

**ALEC Holdings LLC
and its subsidiaries**

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

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ALEC Holdings LLC and its subsidiaries

Report of the Directors for the year ended 31 December 2023

The Directors have the pleasure in submitting their report, together with the audited combined financial statements of the Group for the year ended 31 December 2023.

Principal activities

The principal activities of the Group are engineering and construction contracting relating to installation, industrial process plants and infrastructure developments, earth and civil works, buildings, structural steelwork, mechanical, process piping, electrical and maintenance, shutdown, and turnaround activities in all types of process plants. In addition to the principal activities of the Group are general contracting works for civil, mechanical, electrical and marine, onshore and offshore industrial, oil and gas, commercial projects, scaffold installation works, building maintenance, investment and establishing and managing industrial projects.

Results and movement in retained earnings

Revenue for the year is AED 6,275 million as compared to AED 3,599 million for the preceding year. Total comprehensive income for the year attributable to owners of the Company is AED 234 million compared to AED 186 million for the preceding year.

Movement in retained earnings:

	2023 AED	2022 AED
Retained earnings at the beginning of the year	684,842,398	585,301,430
Total attributable income to the Owners of the Company	236,248,772	184,540,968
Adjustment arising from change in non-controlling interest (Note 1)	(3,206,269)	-
Dividends paid to shareholders	(100,000,000)	(85,000,000)
Retained earnings at the end of the year	817,884,901	684,842,398

Auditors

Deloitte & Touche (M.E.) is eligible to be re-appointed as the auditor for the year ending 31 December 2024 and has expressed its willingness to be re-appointed. Deloitte & Touche (M.E.) were reappointed on 22 March 2024.

On behalf of the Board



Director



Director

INDEPENDENT AUDITOR'S REPORT

The Shareholders
ALEC Holdings LLC
Dubai
United Arab Emirates

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the combined financial statements of **ALEC Holdings LLC** (the “Company”) **and its subsidiaries** (the “Group”), which comprise the combined statement of financial position as at 31 December 2023, and the combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows for the year then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Group as at 31 December 2023, and its combined financial performance and its combined cash flows for the year then ended in accordance with the accounting policies described in note 3 to the combined financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's combined financial statements, 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 - Basis of Accounting and Restriction on Use

We draw attention to note 3 of the combined financial statements which describes the basis of accounting. The combined financial statements have been prepared to assist the Company to comply with the financial reporting requirements related to the listing of the Company's shares on the Dubai Financial Market. As a result, the combined financial statements may not be suitable for another purpose. Our report is not modified in respect of this matter.

Emphasis of Matter

We draw attention to note 17 of the combined financial statements which describes the reasons for the reissuance of the combined financial statements. Our opinion is not modified in respect of this matter.

Cont'd...



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ALEC Holdings LLC (continued)

Other Information

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with the accounting policies described in note 3 to the combined financial statements and their preparation in compliance with the applicable provisions of the Articles of Association of the Company, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined 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 Combined Financial Statements

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

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

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



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ALEC Holdings LLC (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the combined financial statements, including the disclosures, and whether the combined 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 combined 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.

Deloitte & Touche (M.E.)

A handwritten signature in blue ink, appearing to read "C. Corby".

Cynthia Corby
Registration No. 995
28 October 2024
Dubai
United Arab Emirates

**Combined statement of financial position
as at 31 December 2023**

	Notes	2023 AED	2022 AED
ASSETS			
Non-current assets			
Property, plant and equipment	6	648,866,497	498,005,327
Intangible assets	7	100,798,409	112,628,810
Goodwill	23	23,055,025	23,055,025
Retention receivables	11	76,252,748	175,138,110
Advances to suppliers and subcontractors		3,177,134	14,262,903
Total non-current assets		852,149,813	823,090,175
Current assets			
Inventories	13	47,934,688	42,325,271
Contract and other receivables	10	4,677,155,442	2,738,536,072
Prepayments		43,702,890	55,241,823
Cash and bank balances	24	897,041,747	983,411,914
Total current assets		5,665,834,767	3,819,515,080
Total assets		6,517,984,580	4,642,605,255

