

Abu Dhabi Ship Building PJSC

Consolidated Financial Statements
For the year ended 31 December 2025

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Consolidated financial statements
For the year ended 31 December 2025

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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 2025, 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 2025, 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.

**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
<p>Recognition of revenue from ship building and repair services contracts</p> <p>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, the Group has recognised AED 1,407,510 thousand (2024: AED 1,496,254 thousand) revenue from ship building and repair services contracts.</p> <p>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.</p>	<p>We have assessed the appropriateness of the revenue recognition accounting policies adopted by the Group and its compliance with IFRS Accounting Standards;</p> <p>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.</p> <p>Our substantive audit procedures included the following, amongst others:</p> <ul style="list-style-type: none"> • 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
<p>Recoverability of contract assets and trade receivables</p> <p>As at 31 December 2025, 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 4,834 thousand (2024: AED 4,783 thousand) and AED 23,381 thousand (2024: AED 24,267 thousand) has been recognised as an allowance for Expected Credit Loss (“ECL”) against contract assets and trade receivables respectively in accordance with IFRS 9.</p> <p>This area was important to our audit due to significant estimates involved in the recoverability assessment of long outstanding trade receivables and contract assets.</p> <p>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.</p>	<p>Our audit procedures included the following, amongst others:</p> <ul style="list-style-type: none"> • 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 ensured that these were in line with contractual terms where applicable, as they related to unbilled work in progress at the reporting date. <p>Refer to notes 4, 8 and 9 to the consolidated financial statements, which disclose the significant judgements made by the management in relation to the recoverability of these balances, along with the required disclosures.</p>

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 2025 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.

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

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 (as amended), 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 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 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 the 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.

**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)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group 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 (as amended), we report that for the year ended 31 December 2025:

- 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 (as amended);

**Independent Auditor's Report
To the Shareholders of Abu Dhabi Ship Building PJSC (continued)****Report on Other Legal and Regulatory Requirements (continued)**

- iii) the Group has maintained proper books of account in accordance with established accounting principles;
- 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;
- 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 2025;
- 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 (as amended); 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 2025, any of the applicable provisions of its Articles of Association or of the UAE Federal Law No. (32) of 2021 (as amended), which would have a material impact on its activities or its consolidated financial position as at 31 December 2025; 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 2025, 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 2025:

- i) its Memorandum of Association or Law of Establishment which would materially affect its activities or its financial position as at 31 December 2025; and
- ii) relevant provisions of the applicable laws, resolutions and circulars organising the Group's operations.





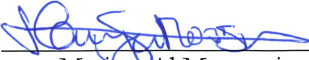
GRANT THORNTON

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

18 March 2026

Abu Dhabi Ship Building PJSC
Consolidated financial statements

Consolidated statement of financial position
As at 31 December 2025

	Notes	31 December 2025 AED '000	31 December 2024 AED '000
Assets			
Non-current assets			
Property, plant and equipment	5	153,932	148,012
Intangible assets	6	3,748	2,330
Right-of-use assets	22	3,404	5,322
Advances to suppliers	9	147,634	291,174
Total non-current assets		308,718	446,838
Current assets			
Inventories	7	51,998	33,238
Contract assets	8	304,588	404,487
Trade and other receivables	9	1,741,762	1,037,646
Cash and cash equivalents	10	410,962	685,614
Total current assets		2,509,310	2,160,985
Total assets		2,818,028	2,607,823
Equity and liabilities			
Equity			
Share capital	11	211,992	211,992
Statutory reserve	12	25,243	22,215
Retained earnings		83,095	96,113
Equity attributable to owners of the parent		320,330	330,320
Non-controlling interests		(138)	(138)
Total equity		320,192	330,182
Liabilities			
Non-current liabilities			
Employees' end of service benefits	13	35,852	31,232
Advances from customers	14	267,544	581,795
Lease liabilities	22	1,515	3,714
Total non-current liabilities		304,911	616,741
Current liabilities			
Trade and other payables	15	1,622,245	1,156,648
Advances from customers	14	443,954	344,837
Lease liabilities	22	2,349	2,214
Bank overdrafts	16	124,377	157,201
Total current liabilities		2,192,925	1,660,900
Total liabilities		2,497,836	2,277,641
Total equity and liabilities		2,818,028	2,607,823
  			
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.

