Abu Dhabi Ship Building PJSC

Consolidated Financial Statements
For the year ended 31 December 2024

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Abu Dhabi Ship Building PJSC
Consolidated financial statements

For the year ended 31 December 2024

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Independent Auditor's Report
To the Shareholders of Abu Dhabi Ship Building PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Abu Dhabi Ship Building PJSC (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the applicable requirements of Abu Dhabi Accountability Authority ("ADAA") Chairman Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities. 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' *International 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.

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Independent Auditor's Report
To the Shareholders of Abu Dhabi Ship Building PJSC (continued)

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

Key Audit Matters

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

Key audit matter	How our audit addressed the area of focus
Recognition of revenue from ship building and repair services contracts A significant portion of the Group's revenues is derived from ship building and repair services contracts and revenue on such contracts is recognised over time as performance obligations are fulfilled over time. As disclosed in note 18 to the consolidated financial statements, during the year 2024, the Group has earned AED 1,496,254 thousand (2023: AED 1,257,547 thousand) revenue from ship building and repair services contracts. This area was important to our audit due to significant estimates involved in the determination of stage of completion and measurement of progress towards the satisfaction of performance obligations and estimating costs to complete on each contract.	We have assessed the appropriateness of the revenue recognition accounting policies adopted by the Group and its compliance with IFRS Accounting Standards; We obtained an understanding and walked through of the Group's controls over the revenue and cost recognition process to assess the design of the key controls in place. Our substantive audit procedures included the following, amongst others: • on a sample basis, reviewed the contracts and service orders to evaluate management's assessment of performance obligations in accordance with IFRS 15; • obtained an understanding of the performance and status of the contracts through discussions with project teams (management's specialists) and the finance team; • on a sample basis, obtained cost estimation schedules approved by project teams and verifying the costs to complete by agreeing to evidence of committed spend, budgeted rates or actual costs incurred to date; • evaluated Group's positions through examination of customer and subcontractor correspondences, contract amendments, variation orders and milestone acceptances; and • review of correspondence from legal advisors and minutes of the key meetings to corroborate management's assessment of claims and penalties recorded.

Independent Auditor's Report
To the Shareholders of Abu Dhabi Ship Building PJSC (continued)

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

Key Audit Matters (continued)

Key audit matter	*How our audit addressed the area of focus*
Recoverability of contract assets and trade receivables As at 31 December 2024, the Group has significant balances of contract assets and trade receivables, and the recoverability thereof has been assessed as a key audit matter. As disclosed in notes 8 and 9, an amount of AED 4,783 thousand (2023: AED 4,670 thousand) and AED 24,267 thousand (2023: AED 43,429 thousand) has been recognised as an allowance for Expected Credit Loss ("ECL") against contract assets and trade receivables respectively in accordance with IFRS 9. This area was important to our audit due to significant estimates involved in the recoverability assessment of long outstanding trade receivables and contract assets. Significant estimates made by management include, amongst others, probability of customers' default, loss given default, exposure at default, expected dates of collection and discount rates.	Our audit procedures included the following, amongst others: • obtained an understanding of the Group's process for estimating ECL and assessing the appropriateness of the ECL methodology against the requirements of IFRS 9; • assessed the reasonableness of management's key assumptions and judgements made in determining the ECL including the segmenting of trade receivables and contract assets, selection of ECL model and macroeconomic factors; • tested key inputs into the model and comparing these to historical data; • assessed reasonableness of forward-looking factors used by the Group by corroborating with publicly available information; and • verified billings post year end and ensuring that these were in line with contractual terms where applicable as they related to unbilled work in progress at the reporting date. Refer notes 4, 8 and 9 to the consolidated financial statements which disclose the significant judgements made by the management in relation to recoverability of these balances along with the required disclosures.

Other Information

Management is responsible for the other information. Other information consists of the information included in the Sustainability report, the Corporate Governance report, the Message from the Chairman and the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon. We obtained the Message from the Chairman and the Management Discussion and Analysis prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's 2024 Sustainability report and Corporate Governance report after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the 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.

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

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

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

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

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

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

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, 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 and the applicable requirements of Abu Dhabi Accountability Authority ("ADAA") Chairman Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities, 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 risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

Independent Auditor's Report
To the Shareholders of Abu Dhabi Ship Building PJSC (continued)

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group's consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Articles of Association of the Company and the UAE Federal Law No. (32) of 2021;

iii) the Group has maintained proper books of account;

iv) the financial information included in the *Message from the Chairman and the Management Discussion and Analysis* is consistent with the books of account and records of the Group;

Independent Auditor's Report
To the Shareholders of Abu Dhabi Ship Building PJSC (continued)

Report on Other Legal and Regulatory Requirements (continued)

v) based on the information that has been made available to us, the Group has not purchased or invested in any shares or stocks during the year ended 31 December 2024;

vi) note 24 reflects the material related party transactions and the terms under which they were conducted;

vii) note 1 to the consolidated financial statements discloses that the Group is currently in the process of amending the statutory documents, to reflect the changes required due to the application of the UAE Federal law No. (32) of 2021; and

viii) based on the information that has been made available to us, except for item (vii) mentioned above, nothing has come to our attention which causes us to believe that the Group has contravened, during the financial year ended 31 December 2024, any of the applicable provisions of its Articles of Association or of the UAE Federal Law No. (32) of 2021, which would have a material impact on its activities or its consolidated financial position as at 31 December 2024; and

ix) there were no social contributions made during the year.

Further, as required by the ADAA Chairman Resolution No. 88 of 2021 regarding financial statements Audit Standards for the Subject Entities, we report, in connection with our audit of the consolidated financial statements for the year ended 31 December 2024, that nothing has come to our attention that causes us to believe that the Group has not complied, in all material respects, with any of the provisions of laws, regulations and circulars as applicable, which would materially affect its activities or the consolidated financial statements as at 31 December 2024.