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

Combined statement of financial position (continued)
as at 31 December 2023

	Notes	2023 AED	2022 AED
EQUITY AND LIABILITIES			
Equity			
Share capital	14	300,000	300,000
Restricted reserves	15	92,976,875	92,976,875
General reserve	16	408,531	408,531
Retained earnings		817,884,901	684,842,398
Foreign currency translation reserve		(731,177)	(5,017,630)
Other equity	17	25,000,000	25,000,000
Remeasurement (loss)/gain on employees' defined benefit obligations	18	(4,100,986)	2,293,182
Equity attributable to owners of the Company		931,738,144	800,803,356
Non-controlling interests		899,577	7,895,666
Total equity		932,637,721	808,699,022
Non-current liabilities			
Provision for employees' end-of-service benefits	18	262,675,546	236,936,768
Retention payables	19	27,015,431	113,625,207
Advances from customers	19	367,138,559	183,348,353
Borrowings	27	382,261,135	411,459,768
Lease liabilities	22	91,877,332	70,290,623
Asset retirement obligation	22	2,655,708	2,655,708
Total non-current liabilities		1,133,623,711	1,018,316,427
Current liabilities			
Contract and other payables	19	3,882,399,683	2,391,973,213
Current tax liabilities	26	5,283,802	1,261,663
Borrowings	27	552,716,338	414,367,451
Lease liabilities - current	22	11,323,325	7,987,479
Total current liabilities		4,451,723,148	2,815,589,806
Total liabilities		5,585,346,859	3,833,906,233
Total equity and liabilities		6,517,984,580	4,642,605,255
 Director		 Director	

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

**Combined statement of profit or loss and other comprehensive income
for the year ended 31 December 2023**

	Notes	2023 AED	2022 AED
Contract revenue	25	6,275,118,740	3,598,910,856
Contract costs		(5,642,126,128)	(3,208,412,409)
Gross profit		632,992,612	390,498,447
Administrative expenses		(305,536,515)	(187,290,070)
Share of results of joint ventures	8	(179,141)	(2,535,395)
Profit from operations		327,276,956	200,672,982
Provision for/(reversal of) impairment losses on financial assets and contract assets		(12,583,453)	1,244,442
Finance costs	21	(81,708,038)	(14,995,531)
Other income		10,430,281	2,049,329
Profit before tax		243,415,746	188,971,222
Income tax expense	26	(5,091,300)	(3,230,225)
Profit for the year	20	238,324,446	185,740,997
Attributable to:			
Owners of the Company		236,248,772	184,540,968
Non-controlling interests		2,075,674	1,200,029
		238,324,446	185,740,997
Other comprehensive (loss)/income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Net change in foreign currency translation reserve		4,286,453	(639,530)
<i>Item that may not be reclassified subsequently to profit or loss</i>			
Remeasurement (loss)/gain on employees' defined benefit obligations	18	(6,394,168)	2,290,297
Total comprehensive income for the year		236,216,731	187,391,764
Attributable to:			
Owners of the Company		234,141,057	186,191,735
Non-controlling interests		2,075,674	1,200,029
		236,216,731	187,391,764