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Abu Dhabi Ship Building PJSC
Consolidated financial statements

Consolidated statement of comprehensive income
For the year ended 31 December 2025

	Notes	2025 AED '000	2024 AED '000
Contract revenues	18	1,407,510	1,496,254
Contract costs	19	(1,280,106)	(1,330,484)
Gross profit		127,404	165,770
General and administrative expenses	20	(97,560)	(85,702)
Reversal of expected credit losses	8,9	835	17,548
Depreciation and amortization	5,6,22	(11,079)	(7,876)
Finance costs		(8,442)	(2,553)
Other income (net)	21	21,711	(1,726)
Profit for the year before tax		32,869	85,461
Income tax expense	17	(2,581)	(8,138)
Profit for the year after tax		30,288	77,323
Other comprehensive income		-	-
Profit for the year and total comprehensive income after tax		30,288	77,323
Attributable to:			
Equity holders of the parent		30,288	77,323
Non-controlling interest		-	-
Basic and diluted earnings per share (AED)	23	0.14	0.36

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

Abu Dhabi Ship Building PJSC
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Consolidated statement of changes in equity
For the year ended 31 December 2025

	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'000
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 2025	211,992	22,215	96,113	330,320	(138)	330,182
Total comprehensive income for the year	-	-	30,288	30,288	-	30,288
Transfer to statutory reserve	-	3,028	(3,028)	-	-	-
Payment of dividend (Note 29)	-	-	(40,278)	(40,278)	-	(40,278)
Balance as at 31 December 2025	211,992	25,243	83,095	320,330	(138)	320,192

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

PUBLIC

Abu Dhabi Ship Building PJSC
Consolidated financial statements

Consolidated statement of cash flows
For the year ended 31 December 2025

	Notes	2025 AED'000	2024 AED'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		32,869	85,461
Adjustments for:			
Depreciation and amortization	5,6,22	27,449	22,552
Provision for employees' end of service benefits	13	6,150	6,252
Allowance for expected credit losses on contract assets	8	51	113
Reversal of expected credit losses on trade receivables, net	9	(886)	(17,661)
Provision for slow-moving inventories	7	782	-
Gain on disposal of property, plant and equipment		-	(145)
Finance income	21	(3,703)	(5,759)
Finance costs		8,648	2,881
Operating profit before changes in working capital:		71,360	93,694
Changes in working capital:			
Change in inventories		(19,542)	(8,056)
Change in contract assets		99,848	(76,258)
Change in trade and other receivables and advances to suppliers		(559,558)	106,314
Change in trade and other payables		471,289	31,531
Change in advances from customers		(215,134)	(316,517)
Cash used in operations		(151,737)	(169,292)
Payment of employees' end of service benefits	13	(1,530)	(1,702)
Payment of income taxes		(8,138)	-
Net cash used in operating activities		(161,405)	(170,994)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(29,679)	(23,741)
Purchase of intangible assets	6	(3,022)	(2,186)
Proceeds from disposal of property, plant and equipment		-	145
Finance income received		3,571	6,296
Net cash used in investing activities		(29,130)	(19,486)
CASH FLOW FROM FINANCING ACTIVITIES			
Finance costs paid		(8,414)	(2,510)
Dividends paid	29	(40,278)	(21,199)
Payments of lease liabilities		(2,601)	(2,665)
Net cash used in financing activities		(51,293)	(26,374)
Net decrease in cash and cash equivalents		(241,828)	(216,854)
Cash and cash equivalents, beginning of year		528,413	745,267
Cash and cash equivalents, end of year	10	286,585	528,413

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

Abu Dhabi Ship Building PJSC

Consolidated financial statements

Notes to the consolidated financial statements

For the year ended 31 December 2025

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 Group’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 (as amended).

The Group’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:

<i>Name of subsidiary</i>	<i>Interest (%)</i>		<i>Country of Incorporation</i>	<i>Principal activity</i>
	<i>31 December 2025</i>	<i>31 December 2024</i>		
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.