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Dr. Osama R. El-Bakry
Registration No: 935
Abu Dhabi, United Arab Emirates
25 March 2025

Consolidated statement of financial position
As at 31 December 2024

	Notes	31 December 2024 AED '000	31 December 2023 AED '000
Assets			
Non-current assets			
Property, plant and equipment	5	**148,012**	144,324
Intangible assets	6	**2,330**	484
Right-of-use assets	22	**5,322**	7,481
Advances to suppliers	9	**291,174**	375,223
Total non-current assets		**446,838**	527,512
Current assets			
Inventories	7	**33,238**	25,182
Contract assets	8	**404,487**	328,342
Trade and other receivables	9	**1,037,646**	1,042,787
Cash and cash equivalents	10	**685,614**	745,267
Total current assets		**2,160,985**	2,141,578
Total assets		**2,607,823**	2,669,090
Equity and liabilities			
Equity			
Share capital	11	**211,992**	211,992
Statutory reserve	12	**22,215**	14,483
Retained earnings		**96,113**	47,721
Equity attributable to owners of the parent		**330,320**	274,196
Non-controlling interests		**(138)**	(138)
Total equity		**330,182**	274,058
Liabilities			
Non-current liabilities			
Employees' end of service benefits	13	**31,232**	26,682
Advances from customers	14	**581,795**	863,064
Lease liabilities	22	**3,714**	5,917
Total non-current liabilities		**616,741**	895,663
Current liabilities			
Trade and other payables	15	**1,156,648**	1,117,122
Advances from customers	14	**344,837**	380,085
Lease liabilities	22	**2,214**	2,162
Bank overdrafts	16	**157,201**	-
Total current liabilities		**1,660,900**	1,499,369
Total liabilities		**2,277,641**	2,395,032
Total equity and liabilities		**2,607,823**	2,669,090

Khaled Ahmed Ali Mohamed Al Zaabi
Chairman of the Board

David Massey
Chief Executive Officer

Mariam Al Moosawi
Chief Financial Officer

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2024

	Notes	**2024** **AED '000**	2023 AED '000
Contract revenues	18	**1,496,254**	1,257,547
Contract costs	19	**(1,330,484)**	(1,133,485)
Gross profit		**165,770**	124,062
General and administrative expenses	20	**(85,702)**	(70,014)
Reversal of / (allowance for) expected credit losses	8,9	**17,548**	(19,006)
Depreciation and amortization	5,6,22	**(7,876)**	(5,334)
Finance costs		**(2,553)**	(3,510)
Other income (net)	21	**(1,726)**	14,181
Profit for the year before tax		**85,461**	40,379
Income tax expense	17	**(8,138)**	-
Profit for the year after tax		**77,323**	40,379
Other comprehensive income		**-**	-
Profit for the year and total comprehensive income after tax		**77,323**	40,379
Attributable to:			
Equity holders of the parent		**77,323**	40,379
Non-controlling interest		**-**	-
Basic and diluted earnings per share (AED)	23	**0.36**	0.19

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2024

	Share capital AED'000	Statutory reserve AED'000	Retained earnings AED'000	Equity attributable to owners of the parent AED'000	Non-controlling interests AED'000	Total equity AED
Balance as at 1 January 2024	**211,992**	**14,483**	**47,721**	**274,196**	**(138)**	**274,058**
Total comprehensive income for the year	**-**	**-**	**77,323**	**77,323**	**-**	**77,323**
Transfer to statutory reserve	**-**	**7,732**	**(7,732)**	**-**	**-**	**-**
Payment of dividend (Note 29)	**-**	**-**	**(21,199)**	**(21,199)**	**-**	**(21,199)**
Balance as at 31 December 2024	**211,992**	**22,215**	**96,113**	**330,320**	**(138)**	**330,182**
Balance as at 1 January 2023	211,992	10,445	24,100	246,537	(138)	246,399
Total comprehensive income for the year	-	-	40,379	40,379	-	40,379
Transfer to statutory reserve	-	4,038	(4,038)	-	-	-
Payment of dividend (Note 29)	-	-	(12,720)	(12,720)	-	(12,720)
Balance as at 31 December 2023	211,992	14,483	47,721	274,196	(138)	274,058

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2024

	Notes	**2024** **AED'000**	2023 AED'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		**85,461**	40,379
Adjustments for:			
Depreciation and amortization	5,6,22	**22,552**	17,523
Provision for employees' end of service benefits	13	**6,252**	5,150
Allowance for expected credit losses on contract assets	8	**113**	283
(Reversal of) / allowance for expected credit losses on trade receivables, net	9	**(17,661)**	18,723
Reversal of provision of slow-moving inventories	7	**-**	(134)
Gain on disposal of property, plant and equipment		**(145)**	(93)
Finance income	21	**(5,759)**	(12,583)
Finance costs		**2,881**	3,966
Operating profit before working capital changes:		**93,694**	73,214
Changes in working capital:			
Change in inventories		**(8,056)**	806
Change in contract assets		**(76,258)**	35,254
Change in trade and other receivables and advances to suppliers		**106,314**	(788,153)
Change in trade and other payables		**31,531**	854,772
Change in advances from customers		**(316,517)**	335,725
Cash (used in) / generated from operations		**(169,292)**	511,618
Payment of employees' end of service benefits	13	**(1,702)**	(1,904)
Net cash (used in) / generated from operating activities		**(170,994)**	509,714
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(23,741)**	(23,929)
Purchase of intangible assets	6	**(2,186)**	(587)
Proceeds from disposal of property, plant and equipment		**145**	93
Finance income received		**6,296**	12,553
Net cash used in investing activities		**(19,486)**	(11,870)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of term loans		**-**	(22,442)
Finance costs paid		**(2,510)**	(3,445)
Dividends paid	29	**(21,199)**	(19,846)
Payments of lease liabilities		**(2,665)**	(2,689)
Net cash used in financing activities		**(26,374)**	(48,422)
Net (decrease) / increase in cash and cash equivalents		**(216,854)**	449,422
Cash and cash equivalents, beginning of year		**745,267**	295,845
Cash and cash equivalents, end of year	10	**528,413**	745,267

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
For the year ended 31 December 2024

1 Activities

Abu Dhabi Ship Building PJSC (the "Company") was established by Emiri Decree No. 5 of 1995 on 12 July 1995. The Company's registered office address is P.O. Box 8922, Abu Dhabi, United Arab Emirates.