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

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

	Share capital AED	Restricted reserve AED	General reserve AED	Retained earnings AED	Foreign currency translation reserve AED	Remeasure- ment gain on employees' defined obligations AED	Other equity AED	Equity attributable to owners of the Company AED	Non- controlling interests AED	Total AED
Balance at 1 January 2022	300,000	92,976,875	408,531	585,301,430	(4,378,100)	2,885	25,000,000	699,611,621	6,695,637	706,307,258
Profit for the year	-	-	-	184,540,968	-	-	-	184,540,968	1,200,029	185,740,997
Other comprehensive income/(loss) for the year	-	-	-	-	(639,530)	2,290,297	-	1,650,767	-	1,650,767
Total comprehensive income/(loss) for the year	-	-	-	184,540,968	(639,530)	2,290,297	-	186,191,735	1,200,029	187,391,764
Dividends paid to shareholders (Note 9)	-	-	-	(85,000,000)	-	-	-	(85,000,000)	-	(85,000,000)
Balance at 31 December 2022	300,000	92,976,875	408,531	684,842,398	(5,017,630)	2,293,182	25,000,000	800,803,356	7,895,666	808,699,022
Profit for the year	-	-	-	236,248,772	-	-	-	236,248,772	2,075,674	238,324,446
Other comprehensive income/(loss) for the year	-	-	-	-	4,286,453	(6,394,168)	-	(2,107,715)	-	(2,107,715)
Total comprehensive income/(loss) for the year	-	-	-	236,248,772	4,286,453	(6,394,168)	-	234,141,057	2,075,674	236,216,731
Adjustment arising from change in non-controlling interest (Note 1)	-	-	-	(3,206,269)	-	-	-	(3,206,269)	(9,071,763)	(12,278,032)
Dividends paid to shareholders (Note 9)	-	-	-	(100,000,000)	-	-	-	(100,000,000)	-	(100,000,000)
Balance at 31 December 2023	300,000	92,976,875	408,531	817,884,901	(731,177)	(4,100,986)	25,000,000	931,738,144	899,577	932,637,721

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

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

	2023 AED	2022 AED
Operating activities		
Profit before tax	243,415,746	188,971,222
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment and amortisation of right-of-use assets	96,457,667	51,292,170
Amortization of intangible assets	11,704,946	3,457,162
Provision for/(reversal of) impairment loss on financial assets and contract assets	12,583,453	(1,244,441)
Provision for employees' end-of-service benefits	42,464,125	28,963,148
Share of results of joint ventures	179,141	2,535,395
Finance costs	81,708,038	14,995,531
Gain on disposal of property, plant and equipment	(2,786,222)	(2,342,577)
Loss on disposal of intangible assets	125,455	-
Cash from operating activities before movements in working capital	485,852,349	286,627,610
Increase in inventories	(5,609,417)	(8,229,015)
(Increase)/decrease in contract and other receivables,	(1,846,541,123)	154,661,816
Decrease/(increase) in prepayments	11,538,933	(5,818,029)
Decrease in margin deposits under lien	10,609,835	979,378
Increase/(decrease) in contract and other payables	1,591,933,986	(82,108,018)
Cash generated from operations	247,784,563	346,113,742
Employees' end-of-service benefits paid	(23,119,515)	(22,666,606)
Income tax paid	(1,069,161)	(15,816,082)
Net cash generated from operating activities	223,595,887	307,631,054
Investing activities		
Cash consideration paid for the acquisition of additional shareholding in a subsidiary	(11,500,002)	-
Payments for purchases of property, plant and equipment	(219,203,267)	(74,231,855)
Proceeds from disposal of property, plant and equipment	10,669,201	3,843,512
Payments for purchases of intangible assets	-	(1,185,972)
Cash consideration paid for the acquisition of a new subsidiary - net of cash and cash equivalents acquired	-	(352,638,313)
Net cash used in investing activities	(220,034,068)	(424,212,628)

