate sensitivity analysis

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

If interest rates on loans had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2023 would decrease/increase by AED 4.2 million (2022: decrease/increase by AED 5.5 million).

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

Interest rate swap contracts

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

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

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the 3 months Term SOFR (2022: 3 months USD LIBOR) rate. The Group will settle the difference between the fixed and floating interest rate on a net basis.

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

27 Financial instruments (continued)

Financial risk management (continued)

(a) Market risk (continued)

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

Interest rate swap contracts (continued)

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the end of the reporting year of AED 422,361 thousand (31 December 2022: AED 554,578 thousand):

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

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

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

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts. The Group also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to 6 months. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sales or purchase transactions take place.

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

27 Financial instruments (continued)

Financial risk management (continued)

(a) Market risk (continued)

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

Forward foreign exchange contracts

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

	Foreign currency	Notional value AED'000	Fair value AED'000	Fair value changes AED'000
2023				
Forward contract	USD	46,878	44,213	2,666
		<hr/>	<hr/>	<hr/>
2022				
Forward contract	USD	171,002	158,141	12,861
		<hr/>	<hr/>	<hr/>

(b) Credit risk

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

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

The Group's trade receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount of the trade receivables as disclosed in note 9.

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

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

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

27 Financial instruments (continued)

Financial risk management (continued)

(c) Liquidity risk

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

	Less than 1 year AED'000	1 – 5 years AED'000	More than 5 years AED'000	Total AED'000
At 31 December 2023				
Trade and other payables*	4,232,740	-	-	4,232,740
Lease liabilities	21,744	78,575	380,013	480,332
Term loans	264,434	580,287	-	844,721
	4,518,918	658,862	380,013	5,557,793
At 31 December 2022				
Trade and other payables*	2,653,926	-	-	2,653,926
Lease liabilities	20,544	80,975	399,356	500,875
Term loans	264,434	844,721	-	1,109,155
	2,938,904	925,696	399,356	4,263,956

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

Fair value of financial instruments

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

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

28 Financial instruments by category

	2023	2022
	AED'000	AED'000
Financial assets		
Cash and bank balances	3,003,586	1,681,864
Contract assets	2,208,519	1,017,527
Trade and other receivables (excluding prepaid expenses)	2,596,009	2,846,274
	7,808,114	5,545,665
Financial liabilities		
Trade and other payables*	4,232,740	2,653,926
Term loans	844,721	1,109,155
	5,077,461	3,763,081

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

29 Corporate Income Tax

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

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

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

30 Subsequent events

Subsequent to the year end, the name of the Company was changed from National Petroleum Construction Company to NMDC Energy P.J.S.C. This change of name was registered with the concerned authority on 6 February 2024.

The shareholders, in their meeting held on 12 February 2024, approved a dividend of AED 750 million for the prior years.

31 Approval of the consolidated financial statements

The consolidated financial statements were approved by management and authorised for issue on 28 March 2024.