The Company was initially registered in compliance with relevant UAE Federal Law No. (2) of 2015, as amended. As of 2 January 2022, the Company is subject to compliance with UAE Federal Law No. (32) of 2021, which replaces UAE Federal Law No. (2) of 2015, as amended. The consolidated financial statements have been prepared in accordance with the requirements of the applicable laws and regulations, including UAE Federal Law No. (32) of 2021. The Company's management is currently in the process of amending the statutory documents, to reflect the changes required due to application of the UAE Federal law No. (32) of 2021.

The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The Company and its subsidiaries (together referred to as the "Group") are engaged primarily in the construction, maintenance, repair and overhaul of commercial and military ships and vessels.

The principal activities, country of incorporation and operation, and ownership interest of the Company in the subsidiaries are set out below:

	Interest (%)			
Name of subsidiary	***31 December 2024***	*31 December 2023*	*Country of Incorporation*	*Principal activity*
Abu Dhabi Systems Integration LLC ("ADSI")	**100%**	100%	UAE	Import and commissioning of integrated electronic systems and computer programs
Gulf Logistics and Naval Support LLC ("GLNS")	**100%**	100%	UAE	Provision of naval support services
Safwa Marine L.L.C.	**100%**	100%	UAE	Trading of ships and boats
ADSB Investments Limited	**100%**	100%	UAE	Holding of investments
Frontiers Industrial Investment LLC	**99%**	99%	UAE	System integration and technology development and implementation
High Speed Craft Company LLC	**100%**	100%	UAE	Marine machine and equipment repairing and maintenance

2 Fundamental accounting concepts

The consolidated financial statements of the Group are prepared on the going concern basis.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2024

2 Fundamental accounting concepts (continued)

2.1 Basis of preparation

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board ("IASB") and applicable requirements of the UAE Federal Law No. (32) of 2021.

The consolidated financial statements of the Group have been prepared on an accrual basis and under historical cost convention.

The consolidated financial statements have been presented in United Arab Emirates Dirhams ("AED"), which is the functional and presentation currency of the Group, all values have been rounded to the nearest thousand (AED '000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of financial position and consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate as would be required if the Group had directly disposed of the related assets or liabilities.

The consolidated financial statements of the Group represent the financial statements of the Company, and its subsidiaries mentioned in note 1.

2 Fundamental accounting concepts (continued)

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

Standards, interpretations and amendments to existing standards that are effective in 2024

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2024, have been applied in these consolidated financial statements:

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information; and
- IFRS S2: Climate-related Disclosures

The application of these revised IFRS Accounting Standards has no material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Standards and interpretations in issue but not yet effective and has not been adopted early by the Group

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or afte
Lack of Exchangeability (Amendments to IAS 21) The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.	1 January 2025
Amendments to the SASB standards to enhance their international applicability. The amendments remove and replace jurisdiction-specific references and definitions in the SASB standards, without substantially altering industries, topics or metrics.	1 January 2025
IFRS 18 Presentation and Disclosures in Financial Statements: IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements.	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures: IFRS 19 specifies reduced disclosure requirements that an eligible entity is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.	1 January 2027

Management anticipates that these amendments will be adopted in the financial information in the initial period when they become mandatorily effective. The impact of these standards and amendments is currently being assessed by the management.

3 Material accounting policy information

Revenue from contracts with customers

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Construction contracts

Management assesses construction contracts and considers IFRS 15 guidance on contract combinations, contract modifications arising from variation orders, variable consideration, and the assessment of whether there is a significant financing component in the contracts, particularly taking into account the reason for the difference in timing between the transfer of control of goods and services to the customer and the timing of the related payments.

The Group primarily has two types of construction contracts: (1) naval ship building and (2) commercial and small boats construction.

Revenue from the naval ship building construction contracts is recognised over time based on the criteria that the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance obligation completed to date. The Group becomes entitled to invoice customers for construction contracts based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work and an invoice for the related milestone payment. The Group will recognise a 'contract asset' for any work performed.

The Group uses the input method to measure the progress towards complete satisfaction of these performance obligations under IFRS 15. The complete satisfaction of the performance obligation is determined based on the proportion of contract costs incurred for work performed up to the end of the reporting period relative to the estimated total contract costs. The contract costs recognised at the end of the reporting period is equal to the actual costs incurred to date with the corresponding revenue and margin recognised in proportion to the work completed.

For certain commercial and small boat construction contracts, when the Group does not have an enforceable right to receive payment for work done as construction progresses, revenue is recognized when control of the goods has been transferred to the customer, being the point in time of delivery.

Contract modifications are accounted as a separate contract when the scope of the contract increases because of the additions of promised goods or services that are distinct and the price of the contract increases by an amount of consideration that reflects the Group's stand-alone selling process of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract.

Contract liabilities represents the obligation to transfer goods or services to a customer for which consideration has been received from the customer. Contract assets represents the right to consideration in exchange for goods or services that have been transferred to a customer.

An asset is recognised for the costs incurred to fulfil a contract only if those costs are directly related to a contract, the costs generate or enhance resources of the Group that will be used in satisfying a performance obligation in the future and the costs are expected to be recovered. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. The Group assesses contract assets for impairment in accordance with IFRS 9 *Financial Instruments*.

3 Material accounting policy information (continued)

Revenue from contracts with customers (continued)

Repairs and services

Revenue from fixed price contracts for the repair of ships and vessels is recognised based on the percentage of completion on the basis of total costs incurred to date to estimated total costs.

Revenue from cost plus contracts for the repair of commercial and military ships and vessels is recognised by applying the margin allowed per the respective contracts to the cost incurred to date.

Services

Revenues from services are considered as distinct on the basis of below:

- The customer benefits from the service on its own or together with other resources that are readily available to the customer; and
- The Group's promise to transfer the services to the customer is separately identifiable.

Revenue from contracts relating to services is recognised over time since the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The Group considers the best measure of progress towards complete satisfaction of the performance obligation over time is a cost-based input method and it recognises revenue on this basis. In case of variable efforts or inputs, the performance obligation is measured at the cost-plus margin.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

Buildings and structures	
- Concrete	30 - 40 years
- Steel	20 - 30 years
- Prefabricated and other structures	10 years
- Other small structures	5 years
Production and other equipment	2-25 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use.