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

**Combined statement of cash flows (continued)
for the year ended 31 December 2023**

	2023 AED	2022 AED
Financing activities		
Dividends paid to shareholders	(100,000,000)	(85,000,000)
Repayment of lease liabilities	(11,075,994)	(12,839,379)
Repayment of bank borrowings	(1,125,759,407)	(87,359,427)
Finance costs paid	(81,708,038)	(14,995,531)
Proceeds from bank borrowings	1,234,909,661	514,204,966
Repayment of loans from a related party	-	(440,000)
Net cash (used in)/ generated from financing activities	(83,633,778)	313,570,629
Net (decrease)/increase in cash and cash equivalents	(80,071,959)	196,989,055
Cash and cash equivalents at the beginning of the year	937,774,395	741,424,870
Less: Effect of foreign exchange rate changes	4,286,453	(639,530)
Cash and cash equivalents at the end of the year	861,988,889	937,774,395
Less: Expected credit losses on cash and cash equivalents	(84,199)	(109,373)
Cash and cash equivalents at the end of the year, net of expected credit loss (Note 24)	861,904,690	937,665,022
Non-cash transactions:		
Non-cash purchase of property, plant and equipment which is right-of-use asset with corresponding lease liability (Notes 6 and 22)	(35,720,013)	(4,523,858)
Reallocation of share of loss in excess of investment in joint venture to due from related parties (Note 8)	(179,141)	(2,535,395)
Corporate tax liability in Ethiopia offset against VAT receivables	-	1,976,974

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

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

ALEC Holdings LLC (the “Company”) is a limited liability company - single owner operating in the United Arab Emirates under a trade license issued in Dubai, United Arab Emirates on 3 March 2010. The Company also has operations in State of Qatar, Sultanate of Oman, Kingdom of Saudi Arabia, Ethiopia, United Kingdom, Italy, and Egypt through its subsidiaries and branches.

By virtue of a Share Purchase Agreement dated 6 June 2024, Investment Corporation of Dubai acquired 100% shareholdings of ALEC Industries LLC from ALEC Engineering and Contracting LLC and Binaa Dubai LLC for a total consideration of AED 299,000 and AED 1,000, respectively. On the same date, the Memorandum of Association of ALEC Industries LLC was amended and the name of the Company was changed from ALEC Industries LLC to ALEC Holdings LLC.

On 23 August 2024, the Memorandum of Association of ALEC Holdings LLC was amended for the increase in share capital of the Company from AED 300,000 to AED 50,000,000.

The Company is now as a wholly-owned subsidiary of Investment Corporation of Dubai (the “Immediate Parent Company”), which is ultimately owned by the Government of Dubai, (the “Ultimate Parent Company”).

Group reorganisation and business combinations under common control

By virtue of a Share Purchase Agreement dated 20 August 2024, the Company acquired 100% shareholdings of ALEC Engineering and Contracting LLC from Binaa Dubai LLC and Manzil Investments LLC (“the Transaction”) for a total consideration of AED 1,211,422,667 and AED 242,333, respectively.

ALEC Engineering and Contracting LLC and the subsidiaries, joint operations and branches listed below and in Note 29 are now effectively owned by the Company.

As the reorganisation did not result in any change of economic substance and it involved transfer of entities under common control both before and after the transfer, it is not considered as a business combination as defined in IFRS 3 *Business Combinations* (Note 3).

The principal activities of the Group are engineering and construction contracting relating to installation, industrial process plants and infrastructure developments, earth and civil works, buildings, structural steelwork, mechanical, process piping, electrical and maintenance, shutdown, and turnaround activities in all types of process plants. In addition to the principal activities of the Group are general contracting works for civil, mechanical, electrical and marine, onshore and offshore industrial, oil and gas, commercial projects, scaffold installation works, building maintenance, investment and establishing and managing industrial projects.

These are the first set of the combined financial statements of the Company and its subsidiaries (together referred to as the “Group”) and will be included in the Company’s initial public offering application to be filed with the Securities and Commodities Authority (“SCA”) of the United Arab Emirates.

