

2023

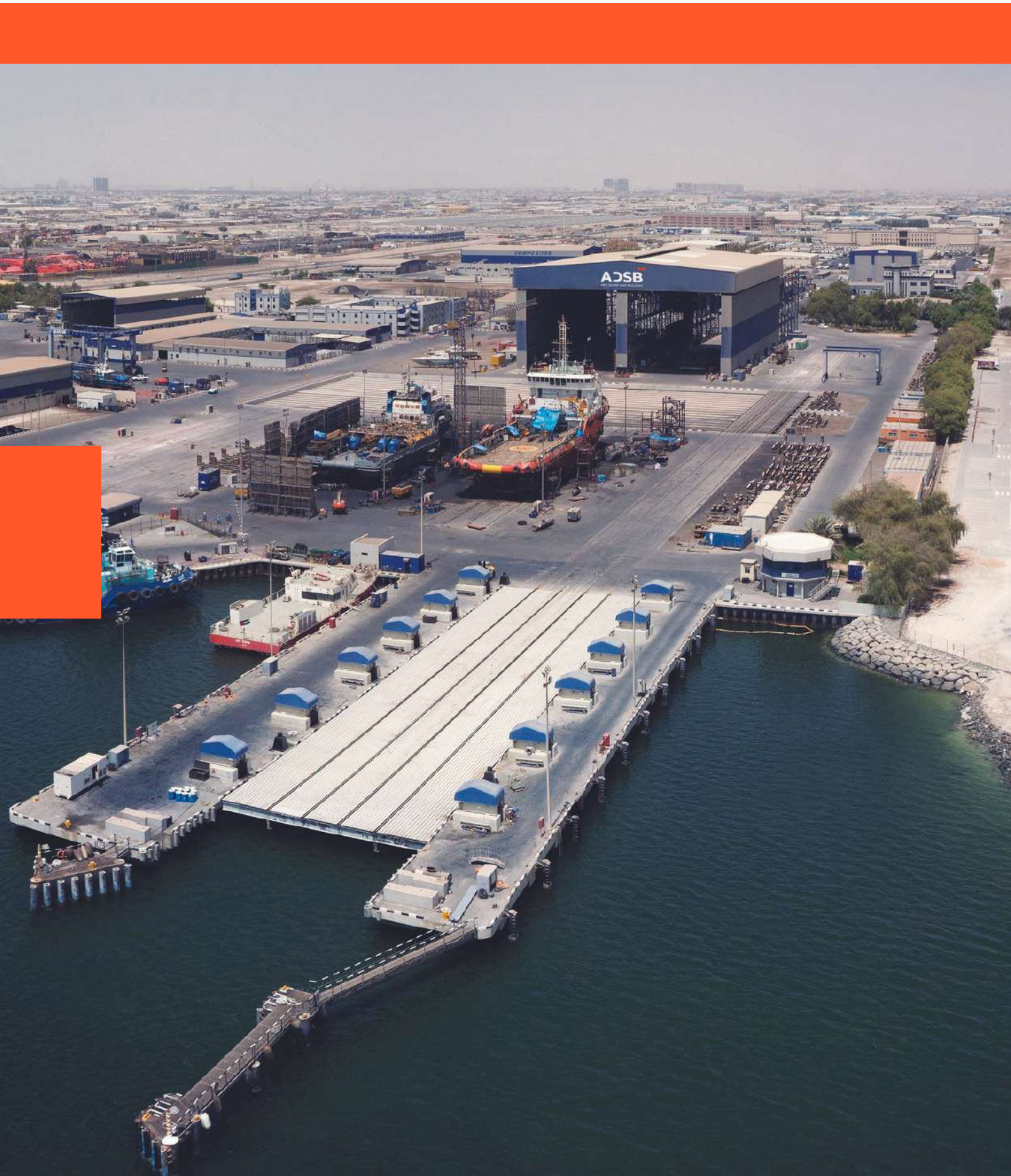
INTEGRATED

REPORT



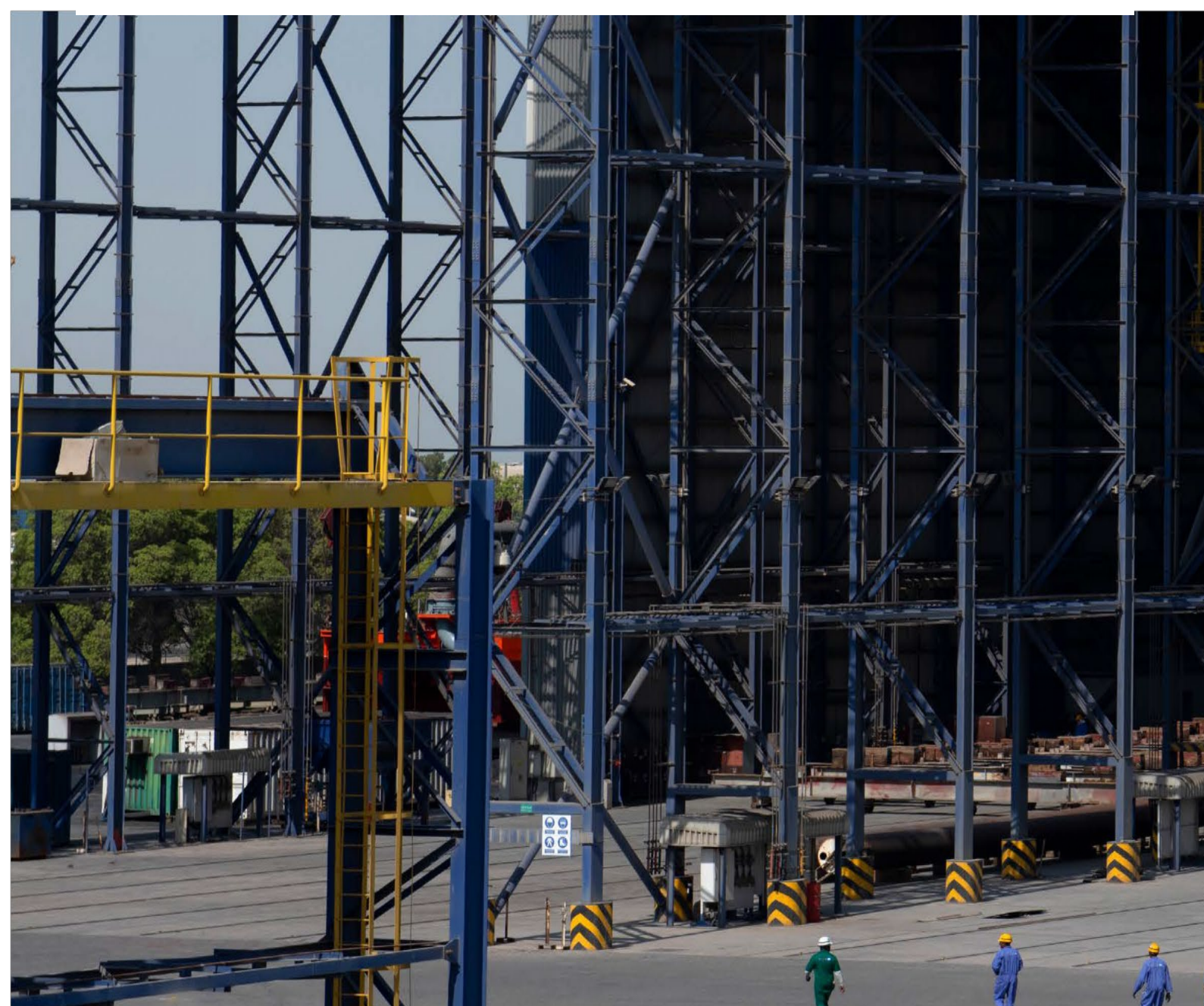
BEYOND SHIPBUILDING

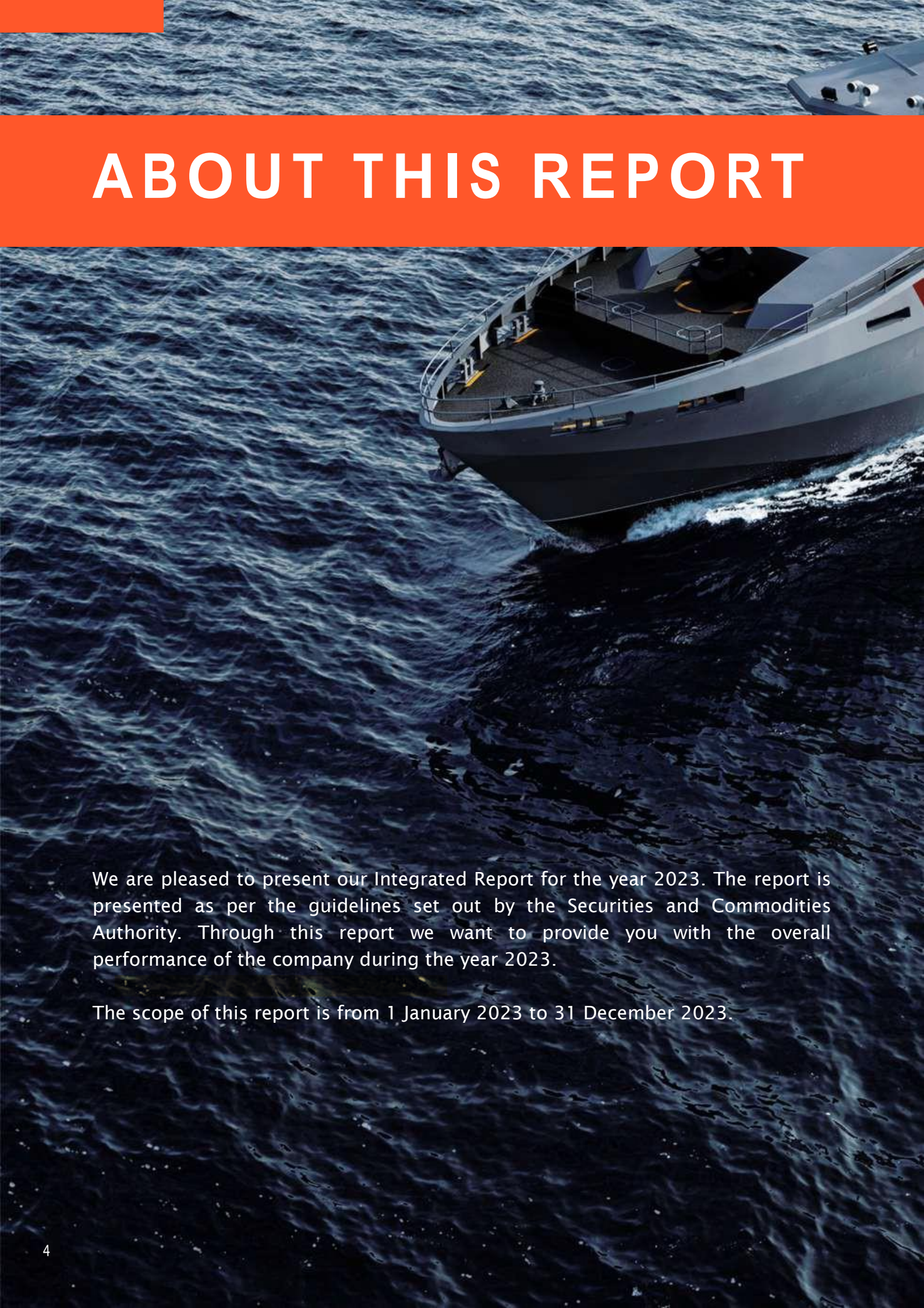




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The background of the page is a high-angle photograph of a large, modern grey ship, possibly a naval vessel or a large cargo ship, sailing on a dark blue sea with white-capped waves. The ship is moving from the top right towards the bottom left, leaving a white wake behind it. The sky is not visible, and the focus is on the ship and the water.

ABOUT THIS REPORT

We are pleased to present our Integrated Report for the year 2023. The report is presented as per the guidelines set out by the Securities and Commodities Authority. Through this report we want to provide you with the overall performance of the company during the year 2023.

The scope of this report is from 1 January 2023 to 31 December 2023.

MESSAGE FROM THE CHAIRMAN



On behalf of the Board of Directors, I would like to express my sincere gratitude to our employees, partners, and stakeholders for their relentless support and dedication. Together, we will continue to chart a course towards a brighter, more sustainable future



Having assumed the role of Chairman of Abu Dhabi Ship Building PJSC in February 2024, I thank Mansour Al Mulla, the outgoing Chairman, for his inspirational leadership during an extraordinary year of growth.

Firstly, we would like to extend our sincere thanks and appreciation to His Highness Sheikh Mohamed bin Zayed Al Nahyan, the President of the United Arab Emirates, for his vision, leadership and continued strong support, and to our loyal customers for their invaluable support and business throughout last year, and as we also look forward to another year of continued success.

2023 saw revenues increase 91% to AED 1.258 billion, compared with AED 660 million in 2022, and the highest revenues recorded by ADSB in the last eleven years.

This again reflected the contribution from the Falaj3 contract to build four Offshore Patrol Vessels for the UAE Navy, where ADSB has now completed seven milestones on or ahead of schedule including most of the blocks for the First of Class vessel, and the commencement of the contract to build three BR71 MKII 71-meter corvettes, plus a number of its own designed interceptors, patrol boats, and support services, to the Angolan Navy, where ADSB has now completed two milestones.

This four-year Angola contract valued at approximately EUR 1 billion (AED 3.94 billion at current exchange rate) was the largest export contract in the Company's history which will result in further growth in revenues for 2024 and beyond.

Net profit for the year of AED 40.4 million increased by 97% year-on-year compared with AED 20.5 million in 2022, with the growth trend expected to continue in the current year. The net cash position at year end was positive AED 745 million, a significant improvement from last year.

The Company continues to service its domestic customers through the Military Support Services contract and is pleased to retain ADNOC as its largest commercial customer. In addition to the two large new build contracts ADSB is building more than 60 composite boats for the National Guard Command (NGC), Presidential Guard, and export customers.

ADSB has an order book of over AED 6 billion and also has a large pipeline of potential domestic and export business opportunities, some of which are expected to be awarded during the current year. This achievement is attributable to the tremendous hard work and collaborative spirit of the company's people over the last few challenging years, and to the support of its local customers and stakeholders

ADSB continues to benefit significantly from being part of the EDGE Group, not only from branding and market outreach perspectives, but more so in the areas of products and integrated solutions, which will further enhance our offerings to our customers. The company also continues to benefit from the support of the board and management team, who are implementing a strategy which is expected to see it report sustainable revenues, profits, and dividends over the coming years.

Established through Emiri Decree No. 5 of 1995 (as amended), ADSB is mandated to create an industrial base to build various types of best-in-class vessels, marine components and equipment, perform all associated maintenance and repair work, and develop local capability to deliver on its scope. I am pleased to report that the company continues to competitively support its primary customers, including the UAE Navy and NGC, as well as commercial customers – primarily ADNOC.

In closing, I wish to extend a heartfelt thank you to all ADSB employees for their outstanding efforts during 2023, and to our shareholders for your confidence and trust in ADSB. We will continue to deliver exceptional quality products and services to our customers, while striving to remain one of the most pioneering and strategically important companies in the UAE.

KHALED AHMED ALI MOHAMED ALZAABI

Chairman - Abu Dhabi Ship Building



ABOUT ABU DHABI SHIP BUILDING

ADSB AT A GLANCE

49.96%

EDGE/ Abu Dhabi Government

50.04%

Private Investors

Abu Dhabi Ship Building (ADSB) is a leading shipbuilding and ship repair company based in Abu Dhabi, UAE. Established in 1995, ADSB has grown to become a prominent player in the shipbuilding industry, renowned for its expertise in constructing and maintaining a wide range of naval and commercial vessels.

ADSB's state-of-the-art shipyard facilities are equipped with advanced technologies and modern infrastructure, allowing the company to undertake complex shipbuilding and repair projects with precision and efficiency. The company's capabilities span the entire lifecycle of a vessel, from design and construction to maintenance, repair, and overhaul.



Recognizing the importance of reducing the shipbuilding industry's carbon footprint, we encourage the development of environmentally friendly and energy-efficient vessels. This also aligns with the UAE's broader sustainability goals and supports the transition towards a greener and more sustainable shipbuilding sector. ADSB's reputation for excellence and reliability has earned it numerous accolades and certifications over the years. Our dedication to quality and customer satisfaction is evident in our track record of delivering projects on time, while adhering to the highest safety and quality standards.

As a key contributor to the UAE's shipbuilding sector, ADSB plays a vital role in supporting the country's economic growth and national security. Through its continued investment in people, technology, and sustainable practices, ADSB remains well-positioned to maintain its status as a leading shipbuilding and ship repair company in the region and beyond.

OUR PURPOSE

To be the region's leading naval & commercial shipyard, offering unmatched service, innovation skill

OUR CORE VALUES



Quality: We offer highly-efficient and reliable product & service delivery while maintaining industry leading health, safety & environmental standards



Innovation: We are motivated to continually develop the latest advanced solutions to create greater impact for our customers



Partnership: We work together with our employees, customers & partners towards coordinated growth and success

We provide exceptional reliability, operational simplicity, and cost-effectiveness through five potent facilitators.



**SUPERIOR DESIGN
SELECTION**



**SKILLED WORKFORCE
WITH EXTENSIVE
TECHNICAL EXPERIENCE**



**WORLD-CLASS
SHIPYARD
FACILITIES**



**EXCEPTIONAL
INTEGRATION
CAPABILITIES**



**PRECISION STEEL
FABRICATION**

WHAT DO WE OFFER?



NEW BUILD



REPAIR



MAINTENANCE



REFIT



CONVERSION



ENGINEERING CONSULTANCY



SUSTAINMENT



REFURBISHMENT



ADVANCED TECHNOLOGY

FACILITIES & CAPABILITIES

We provide a range of logistics and workshop support services to manage your equipment and supply chain systems, and operate your workshops. Our offerings have already helped to increase the defence capabilities of the UAE. Leveraging our advanced equipment portfolio, we build and service vessels that strengthen our customers' naval and shipbuilding fleets.





CORPORATE GOVERNANCE REPORT 2023

ABU DHABI SHIP BUILDING PJSC
BEYOND SHIPBUILDING

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We at **Abu Dhabi Ship Building Company** (hereafter referred to as "**ADSB**" or the "**Company**") are committed to adhering to the highest standards of corporate governance and robust risk management to safeguard our business objectives and the interests of our diverse stakeholders.

This year's corporate governance report provides an overview of Abu Dhabi Ship Building's corporate governance systems and procedures as of 31 December 2023 which has been filed with the Securities and Commodities Authority (SCA) and the Abu Dhabi Securities Exchange (ADX) and posted on the Company's website.

1. Corporate Governance Overview

a. Statement of procedures undertaken to comply with the corporate governance system during 2023 and the methods used

Our shareholders are the ultimate decision-makers with respect to the direction of the Company, and the Company's articles of association define the framework through which the Company operates.

The Board of Directors plays a central role in the Company's corporate governance framework. It is ultimately responsible for setting the overall Company strategy and has oversight of executive management to ensure effective corporate governance practices are followed within the Company.

The Board of Directors is also assisted in this process by various Board Committees (in particular the Executive Committee, the Audit & Risk Committee, and the Human Resources and Nomination Committee) to which the Board of Directors delegates its powers from time to time, based on each committee's charter that defines its duties and powers. All committees' charters have been reviewed and approved by the Board of Directors.

The Company has an approved Corporate Governance manual to ensure compliance with the requirements of the Corporate Governance Guide issued by the SCA; the manual defines the process and procedures in relation to the Company's disclosure obligations and related party transactions.

In 2023, the Company made regular disclosures to the SCA and ADX in relation to Board meetings and decisions, publication of the annual report, the corporate governance report, the sustainability report and other announcements on key quarterly and annual financial statements, in addition to overall Company news which has been made generally available or updated on the Company's ADX page and website.

The Company has also provided the ADX with an updated list of insiders in accordance with the procedures established by the market.

2. Share Dealings by the Board of Directors

All members of the Board of Directors are obliged to disclose annual trading in the Company's shares on their own account and for the account of their spouses and children. This is in accordance with article (36) of the Decision of the Board of Directors of the Securities and Commodities Authority No. (3)/2000 concerning the Regulations of Disclosure and Transparency.

The table below contains the statement of ownership of the Directors (including their spouses and children) of the Company's shares as of 31 December 2023.

Name	Position	Shares Held as at 31 December 2023	Total Sale Transactions	Total Purchase Transactions
Mansour Mohamed Al Mulla	Chairman	Nil	Nil	Nil
Anas Jawdat Albarguthi	Vice-Chairman	Nil	Nil	Nil
Khaled Ahmed AlZaabi	Director	Nil	Nil	Nil
Khalifa Issa Abushahab	Director	Nil	Nil	Nil
Omar Abdulrahman AlZaabi	Director	Nil	Nil	Nil
Rodrigo Torres	Director	Nil	Nil	Nil
Arwa Ahmed AlKindi	Director	Nil	Nil	Nil
Abdulla Saeed Al Ghafli	Director	Nil	Nil	Nil
Saeed Salim Hassan Salim Alsuwaidi	Director	Nil	Nil	Nil

3. Formation of the Board of Directors

The articles of association of the Company provide for nine Board members where six members are appointed by the Executive Council of the Emirate of Abu Dhabi (or by any person authorized by the Executive Council to make such appointment) and the three remaining members are appointed by public shareholder nominations. Each Director serves a three-year term, after which the Director may be elected to a successive term.

In 2023, our Board of Directors comprised nine Directors with appropriate skills, experience, and diversity to develop and support the Company's vision and strategic objectives and they were elected at the Company's annual general assembly meeting held on 28 April 2023.

The table below summarises the details of the Board of Directors as of 31 of December 2023:

Name	Position	Category
*1 Mansour Mohamed Al Mulla	Chairman	Non-Executive/Independent
*2 Khalid Omar Ahmed Najeeb Al Breiki	Vice Chairman	Non-Executive/Independent
Anas Jawdat Albarguthi	Vice Chairman	Non-Executive/Independent
Khaled Ahmed AlZaabi	Board Member	Non-Executive/Independent
Khalifa Issa Abushahab	Board Member	Non-Executive/Independent
Omar Abdulrahman AlZaabi	Board Member	Non-Executive/Independent
Rodrigo Torres	Board Member	Non-Executive/Independent
Arwa Ahmed AlKindi	Board Member	Non-Executive/Independent
Abdulla Saeed Al Ghafli	Board Member	Non-Executive/Independent
Saeed Salim Hassan Salim Alsuwaidi	Board Member	Non-Executive/Independent

***Note:**

1. Mr. Mansour Mohamed Al Mulla resigned from his position as Chairman of the Board on 16 February 2024, and the Board appointed Mr. Khaled Ahmed AlZaabi as Chairman.
2. Mr. Khalid Omar Ahmed Najeeb Al Breiki resigned from his position as Vice Chairman of the Board of Directors on [date], and Mr. Anas Jawdat Albarguthi was appointed as Vice Chairman

PROFILES

BOARD OF DIRECTORS



Mansour Mohammed AlMulla
Chairman

Member since: February 2023
Category: Non-Executive/
Independent member

Experience and Qualifications:

Mr. Mansour Al Mulla holds a Bachelor of Science in Business Administration from Portland State University in the USA. Mr. Mansour's professional career has included successful tenures in several leadership positions at leading corporations, the most notable being Managing Director & Chief Executive Officer of the EDGE Group. Prior to this, Mr. Mansour was the Group Chief Investment Officer at ADQ and served as the Chief Financial Officer of the Petroleum & Petrochemicals Platform at Mubadala.

Other external appointments of Mr. Mansour:

- Chairman of Global Aerospace Logistics (GAL)
- Vi Deputy Group Chief Executive Officer -ADQ
- Board Member - Abu Dhabi National Energy Company PJSC (TAQA)
- Board Member - Abu Dhabi Ports Company PJSC
- Board Member - Abu Dhabi Global Market
- Board Member - Etihad Aviation Group PJSC



Anas Jawdat Albarguthi
Vice Chairman

Chairman of Human Resources and
Nomination Committee

Member since: December 2019
Category: Non-Executive/
Independent member

Experience and Qualifications:

Mr. Anas Jawdat Albarguthi is the Chief Operating Officer at ADQ. He oversees ADQ's, human capital, IT, digitization and cybersecurity; and corporate services, procurement and experience and engagement.