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 recognized in the consolidated statement of comprehensive income as the expense is incurred.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is included in the consolidated statement of comprehensive income when the asset is derecognized.

3 Material accounting policy information (continued)

Property, plant and equipment (continued)

Assets under construction are recorded at cost and represents costs based on contractual payments for the design, development, construction and commissioning of the Group and those other costs incurred during the development stage directly attributable to the construction of the Group. Assets under construction are transferred to the appropriate asset category and depreciated in accordance with the Group's policies when construction of the asset is completed and commissioned.

Borrowing costs

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

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

All other borrowing costs are recognized in consolidated statement of comprehensive income in the period in which they are incurred.

Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

3 Material accounting policy information (continued)

Impairment of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets' or cash-generating units' recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition as financial assets at fair value through profit or loss, fair value through OCI or amortized cost. All financial assets are recognized initially at fair value plus in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at amortised cost;
b) Financial assets at fair value through OCI with recycling of cumulative gains and losses;
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition; and
d) Financial assets at fair value through profit or loss.

The Group does not have any assets which are classified in categories b, c and d.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks net of bank overdrafts.

3 Material accounting policy information (continued)

Financial instrument (continued)

Financial assets (continued)

Financial assets at amortised cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the asset is derecognized, modified or impaired. Financial assets at amortised cost include bank balances, trade and other receivables, advances to suppliers and contract assets.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3 Material accounting policy information (continued)

Financial instrument (continued)

Financial assets (continued)

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

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities consist of trade and other payables, bank overdrafts and lease liabilities.

Subsequent measurement
The measurement of financial liabilities depends on their classification. The category of financial liabilities most relevant to the Group is loans and borrowings.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
After initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of comprehensive income.

3 Material accounting policy information (continued)

Financial instrument (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, and are determined on weighted average basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of comprehensive income.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

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 receivable can be measured reliably.

Leases

The Group as a lessee

The Group makes the use of leasing arrangements principally for plot of land and other leases. The rental contracts for land are typically negotiated for terms of between 3 and 8 years. The Group does not enter into sale and leaseback arrangements.

The Group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

3 Material accounting policy information (continued)

Leases (continued)

The Group as a lessee (continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability in its consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease. The incremental borrowing rate is the estimated rate that the Group would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Group.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Group's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in consolidated statement of comprehensive income.

Payments under leases can also change when there is either a change in the amounts expected to be paid under residual value guarantees or when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to lease payments takes effect and the revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate. Except for where the change in lease payments results from a change in floating interest rates, in which case the discount rate is amended to reflect the change in interest rates.

The remeasurement of the lease liability is dealt with by a reduction in the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease for lease modifications that reduce the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in consolidated statement of comprehensive income. The right-of-use asset is adjusted for all other lease modifications.

3 Material accounting policy information (continued)

Leases (continued)

The Group as a lessee (continued)

Measurement and recognition of leases as a lessee (continued)

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in consolidated statement of comprehensive income on a straight-line basis over the lease term.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets include computer software with an estimated useful life of 4 years.

Employees' end of service benefits

The Group provides for end of service benefits of its non-UAE national employees in accordance with UAE labour law. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension and national insurance contributions for UAE citizens are made by the Group in accordance with Federal Law No. (2) of 2000.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset as current when it is:

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

All other assets are classified as non-current.
A liability is current when:

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

The Group classifies all other liabilities as non-current.

3 Material accounting policy information (continued)

Corporate Income 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 that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

There are no temporary differences in the current year, hence no deferred tax assets and liabilities to be carried forward to the next year.

4 Significant management judgement in applying accounting policy information and estimation uncertainty

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

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

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

Significant management judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or to terminate (e.g., a change in business strategy).

Key sources of estimation of uncertainty

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

Useful lives of property, plant and equipment

The management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge would be adjusted where management believes that the useful lives differ from previous estimates.

Leases - estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group 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 asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4 Significant management judgement in applying accounting policy information and estimation uncertainty (continued)

Key sources of estimation of uncertainty (continued)

Allowance for obsolete inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventories were AED 36,456 thousand (2023: AED 28,400 thousand), with an allowance for old and obsolete inventories of AED 3,218 thousand (2023: AED 3,218 thousand). Any difference between the amounts actually realised in future periods and the amounts expected to be realised will be recognized in the consolidated statement of comprehensive income.

Allowance for Expected Credit Losses (ECL)

The Group uses a provision matrix to calculate Lifetime ECLs for trade receivables and contract assets. 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.

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.

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.

At the reporting date, gross trade receivables, were AED 784,304 thousand (2023: AED 807,642 thousand) with an allowance for expected credit losses amounting to AED 24,267 thousand (2023: AED43,429 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the consolidated statement of comprehensive income.

At the reporting date, gross contract assets, were AED 409,270 thousand (2023: AED 333,012 thousand) with an allowance for expected credit losses amounting to AED 4,783 thousand (2023: AED 4,670 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the consolidated statement of comprehensive income.

The Group has determined the expected credit loss on bank balances to be insignificant considering that the counterparty banks are investment grade category and has a low probability of default and loss at given default.

The Group has determined the expected credit loss on due from related party balances to be immaterial considering the fact that these have low probability of default and loss at given default is minimal.

4 Significant management judgement in applying accounting policy information and estimation uncertainty (continued)

Key sources of estimation of uncertainty (continued)

Estimation of total costs of construction contracts

At the reporting date, the Group is required to estimate the costs to complete on its construction contracts. This requires 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 potential claims by subcontractors and cost of meeting other contractual obligations to the customers. Effects of any revision to these estimates are reflected in the period in which the estimates are revised. When the expected contract costs exceed the total anticipated 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 projects and commercial team to estimate the cost to complete of these contracts. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, labour costs and other costs are included in the construction cost estimates based on best estimates updated on regular basis.