Abu Dhabi Ship Building PJSC

Consolidated financial statements

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2025

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 (as amended).

The consolidated financial statements of the Group have been prepared on an accrual basis and under historical cost convention. The employees’ end of service benefits provision is calculated in line with UAE labour laws.

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

Abu Dhabi Ship Building PJSC

Consolidated financial statements

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2025

2 Fundamental accounting concepts (continued)

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

- 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.

2.2 Application of new and revised IFRS Accounting Standards

Standards, interpretations and amendments to existing standards that are effective in 2025

The following relevant standards, interpretations and amendments to existing standards were issued by the IASB:

Standard number	Title	Effective date
IAS 21	Amendments to IAS 21 Lack of exchangeability Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2025

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.

Abu Dhabi Ship Building PJSC

Consolidated financial statements

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2025

2 Fundamental accounting concepts (continued)

2.2 Application of new and revised IFRS Accounting Standards (continued)

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:

<u>New and revised IFRS Accounting Standards</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18 ‘Presentation and Disclosure in Financial Statements’	1 January 2027
IFRS 19 ‘Subsidiaries without Public Accountability: Disclosures’	1 January 2027
Amendment to IAS 21 - Translation to a Hyperinflationary Presentation Currency	1 January 2027
Amendments to Greenhouse Gas Emissions Disclosures (Amendments to IFRS S2)	1 January 2027

Management anticipates that these new standards, interpretations and amendments will be adopted in the consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

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.

Abu Dhabi Ship Building PJSC

Consolidated financial statements

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2025

3 Material accounting policy information (continued)

Revenue from contracts with customers (continued)

Construction contracts (continued)

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 or receivable 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*.

Abu Dhabi Ship Building PJSC

Consolidated financial statements

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2025

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.

Abu Dhabi Ship Building PJSC

Consolidated financial statements

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2025

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.

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.

Abu Dhabi Ship Building PJSC

Consolidated financial statements

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2025

3 Material accounting policy information (continued)

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.

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.

Abu Dhabi Ship Building PJSC

Consolidated financial statements

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2025

3 Material accounting policy information (continued)

Financial instrument (continued)

Financial assets (continued)

Financial assets at amortised cost (continued)

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.

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.

Abu Dhabi Ship Building PJSC

Consolidated financial statements

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2025

3 Material accounting policy information (continued)

Financial instrument (continued)

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.

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.

Abu Dhabi Ship Building PJSC

Consolidated financial statements

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2025

3 Material accounting policy information (continued)

Financial instrument (continued)

Financial liabilities (continued)

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.

Abu Dhabi Ship Building PJSC

Consolidated financial statements

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2025

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.

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Consolidated financial statements

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2025

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 is 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.

Abu Dhabi Ship Building PJSC

Consolidated financial statements

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2025

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.

Abu Dhabi Ship Building PJSC

Consolidated financial statements

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2025

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is 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.

Abu Dhabi Ship Building PJSC

Consolidated financial statements

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2025

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 56,182 thousand (2024: AED 36,456 thousand), with an allowance for obsolete and slow-moving inventories of AED 4,184 thousand (2024: AED 3,218 thousand) (note 7). 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 1,370,227 thousand (2024: AED 784,304 thousand) with an allowance for expected credit losses amounting to AED 23,381 thousand (2024: AED 24,267 thousand) (note 9). 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 309,422 thousand (2024: AED 409,270 thousand) with an allowance for expected credit losses amounting to AED 4,834 thousand (2024: AED 4,783 thousand) (note 8). 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.

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Consolidated financial statements

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2025

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 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 2024	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
Additions	-	-	29,679	29,679
Transfers	5,329	20,777	(26,106)	-
At 31 December 2025	344,054	195,183	7,466	546,703
Accumulated depreciation:				
At 1 January 2024	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
Charge for the year	12,230	11,529	-	23,759
Reclassification	22	(22)	-	-
At 31 December 2025	244,206	148,565	-	392,771
Net carrying amount:				
As at 31 December 2025	99,848	46,618	7,466	153,932
As at 31 December 2024	106,771	37,348	3,893	148,012

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Notes to the consolidated financial statements (continued)
For the year ended 31 December 2025

5 Property, plant and equipment (continued)

Assets under construction represents the cost incurred on the development of building structures and production facilities, which were under progress at the reporting date and will be transferred to the relevant asset category of property, plant and equipment when ready for intended use.