He has more than 20 years of experience in leadership positions in government, semi-government and private sectors in the UAE and UK including being the Assistant Secretary General and Executive Director at Abu Dhabi Quality and Conformity Council. Mr. Anas holds a master's degree in International & Comparative Business Law (LLM) from London Guildhall University, and a bachelor's degree in Law from Amman Private University.

External appointments held by Mr. Anas are the Chairman of Abu Dhabi Media Company, Chairman of Q Market Makers (QMM), Vice Chairman of Abu Dhabi Exhibition Center, and a member of the board of trustees of Khalifa University.



Khaled Ahmed AlZaabi

Chairman of Executive Committee

Member since: August 2023

Category: Non-Executive/
Independent member

Experience and Qualifications:

Mr. Khaled Al Zaabi is the President of the Platforms & Systems cluster at EDGE, one of the world's leading defence and advanced technology groups, with over 16 years' experience as an investment professional with successful tenures at Mubadala and in NIMR Automotive as Chief Commercial Officer.

Mr. Khaled's academic background includes a Bachelor of Aerospace Engineering from RMIT University, Australia, and an Executive MBA from INSEAD, France.

Mr. Khaled is also a board Member in NIMR Algeria company.

On 16th February 2024, Mr. Khaled was announced as the new Chairman of Abu Dhabi Ship Building PJSC.



Khalifa Issa Abushahab

Chairman of Audit & Risk Committee

Member since: December 2019

Category: Non-Executive/
Independent member

Experience and Qualifications:

Mr. Khalifa Abushahab is the Director of Corporate Services at ADQ and holds a Bachelor of Business Administration – Finance from George Washington University.

Prior to joining ADQ, Mr. Khalifa was a senior manager in Tawazun Economic Council, and he held positions as a Board Member in NIMR Algeria, Caracal Algeria, NIMR Automotive, Advanced PyroTechnics (APT)), and as the Chairman of the Audit Committee at Methaq Takaful Insurance Co. PJSC.

**Rodrigo Torres**

Member of Audit & Risk Committee

Member since: January 2022

Category: Non-Executive/
Independent member

Experience and Qualifications:

Mr. Rodrigo Torres is an experienced Chief Financial Officer with a 20+ years of global experience and he help positons in various finance functions across 8 countries and different manufacturing industries.

He is the President and Group CFO at EDGE, one of the world's leading defence and advanced technology groups.

Mr. Rodrigo holds an MBA and a bachelor's degree in Mechanical and Industrial Engineering.

Other external appointments held by Mr. Rodrigo are board member at Milrem Robotics and ANAVIA Aerosystem, and advisory board member for the audit committees of both GAL and NIMR.

**Omar Abdulrahman AlZaabi**

Member of Executive Committee

Member since: January 2022

Category: Non-Executive/
Independent member

Experience and Qualifications:

Mr. Omar Al Zaabi is the Senior Vice President of the Trading & Mission Support Cluster of EDGE, one of the world's leading defence and advanced technology groups.

Prior to his current position, Mr.Omar served as Senior Vice President, Head of Program Acquisition, at EDGE and as the Deputy Executive Director at a UAE government entity.

In addition to obtaining CCNA, CCNP and PMP certifications, Mr. Omar holds a bachelor's degree in Education, and a Higher Diploma in Computer Networking from the Higher College of Technology, UAE.

**Saeed Salim Alsuwaidi**

Member of Executive Committee

Member since: January 2020

Category: Non-Executive/
Independent member

Experience and Qualifications:

Mr. Saeed Alsuwaidi holds a bachelor's degree in Mechanical Engineering from the University of Miami, Florida, USA and a master's in strategic and security studies.

With an extensive decorated military experience, he formerly held the positions as the Commander of Naval workshops, Deputy Director of Logistics UAE Naval forces, and the Director of Logistics in CICPA.



Arwa Ahmed Al Kindi

Member of Human Resources and
Nomination Committee

Member since: April 2022

Category: Non-Executive/
Independent member

Experience and Qualifications

Ms. Arwa Al Kindi holds a master's degree in Communication Science from the University of Sharjah, and with over 26 years of experience she formerly held positions as a member of several boards of directors and committees both for public and private institutions such as the Abu Dhabi Aviation Company and a member of the Investment Committee of Abu Dhabi Aviation Company.



Abdulla Saeed Al Ghafli

Member of Audit & Risk Committee

Member since: April 2022

Category: Non-Executive/
Independent member

Experience and Qualifications

Mr. Abdulla Al Ghafli is an Investment Manager at the General Pension & Social Security Authority. In addition to obtaining CFA certification, Mr. Abdulla holds a bachelor's degree in Business Administration in Accounting/Minor in Marketing, and a master's degree in Science in International Business and Finance from London Metropolitan University.

Mr. Abdulla is also a board Member in Al Ramz Corporation Investment and Development PJSC.

1. Women's Representation on the Board of Directors for the year 2023

Abu Dhabi Ship Building Company strongly values the importance of diverse perspectives in corporate decision-making, recognizing that individuals with different backgrounds, experiences, and perspectives bring unique and valuable insights, and with 11% female representation on the Board of Directors, Abu Dhabi Ship Building is proud to have a woman represented on the Board.

2. Remuneration of Board Members

■ Total remuneration paid to the Board for 2022

The General Assembly approved remuneration to the members of the Board of Directors for the year 2022 with a total value of AED of 1,400,000 Dirhams.

■ The value of the proposed remuneration for the members of the Board of Directors for the year 2023

It is proposed that the Board of Directors' remuneration for the year 2024 be set at a total amount of AED 2,750,000. This proposal will be presented to the Company's shareholders at the upcoming Annual General Assembly for approval.

■ Details of allowances, salaries and additional fees received by the Board Members other than committee Attendance Allowances and Reasons therefor

None.

■ Details of Allowances for Attending Meeting of Board Committees by the Board Members for the year 2023

Allowances for Attending Committee Meeting				
Name	Committee	Position	Number of meetings	Total Allowance Value (AED)
Khaled Ahmed AlZaabi	Executive Committee	Chairman	1	50,000
	Human Resources and Nomination Committee	Member	1	
Omar Abdulrahman AlZaabi	Executive Committee	Member	3	50,000
Saeed Salim Hassan Salim Alsuwaidi	Executive Committee	Member	2	50,000
Khalifa Issa Abushahab	Audit & Risk Committee	Chairman	5	50,000
		Member	5	50,000
Rodrigo Torres	Audit & Risk Committee	Member	5	50,000
Abdulla Saeed Al Ghafli	Audit & Risk Committee	Member	5	50,000
Anas Jawdat Albarguthi	Human Resources and Nomination Committee	Chairman	3	50,000
Arwa Ahmed Al Kindi	Human Resources and Nomination Committee	Member	3	50,000

3. Number of Board meetings held during the year 2023 along with their convention dates, personal attendance times of all members, and members attending by proxy

Board Meeting	17 March	14 August	30 November	19 December
Mansour Mohamed Al Mulla	Present	Present	Present	Present
Anas Jawdat Albarguthi	Present	Present	Present	Present
Mr. Khalifa Issa Abushahab	Present	Present	Present	Present
Mr. Rodrigo Torres	Present	Present	Present	Present
Abdulla Saeed AlGafl	Present	Present	Present	Present
Ms. Arwa Ahmed Al Kindi	Present	Present	Present	Present
Omar Abdulrahman AlZaabi	Present	Present	x	Present
Saeed Salim Hassan Salim Alsuwaidi	Present	Present	Present	Present
Khaled Ahmed AlZaabi			Present	Present

4. Name of the Board Secretary and the date of his appointment

The position of the Board Secretary is held by Mr. Yasser Omar from Hadeef & Partners. Mr. Yasser is an executive partner and head of the corporate and commercial practice in Hadeef & Partners.

The Board Secretary attends all Board meetings and is directly answerable to the Board, and provides advice and support to the Board on legal and regulatory matters.

5. Number of Board resolutions passed by circulation during the fiscal year 2023

The Board issued a total of five resolutions by circulation during the fiscal year 2023 on the following dates:

	Resolution No.	Date	Subject
1	Resolution No.1 of 2023	14 February 2023	Appointment of Chairman
2	Resolution No.2 of 2023	27 February 2023	Reorganising the Human Resources and Nominations Committee
3	Resolution No.3 of 2023	30 August 2023	Appointment of new Board member
4	Resolution No.4 of 2023	18 October 2023	Restructuring of Board Committee
5	Resolution No.5 of 2023	10 November 2023	Approval of the interim Financial Statements

6. Statement of Board duties and powers exercised by Board members or the Executive Management during 2023 based on an authorization from the Board

The Executive Management, comprising the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, implements the Company's strategy and manages the day-to-day affairs of the Company in accordance with the business plans and activities approved by the Board, protecting the shareholder interests and adopting best and successful practices to accomplish the Company's objectives and goals.

The Executive Management provides the Board with periodic reports on the Company's financial and business conditions, and internal control systems.

There is a detailed Delegation of Authority matrix, setting out approval limits and clear lines of responsibility for the whole business.

7. Details of Transactions undertaken with Related Parties (Stakeholders) during the year 2023

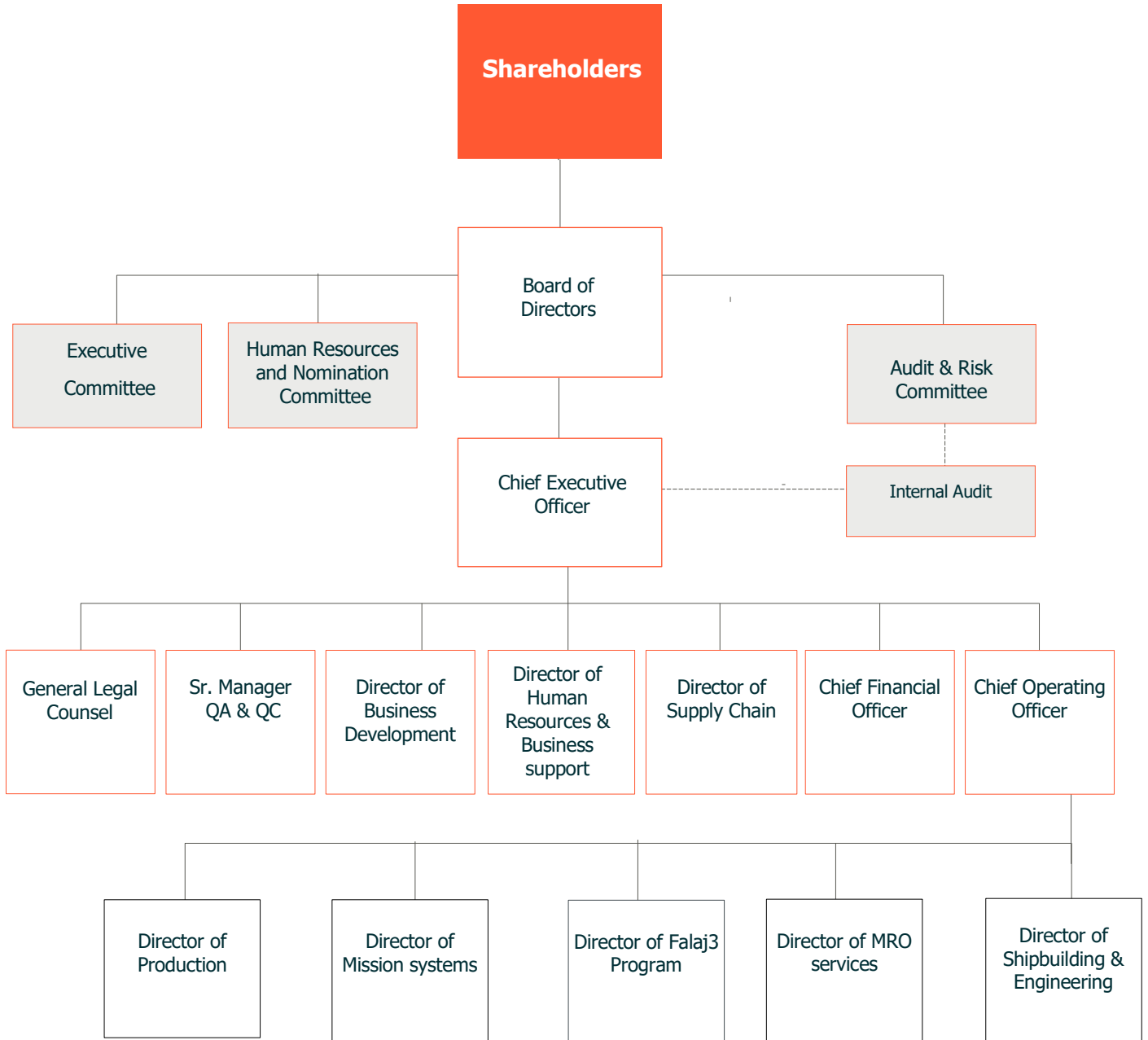
All related party transactions carried out in 2023 were in the Company's normal course of business and details of such transactions are set out in the table below.

There were no related party transactions equal to or more than 5% of the Company's share capital.

Transactions between Group Companies and Related Parties during the Year 2023 (AED)

	Transaction Type	Related Parties	Service Type	Transaction Volume
1	Related Costs Recharges	Edge Defense Platforms & Systems	Information Technology Services	(3,517,684)
2	Related Costs Recharges.	Edge Defense Platforms & Systems	Marketing Services	(3,193,530)
3	Reimbursement of costs	Edge Defense Platforms & Systems	Reimbursement of costs	423,868
4	Supply contract	Nimr Automotive LLC	Supply contract	4,233,362
5	Service contract	Abu Dhabi Autonomous Systems Investments Co. LLC	Service contract	150,000
6	Service contract	Beacon Red	Service contract	(16,005)
7	Service contract	Jaheziya Group	Service contract	(9,200)
Net Transactions				(1,929,189)

8. The Company Organisational Structure as of 31 of December 2023



9. Detailed Statement of the Senior Executives in the First and Second Ranks of the Company, their Positions, Dates of Appointment, Total Salaries and Bonuses paid during the year 2023

Position	Date of Appointment	Total Salaries and Allowances Paid for the year 2023 (Dirham)	Total Bonuses Paid for year 2023 (Dirham)	Any other cash/in kind Remuneration for the year 2023 or Falling Due in the Future
Chief Executive Officer	01/04/2020	1,691,332.08	Not yet determined	None
Chief Operating Officer	01/04/2019	1,320,528.00	Not yet determined	None
Chief Financial Officer	08/02/2015	1,139,976.38	Not yet determined	None
General Legal Counsel	13/02/2020	1,276,439.65	Not yet determined	None
Human Capital & Business Support Director	09/02/2020	964,268.19	Not yet determined	None
Supply Chain Director	19/05/2019	921,073.20	Not yet determined	None
Business Development Director	14/10/2018	1,083,851.40	Not yet determined	None
Shipbuilding & Engineering Director	14/12/2014	1,005,700.33	Not yet determined	None
MRO Services Director	06/08/2017	1,091,715.35	Not yet determined	None
Falaj 3 Program Director	08/09/2013	981,133.53	Not yet determined	None
Production Director	20/11/2011	865,313.65	Not yet determined	None
Mission Systems Director	03/04/2023	757,412.61	Not yet determined	None

4. External Auditor

Grant Thornton were the independent External Auditor of the Company for the year ended 31 December 2023. Grant Thornton is one of the leading professional audit services companies in the United Arab Emirates and is recognised as a leading provider of quality assurance and business advisory services.

They were appointed by a decision of the shareholders at the General Assembly Meeting on 28 April 2023 for a fee of AED 243,200 for the audit and quarterly reviews of the Company (excluding standard out-of-pocket expenses).

The General Assembly evaluates the performance of the external auditors and approves their appointment and remuneration. The external auditors attend the General Assembly Meeting to submit their reports and respond to any inquiries of shareholders.

a. Statement of fees and costs for the audit or services provided by the external auditor

Audit Firm Name	Grant Thornton Audit and Accounting Limited – Abu Dhabi
Partner Auditor Name	Samer Hijazi
Number of Years Spent as External Auditor of The Company	4 Years
Number of Years Spent By The Partner Auditor Auditing the Company Accounts	4 Years
Total Fee for the Audit and (Interim and Annual) Financial Statements Review for the Year 2023 (AED)	AED 243,200
Fees and Costs of other Special Services other than Financial Statements Audit for the Year 2023 (AED)	AED 20,000
Details and Nature of Other Services Provided (if any), but if no other services were provided, please state expressly	Agreed-upon procedures in accordance with SCA circular issued dated 27 April 2023 in relation to unclaimed dividends
Statement of Other Services provided by an External Auditor other than the Company External Auditor during the year 2023 (if any), and if none please state expressly	None.

b. External Auditor's opinion on the Company's interim and annual financial statements for the year 2023.

No qualified opinions or reservations were made by the Company's external auditor in the interim and annual financial statements for 2023.

5. AUDIT & RISK COMMITTEE

The Audit & Risk Committee assists the Board in fulfilling its corporate governance responsibilities in relation to risk management and internal control systems, accounting policies and practices, financial reporting and internal and external audit functions.

The Committee is comprised of three non-executive independent Directors. The General Legal Counsel is the Secretary to the Audit & Risk Committee. The CEO, external auditor and Company advisers also attend the meetings as and when required but are not entitled to vote on the decisions of the Committee.

a. Names of the Audit & Risk Committee Members

	Name	Position
1	Khalifa Abushahab	Chairman
2	Abdulla Al Ghafli	Member
3	Rodrigo Torres	Member
4	Amit Surana	Advisor

The Chairman of Audit & Risk Committee acknowledges his responsibility for the Audit & Risk Committee, the review of its working mechanisms and ensuring its effectiveness.

b. The Charter of the Audit & Risk Committee Defines the Committee's Responsibilities as follows:

- Reviewing the Company's financial and accounting policies and procedures.
- Monitoring the integrity of the Company's financial statements and reports (annual, semi-annual and quarterly) and reviewing as a part of its normal work during the year, and in particular:
 - Any changes in accounting policies and practices;
 - Highlighting the aspects that are subject to management's discretion;
 - Substantial amendments resulting from the audit;
 - Supporting continuity of the Company's business;
 - Commitment to the accounting standards approved by the Securities and Commodities Authority; and
 - Commitment to the listing and disclosure rules and any other legal requirements related to the preparation of financial statements and reports.
- Co-ordinating with the Company's Board of Directors, Senior Executive Management, and the Finance Manager or the Manager performing such role in the Company, for the purpose of performing its duties.
- Considering important and unusual clauses or unconventional issues that are not mentioned in such reports and accounts; the Committee shall also pay attention to any issues brought up by the Finance Manager, the Manager performing such role, the Compliance Officer, or the Auditor.

- Submitting a recommendation to the Board of Directors relating to the selection, resignation, or discharge of the auditor, and in case the Board of Directors rejects the recommendation of the Committee in this regard, the Board of Directors shall include in the Governance Report a statement clarifying the Committee's recommendations and the reasons for the Board of Directors' rejection.
- Setting and implementing the policy of contracting with the auditor, submitting a report to the Board of Directors, specifying the issues the Committee deems necessary to take procedures in relation to, and submitting the Committee's recommendations concerning the steps required to be taken.
- Ensuring the auditor's fulfillment of the terms stipulated in applicable laws, regulations, and resolutions and the Company's Articles of Association, and following up and monitoring its independence.
- Meeting with the Company's auditor without attendance of any of the personnel of the Senior Executive Management or representatives thereof, at least once annually, and discussing with the auditor the nature and scope of the auditing process and its effectiveness according to approved auditing standards.
- Studying everything related to the auditor's role, work plan, correspondence with the Company, comments, proposals, concerns, and any substantial inquiries posed by the auditor to the Senior Executive Management concerning accounting books, financial accounts, or control systems, and following up on the Board of Directors' response thereto and provision of the facilities required for performing the auditor's role.
- Ensuring timely response of the Board of Directors to inquiries for illustration and substantial matters mentioned in the auditor's letter.
- Reviewing and assessing financial controls, internal controls and risk management systems in the Company.
- Discussing the internal control systems with the Board of Directors and ensuring the establishment of an effective system for internal control.
- Considering the results of primary investigations in internal control issues as assigned to the Committee by the Board of Directors or based on an initiative on the part of the Committee and the Board of Director's approval of such initiative.
- Review of the auditor's assessment of internal control procedures and ensuring co-ordination between the internal and external auditors.
- Ensuring availability of the resources required for the internal control department and reviewing and monitoring the effectiveness of such department.
- Studying internal control reports and following up the implementation of corrective measures for the comments arising from such report.
- Setting the rules that enable the Company's staff to report confidentially any potential violations in financial reports, internal control, or any other issues and the procedures sufficient for conducting independent and fair investigations concerning such violations.
- Monitoring the extent to which the Company complies with the Company's Code of Conduct.

- Reviewing related party transactions with the Company, managing conflicts of interest, and submitting recommendations concerning such transactions to the Board of Directors before concluding contracts.
- Ensuring implementation of the Code of Conduct related to the Committee's duties and powers assigned to it by the Board of Directors.
- Taking responsibility for the risk management policy of the Company's operations and oversight of the operations of the Company's risk management framework.
- Assisting the Board of Directors in fulfilling its oversight responsibilities with regard to the risk appetite of the Company and the risk management and compliance framework and the governance structure that supports it. Risk appetite is defined as the level and type of risk a company is able and willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders.
- Approving and periodically reviewing the risk management policies of the Company's global operations; and overseeing the operation of the Company's global risk management framework, which shall be commensurate with the structure, risk profile, complexity, activities, and size of the Company, including: policies and procedures establishing risk management governance, risk management procedures, and risk control infrastructure for operations;
- Monitoring processes and systems for implementing and monitoring compliance with policies and procedures, including processes and systems to:
 - Identify and report risks and risk management deficiencies, including emerging risks, and ensure effective and timely implementation of actions to address emerging risks and risk management deficiencies for the Company's operations;
 - Establish managerial and employee responsibility for risk management;
 - Ensure the independence of the risk management function; and
 - Integrate risk management and associated controls with management goals and the company's compensation structure for its operations.

c. Audit & Risk Committee Meetings during year 2023:

Meeting No.	Meeting Date	Number of Attendees
1	13 March 2023	3
2	10 May 2023	3
3	25 May 2023	3
4	9 August 2023	3
5	6 November 2023	4

6. Human Resources and Nomination Committee

The Human Resources and Nomination Committee assists the Board with its responsibilities for reviewing nomination and remuneration arrangements for both Board members and the Executive Management team in order to support the strategic aims of the business.

The Committee is comprised of three non-executive independent Directors. The General Legal Counsel is the Committee Secretary. The CEO, and Company advisers attend the meetings as and when as required but are not entitled to vote on the decisions of the Committee.

a. Names of the members of the Human Resources and Nomination Committee

	Name	Position
1	Anas Jawdat Albarguthi	Chairman
2	Arwa Ahmed Al Kindi	Member
3	Khaled Ahmed AlZaabi	Member
4	Noor Alsulaimani	Adviser

The Chairman of the Human Resources and Nomination Committee acknowledges his responsibility for the Human Resources and Nomination Committee, the review of its working mechanisms and ensuring its effectiveness.