5 Property, plant and equipment

	Buildings and structures AED'000	Production and other equipment AED'000	Assets under construction AED'000	Total AED'000
Cost:				
At 1 January 2023	325,354	147,832	2,510	475,696
Additions	-	-	23,929	23,929
Transfers	9,603	14,491	(24,094)	-
Disposals	-	(2,659)	-	(2,659)
At 31 December 2023	**334,957**	**159,664**	**2,345**	**496,966**
Additions	**-**	**-**	**23,741**	**23,741**
Transfers	**3,768**	**18,425**	**(22,193)**	**-**
Disposals	**-**	**(3,683)**	**-**	**(3,683)**
At 31 December 2024	**338,725**	**174,406**	**3,893**	**517,024**
Accumulated depreciation:				
At 1 January 2023	210,209	129,834	-	340,043
Charge for the year	10,265	4,993	-	15,258
Related to Disposals	-	(2,659)	-	(2,659)
At 31 December 2023	**220,474**	**132,168**	**-**	**352,642**
Charge for the year	**11,480**	**8,573**	**-**	**20,053**
Related to disposals	**-**	**(3,683)**	**-**	**(3,683)**
At 31 December 2024	**231,954**	**137,058**	**-**	**369,012**
Net carrying amount:				
As at 31 December 2024	**106,771**	**37,348**	**3,893**	**148,012**
As at 31 December 2023	114,483	27,496	2,345	144,324

The depreciation charge has been allocated in the consolidated statement of comprehensive income as follows:

	2024 AED'000	2023 AED'000
Contract costs (note 19)	**12,855**	10,368
General and administrative expenses (note 20)	**7,198**	4,890
	20,053	15,258

6 Intangible assets

	2024 Computer software AED'000	2023 Computer Software AED'000
Cost:		
Balance at 1 January	**16,840**	16,253
Additions during the year	**2,186**	587
Balance at 31 December	**19,026**	16,840
Accumulated amortization:		
Balance at 1 January	**16,356**	16,250
Amortization for the year	**340**	106
Balance at 31 December	**16,696**	16,356
Net carrying amount	**2,330**	484

7 Inventories

	2024 AED'000	2023 AED'000
Goods available for sale	**3,876**	11,403
Work in progress	**17,321**	208
Raw materials and consumables	**15,259**	16,789
	36,456	28,400
Less: Provision for obsolete and slow-moving items	**(3,218)**	(3,218)
	33,238	25,182

The movements of the provision for obsolete and slow-moving items were as follows:

	2024 AED'000	2023 AED'000
At 1 January	**3,218**	13,989
Recoveries	**-**	(134)
Write-offs	**-**	(10,637)
At 31 December	**3,218**	3,218

8 Contract assets

	2024	2023
	AED'000	AED'000
Value of work executed	**13,041,718**	11,545,464
Progress billings received and receivable	**(12,859,498)**	(11,496,727)
	182,220	48,737

The contract work in progress is presented as follows:

	2024	2023
	AED'000	AED'000
Contracts assets, net of ECL	**404,487**	328,342
Contracts liabilities (note 15)	**(222,267)**	(279,605)
	182,220	48,737

Contracts assets as at 31 December 2024 are stated net of allowance for expected credit losses of AED 4,783 thousand (2023: AED 4,670 thousand). The movements on the allowance are as follows:

	2024	2023
	AED'000	AED'000
At 1 January	**4,670**	5,849
Charged during the year	**113**	607
Reversals	**-**	(324)
Write-offs	**-**	(1,462)
At 31 December	**4,783**	4,670

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

The management of the Group always measures the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the construction industry. Refer note 4 to the consolidated financial statements where significant estimate and judgement relating to ECLs, and future recovery dates have been disclosed.

9 Trade and other receivables

	2024	2023
	AED'000	AED'000
Trade receivables, gross	**784,304**	807,642
Less: Allowance for expected credit losses	**(24,267)**	(43,429)
Trade receivables, net	**760,037**	764,213
Advances paid to suppliers*	**254,852**	263,767
Prepayments and other receivables	**22,757**	14,807
	1,037,646	1,042,787

*Advances paid to suppliers were classified in the consolidated statement of financial position as follows:

	2024	2023
	AED'000	AED'000
Current (included within trade and other receivables)	**254,852**	263,767
Non-current	**291,174**	375,223
Total	**546,026**	638,990

Allowance for expected credit losses

The Group establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade receivables which is a product of probability of default and loss given default on the carrying amount of trade and other receivables.

At 31 December 2024, the analysis of trade receivables is as follows:

		Past due			
31 December 2024	**Total**	**0-30 days**	**31-90 days**	**91-180 days**	**>180 days**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Trade receivables	**784,304**	**383,636**	**9,727**	**83,320**	**307,621**
Lifetime ECL	**(24,267)**	**(9,057)**	**(587)**	**(874)**	**(13,749)**
Trade receivables, net	**760,037**	**374,579**	**9,140**	**82,446**	**293,872**

		Past due			
31 December 2023	Total	0-30 days	31-90 days	91-180 days	>180 days
	AED'000	AED'000	AED'000	AED'000	AED'000
Trade receivables	807,642	37,516	605,377	10,424	154,325
Lifetime ECL	(43,429)	(1,625)	(21,526)	(288)	(19,990)
Trade receivables, net	764,213	35,891	583,851	10,136	134,335

9 Trade and other receivables (continued)

Allowance for expected credit losses (continued)

The movement in the allowance for expected credit losses during the year was as follows:

	2024	2023
	AED'000	AED'000
At the beginning of the year	**43,429**	27,587
Charged during the year	**-**	22,199
Recoveries*	**(17,661)**	(3,476)
Write-offs	**(1,501)**	(2,881)
At the end of the year	**24,267**	43,429

* Recoveries mainly pertains to collections during the year including reversal of provisions.

Refer note 4 to the consolidated financial statements where significant estimate and judgement relating to ECLs, and future recovery dates have been disclosed.

10 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are comprised for the following:

	2024	2023
	AED'000	AED'000
Cash on hand	**-**	-
Bank balances	**685,614**	745,267
Cash and bank balances	**685,614**	745,267
Less: Bank overdrafts (note 16)	**(157,201)**	-
Cash and cash equivalents	**528,413**	745,267

There were no restrictions on bank balances at the time of approval of these consolidated financial statements.