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

	2025 AED'000	2024 AED'000
Contract costs (note 19)	14,549	12,855
Expenses	9,210	7,198
	<u>23,759</u>	<u>20,053</u>

6 Intangible assets

	2025 Computer software AED'000	2024 Computer Software AED'000
Cost:		
Balance at 1 January	19,026	16,840
Additions during the year	3,022	2,186
Balance at 31 December	<u>22,048</u>	<u>19,026</u>
Accumulated amortization:		
Balance at 1 January	16,696	16,356
Amortization for the year	1,604	340
Balance at 31 December	<u>18,300</u>	<u>16,696</u>
Net carrying amount	<u>3,748</u>	<u>2,330</u>

7 Inventories

	2025 AED'000	2024 AED'000
Goods available for sale	7,876	3,876
Work in progress	33,531	17,321
Raw materials and consumables	14,775	15,259
	<u>56,182</u>	<u>36,456</u>
Less: Provision for obsolete and slow-moving items	<u>(4,184)</u>	<u>(3,218)</u>
	<u>51,998</u>	<u>33,238</u>

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7 Inventories (continued)

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

	2025 AED'000	2024 AED'000
At 1 January	3,218	3,218
Charged during the year (note 20)	782	-
Reclassification	184	-
At 31 December	<u>4,184</u>	<u>3,218</u>

8 Contract assets

	2025 AED'000	2024 AED'000
Value of work executed	14,449,228	13,041,718
Progress billings received and receivable	<u>(14,744,357)</u>	<u>(12,859,498)</u>
	<u>(295,129)</u>	<u>182,220</u>

The contract work in progress is presented as follows:

	2025 AED'000	2024 AED'000
Contracts assets, net of ECL	304,588	404,487
Contracts liabilities (note 15)	<u>(599,717)</u>	<u>(222,267)</u>
	<u>(295,129)</u>	<u>182,220</u>

Contracts assets as at 31 December 2025 are stated net of allowance for expected credit losses of AED 4,834 thousand (2024: AED 4,783 thousand). The movements on the allowance are as follows:

	2025 AED'000	2024 AED'000
At 1 January	4,783	4,670
Charged during the year	51	113
At 31 December	<u>4,834</u>	<u>4,783</u>

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.

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9 Trade and other receivables

	2025 AED'000	2024 AED'000
Trade receivables, gross	1,370,227	784,304
Less: Allowance for expected credit losses	(23,381)	(24,267)
Trade receivables, net	<u>1,346,846</u>	<u>760,037</u>
Advances paid to suppliers*	376,866	254,852
Prepayments and other receivables	18,050	22,757
	<u>1,741,762</u>	<u>1,037,646</u>

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

	2025 AED'000	2024 AED'000
Current (included within trade and other receivables)	376,866	254,852
Non-current*	147,634	291,174
Total	<u>524,500</u>	<u>546,026</u>

*The non-current portion of the advances to suppliers is expected to be utilized after one year. However, management believes that the discounting impact is not significant to the consolidated financial statements.

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 the end of the reporting period, the analysis of trade receivables is as follows:

31 December 2025	Total AED'000	Past due			
		0-30 days AED'000	31-90 days AED'000	91-180 days AED'000	>180 days AED'000
Trade receivables	1,370,227	2,054	404,765	173,515	789,893
Lifetime ECL	(23,381)	(20)	(5,687)	(2,507)	(15,167)
Trade receivables, net	<u>1,346,846</u>	<u>2,034</u>	<u>399,078</u>	<u>171,008</u>	<u>774,726</u>

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9 Trade and other receivables (continued)

Allowance for expected credit losses (continued)

31 December 2024	Total AED'000	Past due			
		0-30 days AED'000	31-90 days AED'000	91-180 days AED'000	>180 days 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	<u>760,037</u>	<u>374,579</u>	<u>9,140</u>	<u>82,446</u>	<u>293,872</u>