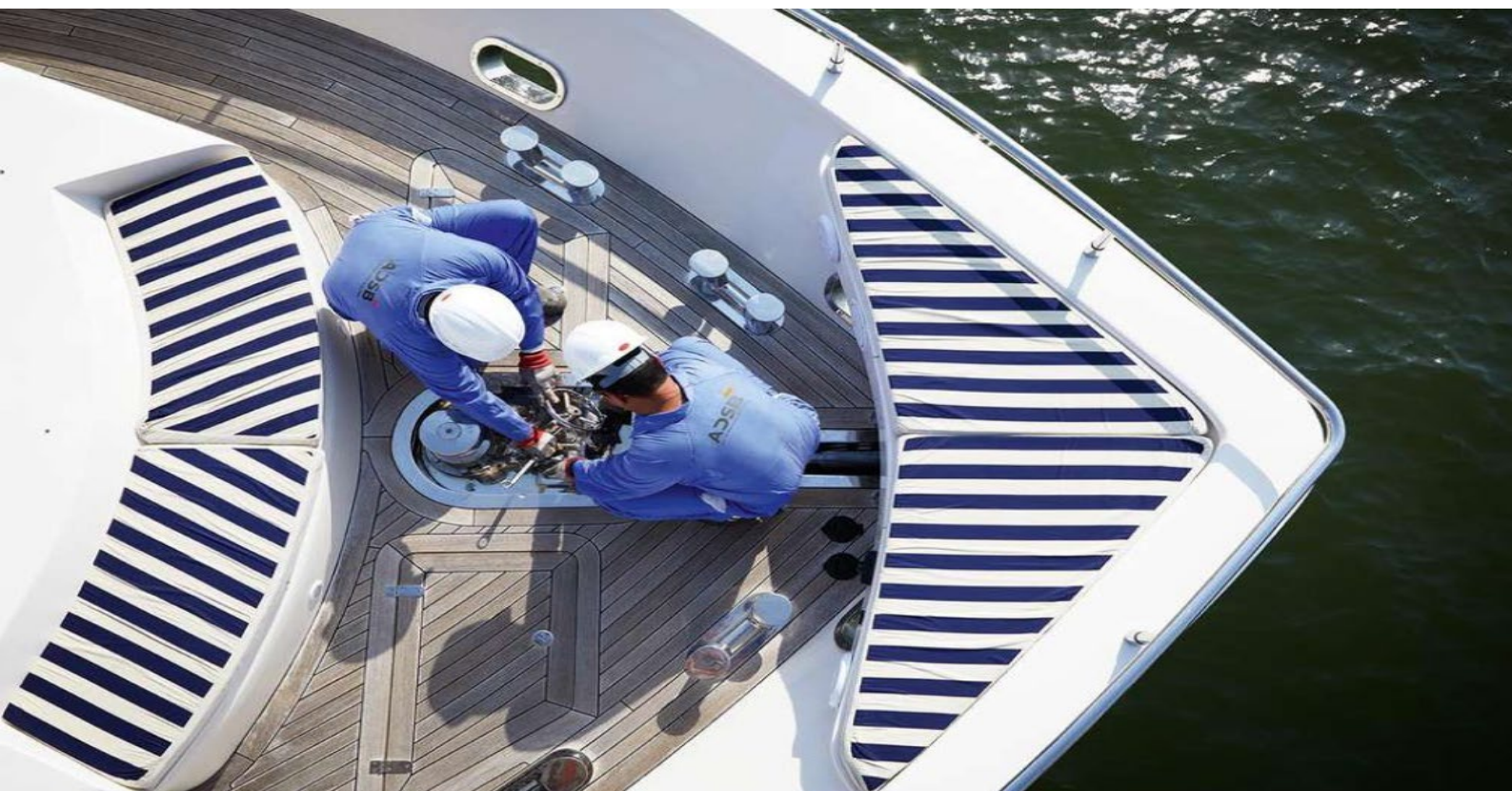
b. The Charter of the Human Resources and Nomination Committee Defines the Committee's Responsibilities as follows:

- Setting a policy for the nomination of the Board and executive management membership with the aim of balancing the two genders on the Board and encouraging female nominees through offering privileges and training and motivational programmes, and submitting a copy of such policy to the Securities and Commodities Authority.
- Regulating and following up on the procedures of nomination for Board membership in accordance with the applicable laws and regulations, as well as the provisions of the Code of Corporate Governance.
- If the Committee finds out that one of the members has lost his independence, the Committee shall bring the issue before the Board to inform the member(s) by a registered letter at their address registered at the Company clarifying the reasons for the loss of independence; such member shall reply to the Board within fifteen days from the date of receiving notice thereof, and the Board shall issue a decision as to whether such member is independent or otherwise in its first meeting following reception of the Board member's reply or elapse of the period mentioned in this paragraph without replying.
- Taking into consideration article (145) of the Companies Law, if the Board decision of a member's loss of independence affects the minimum percentage of independent Board members, the Board shall appoint an independent member to replace such member in case the latter submits ion for losing independence; if such member refuses to submit his/her resignation, the Board of Directors shall bring the issue before the general assembly to issue the decision of approval of appointing another Board member or open the door for nomination to elect a new Board member.

- Setting the policy for granting bonuses, privileges, incentives, and salaries for employees of the company, reviewing such policy annually, and ensuring that the bonuses and privileges offered to the Senior Executive Management are reasonable and in line with the Company's performance.
- Determining the qualifications at the Senior Executive Management and the employee levels and the criteria for selection.
- Setting the Company's human resources and training policy, monitoring implementation of such policy, and reviewing on an annual basis.
- Reviewing, recommending and/or endorsing the Company's structure, Emiratisation, compensation and benefits policies.

c. Human Resources and Nomination Committee meetings during the year 2023

Meeting No.	Meeting Date	Number of Attendees
1	14 March 2023	3
2	17 May 2023	3
3	18 December 2023	4



7. EXECUTIVE COMMITTEE

The Executive Committee was formed on 26 January 2020. The Executive Committee acts in an advisory capacity to the Board where it reviews, evaluates and makes recommendations to the Board on various matters based on the level of authority and delegation.

The Committee is comprised of three non-executive independent Directors. The General Legal Counsel is the Committee Secretary. The CEO, and Company advisers attend the meetings as and when as required but are not entitled to vote on the decisions of the Committee.

a. Names of the members of the Executive Committee

	Name	Position
1	Khaled Ahmed AlZaabi	Chairman
2	Omar Al Zaabi	Member
3	Saeed Alsuwaidi	Member
4	Amit Surana	Adviser
5	Miles Chambers	Adviser

The Chairman of the Executive Committee acknowledges his responsibility for the Executive Committee, the review of its working mechanisms and ensuring its effectiveness.

b. The Charter of the Executive Committee Defines the Committee's Responsibilities as follows:

- Reviewing and making recommendations to the Board on the direction of, and strategies for, development or new business areas that promote the growth of the Company's overall business in accordance with the Company's business plan and strategic objectives.
- Advising the Board on the strategic health of the Company with respect to its overall business goals and strategic objectives as set forth in the Company's business plan.
- Overseeing and expediting any operational, financial and strategy related matter concerning the operations of the Company, as seen fit by the members of the Committee.
- Endorsing the Company's business plan, and reviewing and making recommendations to the Board regarding any modifications to the Company's business plan and budget.
- Reviewing and endorsing sales plans and bid proposals.
- Reviewing potential business opportunities and business development strategy and recording required actions to secure such opportunities.
- Reviewing and approving the CAPEX spending and sales pipeline as part of the business plan.
- Endorsing policies and procedures relating to the Company's operations and submitting to the Board for approval.

- Supervising the operations of the Company and making recommendations to the Executive Management to improve the operations of the Company.
- Ensure the portfolio of technical programmes and major projects are in line with the Company's strategy.
- Ensuring that the Company has appropriate technical capabilities and road map consistent with its strategy.
- Facilitating the Board gaining a deeper understanding of general operational and technical issues.
- Providing guidance on appropriate governance and standards processes.
- Overseeing and reviewing the technical aspects of the Company's projects including reviewing project milestones and project life-cycle.
- Undertaking periodic reviews of progress reports on projects.
- Reviewing health, safety and environment policies and procedures and recommending updates where necessary.
- Investigating any complaint by the Company's customers in respect of any operational and/or technical issues.
- Obtaining legal or other professional advice from both inside and outside the Company as and when required, at the Company's expense, and appointing and securing the attendance of external consultants and advisers if it considers this beneficial.

c. Executive Committee meetings during the year 2023

Meeting No.	Meeting Date	Number of Attendees
1	30 March 2023	5
2	10 August 2023	5
3	30 October 2023	5



INTERNAL

CONTROL



8. Internal Control System

a. Recognition by the Board of Directors of its responsibility for the company's internal control system and for reviewing its mechanism of action and ensuring its effectiveness

The Board of Directors is responsible for overseeing the company's internal control system and reviewing its working mechanism and ensuring its effectiveness.

The internal control system is established to ensure that both the Board and management are able to achieve their business objectives effectively and efficiently safeguarding the interests of the Company's shareholders and other stakeholders, while minimising key risks such as fraud, unauthorised business activity, misleading financial statements and breaches of legal or contractual obligations.

b. Internal Control Department In-charge's Profile

To adapt to the changing needs of the organisation and to enhance assurance over internal controls and risk management, the Company's internal audit function was outsourced to Mazars Chartered Accountants consulting firm in 2023.

Mazars is a global consulting firm that provides clients with consulting and managed solutions in finance, technology, operations, data, analytics, governance, risk and internal audit through their network of more than 47,000 professionals across 95 countries. Mazars specializes in audit, accounting, and consulting, making it a globally recognised player in the industry.

c. Number of reports issued by the Internal Control Department to the Company's Board of Directors

In 2023 four internal audits were conducted with one report issued to the Audit & Risk Committee.

d. Compliance officer's name, qualifications and appointment date

The Company's Legal Department was in charge of the compliance function in the year 2023 by ensuring compliance by the Company and its employees with issued laws, regulations and decisions, as well as other internal policies and measures.

e. Internal Control Department and major problems with the Company

The outsourced Internal Audit function conducts an independent risk assessment to identify and evaluate risks associated with the adequacy, effectiveness and execution of the Company's strategy.

Internal Audit has unrestricted and direct access to the Audit & Risk Committee, allowing it to handle matters independently and confidentially, and any significant audit findings are highlighted to the Committee with the corrective actions, responsibility and implementation timeline based on audit recommendations.

Internal Audit also monitors the actions to be taken by the management to correct the audit finding to ensure satisfactory implementation of the actions plans. The follow-up audits are also conducted at the appropriate level to ensure that risks are adequately addressed, and processes are operated efficiently.

f. Details of regulatory violations committed during 2023, explaining their causes, how to address them and avoiding recurrence in the future

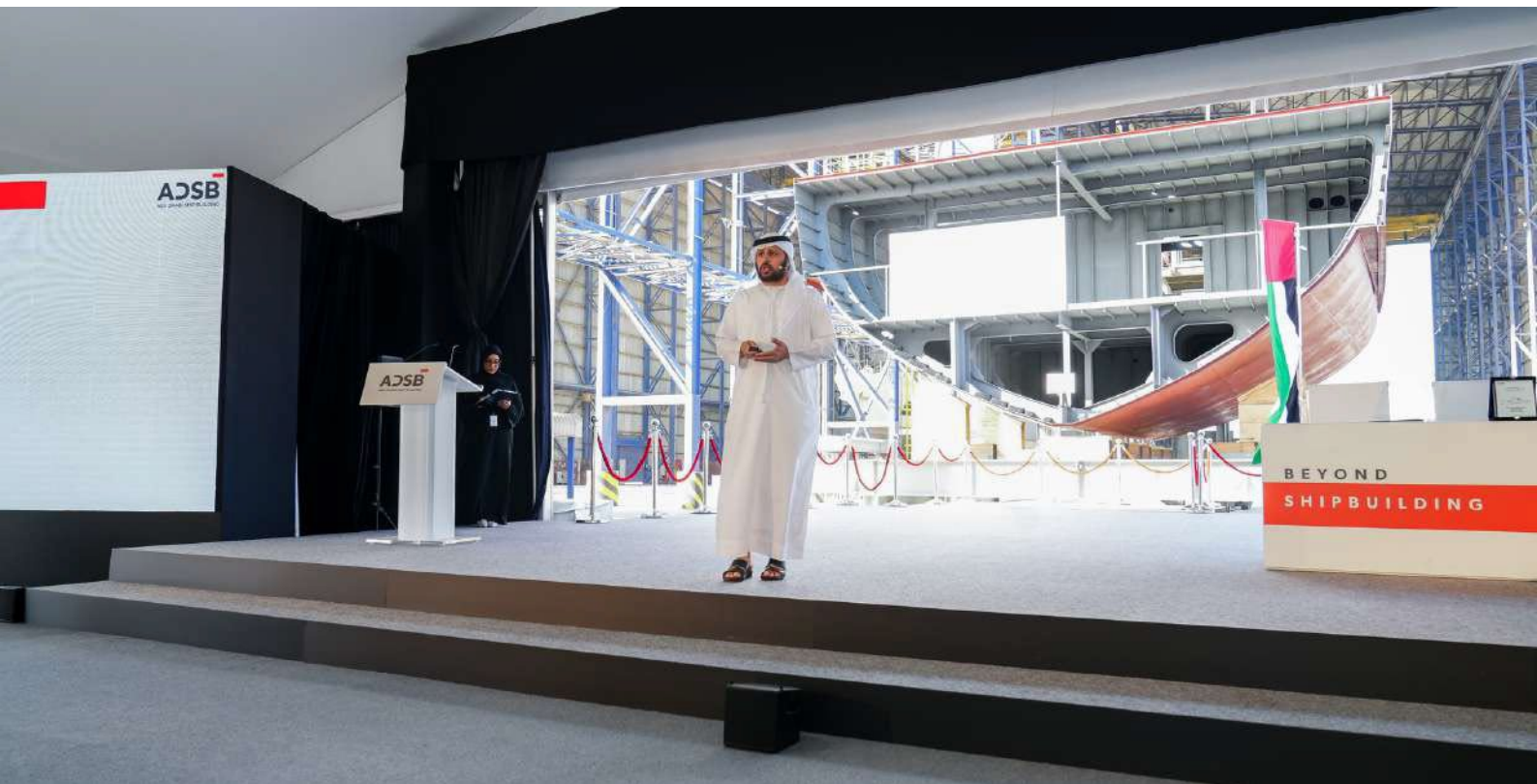
During 2023, the Company was not subject to any fines or restrictions by the Securities and Commodities Authority or any legal authority in relation to any financial market issue.

9. Corporate Social Responsibility

Abu Dhabi Ship Building adopts a community-focused Corporate Social Responsibility (CSR) practices through a blend of diverse initiatives centered around social and environmental aspects and employee well-being.

ADSB CSR strategy has been the main component in the shipyard's transition to a modern, highly efficient, productive and profitable shipbuilding and repair business. It highlights the advancement in the working environment for all employees, in and out of the yard. It is vital to look after the environment as well as the Company's social assets, its employees, with importance given to a diverse workforce and equal opportunity for all, giving a chance to all genders and people from all backgrounds.

ADSB has hired an external consultant to assist in the development of a Sustainability Report for 2023. Details about the sustainability initiatives are provided in ADSB's Environmental, Social and Governance report.



The background image shows a close-up, low-angle view of a ship's hull. The hull is painted a light greenish-grey and is heavily covered with numerous black tires, arranged in rows. Below the tires, several large, dark, multi-bladed propellers are visible. A yellow crane or lifting mechanism is mounted on the ship's deck, extending upwards. The sky is a clear, pale blue. A semi-transparent orange banner is overlaid across the middle of the image, containing the text "Shareholding & General Information" in white. A small orange horizontal bar is also visible on the left side of the image, near the middle.

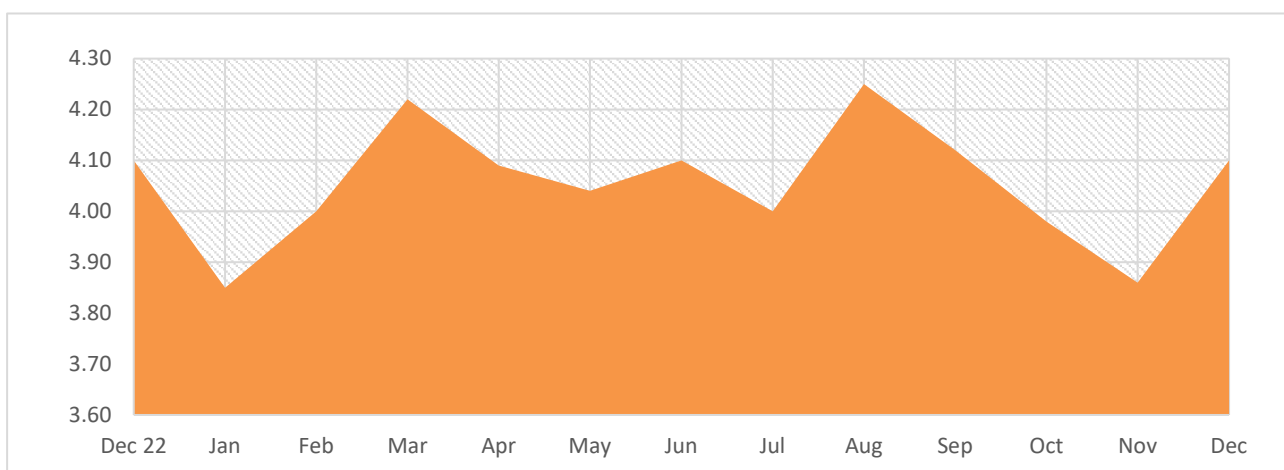
Shareholding & General Information

10. General Information about the Company

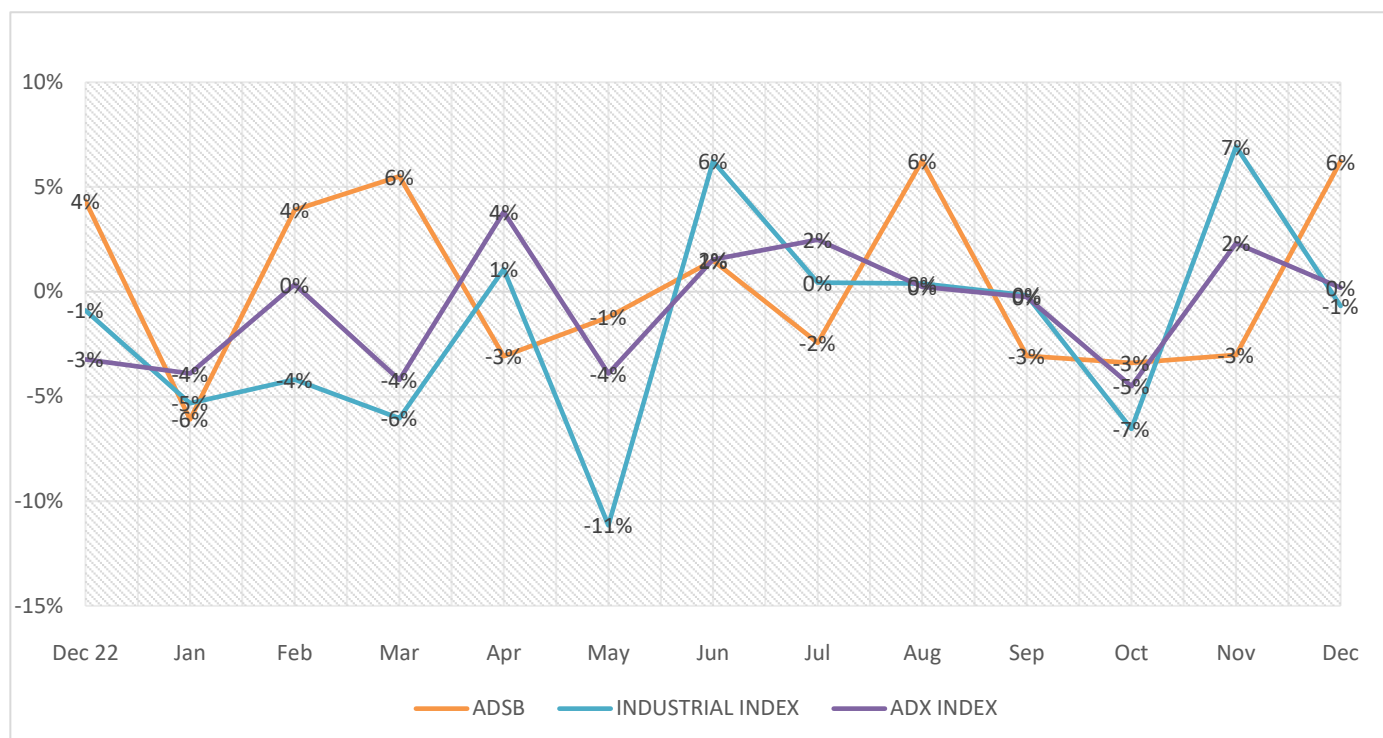
a. Company's share price on the market (closing price - highest price - lowest price) at the end of each month during the fiscal year 2023

MONTH	OPEN (AED)	CLOSE (AED)	HIGH (AED)	LOW (AED)	VALUE (AED) TRADED	VOLUME TRADED	# OF TRADES
01	4.00	3.85	4.08	3.55	13,266,797	3,412,020	590
02	3.86	4.00	4.27	3.71	23,727,916	5,901,769	713
03	3.91	4.22	4.30	3.90	27,034,745	6,553,105	764
04	4.22	4.09	4.25	3.99	3,588,931	870,188	218
05	4.10	4.04	4.25	3.74	10,623,909	2,619,755	463
06	4.07	4.10	4.10	3.90	1,879,837	469,493	219
07	4.11	4.00	4.25	3.86	5,887,785	1,482,833	334
08	3.95	4.25	4.60	3.92	52,128,428	12,051,823	1,278
09	4.25	4.12	4.29	3.90	9,712,469	2,364,757	762
10	4.14	3.98	4.14	3.75	5,820,432	1,464,161	454
11	3.99	3.86	3.99	3.73	2,547,066	648,203	237
12	3.83	4.10	4.10	3.61	6,823,525	1,726,154	442
Total					163,041,840	39,564,261	6,474

b. Company's share price performance during the year 2023



c. Performance of the Company's shares compared to the ADX index and ADX Industrial and financial sector index during 2023



d. Distribution of shareholders' ownership as at 31/12/2023 (individuals, companies, governments) classified as follows: Local, Gulf, Arab, and Foreign:

Shareholder Classification	Percentage of Shares Owned			
	Individuals	Companies	Government	Total
Local	37.62%	5.44%	49.96%	93.02%
Arab	0.81%	0.39%	0.00%	1.20%
Foreign	5.04%	0.74%	0.00%	5.78%
Total	43.47%	6.57%	49.96%	100.00 %

e. Shareholders owning 5% or more of the company's capital as of 31/12/2023:

Name	Number of Shares Owned	Percentage of Shares Owned by the Company's Capital
Edge Defense Platforms & Systems	105,908,000	49.96%
Mohamed Bin Ahmed Bin Saeed Al Qasimi	18,685,902	8.81%
Total	124,593,902	58.77%

f. Shareholders' distribution according to ownership size as of 31/12/2023:

Equity Ownership (Shares)	Number of Shareholders	Number of Shares Owned	Percentage of Shares Owned by Capital
Less than 50,000	5,244	22,983,263	11%
50,000 to less than 500,000	137	21,167,180	10%
500,000 to less than 5,000,000	25	37,241,215	18%
More than 5,000,000	3	130,600,342	62%
Total	5,409	211,992,000	100%

g. Investor Relations

The management is committed to having effective communication between the Company and its shareholders. The Company regularly announces its results to the SCA, the ADX, and shareholders by way of interim management statements, quarterly results, and the annual report and annual financial statements.

Significant matters relating to share trading or business development are disclosed to the SCA, the ADX, and the general public by way of market disclosures and announcements in accordance with the related provisions of applicable laws and regulations, in addition to an Investor Relations page which has been created on the Company's website.

Details and contact information of Abu Dhabi Ship Building Investor Relations Officer:

- **Investor Relations Officer:** Ms. Bushra Abyan
- **Contact Details:**
 - Mobile Number: +971 54 363 3409
 - Phone: +971 2 502 8424
 - Email: bushra.abyan@adsb.ae

h. Annual General Assembly 2023

The Company held its General Assembly Meeting on April 28, 2023 in which the shareholders approved the following matters:

- Board of Directors' annual report for the financial year ending on 31 December 2022.
- External auditors' report on the financial position of the Company for the financial year ending on 31 December 2022.
- Company's balance sheet and profit and loss and financial statements for the financial year ending on 31 December 2022.
- Board of Directors' proposal to distribute cash dividends to shareholders for the year 2022 at the rate of 6 fils per share with a total amount of AED 12.7m.
- Board of Directors' proposal for their remuneration for the year 2022 for the total amount of AED 1.4m.
- Discharge of the members of the Board of Directors from liability for the performance of their duties for the year ending on 31 December 2022.
- Discharge of the external auditors from any liability for the financial year ending on 31 December 2022.
- Appointment of the external auditors of the Company for the financial year ending on 31 December 2023 for total fees of AED 243,200.

i. Emiratisation Percentage in Company as of 2023

In 2023, the Company's Emiratisation percentage was 9% overall.