11 Share capital

	2024	2023
	AED'000	AED'000
Authorised, issued and fully paid	**211,992**	211,992

EDGE Defence Platforms & Systems is the major shareholder of the Group which owns 49.96% of the share capital.

12 Statutory reserve

In accordance with the UAE Federal Law number (32) of 2021, concerning Commercial Companies and the Company's Articles of Association, 10% of the profit for each year has been transferred to a non-distributable legal reserve. Such transfers are required to be made until the balance of the statutory reserve equals one half of the Company's paid-up share capital. Such reserve is not available for distribution as dividends to the Shareholders. An amount of AED 7,732 thousand has been transferred to this reserve during the year (2023: AED 4,038 thousand).

13 Employees' end of service benefits

The movements on the provision for employees' end of service benefits are as follows:

	2024	2023
	AED'000	AED'000
At 1 January	**26,682**	23,436
Charged for the year	**6,252**	5,150
Paid during the year	**(1,702)**	(1,904)
At 31 December	**31,232**	26,682

14 Advances from customers

Advances from customers mainly represent advances received for projects and are applied against billings when raised. Advances from customers are analysed in the consolidated statement of financial position as follows:

	2024	2023
	AED'000	AED'000
Current	**344,837**	380,085
Non-current	**581,795**	863,064
Total	**926,632**	1,243,149

15 Trade and other payables

	2024	2023
	AED'000	AED'000
Trade payables	**91,527**	212,360
Project accruals	**783,080**	585,772
Contract liabilities (note 8)	**222,267**	279,605
Other liabilities	**49,841**	33,903
Income tax payable (note 17)	**8,138**	-
Other payables	**1,795**	5,482
	1,156,648	1,117,122

All amounts are short term. The carrying value of the trade and other payables is considered to be reasonable approximation of fair value.

The average credit period on purchases of goods and services is 60 days (2023: 60 days). No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

16 Bank overdrafts

	2024	2023
	AED'000	AED'000
Bank overdrafts from commercial banks	**157,201**	-

The overdraft facilities are short-term, unsecured and bear market rate of interest.

As at 31 December 2024, the Group has AED 217,799 thousand (31 December 2023: AED 275,000 thousand) as available undrawn overdraft facilities.

17 Income tax expense

The charge for the year is calculated based upon the adjusted net profit for the year at rates of tax applicable. The charge to the consolidated statement of comprehensive income for the year is as follows:

	2024	2023
	AED'000	AED'000
Charge for the year	**8,138**	-

Reconciliation of Company's tax on profit based on accounting and profit as per the tax laws is as follows:

	2024	2023
	AED'000	AED'000
Profit before taxation	**85,461**	-
Effect of tax rates		
- Basic exemption limit	**(375)**	-
- Expenses not deductible for tax purposes	**5,336**	-
Income tax using the domestic corporate tax rate @ 9%	**8,138**	-

18 Contract revenues

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major revenue streams. This is consistent with the revenue information that is disclosed for each reportable segment (note 26) under IFRS 8 *Operating Segments*.

	2024	2023
	AED'000	AED'000
Revenue from construction contracts	**1,321,454**	1,016,544
Revenue from rendering of services	**174,800**	241,003
	1,496,254	1,257,547

18.1 Timing of revenue recognition

	2024	2023
	AED'000	AED'000
Recognized at a point in time	**20,775**	40,266
Recognized over time	**1,475,479**	1,217,281
	1,496,254	1,257,547

18 Contract revenues (continued)

18.2 Geographical markets

	2024	2023
	AED'000	AED'000
Inside United Arab Emirates	**806,494**	802,506
Outside United Arab Emirates	**689,760**	455,041
	1,496,254	1,257,547

19 Contract costs

	2024	2023
	AED'000	AED'000
Material and subcontract costs	**1,120,048**	979,722
Staff and manpower contract costs	**155,820**	121,173
Overheads*	**15,520**	12,743
Depreciation of property, plant and equipment (note 5)	**12,855**	10,368
Insurance costs	**9,957**	3,764
Depreciation of right-of-use assets	**1,821**	1,821
Other direct costs	**14,463**	3,894
	1,330,484	1,133,485

* This includes finance costs in the amount of AED 327 thousand (2023: AED 455 thousand).

20 General and administrative expenses

	2024	2023
	AED'000	AED'000
Staff costs	**47,361**	35,706
IT licences support and maintenance	**13,588**	12,196
Depreciation of property, plant and equipment (note 5)	**7,198**	4,890
Professional and consultancy fees	**5,030**	3,820
Repairs and maintenance	**4,045**	3,509
Marketing and advertisement	**1,346**	6,803
Material	**558**	501
Others	**6,576**	2,589
	85,702	70,014

21 Other income (net)

This mainly includes interest on short-term fixed deposits, the recovery of allowance of trade receivables and contract assets and foreign exchange gains and losses.

	2024	2023
	AED'000	AED'000
Finance income	**5,759**	12,583
Other income (net)	**(7,485)**	1,598
	(1,726)	14,181

22 Leases

Right-of-use assets

	Land	
	2024	2023
	AED'000	AED'000
Cost:		
Balance at 1 January	**17,835**	17,835
Additions	**-**	-
Balance at 31 December	**17,835**	17,835
Accumulated amortization:		
Balance at 1 January	**10,354**	8,195
Charge for the year	**2,159**	2,159
Balance at 31 December	**12,513**	10,354
Net carrying amount	**5,322**	7,481

Lease liabilities

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

	2024	2023
	AED'000	AED'000
Current	**2,214**	2,162
Non-Current	**3,714**	5,917
	5,928	8,079

Future minimum lease payments at 31 December 2024 are as follows:

31 December 2024	**Within one year**	**Two to five years**	**Total**
	AED'000	**AED'000**	**AED'000**
Lease payments	2,578	4,060	6,638
Finance charges	(364)	(346)	(710)
Net present values	**2,214**	**3,714**	**5,928**

22 Leases (continued)

Lease liabilities (continued)

Future minimum lease payments at 31 December 2023 are as follows:

31 December 2023	Within one year	Two to five years	Total
	AED'000	AED'000	AED'000
Lease payments	2,676	6,625	9,301
Finance charges	(514)	(708)	(1,222)
Net present values	2,162	5,917	8,079

The consolidated statement of comprehensive income shows the following amounts relating to leases for the year ended 31 December:

	2024	2023
	AED'000	AED'000
Depreciation	**(2,159)**	(2,159)
Finance costs	**(371)**	(521)

23 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the earnings for the year attributable to the owners of the parent by the weighted average number of shares outstanding during the year as follows:

The calculation of earnings per share is as follows:

	2024	2023
	AED'000	AED'000
Profit for the year attributable to the owners of the parent (AED '000)	**77,323**	40,379
Weighted average number of ordinary issued throughout the period ('000)	**211,992**	211,992
Basic and diluted earnings per share (AED)	**0.36**	0.19

During the year, the Group has not issued any instruments that have an impact on earnings per share when exercised (2023: nil).