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

	2025 AED'000	2024 AED'000
At the beginning of the year	24,267	43,429
Recoveries*	(886)	(17,661)
Write-offs	-	(1,501)
At the end of the year	<u>23,381</u>	<u>24,267</u>

* 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:

	2025 AED'000	2024 AED'000
Bank balances	410,962	685,614
Less: Bank overdrafts (note 16)	(124,377)	(157,201)
Cash and cash equivalents	<u>286,585</u>	<u>528,413</u>

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

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For the year ended 31 December 2025

11 Share capital

	2025 AED'000	2024 AED'000
<i>Authorised, issued and fully paid</i>	<u>211,992</u>	<u>211,992</u>

EDGE Defence Platforms & Systems- Sole Proprietorship L.L.C 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 (as amended), 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 3,028 thousand has been transferred to this reserve during the year (2024: AED 7,732 thousand).

13 Employees' end of service benefits

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

	2025 AED'000	2024 AED'000
At 1 January	31,232	26,682
Charged for the year	6,150	6,252
Paid during the year	(1,530)	(1,702)
At 31 December	<u>35,852</u>	<u>31,232</u>

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:

	2025 AED'000	2024 AED'000
Current	443,954	344,837
Non-current	267,544	581,795
Total	<u>711,498</u>	<u>926,632</u>

*The non-current portion of the advances from customers is expected to be utilized after one year. However, management believes that the discounting impact is not significant to the consolidated financial statements.

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For the year ended 31 December 2025

15 Trade and other payables

	2025 AED'000	2024 AED'000
Project accruals	889,174	783,080
Contract liabilities (note 8)	599,717	222,267
Trade payables	71,133	91,527
Other liabilities	52,735	49,841
Income tax payable (note 17)	2,581	8,138
Other payables	6,905	1,795
	<u>1,622,245</u>	<u>1,156,648</u>

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 (2024: 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

	2025 AED'000	2024 AED'000
Bank overdrafts from commercial banks	<u>124,377</u>	<u>157,201</u>

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

As at 31 December 2025, the Group has AED 250,623 thousand (31 December 2024: AED 217,799 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:

	2025 AED'000	2024 AED'000
Charge for the year	<u>2,581</u>	<u>8,138</u>

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Notes to the consolidated financial statements (continued)

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17 Income tax expense (continued)

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

	2025 AED'000	2024 AED'000
Profit before taxation	32,869	85,461
Effect of tax rates		
- Basic exemption limit	(375)	(375)
- Expenses not deductible for tax purposes	449	5,332
- Reversal of expenses not deductible for tax purposes	(4,265)	-
Income tax using the domestic corporate tax rate @ 9%	<u>2,581</u>	<u>8,138</u>

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*.

	2025 AED'000	2024 AED'000
Revenue from construction contracts	1,107,309	1,321,454
Revenue from rendering of services	300,201	174,800
	<u>1,407,510</u>	<u>1,496,254</u>

18.1 Timing of revenue recognition

	2025 AED'000	2024 AED'000
Services transferred at the point in time	43,979	20,775
Services transferred over time	1,363,531	1,475,479
	<u>1,407,510</u>	<u>1,496,254</u>

18.2 Geographical markets

	2025 AED'000	2024 AED'000
Inside United Arab Emirates	703,777	806,494
Outside United Arab Emirates	703,733	689,760
	<u>1,407,510</u>	<u>1,496,254</u>

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19 Contract costs

	2025 AED'000	2024 AED'000
Material and subcontract costs	1,030,955	1,120,048
Staff and manpower contract costs	186,600	155,820
Insurance costs	18,630	11,791
Overheads*	15,113	13,686
Depreciation of property, plant and equipment (note 5)	14,549	12,855
Depreciation of right-of-use assets	1,821	1,821
Other direct costs	12,438	14,463
	<u>1,280,106</u>	<u>1,330,484</u>

* This includes finance costs in the amount of AED 207 thousand (2024: AED 327 thousand).