The Company works in co-operation with local educational institutions and relevant government organisations in order to create long-term employment opportunities for UAE Nationals. Through several programmes like the Ignite Program which provides UAE national graduates with a tailored training and development through on-the-job rotations, professional qualifications, and external training prior to being hired on a permanent basis. The Company also offers sponsorship to other UAE national employees to continue their education while working.

In 2023, the Company started an Emirati technician development programme in collaboration with Abu Dhabi Vocational Education and Training Institute (ADVETI), Nafis, and CMN to second 6-8 skilled employees to CMN France for a duration of (24-30) weeks to learn and transfer the technology of the first Angolan Naval vessel built at CMN France.

EMIRATI TECHNICIAN

DEVELOPMENT PROGRAMME



j. Statement of significant events in 2023

The following is a summary of the key events that took place in 2023 which were disclosed to the ADX market.

February	▪ Resolution of the Board members by circulation for the Appointment of Chairman and Vice Chairman of Board of Directors ▪ Successful participation in NAVDEX exhibition 2023 ▪ Announcement of Abu Dhabi Ship Building PJSC signing Euro 1 Billion contract to supply three 71m corvettes plus other vessels and support services to the Angolan Navy
March	▪ Publication of Financial Results for the Period ended 31 December 31 2022 and Management Discussion and Analysis Report ▪ Board of Directors' Report for the Period Ended 31 December 2022
April	▪ Publication of Sustainability Report 2022 ▪ Publication of Corporate Governance Report 2022 ▪ Annual General Assembly
May	▪ Publication of Financial Results for the Period ended 31 March 2023 and Management Discussion and Analysis Report.
July	▪ Announcement of the Resignation of Vice-Chairman and Appointment of a new Vice Chairman ▪ Resolution of the Board by circulation for the restructuring of the Executive Committee
August	▪ Publication of Financial Results for the Period ended 30 June 30 2023 and Management Discussion and Analysis Report ▪ Resolution of the Board members by circulation for
September	▪ Announcement of Appointment of Board member
October	▪ Announcement of Resolution by Board by circulation for the restructuring of the Board Committees
November	▪ Announcement of Resolution by Board by circulation for the approval of Financial Results for the Period Ended September 30,2023 ▪ Publication of Financial Results for the Period ended 30 September 30 2023 and Management Discussion and Analysis Report

k. Initiatives and Innovations during 2023

ADSB has successfully grown its innovative footprint and emerged as a leading industry player in showcasing new designs and most cutting-edge solutions to the market.

in 2023, the Company unveiled its new 17-meter autonomous Mine Counter Measures vessel. The 17m boat, known as the '170 M-Detector USV', is designed for mine countermeasures (MCM) and anti-submarine warfare (ASW) missions, and can operate as both a manned and unmanned platform. The USV was involved in a live demonstration at NAVDEX 2023.

In addition, the Company also showcased the latest model of Falaj-3 class combatant Offshore Patrol Vessels (OPVs) which is being built for the United Arab Emirates (UAE) Naval Forces. The latest model will have enhanced air defence capabilities as shown at the Naval Service's stand at NAVDEX naval area during the IDEX/NADEX 2023 exhibition.

At the Langkawi International Maritime and Aerospace Exhibition (LIMA 2023) in Malaysia on May 2023, ADSB announced its new 92m Corvette design, a fast and powerful vessel designed by ADSB. Built and equipped for a wide range of littoral missions, the dynamic multi-domain vessel features a helideck and hangar, unmanned aerial vehicle (UAV) operational capability, two rigid-hull inflatable boats, various combat systems, electronic warfare (EW) system, and a wide range of countermeasures.

At the Abu Dhabi International Boat Show (ADIBS 2023), the Company showcased its latest innovation, the 24-A houseboat. The ADSB 24-A houseboat brings all the conveniences, amenities and build quality of conventional living to the unlimited horizons of the sea and is built using the latest construction technologies.



This report is governed by the Resolution of the Board of the Securities and Commodities Authority (SCA) No. 3/Chairman of 2020 as amended from time to time on the Corporate Discipline and Governance Standards of Public Joint Stock Companies (Resolution 3/2020), and the format of this report is as prescribed by SCA.

The Report has been filed with the Securities and Commodities Authority and posted on Abu Dhabi Exchange in addition to the ADSB's website.



2023

SUSTAINABILITY

REPORT

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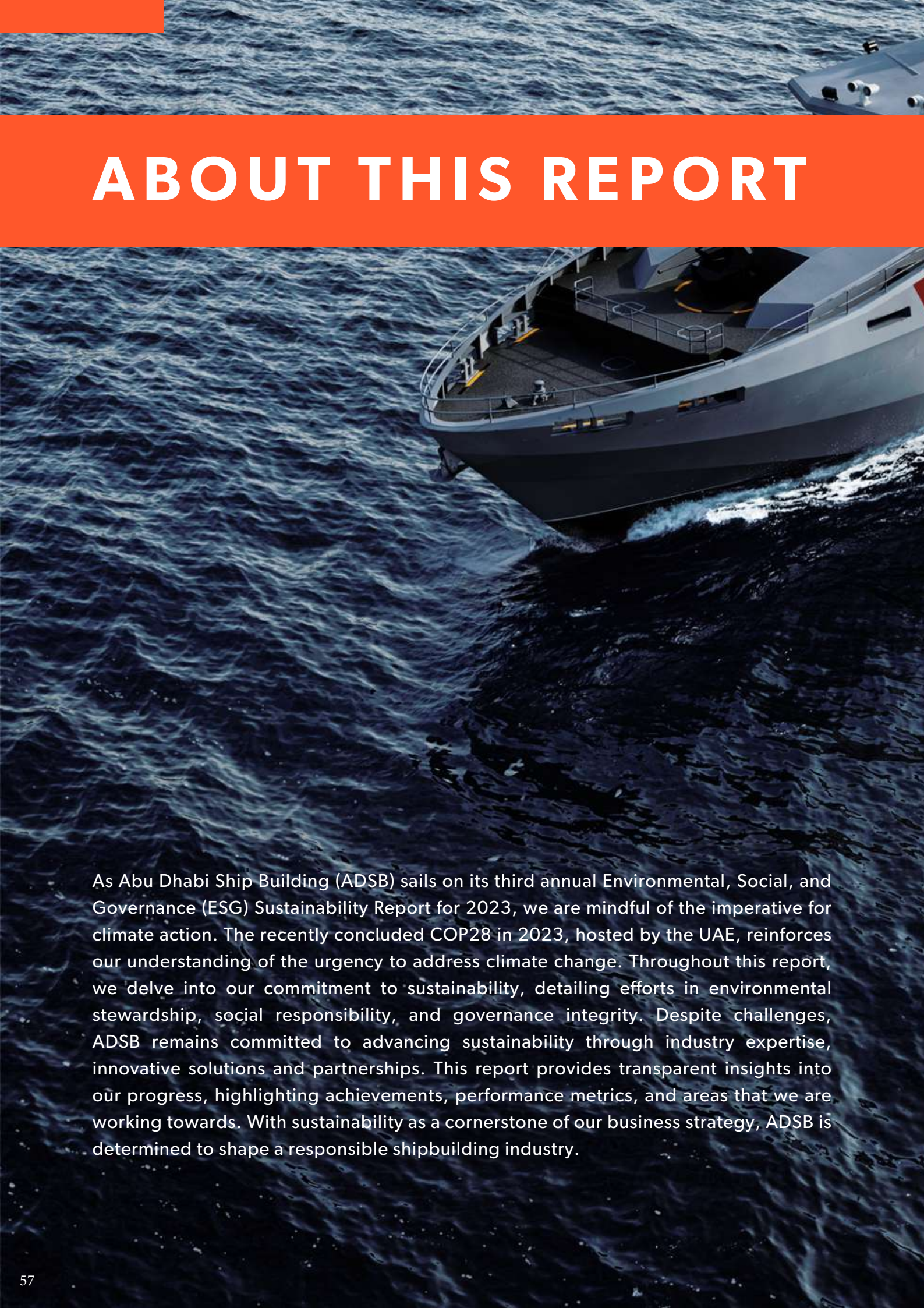
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ABOUT THIS REPORT

As Abu Dhabi Ship Building (ADSB) sails on its third annual Environmental, Social, and Governance (ESG) Sustainability Report for 2023, we are mindful of the imperative for climate action. The recently concluded COP28 in 2023, hosted by the UAE, reinforces our understanding of the urgency to address climate change. Throughout this report, we delve into our commitment to sustainability, detailing efforts in environmental stewardship, social responsibility, and governance integrity. Despite challenges, ADSB remains committed to advancing sustainability through industry expertise, innovative solutions and partnerships. This report provides transparent insights into our progress, highlighting achievements, performance metrics, and areas that we are working towards. With sustainability as a cornerstone of our business strategy, ADSB is determined to shape a responsible shipbuilding industry.

KEY ACHIEVEMENTS

Effectivity of the signed EUR 1 Billion major contract for building three BR71 MKII 71-meter corvettes, patrol boats and logistical support for Angolan Navy

Award of 24 Search and Rescue Boats & 5 Sea Trooper Boats from NGC

AED 1.258 billion revenue, an increase of 91% from 2022.

Since 2022, we've intensified employee development by doubling our training hours and promoting a culture of ongoing learning

Continue to maintain diversity on the board, including the presence of one female board member



Letter of Award to build 65 meter for AED 250M for NGC

2-year extension of MSS (2023-2024) for UAE Navy

AED 40.4 million net profit, an increase of 97% from 2022.

We have consistently reduced injury rates through diligent safety measures, reflecting our commitment to health and safety

MESSAGE FROM THE CHAIRMAN



As stewards of progress, it is our duty to navigate the waters of industry with a compass calibrated for sustainability. With each decision, we chart a course towards a future where the legacy of our endeavors is measured not only by profitability but also by the harmony we achieve with our planet and its inhabitants.



Under the wise guidance of our leaders, the UAE has consistently demonstrated a forward-thinking approach, embracing a vision that extends beyond borders and time. Through initiatives like UAE Vision 2021, UAE Centennial 2071 and Abu Dhabi Vision 2030, our nation has set ambitious goals to address current challenges and ensure sustainable prosperity for future generations. As we express our gratitude, let us also acknowledge the UAE's role in promoting international collaborations, advocating for responsible resource management, and championing the development of sustainable solutions. The remarkable achievements attained under the visionary leadership of the UAE evidenced the power of determination, foresight, and a commitment to a sustainable and prosperous future for all.

In embracing the principles outlined in the UAE's visionary initiatives, we find inspiration and a collective call to action, encouraging us all to contribute towards a world that prioritizes sustainability, resilience, and the well-being of our planet.

This year has been pivotal, marked by significant milestones in sustainability and global climate action. As we reflect, it is impossible to overlook the historic significance of COP28, hosted in the UAE this year.

This momentous event brought global leaders together to address the urgent threat of climate change. The discussions and commitments made during COP28 highlight the critical need for decisive action to mitigate the impacts of climate change and transition towards a sustainable future.

At ADSB, we recognize our role and responsibility in this endeavor. Our commitment to sustainability is relentless, and is ingrained in every facet of our operations. Throughout 2023, we continued to prioritize sustainability initiatives, from enhancing health and safety in our shipbuilding operations to promoting responsible waste management practices. We leveraged innovation and technology to minimize our environmental footprint while maximizing the positive impact on our communities. We strengthened our partnerships with stakeholders, engaging in meaningful dialogue and collaboration to drive positive change.

As we look to the future, we remain dedicated to our commitment to sustainability and corporate responsibility. We are confident that by aligning our business objectives with the principles of sustainability, we can create long-term value for our shareholders, stakeholders, and society at large.

On behalf of the Board of Directors, I would like to express my sincere gratitude to our employees, partners, and stakeholders for their relentless support and dedication. Together, we will continue to chart a course towards a brighter, more sustainable future.

KHALED AHMED ALI MOHAMED ALZAABI
Chairman - Abu Dhabi Ship Building

MESSAGE FROM THE CEO



“

Within the realm of shipbuilding we weave together innovation, resilience, and sustainability into the very fabric of our oceans. Each vessel represents not only our commitment to excellence but also our dedication to preserving the seas for generations to come.

”

I am delighted to report that Abu Dhabi Ship Building (ADSB) has achieved significant milestones in its sustainability journey over the past year. Committed to leading our industry toward sustainable practices, this report demonstrates our progress and achievements. In recognizing the responsibility of the shipbuilding and ship repair industry to minimize its environmental footprint, ADSB has a vision to construct ships that are safe and environmentally friendly and sustainable.

Throughout 2023, ADSB implemented several initiatives aimed at reducing our carbon footprint. This included optimizing operations to minimize fuel consumption, enhancing air quality, and creating more green spaces within our facilities. We've continued to implement our Waste Management and Reduction Plan (WMRP) focused on minimizing environmental impact and landfill waste, promoting sustainability throughout our workplace.

Our commitment to deploying the latest technologies which has allowed us to secure notable contracts, including the largest export order in our company's history in 2022, led to nearly doubling our revenues and net profits from 2022 to 2023. These achievements highlights our dedication to delivering high-quality, innovative, and sustainable solutions that align with the values and needs of our clients.

I am proud to reaffirm our commitment to prioritizing social factors and people within our organization. We recognize that our success hinges on the well-being and diversity of our workforce, and we remain dedicated to promoting a culture of inclusivity, support, and growth for all. Our commitment to diversity and promoting an inclusive workplace is reflected in the steady growth of nationalities over the years within our company.

Emphasizing health and safety as our top priority, our sustained reduction in injury rates over the years highlights our commitment to employee well-being, achieved through the diligent implementation of effective safety measures.

ADSB remains dedicated in its commitment to achieving the ambitious goals outlined by the UAE for 2050. We will continue to advance our efforts in sustainability, ensuring a secure and sustainable future.

We express our gratitude to our stakeholders for their continued support and confidence, and we eagerly anticipate continuing our journey towards an even greener and more sustainable future for the generations to come.

DAVID MASSEY
CEO - Abu Dhabi Ship Building



ABOUT ABU DHABI SHIP BUILDING

ADSB AT A GLANCE

49.96%

EDGE/ Abu Dhabi Government

50.04%

Private Investors

Abu Dhabi Ship Building (ADSB) is a leading shipbuilding and ship repair company based in Abu Dhabi, UAE. Established in 1995, ADSB has grown to become a prominent player in the shipbuilding industry, renowned for its expertise in constructing and maintaining a wide range of naval and commercial vessels.

ADSB's state-of-the-art shipyard facilities are equipped with advanced technologies and modern infrastructure, allowing the company to undertake complex shipbuilding and repair projects with precision and efficiency. The company's capabilities span the entire lifecycle of a vessel, from design and construction to maintenance, repair, and overhaul.



Recognizing the importance of reducing the shipbuilding industry's carbon footprint, we encourage the development of environmentally friendly and energy-efficient vessels. This also aligns with the UAE's broader sustainability goals and supports the transition towards a greener and more sustainable shipbuilding sector. ADSB's reputation for excellence and reliability has earned it numerous accolades and certifications over the years. Our dedication to quality and customer satisfaction is evident in our track record of delivering projects on time, while adhering to the highest safety and quality standards.

As a key contributor to the UAE's shipbuilding sector, ADSB plays a vital role in supporting the country's economic growth and national security. Through its continued investment in people, technology, and sustainable practices, ADSB remains well-positioned to maintain its status as a leading shipbuilding and ship repair company in the region and beyond.

OUR PURPOSE

To be the region's leading naval & commercial shipyard, offering unmatched service, innovation skill

OUR CORE VALUES



Quality: We offer highly-efficient and reliable product & service delivery while maintaining industry leading health, safety & environmental standards



Innovation: We are motivated to continually develop the latest advanced solutions to create greater impact for our customers



Partnership: We work together with our employees, customers & partners towards coordinated growth and success

We provide exceptional reliability, operational simplicity, and cost-effectiveness through five potent facilitators.



**SUPERIOR DESIGN
SELECTION**



**SKILLED WORKFORCE
WITH EXTENSIVE
TECHNICAL EXPERIENCE**



**WORLD-CLASS
SHIPYARD
FACILITIES**



**EXCEPTIONAL
INTEGRATION
CAPABILITIES**



**PRECISION STEEL
FABRICATION**

WHAT DO WE OFFER?



NEW BUILD



REPAIR



MAINTENANCE



REFIT



CONVERSION



ENGINEERING CONSULTANCY



SUSTAINMENT



REFURBISHMENT



ADVANCED TECHNOLOGY

FACILITIES & CAPABILITIES

We provide a range of logistics and workshop support services to manage your equipment and supply chain systems, and operate your workshops. Our offerings have already helped to increase the defence capabilities of the UAE. Leveraging our advanced equipment portfolio, we build and service vessels that strengthen our customers' naval and shipbuilding fleets.



SEA OF OPPORTUNITIES

SECURING OUR SEAS SINCE 25+ YEARS

Developing advanced maritime capabilities is essential for national sovereignty and economic prosperity, specially for countries with extensive coastlines and strategic maritime interest like the UAE. ADSB specializes in constructing vessels for naval and commercial use, and possesses the technical and operational expertise to service vessels of all sizes, whether they are involved in littoral warfare, patrol operations or protecting exclusive economic zones.

Aligned with the UN Sustainable Development Goals, ADSB is committed to sustainability and eco-friendly practices. As we strive towards zero-waste operations and zero-emission ships, our aim is to contribute to a more sustainable future.

OUR VALUE CREATION MODEL



IMPACTING UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

KEY AMBITIONS

Circular Economy Practices

Implement circular economy principles for resource efficiency.

Ethical Supply Chain

Ensure ethical standards are maintained by our suppliers across the entire supply chain

Renewable Energy Integration

Incorporate renewable energy sources into operations.

Enhanced Employee Well-being

Prioritize employee well-being and engagement in sustainability efforts.

Ocean Conservation:

Contribute to marine conservation through responsible practices.

Stakeholder Education:

Educate stakeholders on sustainable practices and their impact.

ICV

Enhance In-Country Value (ICV) by directing a greater share of expenditures towards the national economy.



INTEGRATING SUSTAINABILITY

Prioritizing the health and safety of our people and communities, as reflected in our commitment to reducing injury rates.

Building transparent and accountable supply chains, we actively monitor our raw material sourcing and subcontracts. All potential partners must adhere to our stringent Quality, Health, Safety, and Environment (QHSE) policies. Our focus is also on increasing In-Country Value (ICV).

Optimizing production to minimize waste, water use, and CO2 emissions, with a comprehensive waste generation plan for a sustainable future.

Our Suppliers are categorized into OEMs and Non-OEMs products and service providers.

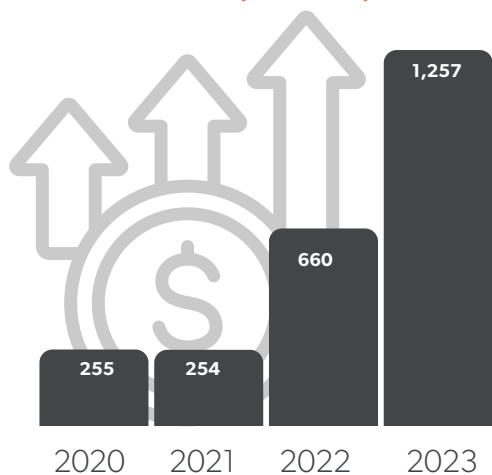


2021-	2022-	2023-
96%	51%	86%
OEM Suppliers		

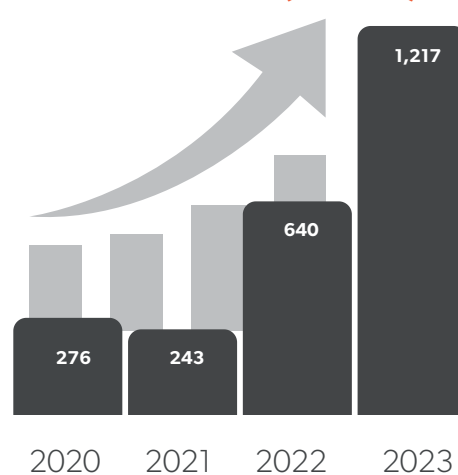
16.8% of our spending was on local suppliers in 2023.

FINANCIAL PERFORMANCE

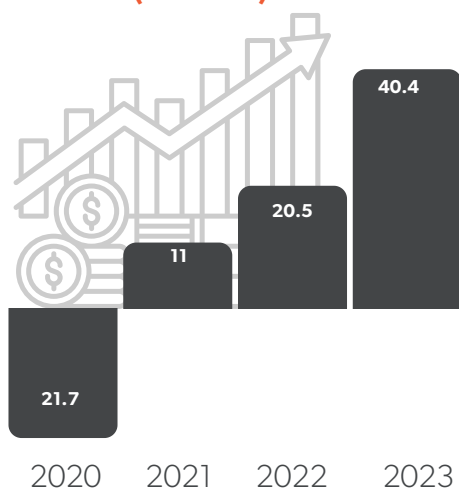
Total Revenues (Mn AED)



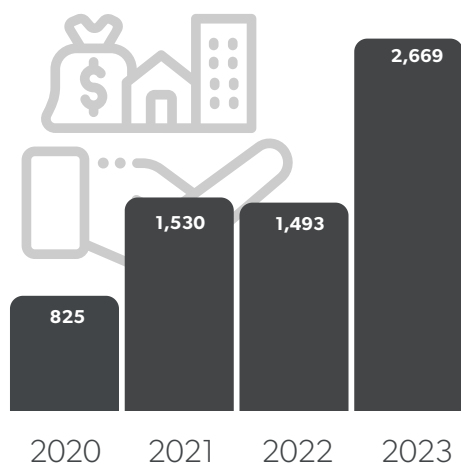
Total Cost Incurred (Mn AED)



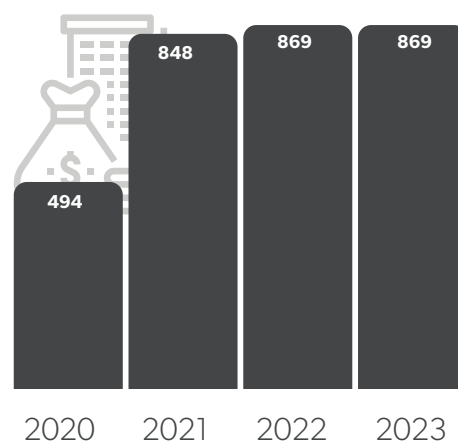
Net Profits (Mn AED)



Total Assets (Mn AED)



Market Capitalization (Mn AED)



KEY ORDER

INTAKES OF 2023

Effectivity of the signed EUR 1 billion major contract for building three BR71 MKII 71-meter corvettes, patrol boats and logistical support for the Angolan Navy

1

Letter of Award to build 65 meter for AED 250M for NGC

2

NGC Awarded 24 Search and Rescue Boats & 5 Sea Trooper Boats

3

MSS Two Year Extension for UAE Navy

4

MARITIME PRESS ROOM

ADSB signs EUR 1 billion contract to build 3 BR71 MKII corvettes and a range of other vessels to the Angolan Navy



ADSB launches 170 M-Detector USV at IDEX 2023



ADSB holds keel laying ceremony for the first FALAJ3 vessel



ADSB to build 12-meter and 16-meter Fast Patrol Boats for NGC in AED 175M deal



ADSB announces building two 28-metre vessels for ADNOC Logistics and Services PLC, a global energy maritime logistics leader



ADSB showcases ADSB 24-A houseboat at Abu Dhabi International Boat Show (ADIBS) 2023



CERTIFICATIONS AND RATINGS



ISO 14001:2015 - Environmental Management Systems



ISO 9001:2015 - Quality Management



ISO 45001:2018- Occupational Health and Safety



OSHAD - Occupational Health and Safety

PLANS



Establish sustainability committee in 2024 with formal charters and responsibilities.