24 Related party transactions and balances

Related parties include the Group's major shareholders, Directors and key management personnel, and businesses controlled by them and their families or over which they exercise a significant influence in financial and operating decisions. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Pricing policies and terms of these transactions are approved by the Group's management.

The remuneration of directors and other members of key management during the year was as follows:

	2024	2023
	AED'000	AED'000
Key management compensation:		
Salaries, bonuses and other benefits	**14,254**	13,099
Post-employment benefits	**1,396**	1,230
	15,650	14,329
Directors' remuneration	**2,850**	4,100
Board Committee fees	**775**	575

Related party balances:

Due from a related party (included in trade and other receivables)	**5,019**	5,050
Due to a related party (included in trade and other payables)	**47,741**	11,137

These balances resulted from unsettled balances from previous secondment agreement of certain employees from both parties, back charges, as well as revenues or costs.

25 Contingencies and capital commitments

The Group's bankers have issued, in the normal course of business, letters of guarantee, performance bond and letters of credit in the amount of AED 1,834,463 thousand (31 December 2023: AED 2,389,608 thousand) in respect of contract performance and advances in connection with the contracts for shipbuilding and overhaul in progress at the year end.

Commitments

The capital expenditure contracted at the end of the reporting period but not provided for is AED 10,799 thousand (31 December 2023: AED 7,625 thousand).

26 Segment information

The Group has internal management reporting and budgeting based on five reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, the management reviews internal reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments:

- New Build and Engineering encompasses the design, engineering, research and development, construction, commissioning, test and trials, ILS, upgrades, conversions and consultancy services for military, commercial and leisure vessels in any construction material
- Small Boats, includes in-house design development, research and development, construction of moulds, prototypes and boats with LOA up to 24 meters with capability of large scale production line for military, commercial and luxury boats, commissioning, services and repairs of composite and special material boats.
- Military repairs and maintenance, includes upgrades, maintenance, repairs, and overhaul (MRO) of military vessels, and integrated support services
- Commercial repairs and maintenance include upgrades, maintenance, repairs and overhaul (MRO) of commercial vessels.
- Mission systems which includes import and commissioning of integrated systems and computer programs

Information regarding the results of each reportable segment is included below. Performance is measured on segment profit as included in the internal management reports that are reviewed by the Board of Directors.

26 Segment information (continued)

	New Build and Engineering AED'000	Small Boats AED'000	Military Repairs and Maintenance AED'000	Commercial Repairs and Maintenance AED'000	Mission Systems AED'000	Unallocated AED'000	Eliminations AED'000	Group AED'000
Year end 31 December 2024								
Contract revenues	**1,248,088**	**53,761**	**148,770**	**22,564**	**23,071**	**-**	**-**	**1,496,254**
Contract costs	**(1,111,586)**	**(48,833)**	**(124,830)**	**(21,736)**	**(23,499)**	**-**	**-**	**(1,330,484)**
Gross profit/(loss)	**136,502**	**4,928**	**23,940**	**828**	**(428)**	**-**	**-**	**165,770**
General and administrative expenses	**(31,590)**	**(3,116)**	**(11,568)**	**(3,013)**	**(1,399)**	**(35,016)**	**-**	**(85,702)**
Reversal of / (Allowance for) expected credit losses	**7,373**	**(189)**	**287**	**2,138**	**7,818**	**121**	**-**	**17,548**
Depreciation and amortization	**(3,150)**	**(788)**	**(1,182)**	**(591)**	**(197)**	**(1,968)**	**-**	**(7,876)**
Finance costs	**-**	**-**	**-**	**-**	**-**	**(2,553)**	**-**	**(2,553)**
Other income / (expense)	**5,674**	**7**	**-**	**-**	**-**	**(7,407)**	**-**	**(1,726)**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**(8,138)**	**-**	**(8,138)**
Segment profit/(loss)	**114,809**	**842**	**11,477**	**(638)**	**5,794**	**(54,961)**	**-**	**77,323**

26 Segment information (continued)

	New Build and Engineering AED'000	Small Boats AED'000	Military Repairs and Maintenance AED'000	Commercial Repairs and Maintenance AED'000	Mission Systems AED'000	Unallocated AED'000	Eliminations AED'000	Group AED'000
Year ended 31 December 2023								
Contract revenues	970,392	29,462	193,691	46,764	17,238	-	-	1,257,547
Contract costs	(885,614)	(28,158)	(158,434)	(42,885)	(18,394)	-	-	(1,133,485)
Gross profit/(loss)	84,778	1,304	35,257	3,879	(1,156)	-	-	124,062
General and administrative expenses	(15,501)	(3,195)	(14,589)	(6,621)	(1,359)	(28,749)	-	(70,014)
(Allowance for) / reversal of expected credit losses	(19,563)	(406)	1,124	2,035	(2,261)	65	-	(19,006)
Depreciation and amortization	(1,600)	(267)	(934)	(667)	-	(1,866)	-	(5,334)
Finance costs	-	-	-	-	-	(3,510)	-	(3,510)
Other income	13,761	-	-	-	165	255	-	14,181
Segment profit / (loss)	61,875	(2,564)	20,858	(1,374)	(4,611)	(33,805)	-	40,379