20 General and administrative expenses

	2025 AED'000	2024 AED'000
Staff costs	55,420	47,361
IT licences support and maintenance	15,907	13,588
Professional and consultancy fees	9,187	5,030
Marketing and advertisement	5,095	1,346
Director's remuneration and committee fees (note 24)	4,475	3,625
Repairs and maintenance	3,966	4,045
Inventory obsolescence (note 7)	782	-
Material	678	558
Others	2,050	10,149
	<u>97,560</u>	<u>85,702</u>

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.

	2025 AED'000	2024 AED'000
Finance income	3,703	5,759
Other income/(expenses) (net)	18,008	(7,485)
	<u>21,711</u>	<u>(1,726)</u>

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22 Leases

Right-of-use assets

	Land	
	2025	2024
	AED'000	AED'000
Cost:		
Balance at 1 January	17,835	17,835
Additions	168	-
Balance at 31 December	<u>18,003</u>	<u>17,835</u>
Accumulated amortization:		
Balance at 1 January	12,513	10,354
Charge for the year	2,086	2,159
Balance at 31 December	<u>14,599</u>	<u>12,513</u>
Net carrying amount	<u><u>3,404</u></u>	<u><u>5,322</u></u>

Lease liabilities

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

	2025	2024
	AED'000	AED'000
Current	2,349	2,214
Non-Current	1,515	3,714
	<u><u>3,864</u></u>	<u><u>5,928</u></u>

Future minimum lease payments at 31 December 2025 are as follows:

	Within one year	Two to five years	Total
	AED'000	AED'000	AED'000
Lease payments	2,586	1,635	4,221
Finance charges	(237)	(120)	(357)
Net present values	<u><u>2,349</u></u>	<u><u>1,515</u></u>	<u><u>3,864</u></u>

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

	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	<u><u>2,214</u></u>	<u><u>3,714</u></u>	<u><u>5,928</u></u>

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22 Leases (continued)

Lease liabilities (continued)

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

	2025 AED'000	2024 AED'000
Contract costs (note 19)	1,821	1,821
Expenses	265	338
	<u>2,086</u>	<u>2,159</u>

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

	2025 AED'000	2024 AED'000
Depreciation	(2,086)	(2,159)
Finance costs	(234)	(371)

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:

	2025 AED'000	2024 AED'000
Profit for the year attributable to the owners of the parent (AED '000)	30,288	77,323
Weighted average number of ordinary issued throughout the period ('000)	<u>211,992</u>	<u>211,992</u>
Basic and diluted earnings per share (AED)	<u>0.14</u>	<u>0.36</u>

During the year, the Group has not issued any instruments that have an impact on earnings per share when exercised (2024: nil).

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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:

	2025 AED'000	2024 AED'000
Key management compensation:		
Salaries, bonuses and other benefits	14,871	14,254
Post-employment benefits	1,500	1,396
	<u>16,371</u>	<u>15,650</u>
Directors' remuneration (note 20)	<u>3,500</u>	2,850
Board Committee fees (note 20)	<u>975</u>	775

Related parties transactions:

The details of major related party transactions during the year were as follows:

Revenues from related parties	<u>61,282</u>	4,955
Purchases from related parties	<u>25,341</u>	39,210

Related parties balances:

Due from a related party (included in trade and other receivables)	<u>7,857</u>	5,019
Due to a related party (included in trade and other payables)	<u>171,089</u>	47,891

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

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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 1,859,520 thousand (31 December 2024: AED 1,834,463 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 22,379 thousand (31 December 2024: AED 10,799 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.

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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 2025								
Contract revenues	1,035,770	52,081	274,240	13,159	32,260	-	-	1,407,510
Contract costs	(944,643)	(50,339)	(242,815)	(12,418)	(29,891)	-	-	(1,280,106)
Gross profit	91,127	1,742	31,425	741	2,369	-	-	127,404
General and administrative expenses	(35,315)	(4,684)	(14,146)	(2,439)	(1,951)	(39,025)	-	(97,560)
Reversal of / (allowance for) expected credit losses	2,352	(1,093)	(799)	311	60	4	-	835
Depreciation and amortization	(4,432)	(1,108)	(1,717)	(499)	-	(3,323)	-	(11,079)
Finance costs	-	-	-	-	-	(8,442)	-	(8,442)
Other income (net)	3,652	-	-	-	-	18,059	-	21,711
Income tax expense	-	-	-	-	-	(2,581)	-	(2,581)
Segment profit/(loss)	57,384	(5,143)	14,763	(1,886)	478	(35,308)	-	30,288