Work towards achieving 1-2% Overall GHG Emission Reductions year-on-year.



Strive for sustainable materials sourcing practices where possible, assessing suppliers on environmental, social and ethical standards.



Minimize waste generation in shipbuilding processes through efficient material usage, recycling initiatives, and responsible waste management practices.



Incorporate water-saving and recycling technologies and practices into ship design and construction, aiming to minimize water consumption during manufacturing processes.



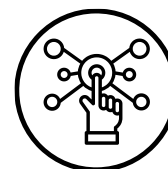
Engage with stakeholders, including customers, suppliers, and regulatory bodies, to understand their needs and expectations more in detail, and encourage sustainable practices in the shipbuilding industry.



Invest in research and development initiatives aimed at advancing sustainable shipbuilding technologies and practices.



Continuously monitor and evaluate the environmental impact of shipbuilding operations, seeking opportunities for improvement and innovation to further enhance sustainability efforts.



To increase digitalization

An underwater photograph of a coral reef. The top half of the image shows the water surface with ripples and light filtering through. The bottom half shows a dark, rocky reef structure with various coral formations and small fish swimming around. A bright orange horizontal bar is positioned across the middle of the image, containing the title text.

ENVIRONMENTAL STEWARDSHIP



GHG ANALYSIS

At ADSB, we recognize the importance of safeguarding our planet's natural resources and minimizing our environmental impact. Our commitment to environmental stewardship outlines the initiatives and practices we have implemented to promote sustainability throughout our operations - enhancing energy efficiency, reduce emissions, minimize waste, and protect biodiversity.

As a leading shipbuilding and repair company, we understand the significant role that the shipbuilding industry plays in global environmental health. Therefore, we are dedicated to adopting innovative approaches and technologies that reduce our ecological footprint while contributing to the preservation of marine ecosystems.

The global shipping industry faces a significant challenge in reducing its environmental footprint. To address this, the International Maritime Organization (IMO) adopted a new strategy in 2023 aiming for at least a 50% reduction in greenhouse gas emissions by 2050 compared to 2008 levels. This ambitious goal necessitates a multifaceted approach, with shipbuilders playing a pivotal role in developing and deploying the next generation of sustainable vessels.

The IMO strategy emphasizes the importance of accelerating the development and deployment of zero-emission vessels (ZEVs). This presents a significant opportunity for shipbuilders to invest in research and development, embrace innovative technologies, and contribute to the creation of a cleaner maritime industry.



A recent report by the International Council on Clean Transportation (ICCT) in 2023 demonstrated the potential of wind-assisted propulsion systems to reduce CO2 emissions from bulk carriers by up to 10%. This exemplifies the potential of technological advancements in achieving emission reduction goals. Realizing the full potential of such technologies requires close collaboration between shipbuilders, technology providers, and policymakers. By promoting an environment of innovation and collaboration, the industry can accelerate the development and adoption of sustainable solutions, ensuring a cleaner future for the maritime sector.

As a pioneer in the shipbuilding industry in the region, ADSB is committed to playing its part. We are actively exploring sustainable shipbuilding practices, collaborating with technology providers, and exploring policies that support the development and deployment of clean technologies. We believe that through collective action, the shipbuilding industry can navigate towards a sustainable future and contribute to a healthier planet.

At ADSB, environmental stewardship is not just a responsibility, it is a core value that guides our decision-making and drives us to continuously improve. We believe that prioritizing sustainability can create a more resilient and thriving future.

Our Environmental Initiatives



Installed three EV charging stations in our yard for employees to freely use, promoting the adoption of electric vehicles among our employees and reducing emissions.



Procured five electric forklifts promoting a reduction in emissions from diesel forklifts.



Procured three electric Polaris vehicles for security, contributing to a cleaner transportation fleet.

2024 Plans



We plan to establish a dedicated sustainability committee to take charge of our environmental initiatives and ensure a greener future through collective action and innovative strategies.

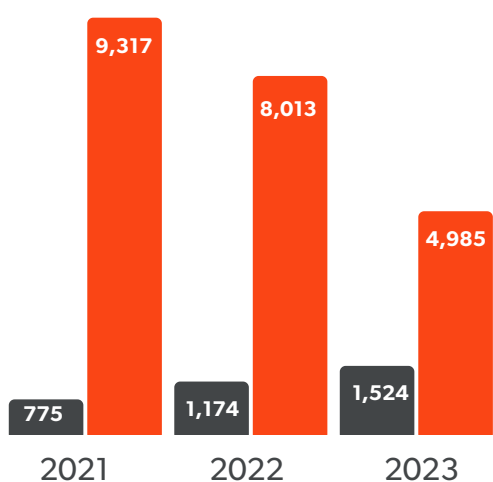


Aim to procure two more electric Polaris vehicles in 2024 for health and safety purposes, highlighting our commitment to sustainability and reducing our carbon footprint.

GHG EMISSIONS

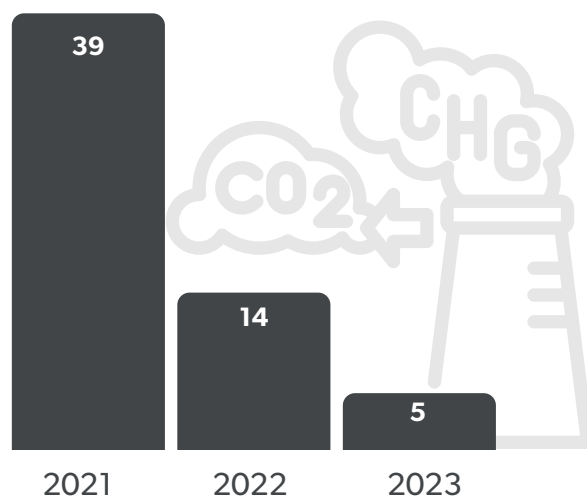
In this section, we outline our efforts in analyzing and mitigating greenhouse gas (GHG) emissions. We conduct a thorough assessment of emissions from all operations, identifying key sources and implementing strategies to reduce our carbon footprint. By investing in energy-efficient technologies and promoting sustainable practices, we strive to minimize our environmental impact and contribute to global climate change mitigation efforts. Through transparency and continuous improvement, we are committed to building a greener, more sustainable future.

GHG Emissions (Direct and Indirect)



■ Scope 1 - Direct GHG Emissions (in tCO2e)
 ■ Scope 2 & 3 - Indirect GHG Emissions (in tCO2e)

GHG Emissions Intensity



Total GHG Emissions Intensity with respect to revenue earned (in tCO2e/Mn AED)

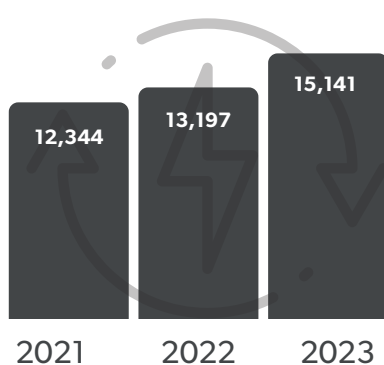
Operational Emissions

	2021	2022	2023
NOx	20.6ml/m3	466.6ml/m3	14.64ml/m3
SOx	14.4ml/m3	1ml/m3	1.33ml/m3
Volatile organic compounds (VOC)	1.6ppm	79.8ppm	6.13ppm
Particulate matter (PM)	98.35ppm	—	79.38ppm

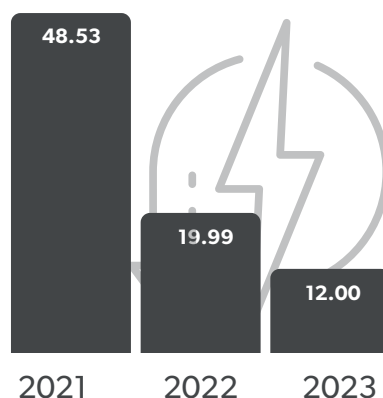
ENERGY MANAGEMENT

We strive to optimize energy usage, reduce consumption, and enhance efficiency across our operations. By implementing innovative technologies and promoting a culture of energy conservation, we aim to minimize our environmental footprint while ensuring operational sustainability. Through ongoing monitoring, evaluation, and improvement initiatives, we are committed to achieving our energy efficiency goals and contributing to a more sustainable future.

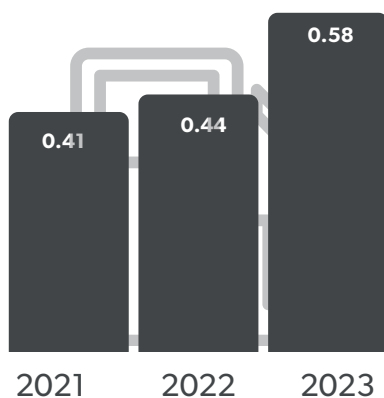
Electricity Consumption in MWh



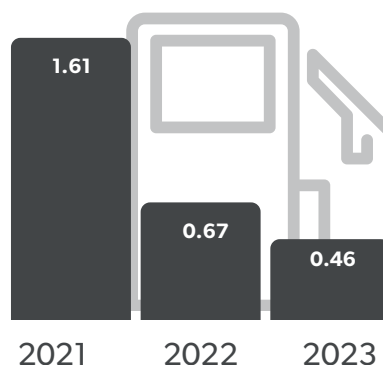
Electricity Intensity (in MWh/Million AED)



Fuel (Petrol and diesel) consumption in Megalitres



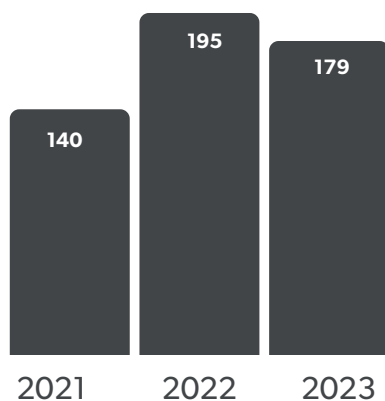
Fuel Intensity (in Megalitres/ Million AED)



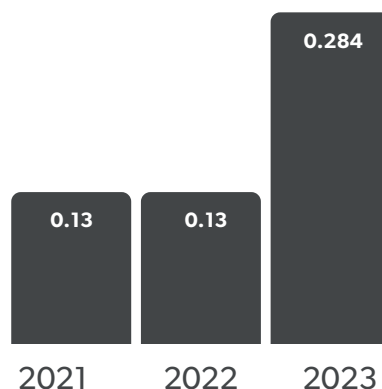
WATER MANAGEMENT

Water is a vital resource that plays a crucial role in our shipbuilding operations and the marine environments where our vessels operate. At ADSB, we recognize the importance of responsible water management as an integral part of our sustainability efforts. We track our water usage and work towards pollution prevention and conservation initiatives across our operations.

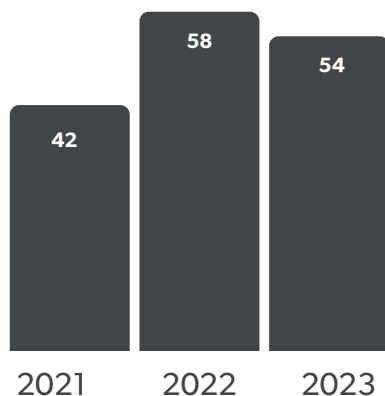
Water Consumption from ADDC in Megalitres



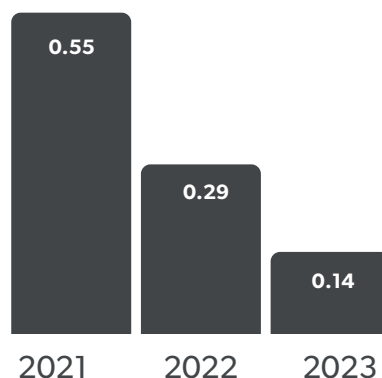
Drinking Water Consumption in Megalitres



Water discharged in Megalitres



Water Intensity (in Megalitres/ Million AED)



WASTE MANAGEMENT

At ADSB, we recognize the importance of managing waste responsibly as an essential component of our commitment to sustainability. From our shipbuilding processes to our daily operations, we understand the significance of minimizing waste generation, promoting recycling, and reducing our environmental impact. We make efforts to implement effective waste management strategies that prioritize resource conservation and environmental stewardship. We aim to minimize waste generation, optimize recycling practices, and ensure proper disposal of waste materials. In our commitment to environmental stewardship, we have implemented a comprehensive Waste Management and Reduction Plan. Our priority lies in maximizing reuse opportunities, followed by waste reduction, recycling, and minimal landfill disposal. By adhering to this plan, we aim to mitigate our environmental footprint while ensuring responsible waste disposal practices.

By embracing a circular economy approach and striving for continuous improvement, we aim to minimize our waste footprint and contribute to a cleaner, more sustainable future for our company, our stakeholders, and the communities in which we operate.

OUR WASTE REDUCTION MEASURES -



Comprehensive
recycling program



Train employees on
waste minimization



Collaborate with suppliers
to reduce packaging waste



Implement lean
principles to reduce
inefficiencies



Find ways to reuse
surplus materials



Encourage a culture of
innovation for waste
reduction

WASTE REDUCTION GOALS

- 01** Mitigate environmental impact by diverting waste away from landfills and employing eco-friendly disposal methods.
- 02** Continuously evaluate opportunities for waste reduction, reuse, recycling, and recovery strategies.
- 03** Establish and track targets for waste recycling to achieve an annual reduction of 20%.
- 04** Ensure adherence to local laws, regulations, and industry best practices to uphold environmental protection and promote sustainable operations.
- 05** Reduce the negative environmental impacts of our waste.
- 06** Reduce landfill waste
- 07** Implement a sustainable waste management and reduction program in the workplace

ADSB prioritizes environmental sustainability and acknowledges the critical importance of responsibly handling and disposing of waste produced during its operations. The company generates various types of waste, including inert waste from street sweeping and agricultural activities, oily water waste from vessels, sewage water waste from vessels, food waste from its mess hall, and copper and slag grit waste from sandblasting activities. These waste materials present significant environmental and health risks if not managed properly. To ensure compliance with environmental regulations and proper waste disposal, ADSB collaborates with Tadweer-approved subcontractors. The company renews its waste management license annually with Tadweer. ADSB arranges for landfill disposal of general waste from administrative buildings, camp accommodations, and workshops through contracted service providers. Medical waste generated at the ADSB Clinic undergoes proper disposal through a medical waste contractor for facility treatment. Through these initiatives, ADSB demonstrates its dedication to environmental protection and the advancement of a sustainable future.



Recycle bins at office premises



Workshop Area



Car parking Area

SOCIAL STEWARDSHIP



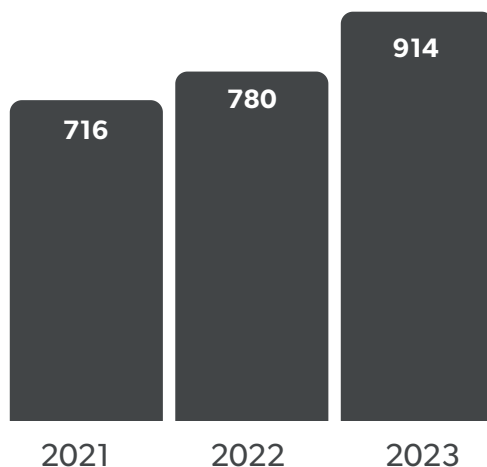


In line with our vision to be a sustainable and socially responsible entity, we prioritize the well-being, development, and diversity of our employees. Through strategic initiatives and ongoing investments in our workforce, we aim to promote a culture of innovation, inclusion, and excellence. Our efforts are in areas such as talent management, employee engagement, health and safety practices, training and development programs, as well as our commitment to promoting diversity, equity, and inclusion within our organization. As we navigate the dynamic landscape of the shipbuilding industry, our employees remain central to our ability to adapt, grow, and thrive sustainably. Through transparent reporting and accountability, we aim to demonstrate our dedication to upholding the highest standards of ethical conduct, employee well-being, and professional development.

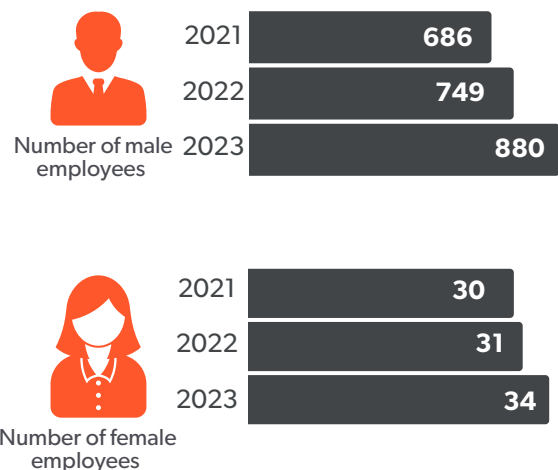
HUMAN ASSETS

At Abu Dhabi Ship Building (ADSB), we recognize that our greatest strength lies within our people. As a leading shipbuilding and ship repair facility in the region, we understand the pivotal role our workforce plays in achieving our sustainability goals and driving organizational success. We are dedicated to establishing a comprehensive and peaceful workplace, where positivity thrives, and productivity naturally flourishes. Our commitment is to unlock the full potential of our team, ensuring a fulfilling career journey with us. Embracing diversity without any form of discrimination, we prioritize the well-being of our employees. In our pursuit of excellence, we aim to provide professional growth and strive to create an atmosphere that resonates with our team's individual strengths, encouraging a harmonious and collaborative work environment. To ensure adherence to anti-corruption measures, we ensure that all our employees receive regular communication through the webmaster.

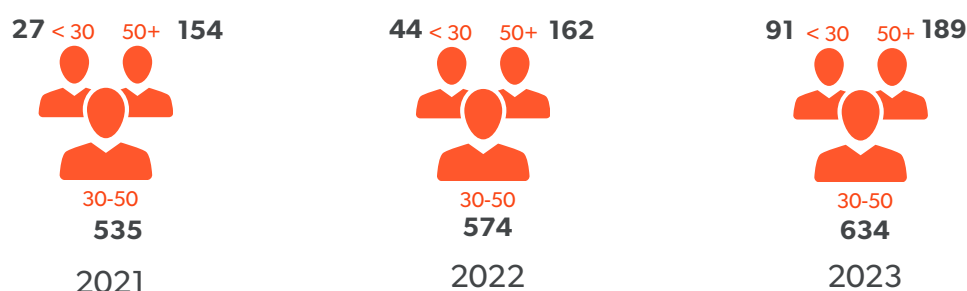
Total number of employees



Number of employees by gender



Total Employees by age group



WORK LIFE BALANCE

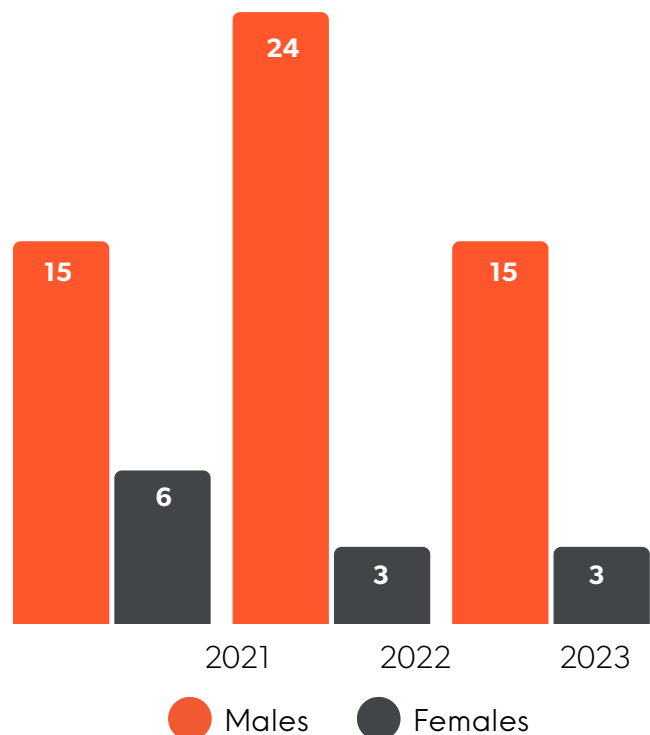
Our organization is dedicated to nurturing a workplace culture that places a high value on the well-being and happiness of our employees. We understand the challenges of balancing work and personal life, and we are firmly committed to supporting our staff in achieving a healthy equilibrium. To this end, we offer a variety of benefits tailored to meet the diverse needs of our team members. These include flexible work arrangements, encouragement of personal time off, inclusive parental leave policies for all genders, and provision of resources to facilitate a balanced lifestyle. Through our emphasis on work-life balance, we aim to cultivate a positive work environment where our employees can flourish and reach their utmost potential.



100%

Retention Rate of
employees who took
Parental Leaves in 2023

Employees taking Parental Leaves



EQUAL OPPORTUNITY AND DIVERSITY

At Abu Dhabi Ship Building, we support a workplace culture founded on the principles of equal opportunity and diversity. We firmly believe that every individual brings unique perspectives and strengths to our organization, contributing to a dynamic and innovative work environment. Our commitment to promoting diversity extends beyond mere acceptance, as we actively seek to create an inclusive space that values and celebrates differences.

By maintaining equal opportunity, we ensure that all employees, regardless of background, have an equal chance to grow, excel, and contribute to our collective success. This dedication to diversity enhances our organizational strength and reflects our belief in the power of a varied and inclusive workforce.

Cultural Diversity

Multiculturalism



Gender Diversity

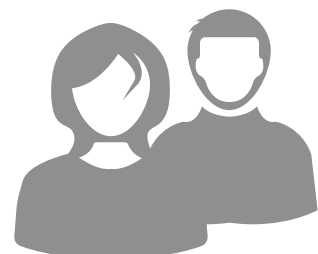
Gender Equality



Number of Nationalities

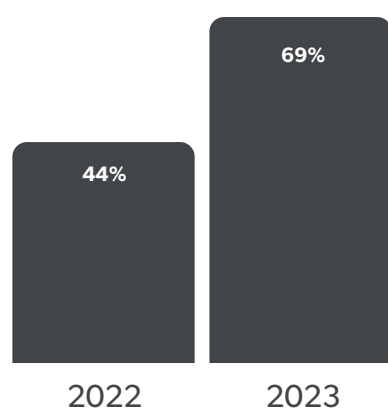


Women to Men Compensation Ratio

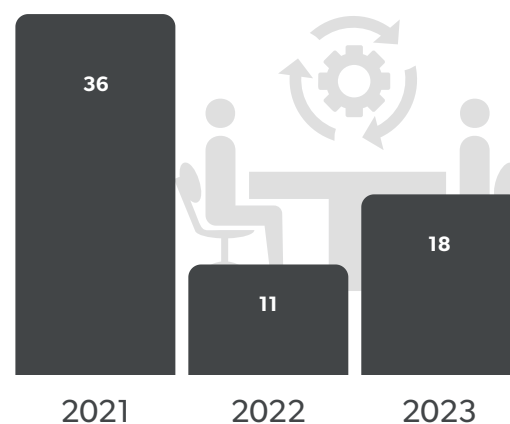


3.08:1

Proportion of senior management personnel hired from the local community



Total enterprise headcount held by contractors and/or consultants



OUTSOURCING SKILLED RESOURCES

We acknowledge the importance of technical proficiency in our field. To uphold top-notch quality and effectiveness in our operations, we enlist external experts for our projects. Our dedication to excellence drives us to collaborate with these professionals on a project-by-project basis, ensuring outstanding outcomes that fulfill the requirements of our clients and stakeholders.

External Skilled Workforce



6%
2021



4%
2022



5%
2023

HEALTH & SAFETY

At Abu Dhabi Ship Building, the well-being of our employees is paramount, and we are deeply committed to maintaining a safe and healthy workplace environment. Our robust health and safety practices are designed to safeguard the physical, mental, and emotional well-being of everyone within our organization.