	New Build and Engineering AED'000	Small Boats AED'000	Military Repairs and Maintenance AED'000	Commercial Repairs and Maintenance AED'000	Mission Systems AED'000	Unallocated AED'000	Eliminations AED'000	Group AED'000
As at 31 December 2024								
Assets	**2,216,898**	**89,424**	**209,592**	**32,133**	**17,056**	**52,853**	**(10,133)**	**2,607,823**
Liabilities	**1,922,024**	**52,803**	**50,269**	**8,553**	**32,701**	**211,291**	**-**	**2,277,641**
Capital Expenditure	**16,204**	**2,333**	**3,890**	**1,296**	**-**	**2,204**	**-**	**25,927**
As at 31 December 2023								
Assets	2,234,870	64,265	196,707	48,891	88,758	59,768	(24,169)	2,669,090
Liabilities	2,171,384	51,484	52,886	13,328	30,543	90,690	(15,283)	2,395,032
Capital Expenditure	14,097	2,206	3,678	1,716	-	2,819	-	24,516

27 Financial instruments

Material accounting policy information
Details of the material accounting policy information and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the consolidated financial statements.

Capital risk management
The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return on equity. The Group monitors capital using a gearing ratio, which is net debt divided by total equity (excluding non-controlling interests) plus net debt. The calculation of the Group's gearing ratio as follows:

	2024	2023
	AED'000	AED'000
Trade and other payable	**1,156,648**	1,117,122
Bank overdraft	**157,201**	-
Lease liabilities	**5,928**	8,079
Total debt	**1,319,777**	1,125,201
Total equity attributable to owners of the parent	**330,320**	274,196
Total equity and debt	**1,650,097**	1,399,397
Gearing ratio	**80%**	80%

Financial risk management

The Group's finance department monitors and manages the financial risks relating to the operations of the Group. These risks include foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group does not enter into or trade in derivative financial instruments for speculative or risk management purposes.

(a) Foreign currency risk management

The Group's major contracts with customers as well as with some of the major suppliers and subcontractors are denominated in currencies other than AED and therefore, the Group has foreign exchange transaction exposure.

As the AED is pegged to the USD, balances in USD are not considered to represent significant currency risk. Management is therefore of the opinion that the Group's exposure to the currency risk is limited to Euro.

27 Financial instruments (continued)

(a) Foreign currency risk management (continued)

Foreign currency sensitivity analysis

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2024	2023	**2024**	2023
	AED'000	AED'000	**AED'000**	AED'000
Euro	**1,279,256**	1,407,343	**1,388,219**	1,509,091
US Dollar	**98,551**	181,284	**137,139**	224,948
Others	**495**	653	**370**	452
	1,378,302	1,589,280	**1,525,728**	1,734,491

At 31 December 2024, if the exchange rate of the currencies other than the USD had increased/decreased by 10% against the AED, with all other variables held constant, the Group's profit for the year would have been higher/lower by AED 10,884 thousand (2023: higher/lower by AED 10,155 thousand) mainly as a result of foreign exchange gain or loss on translation of Euro.

(b) Interest rate risk management

The Group is exposed to cash flow interest rate risk on its bank borrowings which are subject to floating interest rates.

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

	Effect on profit AED'000
2024	
+50 increase in basis point	**(786)**
-50 decrease in basis point	**786**
2023	
+50 increase in basis point	**-**
-50 decrease in basis point	**-**

(c) Credit risk management

Credit risk in relation to the Group refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group, and arises principally from the Group's trade and other receivables, contract assets and bank balances.

The Group controls credit risk by monitoring credit exposures, limiting transactions with specific counterparties and assessing creditworthiness of counterparties on a routine and regular basis. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

27 Financial instruments (continued)

(c) Credit risk management (continued)

Concentration of credit risk

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group executes contracts mainly for a key customer and as at 31 December 2024, contract assets, trade receivables, excess billings and advances received from this key customer amounted to a net payable position of AED 84,308 thousand (2023: AED 237,760 thousand net payable). Management believes that the concentration of credit risk is mitigated by the high credit worthiness and financial stability of its customers.

The credit risk on liquid funds is limited because the counterparties are reputable local banks closely monitored by the regulatory body. The carrying amount reflected in these consolidated financial statements represents the Group's maximum exposure to credit risk for such receivables.

Trade and other receivables and balances with banks are not secured by any collateral. The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value.

(d) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the management of the Group, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and committed borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The below tables summarise the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes principal cash flows only as interest cash flows were insignificant. Maturity profile of financial liabilities at the end of the reporting period is as follows:

	Total AED'000	Within one year AED'000	2-5 years AED'000	After 5 years AED'000
31 December 2024				
Trade and other payables	**1,156,648**	**1,156,648**	**-**	**-**
Bank overdrafts*	**157,201**	**157,201**	**-**	**-**
Lease liabilities*	**5,928**	**2,214**	**3,714**	**-**
	1,319,777	**1,316,063**	**3,714**	**-**
31 December 2023				
Trade and other payables	1,117,122	1,117,122	-	-
Lease liabilities*	8,079	2,162	5,917	-
	1,125,201	1,119,284	5,917	-

* The Group's borrowings and lease liabilities are interest bearing financial liabilities.

28 Fair value of financial instruments

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, trade and other receivables and contract assets. Financial liabilities consist of trade and other payables, bank overdrafts, term loans and lease liabilities.

The fair values of financial instruments are not materially different from their carrying value.

29 Dividends

On 25 April 2024, the Shareholders of the Group approved during the Group's Annual General Meeting the distribution of 10% of its share capital as cash dividends amounting to AED 21,199 thousand. On 26 May 2024 the Group has distributed the approved dividends to the Shareholders.

On 28 April 2023, the Shareholders of the Group approved during the Group's Annual General Meeting the distribution of 6% of its share capital as cash dividends amounting to AED 12,720 thousand. On 27 May 2023 the Group has distributed the approved dividends to the Shareholders.

30 Comparative figures

Certain comparative figures for the previous year have been reclassified as necessary to align with the presentation in the current year's consolidated financial statements. This reclassification has no impact on the assets, liabilities, equity, or net profit for the prior year.

31 Approval of consolidated financial statements

The consolidated financial statements of the Group for the year ended 31 December 2024 were authorized for issuance in accordance with a resolution of the Board of Directors on 21 March 2025.