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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 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 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
As at 31 December 2025								
Assets	2,253,706	108,573	330,252	27,567	20,044	88,019	(10,133)	2,818,028
Liabilities	1,952,611	68,482	178,395	23,657	32,250	242,441	-	2,497,836
Capital Expenditure	15,533	2,126	4,251	981	-	9,810	-	32,701
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

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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:

	2025 AED'000	2024 AED'000
Trade and other payable	1,622,245	1,156,648
Bank overdraft	124,377	157,201
Lease liabilities	3,864	5,928
Total debt	<u>1,750,486</u>	<u>1,319,777</u>
Total equity attributable to owners of the parent	320,330	330,320
Total equity and debt	<u>2,070,816</u>	<u>1,650,097</u>
Gearing ratio	<u>85%</u>	<u>80%</u>

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.

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Notes to the consolidated financial statements (continued)

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27 Financial instruments (continued)

Financial risk management (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	
	2025 AED'000	2024 AED'000	2025 AED'000	2024 AED'000
Euro	1,478,977	1,279,256	1,609,010	1,388,219
US Dollar	114,345	98,551	129,913	137,139
Others	2,174	495	2,174	370
	1,595,496	1,378,302	1,741,097	1,525,728

At 31 December 2025, 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 13,003 thousand (2024: higher/lower by AED 10,884 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 profit for the year to a reasonably possible change in interest rates, with all other variables held constant.

	Effect on profit AED'000
2025	
+50 increase in basis point	(622)
-50 decrease in basis point	622
2024	
+50 increase in basis point	(786)
-50 decrease in basis point	786

(c) Credit risk management

Credit risk in relation to the Group refers to the risk that a counterparty 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.

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Notes to the consolidated financial statements (continued)

For the year ended 31 December 2025

27 Financial instruments (continued)

Financial risk management (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 2025, contract assets, trade receivables, excess billings and advances received from this key customer amounted to a net receivable position of AED 77,897 thousand (2024: AED 86,198 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 Group also executes a contract for a key customer in Republic of Angola and as at 31 December 2025, trade receivables, excess billing and advances from this key customer to a net receivables position of AED 347,726 thousand (2024: AED 64,746 thousand). Management believes that the concentration of credit risk is mitigated by the high credit worthiness and financial stability of its customers, however, if the probability of default for this particular customer had increased/decreased by 1%, with all other variables held constant, the Group's profit for the year would have been lower/higher by AED 10,886 thousand (2024: lower/higher by AED 6,448 thousand).

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.

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Notes to the consolidated financial statements (continued)
For the year ended 31 December 2025

27 Financial instruments (continued)

Financial risk management (continued)

(d) Liquidity risk (continued)

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 2025				
Trade and other payables	1,622,245	1,622,245	-	-
Bank overdrafts*	124,377	124,377	-	-
Lease liabilities*	3,864	2,349	1,515	-
	1,750,486	1,748,971	1,515	-
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	-

* The Group's bank overdrafts 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 and lease liabilities.

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

29 Dividends

On 25 April 2025, the Shareholders of the Group approved during the Group's Annual General Meeting the distribution of 19% of its share capital as cash dividends amounting to AED 40,278 thousand. On 22 May 2025 the Group has distributed the approved dividends to the Shareholders.

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.

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Notes to the consolidated financial statements (continued)

For the year ended 31 December 2025

30 Subsequent Events

Subsequent to the reporting date, geopolitical tensions in the Middle East have continued to evolve, including ongoing regional conflicts and heightened political uncertainty. These developments have increased volatility in global and regional financial markets and may, over time, affect economic conditions in the region. As at the date of approval of these consolidated financial statements, the Group continues to monitor developments in the region and will assess the potential impact, if any.

31 Approval of consolidated financial statements

The consolidated financial statements of the Group for the year ended 31 December 2025 were authorized for issuance in accordance with a resolution of the Board of Directors on 18 March 2026.