We adhere to stringent safety protocols, ensuring compliance with industry regulations and best practices. Through comprehensive training programs and regular risk assessments, we empower our employees to identify and mitigate potential hazards proactively.

We firmly believe that a safe and healthy workforce is essential for achieving sustainable business success and fulfilling our commitment to corporate responsibility.

Providing a healthy environment for our employees through:



Ongoing Training:

Provide continuous safety training to educate employees on accident prevention and injury mitigation



Supervision:

Increase supervision to ensure adherence to safety protocols and address unsafe behaviors promptly



PPE Usage:

Mandate consistent use of Personal Protective Equipment (PPE) to minimize injury risks

**Health Monitoring:**

Regularly monitor employee health for early identification of safety risks

**Equipment Know-How:**

Ensure proper installation and maintenance knowledge of equipments

**Material Safety:**

Use safe materials to reduce exposure to hazardous substances

**Safety Culture:**

Promote a culture of safety and reward compliance

**Feedback Mechanism:**

Establish channels for employees to report safety concerns

**Continuous Improvement:**

Review and update safety measures based on feedback and incidents

**Incident Investigation:**

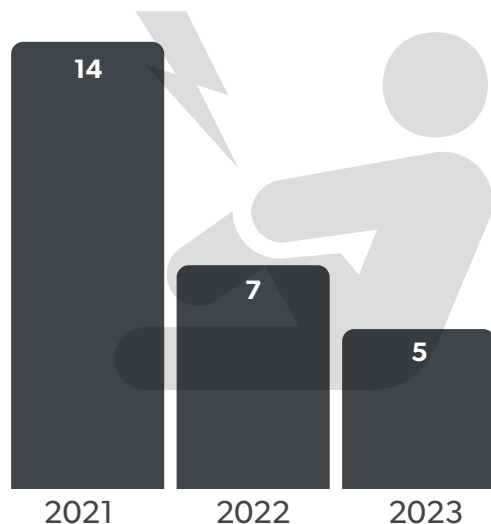
Conduct thorough investigations to prevent recurrence

SOLAS (SAFETY OF LIFE AT SEA)

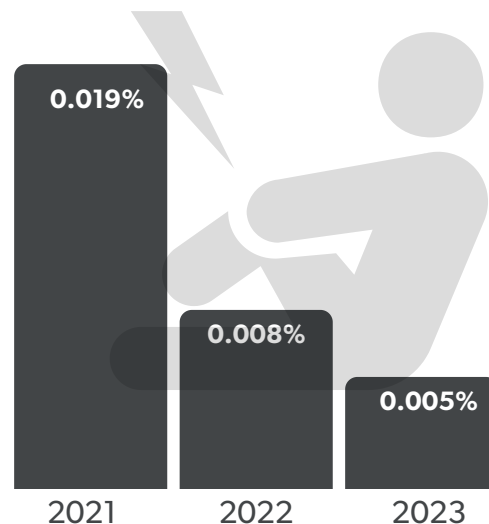
In alignment with the Safety of Life At Sea (SOLAS) convention, which establishes international standards for maritime safety, we construct our vessels in strict adherence to the safety protocols. The recruitment of our security personnel is outsourced, and their performance undergoes rigorous monitoring and evaluation based on key performance indicators (KPIs). It is mandatory for them to follow ADSB's policies, procedures, and Management Information Systems (MIS) to ensure compliance with fundamental human rights related to safety and the environment. We outsourced 23 security personnel in 2023.

We conduct regular training sessions in collaboration with our Fire Fighting and Health, Safety, and Environment (HSE) teams to equip our security personnel with the skills to effectively handle emergency situations. By prioritizing the safety and security of both our employees and assets, we are promoting a positive work environment that instills confidence and peace of mind among our staff.

Total number of injuries



Injury rate (In %)



The consistent decrease in the total number of injuries over the years highlights our dedication to the health and safety of our employees, demonstrating our commitment through the implementation of appropriate measures.

OCCUPATIONAL HEALTH AND SAFETY

Our commitment to maintaining a safe and healthy workplace is evident through our adherence to strict guidelines.

Our indoor air quality parameters align with the Occupational Safety and Health Administration in Abu Dhabi (OSHAD) guidelines, ensuring a conducive indoor environment.

Noise level monitoring is in accordance with OSHAD SF guidelines, and guarantees a work environment that meets established safety standards.

Additionally, our regular Flue Gas emission monitoring, conducted in accordance with the Federal Environmental Agency of the UAE, ensures compliance with regulations safeguarding air quality.

These tests are undertaken routinely, and our results consistently fall within the prescribed limits, reinforcing our dedication to upholding the highest standards in workplace health and environmental protection.



TRAINING AND DEVELOPMENT

Recognizing that our greatest asset is our talented workforce, we are committed to the ongoing growth and development of our employees. Our Training and Development initiatives are designed to enhance individual skills and align with the evolving needs of the shipbuilding industry.

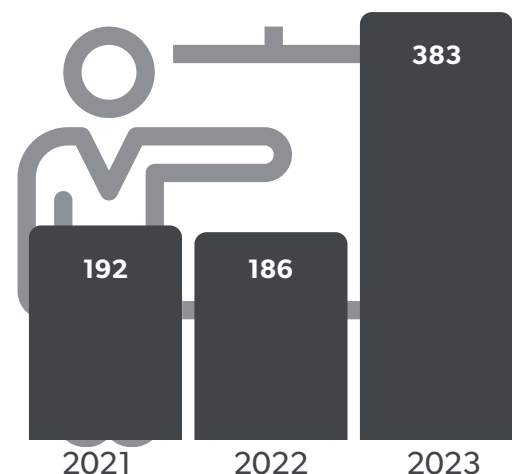
We prioritize a culture of continuous learning, offering a range of professional development opportunities that empower our team to stay ahead in their respective fields. From specialized technical training to leadership programs, we invest in equipping our employees with the knowledge and skills necessary to navigate the complexities of the shipbuilding sector successfully. Through mentorship programs and development plans, we strive to provide a pathway for our employees to achieve their professional goals within our organization. By nurturing a learning ecosystem, we aim to create a workforce that is agile, innovative, and well-prepared for the challenges of the future.

We conducted obstacle refreshment training for our outsourced security personnel in 2023.

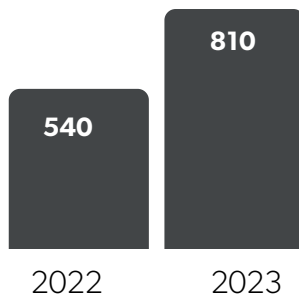
The Learning Innovation Factory (LIF) is a comprehensive training program offered to employees across the EDGE Group, aimed at enhancing and updating their skills. The EDGE Group has implemented various external training initiatives to complement this program and further support skill development among its workforce.



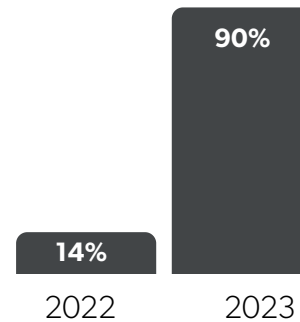
We've doubled the HSE training hours since 2022, highlighting our dedication to promoting a culture of continuous learning, safety and development.



Total number of hours of training on human rights policies or procedures concerning aspects of human rights.



Employees trained on human rights policies or procedures concerning aspects of human rights.



All our employees received performance and career reviews during the year 2023 highlighting our commitment to promoting professional growth, recognizing achievements, and ensuring continuous development within our organization.



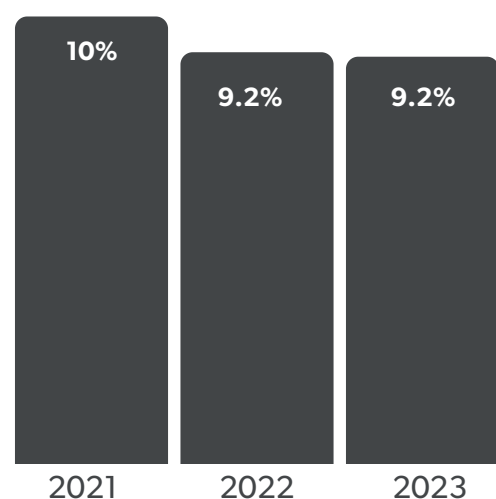
EMIRATISATION

Abu Dhabi Ship Building is committed to playing a role in the advancement of Emiratisation – the strategic initiative aimed at increasing the participation of Emirati nationals in the workforce. As a proud contributor to the development of the UAE's shipbuilding industry, we recognize the importance of nurturing local talent and providing meaningful opportunities for Emiratis to thrive in their careers.

Our Emiratisation efforts are driven by a commitment to building a diverse and inclusive workforce that reflects the rich cultural fabric of the UAE. We actively recruit, train, and develop Emirati talent across various roles within our organization, ensuring they have the necessary skills and support to excel in their chosen fields.

At Abu Dhabi Ship Building, Emiratisation is more than just a commitment – it is a core value that drives our efforts to empower Emirati nationals and contribute to the sustainable development of the UAE's shipbuilding industry. By investing in local talent and promoting a culture of inclusivity, we are proud to play our part in building a brighter future for the nation.

Percentage of National Employees



SOCIAL COMMITMENT

ENHANCING EMPLOYEE PERFORMANCE AND
OVERALL EFFECTIVENESS THROUGH CORPORATE
SOCIAL RESPONSIBILITY (CSR) INITIATIVES



Pivotal factor in our evolution into a contemporary and rewarding shipbuilding company is our CSR strategy.



This approach highlights progress in the overall working conditions for every employee, both within and outside the yard.



Taking care of our societal assets, particularly our valued employees, is imperative.



We consistently celebrate their achievements and place a significant emphasis on cultivating a diverse workforce with equal opportunities for all individuals.

In line with our dedication to employee welfare, we allocated AED 185,390 to support the specialized education of an employee's child.

Long Service Award

We honored our dedicated employees with Long Service Awards, celebrating their commitment and loyalty to our company over the years.



Meet and Greet with Human Capital

We organized the Meet and Greet with our employees, where we successfully achieved our below engagement objectives:

Advancement of Work Environment

Active participation and attendance contributed to the creation of a positive and inclusive workspace.

Addressing Concerns

Valuable feedback received is being used to address and enhance our work environment based on employee input.

Professional Growth Initiatives

Insights gathered regarding professional development opportunities, reflecting our commitment to ongoing employee growth and support.



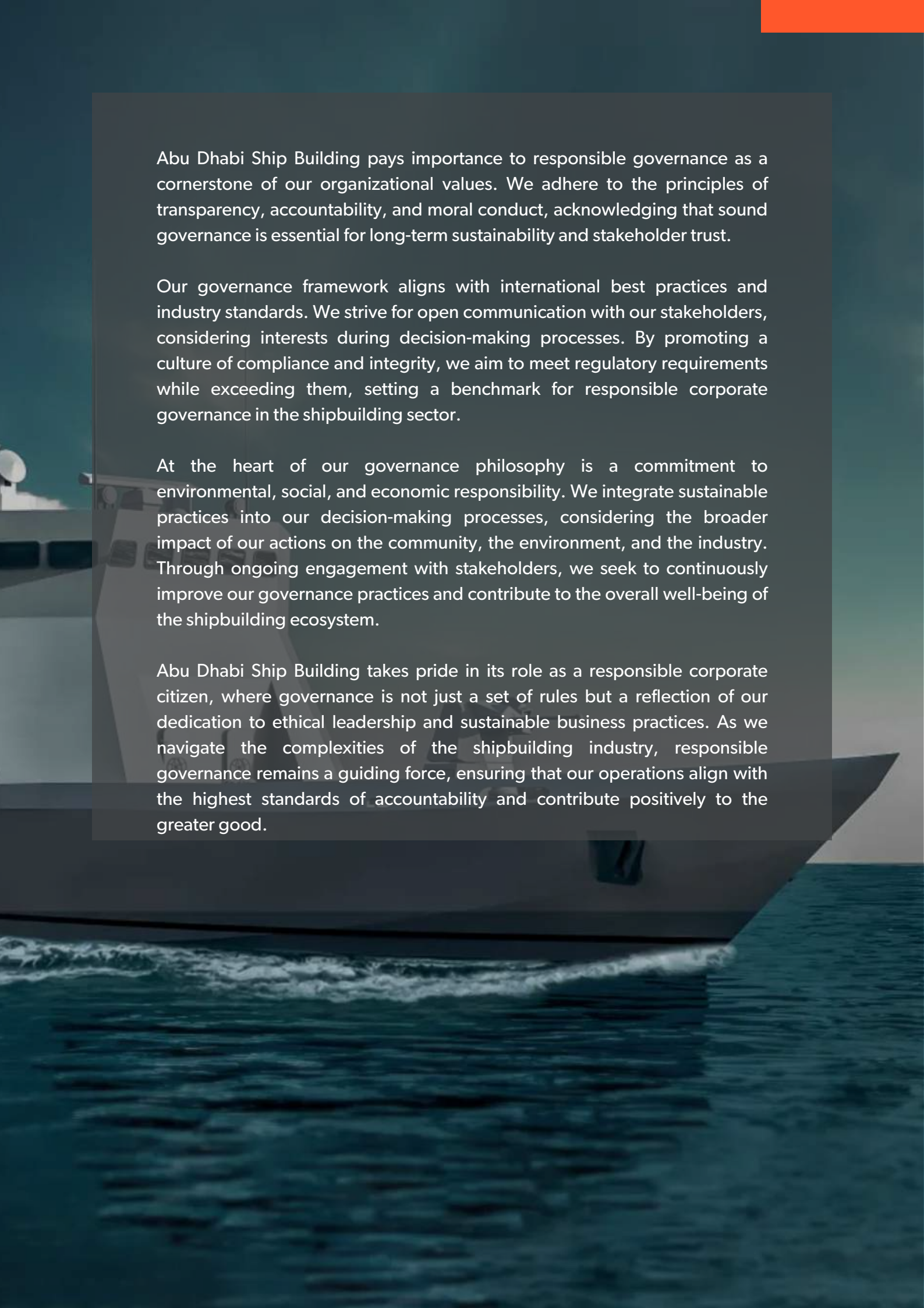
Blood Donation Campaign

We organized a Blood Donation Campaign that saw enthusiastic participation from our employees in this cause. Together, we made a difference in supporting local healthcare through the generous act of blood donation.



ETHICAL GOVERNANCE





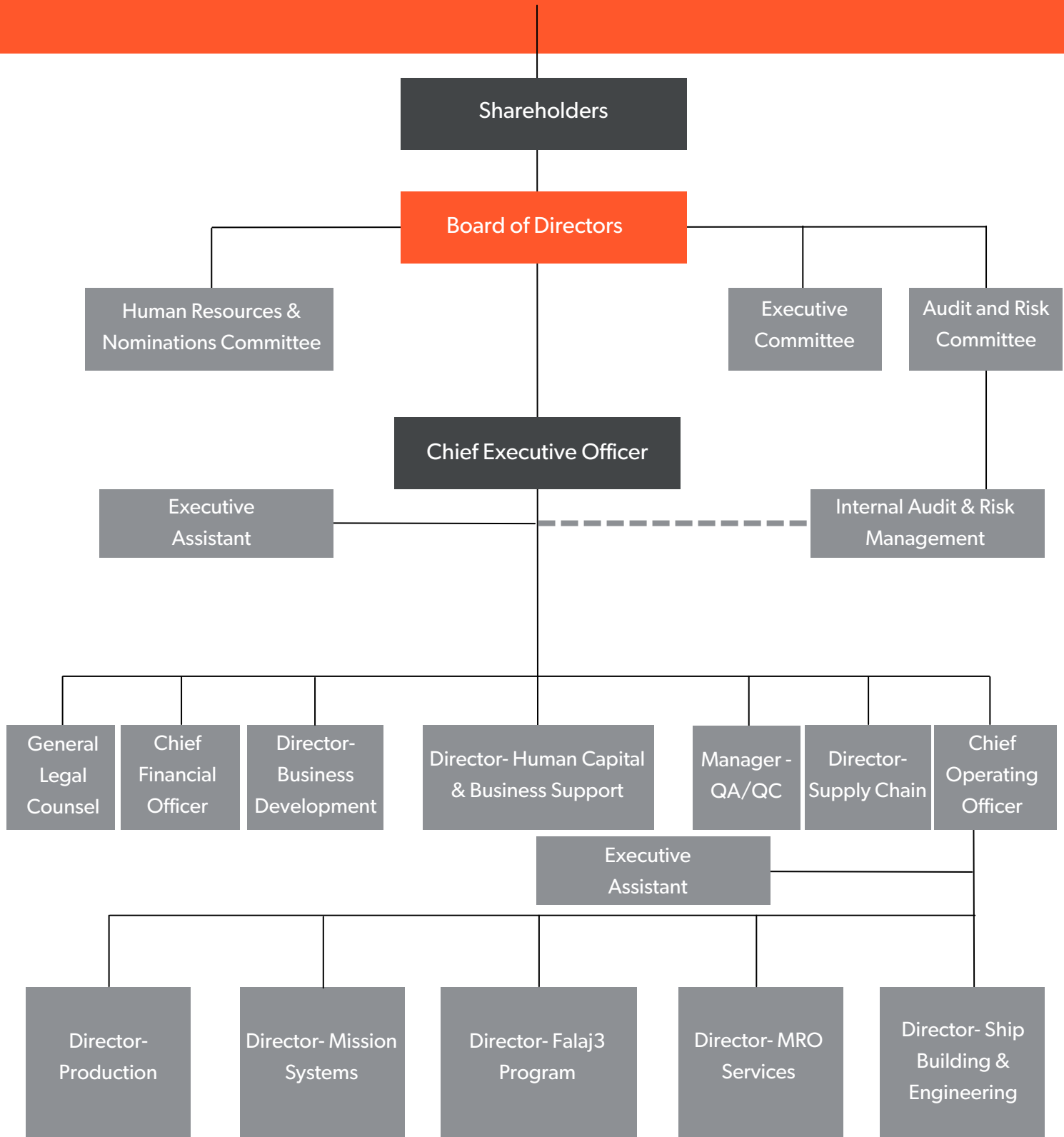
Abu Dhabi Ship Building pays importance to responsible governance as a cornerstone of our organizational values. We adhere to the principles of transparency, accountability, and moral conduct, acknowledging that sound governance is essential for long-term sustainability and stakeholder trust.

Our governance framework aligns with international best practices and industry standards. We strive for open communication with our stakeholders, considering interests during decision-making processes. By promoting a culture of compliance and integrity, we aim to meet regulatory requirements while exceeding them, setting a benchmark for responsible corporate governance in the shipbuilding sector.

At the heart of our governance philosophy is a commitment to environmental, social, and economic responsibility. We integrate sustainable practices into our decision-making processes, considering the broader impact of our actions on the community, the environment, and the industry. Through ongoing engagement with stakeholders, we seek to continuously improve our governance practices and contribute to the overall well-being of the shipbuilding ecosystem.

Abu Dhabi Ship Building takes pride in its role as a responsible corporate citizen, where governance is not just a set of rules but a reflection of our dedication to ethical leadership and sustainable business practices. As we navigate the complexities of the shipbuilding industry, responsible governance remains a guiding force, ensuring that our operations align with the highest standards of accountability and contribute positively to the greater good.

GOVERNANCE STRUCTURE



BOARD MEMBERS BY NATIONALITY

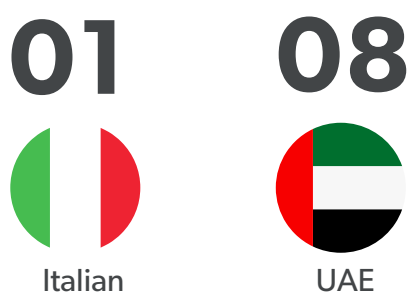
Year - 2021



Year - 2022



Year - 2023



BOARD MEMBERS BY GENDER



2021	9
2022	8
2023	8

Number of male
board members



2021	0
2022	1
2023	1

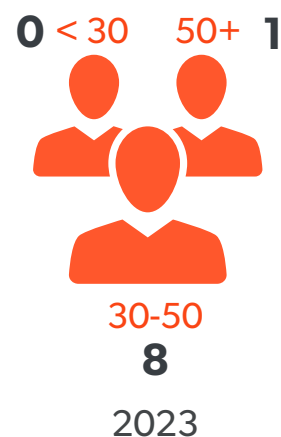
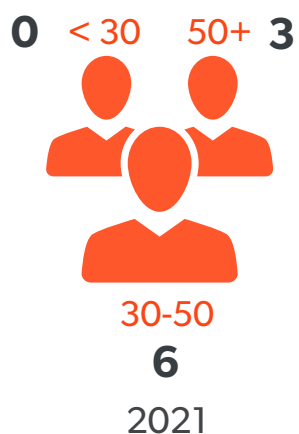
Number of female
board members

100% Percentage of total board seats occupied by independent board members

Non-executive and independent members in the board as of 2023

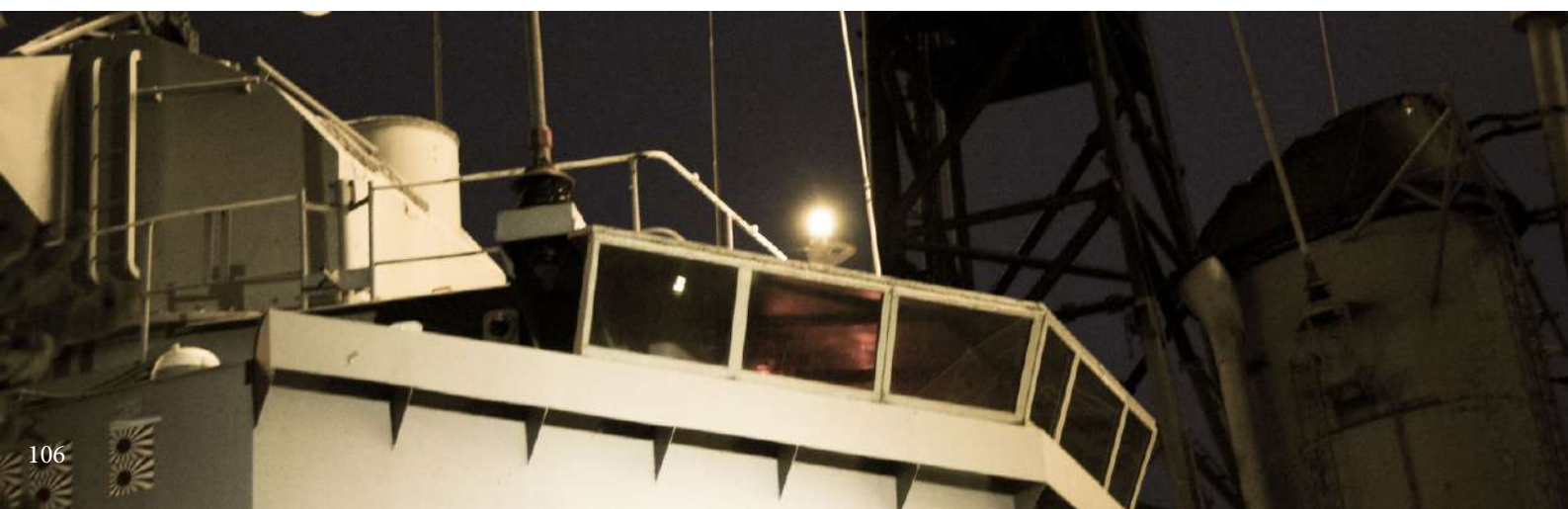
 **09**

Number of individuals in the governance body/ board by age group



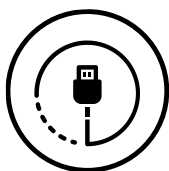
RISK MANAGEMENT

Abu Dhabi Ship Building embraces a holistic and proactive approach to risk management, containing the identification, assessment, and prioritization of risks across all facets of our business operations. Through the implementation of robust risk management strategies and systems, we effectively mitigate, monitor, and manage risks to safeguard our interests and ensure sustained success. Our commitment to excellence is reflected in our ongoing review and refinement of the risk management framework, ensuring its alignment with emerging risks and challenges. We address a spectrum of risks, including the potential inability to secure financing, budget constraints, delivery complications, inadequate cost reductions, pipeline conversion challenges, heightened competition, and yard capability enhancements. To mitigate the risk of financing challenges, we employ cautious financial management practices, maintain healthy balance sheets, and facilitate close relationships with customers and financial partners to ensure access to necessary funding. In response to budgetary limitations, we implement judicious cost-cutting measures without compromising product and service quality, supported by stringent budget reviews. Addressing delivery concerns, we employ robust project management and quality control systems, coupled with employee training initiatives to maintain proficiency. Our ongoing evaluation of cost reduction strategies ensures their alignment with business requirements while preserving quality standards. To counter pipeline conversion hurdles, we refine business development strategies through market research and customer engagement, ensuring competitiveness and relevance. Recognizing intensifying competition, we invest in research and development, enhance offerings, and optimize operational efficiency. We also enhance yard capabilities through infrastructure upgrades and technological investments, ensuring alignment with evolving customer demands and technological advancements.



DATA PRIVACY

We understand the importance of protecting our company's intellectual property, sensitive client and supplier information, and other confidential data to ensure the continuity and security of our operations. Our firm is dedicated to strengthening our security protocols, including technical controls throughout our network, software, and hardware, as well as conducting training sessions to raise employee awareness of cybersecurity.



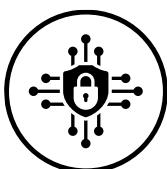
Restricted use of USB drives & cloud computing, storage services & File Sharing



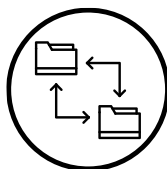
Mobile Device Management is implemented to limit data access from personal mobile devices and to effectively manage them in the event of loss or theft



Specialized NDA for IT professionals and all consultants to secure data



Secure encrypted email communication, both internally and externally, is facilitated through SECLORE to safeguard ADSB's communication channels.



We have instituted security measures to safeguard both data and the IT environment accessed by employees across various fronts



Data loss prevention measures have been implemented to safeguard ADSB's data assets.



Limited LAN network for all ADSB employees



Advanced VPN technology facilitates secure remote work environments and upholds work-from-home policies effectively



Restricted network drive access based on the ownership and responsibility

An underwater photograph of a coral reef. The water is a deep blue, and the reef is covered in various types of coral. A large, bright orange rectangular banner is positioned horizontally across the middle of the image, partially obscuring the reef. The text "SUSTAINABILITY AT ADSB" is written in white, bold, sans-serif capital letters across the banner. A small orange horizontal line is located in the lower-left corner of the image.

SUSTAINABILITY AT ADSB

LISTENING TO OUR STAKEHOLDERS

At ADSB, we attribute our current industry standing to the invaluable support of our stakeholders. Regular engagement allows us to grasp their perspectives, enabling us to effectively identify and mitigate environmental, social, and governance (ESG) risks while seizing opportunities. Our commitment to engagement not only builds trust but also cultivates positive, enduring relationships essential for sustainable growth.



IDENTIFICATION

Stakeholder recognition through corporate center sustainability committee discourse and deliberation



PRIORITISATION

Giving precedence to stakeholders based on their influence on decision-making and activities



ENGAGEMENT

Establishing channels to connect with stakeholders to identify material topics



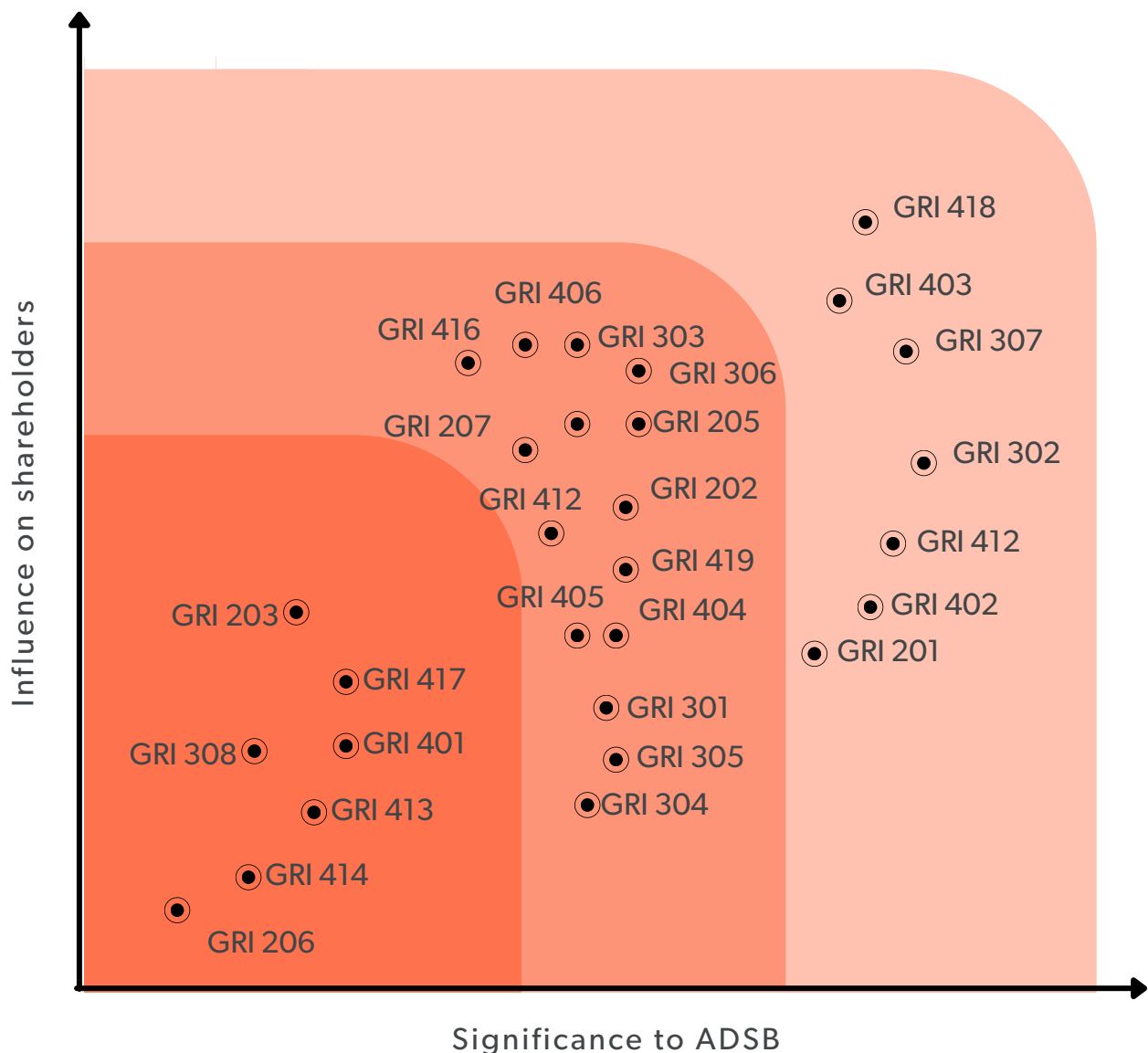
MANAGING EXPECTATIONS

Addressing stakeholder concerns and requirements to enhance relationship-building

MATERIALITY

ANALYSIS

Conducting a materiality analysis serves as a vital mechanism for aligning our vision and business strategy with societal objectives. Through active stakeholder engagement and the systematic mapping of concerns onto a matrix, we discern the issues that significantly affect our economic, social, and environmental performance, along with those that may shape stakeholder perceptions and decisions in the future. We prioritize consultation with both internal and external stakeholders, integrating strategic insights into our analysis to ensure comprehensive coverage.



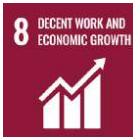
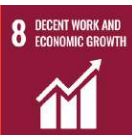
OUR CONTRIBUTION TO THE UNSDGs

Shipbuilding defense capabilities are paramount for any nation, particularly those like the United Arab Emirates (UAE) with significant strategic shipbuilding interests. These capabilities are essential for protecting territorial waters and critical infrastructure. As a leader in the shipbuilding industry, ADSB's shipbuilding prowess includes the construction of highly sophisticated vessels tailored for both naval and commercial purposes. From littoral warfare defense to patrol missions and exclusive economic zone protection, ADSB possesses the technical expertise to advise and service vessels of all sizes effectively.

ADSB is dedicated to supporting the UN Sustainable Development Goals, aligning our projects to encourage a more innovative and sustainable economy for the future. With the increasing emphasis on sustainability in the shipbuilding and ship repair industry and on a global scale, ADSB is committed to fulfilling this responsibility. We are dedicated to incorporating sustainable practices, working towards the ambitious goal of achieving zero-waste operations and producing ships with zero emissions. Our ongoing efforts reflect our dedication to environmental stewardship and contributing to a more sustainable and eco-friendly shipbuilding industry.

Following the impactful discussions and agreements at COP28 hosted by the UAE in 2023, addressing climate change has become more crucial than ever. The urgent need to implement effective measures stems from the growing recognition of the severe consequences of climate change on ecosystems, economies, and human well-being. The outcomes of COP28 highlight the global commitment to accelerate actions that mitigate greenhouse gas emissions, promote sustainable practices, and build resilience to the inevitable impacts of a changing climate. The urgency lies in the collaborative effort required to transition towards a low-carbon and climate-resilient future, ensuring the well-being of current and future generations.



Action	Relevant SDG
Increase in revenue by AED 597,343,000 from 2022	 
ISO 14001:2015 certified (Environmental Management Systems)	  
OSHAD and ISO 45001:2018 certified for Occupational Health and Safety	  
Comprehensive Waste Reduction Plan aiming to Minimize environmental harm through waste reduction, landfill diversion, and implementing a sustainable workplace waste management program.	   
Our board composition consists of one female promoting gender diversity	 
Our indoor air quality parameters meet with OSHAD guidelines	  
Our noise level monitoring meets with OSHAD SF guidelines	 
Our Flue Gas emission monitoring samples meet with Federal Environmental Agency of UAE regarding regulation concerning protection of air from pollution	 

ADX ESG INDEX



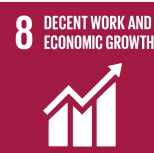
ADX ESG INDEX

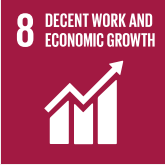
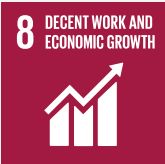
	METRIC	CALCULATION	CORRESPONDING GRI STANDARD	RELEVANT SDGs	PAGE NO.
Environmental	E1. GHG Emissions	E1.1) Total amount, in CO ₂ equivalents, for Scope 1 E1.2) Total amount, in CO ₂ equivalents, for Scope 2 (if applicable) E1.3) Total amount, in CO ₂ equivalents, for Scope 3 (if applicable)	GRI 305: Emissions 2016		Page 29
	E2. Emissions Intensity	E2.1) Total GHG emissions per output scaling factor E2.2) Total non-GHG emissions per output scaling factor	GRI 305: Emissions 2016		Page 29
	E3. Energy Usage	E3.1) Total amount of energy directly consumed E3.2) Total amount of energy indirectly consumed	GRI 302: Energy 2016		Page 30
	E4. Energy Intensity	Total direct energy usage per output scaling factor	GRI 302: Energy 2016		Page 30

	METRIC	CALCULATION	CORRESPONDING GRI STANDARD	RELEVANT SDGs	PAGE NO.
Environmental	E5. Energy Mix	Percentage: Energy usage by generation type	GRI 302: Energy 2016		Page 30
	E6. Water Usage	E6.1) Total amount of water consumed E6.2) Total amount of water reclaimed	GRI 303: Water and Effluents 2018		Page 31
	E7. Environmental Operations	E7.1) Does your company follow a formal Environmental Policy? Yes, No E7.2) Does your company follow specific waste, water, energy, and/or recycling polices? Yes/No E7.3) Does your company use a recognized energy management system? Yes/No	GRI 103: Management Approach 2016*		Yes Page 32 Page 24
	E8. Environmental Oversight	Does your Board/Management Team oversee and/or manage climate-related risks? Yes/No	GRI 102: General Disclosures 2016		No, we are working towards this avenue, to be disclosed in further reports.

	METRIC	CALCULATION	CORRESPONDING GRI STANDARD	RELEVANT SDGs	PAGE NO.
	E9. Environmental Oversight	Does your Board/Management Team oversee and/or manage other sustainability issues? Yes/No			Yes
	E10. Climate Risk Mitigation	Total amount invested, annually, in climate-related infrastructure, resilience, and product development?			No, we are working towards this avenue, to be disclosed in further reports.
Social	S1. CEO Pay Ratio	S1.1) Ratio: CEO total compensation to median FTE total compensation S1.2) Does your company report this metric in regulatory filings? Yes/No	GRI 102: General Disclosures 2016		13.5:1 in 2023 Yes
	S2. Gender Pay Ratio	Ratio: Average male compensation to average female compensation	GRI 405: Diversity and Equal Opportunity 2016		Page 38
	S.3 Employee Turnover	S3.1) Percentage: Year-over-year change for full-time employees	GRI 401: Employment 2016		Page 36

	METRIC	CALCULATION	CORRESPONDING GRI STANDARD	RELEVANT SDGs	PAGE NO.
Social		S3.2) Percentage: Year-over-year change for part-time employees S3.3) Percentage: Year-over-year change for contractors and/or consultants			No part-time employees Page 39
	S.4 Gender Diversity	S4.1) Percentage: Total enterprise headcount held by men and women S4.2) Percentage: Entry- and mid-level positions held by men and women S4.3) Percentage: Senior- and executive-level positions held by men and women	GRI 102: General Disclosures 2016 GRI 405: Diversity and Equal Opportunity 2016 GRI 405: Diversity and Equal Opportunity 2016		Page 36
	S.5 Temporary Worker Ratio	S5.1) Percentage: Total enterprise headcount held by part-time employees S5.2) Percentage: Total enterprise headcount held by contractors and/or consultants	GRI 102: General Disclosures 2016		No part-time employees. Page 39

	METRIC	CALCULATION	CORRESPONDING GRI STANDARD	RELEVANT SDGs	PAGE NO.
Social	S6. Non-Discrimination	Does your company follow a sexual harassment and/or nondiscrimination policy? Yes/No	GRI 103: Management Approach 2016*		Yes
	S7. Injury Rate	Percentage: Frequency of injury events relative to total workforce time	GRI 403: Occupational Health and Safety 2018		Page 42
	S8. Global Health & Safety	Does your company follow an occupational health and/or global health & safety policy? Yes/No	GRI 403: Occupational Health and Safety 2018		Yes
	S9. Child & Forced Labor	S9.1) Does your company follow a child and/or forced labor policy? Yes/No S9.2) If yes, does your child and/or forced labor policy also cover suppliers and vendors? Yes/No	GRI 103: Management Approach 2016*		Yes, we adhere to UAE laws.
	S10. Human Rights	S10.1) Does your company follow a human rights policy? Yes/No	GRI 103: Management Approach 2016*		Yes

	METRIC	CALCULATION	CORRESPONDING GRI STANDARD	RELEVANT SDGs	PAGE NO.
Social		S10.2) If yes, does your human rights policy also cover suppliers and vendors? Yes/No			Yes
	S11. Nationalization	S11.1) Percentage of national employees S11.2) Direct and indirect local job creation			Page 46
	S12. Community Investment	S12.1) Amount invested in the community, as a percentage of company revenues			Page 47
Governance	G1. Board Diversity	G1.1) Percentage: Total board seats occupied by men and women G1.2) Percentage: Committee chairs occupied by men and women	GRI 405: Diversity and Equal Opportunity 2016		Page 54 Page 54
	G2. Board Independence	G2.1) Does company prohibit CEO from serving as board chair? Yes/No	GRI 102: General Disclosures 2016		Yes

	METRIC	CALCULATION	CORRESPONDING GRI STANDARD	RELEVANT SDGs	PAGE NO.
Governance		G2.2) Percentage: Total board seats occupied by independents			Page 54
	G3. Incentivized Pay	Are executives formally incentivized to perform on sustainability? Yes/No	GRI 102: General Disclosures 2016		Yes
	G4. Collective Bargaining	Percentage: Total enterprise headcount covered by collective bargaining agreement(s) *Applicable to companies operating in countries in which collective bargaining is applicable by law	GRI 102: General Disclosures 2016		NA
	G5. Supplier Code of Conduct	G5.1) Are your vendors or suppliers required to follow a Code of Conduct? Yes/ No G5.2) If yes, what percentage of your suppliers have formally certified their compliance with the code?	GRI 102: General Disclosures 2016 GRI 103: Management Approach 2016*		Yes

	METRIC	CALCULATION	CORRESPONDING GRI STANDARD	RELEVANT SDGs	PAGE NO.
Governance		G9.2) Does your company focus on specific UN Sustainable Development Goals (SDGs)? Yes/No G9.3) Does your company set targets and report progress on the UN SDGs? Yes/No			Yes No, ADSB will be considering in next report for necessary disclosures.
	G10. External Assurance	Are your sustainability disclosures assured or validated by a third party? Yes/No	GRI 102: General Disclosures 2016 * GRI 103: Management Approach 2016 is to be used in combination with the topic specific Standards		No, we chose to have internal assurance this year since it is our third year of reporting.





CONSOLIDATED FINANCIAL STATEMENTS

Abu Dhabi Ship Building PJSC

Consolidated Financial Statements

For the year ended 31 December 2023

Abu Dhabi Ship Building PJSC
Consolidated Financial Statements

For the year ended 31 December 2023

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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 2023, 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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

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 Groups’ 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.

Emphasis of Matter

We draw attention to note 8 and 9, which state that as at 31 December 2023, the Group has gross outstanding balances of contract assets and trade receivables amounting to AED 333,012 thousand and AED 807,642 thousand, respectively (with an allowance for expected credit losses of AED 4,670 thousand and AED 43,429 thousand, respectively) of which AED 73,988 thousand and AED 127,648 thousand, respectively have been outstanding for more than 1 year. Most of the long outstanding balances pertain to contracts and work orders with one key customer and its related entities. Management believes that the high concentration of contract assets and trade receivables with this key customer is mitigated by the high credit worthiness and financial stability of this customer being a UAE government entity. An amendment of another existing contract from this customer is still under discussion. Our opinion is not qualified in respect of this matter.

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 year ended 31 December 2023. 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

Recognition of revenue from ship building and repair services contracts

A significant portion of the Group's revenues is derived from ship building and repair services contracts and revenue on such contracts is recognised over time as performance obligations are fulfilled over time. As disclosed in note 18 to the consolidated financial statements, during the year 2023, the Group has earned AED 1,257,547 thousand (2022: AED 660,204 thousand) revenue from ship building and repair services contracts.

This area was important to our audit due to significant estimates involved in the determination of stage of completion and measurement of progress towards the satisfaction of performance obligations and estimating costs to complete on each contract

How our audit addressed the area of focus

We have assessed the appropriateness of the revenue recognition accounting policies adopted by the Group and its compliance with International Financial Reporting Standards ("IFRS");

We obtained an understanding of and walked through the Group's controls over the revenue and cost recognition process to assess the design of the key controls in place.

Our substantive audit procedures included the following, amongst others:

- on a sample basis, reviewed the contracts and service orders to evaluate management's assessment of performance obligations in accordance with IFRS 15;
- obtained an understanding of the performance and status of the contracts through discussions with project teams (management's specialists) and the finance team;
- on a sample basis, obtained cost estimation schedules approved by project teams and verifying the costs to complete by agreeing to evidence of committed spend, budgeted rates or actual costs incurred to date;
- evaluated Group's positions through examination of customer and subcontractor correspondences, contract amendments, variation orders and milestone acceptances; and
- review of correspondence from legal advisors and minutes of the key meetings to corroborate management's assessment of claims and penalties recorded.

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

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

Key Audit Matters (continued)

Key audit matter

Recoverability of contract assets and trade receivables

As at 31 December 2023, 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 4,670 thousand (2022: AED 5,849 thousand) and AED 43,429 thousand (2022: AED 27,587 thousand) has been recognised as an allowance for Expected Credit Loss ("ECL") against contract assets and trade receivables respectively in accordance with IFRS 9.

This area was important to our audit due to significant estimates involved in the recoverability assessment of long outstanding trade receivables and contract assets. Significant estimates made by management include, amongst others, probability of customers' default, loss given default, exposure at default, expected dates of collection and discount rates.

How our audit addressed the area of focus

Our audit procedures included the following, amongst others:

- obtained an understanding of the Group's process for estimating ECL and assessing the appropriateness of the ECL methodology against the requirements of IFRS 9;
- assessed the reasonableness of management's key assumptions and judgements made in determining the ECL including the segmenting of trade receivables and contract assets, selection of ECL model and macroeconomic factors;
- tested key inputs into the model and comparing these to historical data;
- assessed reasonableness of forward-looking factors used by the Group by corroborating with publicly available information; and
- verified billings post year end and ensuring that these were in line with contractual terms where applicable as they related to unbilled work in progress at the reporting date.

Refer notes 8 and 9 to the consolidated financial statements which disclose the significant judgements made by the management in relation to recoverability of these balances.

Other Information

Management is responsible for the other information. Other information consists of the information included in the Group's 2023 Annual 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 2023 Annual 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 and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (32) of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with ISAs and the applicable requirements of Abu Dhabi Accountability Authority ("ADAA") Chairman Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

Independent Auditor's Report**To the Shareholders of Abu Dhabi Ship Building PJSC (continued)****Report on the Audit of the Consolidated Financial Statements (continued)****Auditor's responsibilities for the Audit of the Consolidated Financial Statements (continued)**

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Articles of Association of the Company and the UAE Federal Law No. (32) of 2021;
- iii) the Company has maintained proper books of account;
- iv) the financial information included in the *Message from the Chairman and the Management Discussion and Analysis* is consistent with the books of account and records of the Company;

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

Report on Other Legal and Regulatory Requirements (continued)

- v) based on the information that has been made available to us, the Group has not purchased or invested in any shares or stocks during the year ended 31 December 2023;
- 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 Company is currently in the process of amending the statutory documents, to reflect the changes required due to the application of the UAE Federal law No. (32) of 2021; and
- viii) based on the information that has been made available to us, except for item (vii) mentioned above, nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2023, any of the applicable provisions of its Articles of Association or of the UAE Federal Law No. (32) of 2021, which would have a material impact on its activities or its consolidated financial position as at 31 December 2023; and
- ix) there were no social contribution 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 2023, 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 2023.



GRANT THORNTON UAE

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

21 March 2024

Abu Dhabi Ship Building PJSC

Consolidated statement of financial position As at 31 December 2023

	Notes	31 December 2023 AED '000	31 December 2022 AED '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	144,324	135,653
Intangible assets	6	484	3
Right-of-use assets	22	7,481	9,640
Advances to suppliers	9	375,223	228,445
TOTAL NON-CURRENT ASSETS		527,512	373,741
Current assets			
Inventories	7	25,182	25,854
Contract assets	8	328,342	363,879
Trade and other receivables	9	1,042,787	420,105
Cash and cash equivalents	10	745,267	309,840
TOTAL CURRENT ASSETS		2,141,578	1,119,678
TOTAL ASSETS		2,669,090	1,493,419
EQUITY AND LIABILITIES			
Equity			
Share capital	11	211,992	211,992
Statutory reserve	12	14,483	10,445
Retained earnings		47,721	24,100
Equity attributable to owners of the parent		274,196	246,537
Non-controlling interests		(138)	(138)
TOTAL EQUITY		274,058	246,399
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits	13	26,682	23,436
Advances from customers	14	863,064	704,472
Lease liabilities	22	5,917	8,067
TOTAL NON-CURRENT LIABILITIES		895,663	735,975
Current liabilities			
Trade and other payables	15	1,117,122	269,596
Advances from customers	14	380,085	202,952
Lease liabilities	22	2,162	2,060
Bank overdrafts	16	-	13,995
Term loans	17	-	22,442
TOTAL CURRENT LIABILITIES		1,499,369	511,045
TOTAL LIABILITIES		2,395,032	1,247,020
TOTAL EQUITY AND LIABILITIES		2,669,090	1,493,419
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.

Abu Dhabi Ship Building PJSC

Consolidated statement of comprehensive income For the year ended 31 December 2023

		2023	2022
	Notes	AED '000	AED '000
Contract revenues	18	1,257,547	660,204
Contract costs	19	(1,133,485)	(580,827)
GROSS PROFIT		124,062	79,377
General and administrative expenses	20	(69,811)	(52,275)
Allowance for expected credit losses	8,9	(19,006)	(1,662)
Depreciation and amortization	5,6,22	(5,334)	(5,546)
Finance costs		(3,713)	(2,167)
Other income, net	21	14,181	2,730
NET PROFIT FOR THE YEAR		40,379	20,457
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		40,379	20,457
Attributable to:			
Equity holders of the parent		40,379	20,457
Non-controlling interest		-	-
BASIC AND DILUTED EARNINGS PER SHARE (AED)	23	0.19	0.10

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

Abu Dhabi Ship Building PJSC

Consolidated statement of changes in equity

For the year ended 31 December 2023

	Share capital AED'000	Statutory reserve AED'000	Retained earnings AED'000	Equity attributable to owners of the parent AED'000	Non- controlling interests AED'000	Total equity AED
Balance as at 1 January 2023	211,992	10,445	24,100	246,537	(138)	246,399
Total comprehensive income for the year	-	-	40,379	40,379	-	40,379
Transfer to statutory reserve	-	4,038	(4,038)	-	-	-
Payment of dividend (Note 29)	-	-	(12,720)	(12,720)	-	(12,720)
Balance as at 31 December 2023	211,992	14,483	47,721	274,196	(138)	274,058
Balance as at 1 January 2022	211,992	8,399	9,929	230,320	(138)	230,182
Total comprehensive income for the year	-	-	20,457	20,457	-	20,457
Transfer to statutory reserve	-	2,046	(2,046)	-	-	-
Payment of dividend (Note 29)	-	-	(4,240)	(4,240)	-	(4,240)
Balance as at 31 December 2022	211,992	10,445	24,100	246,537	(138)	246,399

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

Abu Dhabi Ship Building PJSC

Consolidated statement of cash flows

For the year ended 31 December 2023

	Notes	2023 AED'000	2022 AED'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		40,379	20,457
Adjustments for:			
Depreciation and amortization	5,6,22	17,523	16,932
Provision for employees' end of service benefits	13	5,150	3,037
Allowance / (reversal of allowance) for expected credit losses on contract assets	8	283	(494)
Allowance for expected credit losses on receivables, net	9	18,723	2,156
Reversal of provision of slow-moving inventories	7	(134)	(2,076)
Gain on disposal of property, plant and equipment		(93)	-
Finance income	21	(12,583)	(556)
Finance costs		4,169	2,727
Operating profit before working capital changes:		73,417	42,183
Changes in working capital:			
Change in inventories		806	(8,049)
Change in contract assets		35,254	(152,171)
Change in trade and other receivables and advances to suppliers		(788,153)	(397,851)
Change in trade and other payables		854,772	112,508
Change in advances from customers		335,725	(94,221)
Cash generated from / (used in) operations		511,821	(497,601)
Payment of employees' end of service benefits	13	(1,904)	(1,235)
Net cash generated from / (used in) operating activities		509,917	(498,836)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(23,929)	(6,722)
Purchase of intangible assets	6	(587)	-
Proceeds from disposal of property, plant and equipment		93	-
Finance income received		12,553	-
Net cash used in investing activities		(11,870)	(6,722)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from term loans		-	62,507
Repayment of term loans		(22,442)	(70,968)
Finance costs paid		(3,648)	(2,090)
Dividends paid		(19,846)	(4,240)
Payments of lease liabilities		(2,689)	(2,578)
Net cash used in financing activities		(48,625)	(17,369)
Net increase / (decrease) in cash and cash equivalents		449,422	(522,927)
Cash and cash equivalents, beginning of year		295,845	818,772
Cash and cash equivalents, end of year	10	745,267	295,845

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

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements

For the year ended 31 December 2023

1 Activities

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

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

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

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

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

<i>Name of subsidiary</i>	<i>Interest (%)</i>		<i>Country of Incorporation</i>	<i>Principal activity</i>
	<i>31 December 2023</i>	<i>31 December 2022</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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

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 International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (“IASB”) and applicable requirements of the UAE Federal Law No. (32) of 2021.

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

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

Basis of consolidation

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

2 Fundamental accounting concepts (continued)

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

Standards, interpretations and amendments to existing standards that are effective in 2023

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2023, have been applied in these consolidated financial statements:

- **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**

Definition of Accounting Estimates amends IAS 8. The amendments introduced the definition of accounting estimates and included other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies.

- **IAS 1 Presentation of Financial Statements**

Disclosure of Accounting Policies amends IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements. The amendments replace the requirement for entities to disclose their Material accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.

- **IAS 12 Income Taxes**

Deferred Tax related to Assets and Liabilities arising from a Single Transaction amends IAS 12 Income Taxes. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments apply to transactions such as leases and decommissioning obligations.

The application of these revised IFRSs 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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

2 Fundamental accounting concepts (continued)

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

New and amended IFRS Standards in issue but not yet effective and not early adopted

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback;
- Amendments to IAS 1: Non-current Liabilities with Covenants;
- IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information; and
- IFRS S2: Climate-related Disclosures.

Management anticipates that these new standards and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards 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.

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.

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

3 Material accounting policy information (continued)

Revenue from contracts with customers (continued)

Construction contracts (continued)

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

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

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

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

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

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.

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

3 Material accounting policy information (continued)

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.

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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

3 Material accounting policy information (continued)

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.

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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

3 Material accounting policy information (continued)

Financial instrument (continued)

Financial assets (continued)

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.

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.

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

3 Material accounting policy information (continued)

Financial instrument (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

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, term loans 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.

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

3 Material accounting policy information (continued)

Financial instrument (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

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

Offsetting

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

Inventories

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

Foreign currencies

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

Provisions

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

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

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

Leases

The Group as a lessee

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

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.

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

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

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

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

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

Significant management judgements

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

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

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

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

Key sources of estimation of uncertainty

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

Useful lives of property, plant and equipment

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

Leases - estimating the incremental borrowing rate

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

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 28,400 thousand (2022: AED 39,843 thousand), with an allowance for old and obsolete inventories of AED 3,218 thousand (2022: AED 13,989 thousand). Any difference between the amounts actually realised in future periods and the amounts expected to be realised will be recognized in the consolidated statement of comprehensive income.

Allowance for Expected Credit Losses (ECL)

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

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

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

At the reporting date, gross trade receivables, were AED 807,642 thousand (2022: AED 344,397 thousand) with an allowance for expected credit losses amounting to AED 43,429 thousand (2022: AED 27,587 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the consolidated statement of comprehensive income.

At the reporting date, gross contract assets, were AED 333,012 thousand (2022: AED 369,728 thousand) with an allowance for expected credit losses amounting to AED 4,670 thousand (2022: AED 5,849 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the consolidated statement of comprehensive income.

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

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

Key sources of estimation of uncertainty (continued)

Estimation of total costs of construction contracts

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

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

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 2022	322,921	146,266	1,351	470,538
Additions	-	-	6,722	6,722
Transfers	2,433	3,130	(5,563)	-
Disposals	-	(1,564)	-	(1,564)
At 31 December 2022	325,354	147,832	2,510	475,696
Additions	-	-	23,929	23,929
Transfers	9,603	14,491	(24,094)	-
Disposals	-	(2,659)	-	(2,659)
At 31 December 2023	334,957	159,664	2,345	496,966
Accumulated depreciation:				
At 1 January 2022	200,103	126,818	-	326,921
Charge for the year	10,106	4,580	-	14,686
Related to Disposals	-	(1,564)	-	(1,564)
At 31 December 2022	210,209	129,834	-	340,043
Charge for the year	10,265	4,993	-	15,258
Related to disposals	-	(2,659)	-	(2,659)
At 31 December 2023	220,474	132,168	-	352,642
Net carrying amount:				
As at 31 December 2023	114,483	27,496	2,345	144,324
As at 31 December 2022	115,145	17,998	2,510	135,653

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

	2023 AED'000	2022 AED'000
Contract costs (note 19)	10,368	9,565
General and administrative expenses	4,890	5,121
	15,258	14,686

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

6 Intangible assets

	2023 Computer software AED'000	2022 Computer Software AED'000
Cost:		
Balance at 1 January	16,253	16,253
Additions during the year	587	-
Balance at 31 December	16,840	16,253
Accumulated amortization:		
Balance at 1 January	16,250	16,130
Amortization for the year	106	120
Balance at 31 December	16,356	16,250
Net carrying amount	484	3

7 Inventories

	2023 AED'000	2022 AED'000
Goods available for sale	11,403	3,876
Work in progress	208	8,775
Raw materials and consumables	16,789	27,192
	28,400	39,843
Less: Provision for obsolete and slow-moving items	(3,218)	(13,989)
	25,182	25,854

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

	2023 AED'000	2022 AED'000
At 1 January	13,989	16,396
Recoveries	(134)	(2,076)
Write-offs	(10,637)	(331)
At 31 December	3,218	13,989

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

8 Contract assets

	2023 AED'000	2022 AED'000
Value of work executed	11,545,464	10,287,917
Progress billings received and receivable	(11,496,727)	(9,939,069)
	<u>48,737</u>	<u>348,848</u>

The contract work in progress is presented as follows:

	2023 AED'000	2022 AED'000
Contracts assets, net of ECL	328,342	363,879
Contracts liabilities (note 15)	(279,605)	(15,031)
	<u>48,737</u>	<u>348,848</u>

Contracts assets as at 31 December 2023 are stated net of allowance for expected credit losses of AED 4,670 thousand (2022: AED 5,849 thousand). The movements on the allowance are as follows:

	2023 AED'000	2022 AED'000
At 1 January	5,849	6,896
Charged during the year	607	-
Reversals	(324)	(494)
Write-offs	(1,462)	-
Transfer of allowance to trade receivables (note 9) *	-	(553)
At 31 December	<u>4,670</u>	<u>5,849</u>

*This represents the allowance related to the amounts billed to customers during the year.

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 measure 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.

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

9 Trade and other receivables

	2023 AED'000	2022 AED'000
Trade receivables, gross	807,642	344,397
Less: Allowance for expected credit losses	(43,429)	(27,587)
Trade receivables, net	764,213	316,810
Advances paid to suppliers*	263,767	94,339
Prepayments and other receivables	14,807	8,956
	1,042,787	420,105

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

	2023 AED'000	2022 AED'000
Current (included within trade and other receivables)	263,767	94,339
Non-current	375,223	228,445
Total	638,990	322,784

Allowance for expected credit losses

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

At 31 December 2023, the analysis of trade receivables is as follows:

31 December 2023	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	807,642	37,516	605,377	10,424	154,325
Lifetime ECL	(43,429)	(1,625)	(21,526)	(288)	(19,990)
Trade receivables, net	764,213	35,891	583,851	10,136	134,335

31 December 2022	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	344,397	83,836	79,249	57,151	124,161
Lifetime ECL	(27,587)	(1,897)	(1,515)	(2,317)	(21,858)
Trade receivables, net	316,810	81,939	77,734	54,834	102,303

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

9 Trade and other receivables (continued)

Allowance for expected credit losses (continued)

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

	2023 AED'000	2022 AED'000
At the beginning of the year	27,587	26,919
Charged during the year	22,199	4,680
Recoveries*	(3,476)	(640)
Write-offs	(2,881)	(3,925)
Transfer of allowance from contract assets (note 8)	-	553
At the end of the year	43,429	27,587

* Recoveries mainly pertains to collections during the year.

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:

	2023 AED'000	2022 AED'000
Cash on hand	-	-
Bank balances	745,267	309,840
Cash and bank balances	745,267	309,840
Less: Bank overdrafts (note 16)	-	(13,995)
Cash and cash equivalents	745,267	295,845

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

11 Share capital

	2023 AED'000	2022 AED'000
<i>Authorised, issued and fully paid</i>	211,992	211,992

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

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

12 Statutory reserve

In accordance with the UAE Federal Law number (32) of 2021, concerning Commercial Companies and the Company's Articles of Association, 10% of the profit for each year has been transferred to a non-distributable legal reserve. Such transfers are required to be made until the balance of the statutory reserve equals one half of the Company's paid up share capital. Such reserve is not available for distribution as dividends to the Shareholders. An amount of AED 4,038 thousand has been transferred to this reserve during the year (2022: AED 2,046 thousand).

13 Employees' end of service benefits

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

	2023 AED'000	2022 AED'000
At 1 January	23,436	21,634
Charged for the year	5,150	3,037
Paid during the year	(1,904)	(1,235)
At 31 December	<u>26,682</u>	<u>23,436</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:

	2023 AED'000	2022 AED'000
Current	380,085	202,952
Non-current	863,064	704,472
Total	<u>1,243,149</u>	<u>907,424</u>

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

15 Trade and other payables

	2023 AED'000	2022 AED'000
Trade payables	212,360	43,508
Project accruals	585,772	170,726
Contract liabilities (note 8)	279,605	15,031
Other liabilities	33,903	32,107
Other payables	5,482	8,224
	<u>1,117,122</u>	<u>269,596</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 (2022: 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

	2023 AED'000	2022 AED'000
Bank overdrafts from commercial banks	<u>-</u>	<u>13,995</u>

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

As at 31 December 2023, the Group has AED 275,000 thousand (31 December 2022: AED 261,005 thousand) as available undrawn overdraft facilities.

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

17 Term loan

The Group is utilizing a short-term unsecured loan facility with a local bank in relation to the payment of its suppliers with a maturity of 6 months or less from the date of drawdown. This loan carries interest at prevailing market rate. The carrying amount of the loan as at 31 December 2023 was AED nil (31 December 2022: AED 22,442 thousand).

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*.

	2023 AED'000	2022 AED'000
Revenue from construction contracts	1,016,544	465,022
Revenue from rendering of services	241,003	195,182
	<u>1,257,547</u>	<u>660,204</u>

18.1 Timing of revenue recognition

	2023 AED'000	2022 AED'000
Services transferred at the point in time	40,266	21,662
Services transferred over time	1,217,281	638,542
	<u>1,257,547</u>	<u>660,204</u>

18.2 Geographical markets

	2023 AED'000	2022 AED'000
Inside United Arab Emirates	802,506	660,204
Outside United Arab Emirates	455,041	-
	<u>1,257,547</u>	<u>660,204</u>

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

19 Contract costs

	2023 AED'000	2022 AED'000
Material and subcontract costs	979,722	454,139
Staff and manpower contract costs	121,173	99,194
Overheads*	12,743	13,104
Depreciation of property, plant and equipment	10,368	9,565
Depreciation of right-of-use assets	1,821	1,821
Other direct costs	7,658	3,004
	<u>1,133,485</u>	<u>580,827</u>

* This includes finance costs in the amount of AED 455 thousand (2022: AED 560 thousand).

20 General and administrative expenses

	2023 AED'000	2022 AED'000
Staff costs	35,706	24,795
IT licences support and maintenance	12,196	12,542
Marketing and advertisement	6,803	3,894
Professional and consultancy fees	3,820	2,983
Repairs and maintenance	3,509	3,444
Material	501	498
Others	7,276	4,119
	<u>69,811</u>	<u>52,275</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.

	2023 AED'000	2022 AED'000
Finance income	12,583	556
Other income, net	1,598	2,174
	<u>14,181</u>	<u>2,730</u>

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

22 Leases

Right-of-use assets

	Land	
	2023 AED'000	2022 AED'000
Cost:		
Balance at 1 January	17,835	17,426
Additions	-	409
Balance at 31 December	17,835	17,835
Accumulated amortization:		
Balance at 1 January	8,195	6,069
Charge for the year	2,159	2,126
Balance at 31 December	10,354	8,195
Net carrying amount	7,481	9,640

Lease liabilities

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

	2023 AED'000	2022 AED'000
Current	2,162	2,060
Non-Current	5,917	8,067
	8,079	10,127

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

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

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

22 Leases (continued)

Lease liabilities (continued)

Future minimum lease payments at 31 December 2022 are as follows:

31 December 2022	Within one year AED'000	Two to five years AED'000	More than five years AED'000	Total AED'000
Lease payments	2,713	9,276	-	11,989
Finance charges	(653)	(1,209)	-	(1,862)
Net present values	2,060	8,067	-	10,127

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

	2023 AED'000	2022 AED'000
Depreciation	(2,159)	(2,126)
Finance costs	(521)	(637)

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:

	2023	2022
Profit for the year attributable to the owners of the parent (AED '000)	40,379	20,457
Weighted average number of ordinary issued throughout the period ('000)	211,992	211,992
Basic and diluted earnings per share (AED)	0.19	0.10

During the year, the Group has not issued any instruments that have an impact on earnings per share when exercised (2022: nil).

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

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:

	2023 AED'000	2022 AED'000
Key management compensation:		
Salaries, bonuses and other benefits	13,099	12,164
Post-employment benefits	1,230	1,021
	<u>14,329</u>	<u>13,185</u>
Directors' remuneration	<u>4,100</u>	<u>1,475</u>
Board Committee fees	<u>575</u>	<u>525</u>

Related party balances:

Due from a related party (included in trade and other receivables)	<u>5,050</u>	<u>1,840</u>
Due to a related party (included in trade and other payables)	<u>11,137</u>	<u>4,107</u>

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

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

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 2,389,608 thousand (31 December 2022: AED 2,562,236 thousand) in respect of contract performance and advances in connection with the contracts for shipbuilding and overhaul in progress at the period end.

Commitments

The capital expenditure contracted at the end of the reporting period but not provided for is AED 7,625 thousand (31 December 2022: AED 4,437 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.
- Combat systems integration 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.

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

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	Combat System Integration AED'000	Unallocated AED'000	Eliminations AED'000	Group AED'000
Year end 31 December 2023								
Contract revenues	970,392	29,462	193,691	46,764	17,238	-	-	1,257,547
Contract costs	(885,614)	(28,158)	(158,434)	(42,885)	(18,394)	-	-	(1,133,485)
Gross profit/(loss)	84,778	1,304	35,257	3,879	(1,156)	-	-	124,062
General and administrative expenses	(15,501)	(3,195)	(14,589)	(6,621)	(1,359)	(28,546)	-	(69,811)
(Allowance for) / Reversal of expected credit losses	(19,563)	(406)	1,124	2,035	(2,261)	65	-	(19,006)
Depreciation and amortization	(1,600)	(267)	(934)	(667)	-	(1,866)	-	(5,334)
Finance costs	-	-	-	-	-	(3,713)	-	(3,713)
Other income, net	13,761	-	-	-	165	255	-	14,181
Segment profit/(loss)	61,875	(2,564)	20,858	(1,374)	(4,611)	(33,805)	-	40,379

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

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	Combat System Integration AED'000	Unallocated AED'000	Eliminations AED'000	Group AED'000
Year ended 31 December 2022								
Contract revenues	418,977	2,223	141,829	48,112	49,063	-	-	660,204
Contract costs	(364,157)	(5,741)	(118,381)	(44,998)	(47,550)	-	-	(580,827)
Gross profit/(loss)	54,820	(3,518)	23,448	3,114	1,513	-	-	79,377
General and administrative expenses	(8,340)	(1,968)	(15,352)	(6,732)	(468)	(19,415)	-	(52,275)
Reversal of / (allowance for) expected credit losses	1,040	212	(913)	(1,524)	(414)	(63)	-	(1,662)
Depreciation and amortization	(776)	(222)	(1,386)	(666)	-	(2,496)	-	(5,546)
Finance costs	-	-	-	-	-	(2,167)	-	(2,167)
Other income, net	2,704	-	4,789	-	-	(4,763)	-	2,730
Segment profit / (loss)	49,448	(5,496)	10,586	(5,808)	631	(28,904)	-	20,457

	New Build and Engineering AED'000	Small Boats AED'000	Military Repairs and Maintenance AED'000	Commercial Repairs and Maintenance AED'000	Combat System Integration AED'000	Unallocated AED'000	Eliminations AED'000	Group AED'000
As at 31 December 2023								
Assets	2,234,870	64,265	196,707	48,891	88,758	59,768	(24,169)	2,669,090
Liabilities	2,171,384	51,484	52,886	13,328	30,543	90,690	(15,283)	2,395,032
Capital Expenditure	14,097	2,206	3,678	1,716	-	2,819	-	24,516

As at 31 December 2022

Assets	1,030,740	25,638	262,761	69,079	40,515	88,855	(24,169)	1,493,419
Liabilities	1,075,820	5,232	41,031	10,061	4,801	125,358	(15,283)	1,247,020
Capital Expenditure	2,353	336	1,713	639	-	1,681	-	6,722

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

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:

	2023 AED'000	2022 AED'000
Trade and other payable	1,117,122	269,596
Bank loans	-	22,442
Bank overdraft	-	13,995
Lease liabilities	8,079	10,127
Total debt	1,125,201	316,160
Total equity attributable to owners of the parent	274,196	246,537
Total equity and debt	1,399,397	562,697
Gearing ratio	80%	56%

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.

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

27 Financial instruments (continued)

(a) Foreign currency risk management (continued)

Foreign currency sensitivity analysis

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

	Liabilities		Assets	
	2023	2022	2023	2022
	AED'000	AED'000	AED'000	AED'000
Euro	1,407,343	424,179	1,509,091	411,253
US Dollar	181,284	100,641	224,948	270,793
Others	653	540	452	290
	1,589,280	525,360	1,734,491	682,336

At 31 December 2023, if the exchange rate of the currencies other than the USD had increased/decreased by 10% against the AED, with all other variables held constant, the Group's profit for the year would have been higher/lower by AED 10,155 thousand (2022: higher/lower by AED 1,318 thousand) mainly as a result of foreign exchange gain or loss on translation of Euro.

(b) Interest rate risk management

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

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

	Effect on profit AED'000
2023	
+50 increase in basis point	-
-50 decrease in basis point	-
2022	
+50 increase in basis point	182
-50 decrease in basis point	(182)

(c) Credit risk management

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

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

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

27 Financial instruments (continued)

(c) Credit risk management (continued)

Concentration of credit risk

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

The Group executes contracts mainly for a key customer and as at 31 December 2023, contract assets, trade receivables and advances received from this key customer amounted to a net payable position of AED 237,760 thousand (2022: AED 288,893 thousand net receivable). Management believes that the concentration of credit risk is mitigated by the high credit worthiness and financial stability of its customers.

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

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

(d) Liquidity risk

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

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

	Total AED'000	Within one year AED'000	2-5 years AED'000	After 5 years AED'000
31 December 2023				
Trade and other payables	1,117,122	1,117,122	-	-
Lease liabilities*	8,079	2,162	5,917	-
	1,125,201	1,119,284	5,917	
31 December 2022				
Trade and other payables	269,596	269,596	-	-
Bank overdrafts*	13,995	13,995	-	-
Term loans*	22,442	22,442	-	-
Lease liabilities*	10,127	2,060	8,067	-
	316,160	308,093	8,067	

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

Abu Dhabi Ship Building PJSC

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

28 Fair value of financial instruments

Financial instruments comprise of financial assets and financial liabilities.

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

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

29 Dividends

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

On 27 April 2022, the Shareholders of the Group approved during the Group's Annual General Meeting the distribution of 2% of its share capital as cash dividends amounting to AED 4,240 thousand. On 26 May 2022 the Group has distributed the approved dividends to the Shareholders.

30 Corporate income tax

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective from 1 June 2023 and accordingly, it has an income tax-related impact on the financial statements for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 - Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

Based on the assessment conducted by the Group, it has been determined that the CT Law does not have any effect on deferred taxes in the consolidated financial statements for the year ending on 31 December 2023. Moving forward, the Group intends to continue to assess the potential influence of the CT Law on its consolidated financial statements, particularly focusing on both current and deferred tax implications, in light of any further explanations and instructions regarding the application of the CT Law. The Group will be subject to taxation commencing 1 January 2024.

31 Approval of consolidated financial statements

The consolidated financial statements of the Group for the year ended 31 December 2023 were authorized for issuance in accordance with a resolution of the Board of Directors on 21 March 2024.

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