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

1. General information (continued)

These combined financial statements include the results of operations and financial position of the Company and its subsidiaries and branches (together referred as “the Group”). The principal activity, country of incorporation and operation and ownership interest of the Company in the subsidiaries and branches are set out below:

Name of subsidiary	Principal activity	Country of incorporation and operation	Proportion of ownership interest (%)		Proportion of beneficial interest (%)	
			2023	2022	2023	2022
ALEC Engineering and Contracting LLC – SPC	Construction activities	United Arab Emirates	100%	100%	100%	100%
ALEC L.E.G.T. Contracting WLL (1)	Construction activities	State of Qatar	-	-	100%	100%
ALEC Engineering and Contracting Oman LLC	Construction activities	Sultanate of Oman	70%	70%	100%	100%
ALEMCO Electromechanical Contracting LLC	Construction activities	United Arab Emirates	99.67%	99.67%	100%	100%
AJI Heavy Equipment Rental LLC (5)	Rental of heavy and light machines and equipment	United Arab Emirates	100%	80%	100%	80%
ALEC Saudi Arabia Engineering and Contracting LLC	Construction activities	Kingdom of Saudi Arabia	100%	100%	100%	100%
L I N Q Modular LLC	Modular fabrication and assembly	United Arab Emirates	100%	100%	100%	100%
Emisha Technologies FZ-LLC	Software consultancy, developer, service provider	United Arab Emirates	100%	100%	100%	100%
ALEC Engineering and Contracting (UK) Ltd.	Construction activities	United Kingdom	100%	100%	100%	100%
AES Building Materials Trading LLC	Building and construction materials trading	United Arab Emirates	80%	80%	80%	80%
ALEC Engineering and Contracting Egypt LLC	Construction activities	Egypt	100%	100%	100%	100%
ALEC Doha Contracting W.L.L.	Rental of heavy and light machines and equipment	State of Qatar	100%	100%	100%	100%

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

1. General information (continued)

Name of subsidiary	Principal activity	Country of incorporation and operation	Proportion of ownership interest (%)		Proportion of beneficial interest (%)	
			2023	2022	2023	2022
ALEC EPC Holding LLC	Investment activities	United Arab Emirates	100%	100%	100%	100%
ALEMCO Contracting Company LLC	Electromechanical works, projects contracting, sub-sewage networks connections and homes connections contracting and main water networks contracting works	Kingdom of Saudi Arabia	100%	100%	100%	100%
AJI Equipment Rental Company	Renting and operational leasing of machine tools, engines and turbines, cranes and lorries, scaffold and work platforms, without erection and dismantling and renting of cranes with operators	Kingdom of Saudi Arabia	100%	100%	100%	100%
Target Engineering Construction Company L.L.C.	General contracting works for civil, mechanical, electrical and marine, onshore and offshore industrial, oil and gas, commercial projects, scaffold installation works, building maintenance, investment and establishing and managing industrial projects in the UAE	United Arab Emirates	100%	100%	100%	100%
Target General Construction WLL (2)	Construction of buildings, civil and contracting works	State of Qatar	49%	49%	49%	49%
Idrotec S.r.l. (Italy)	Engineering, design and consultancy	Italy	100%	100%	100%	100%
Target Saudi Construction Company LLC (6)	Construction of buildings, civil and contracting works	Kingdom of Saudi Arabia	90%	65%	90%	65%

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

1. General information (continued)

Name of subsidiary	Principal activity	Country of incorporation and operation	Proportion of ownership interest (%)		Proportion of beneficial interest (%)	
			2023	2022	2023	2022
Target Steel Industries LLC	Steel fabrication works	United Arab Emirates	100%	100%	100%	100%
ALEC Interior Decoration One Person Company (3)	Manufacture of carpentry products and crafts needed for construction workers, construction of building and other related construction activities	Saudi Arabia	100%	-	100%	-
AES Aluminium and Glass Works LLC (3)	Aluminium installation works, machining and forming of metals and glass plates installation works.	United Arab Emirates	90%	-	90%	-
Infrastructure Protective Services Inproserv Middle East L.L.C (3)/(4)	Corrosion and oxidation resistant services, fire resistant painting works and removing corrosion of metals	United Arab Emirates	50%	-	50%	-

Name of branch	Principal activities	Country of incorporation and operation
ALEC Engineering and Contracting LLC – Dubai Branch	Construction activities	United Arab Emirates
ALEC Engineering and Contracting PLC	Construction activities	Ethiopia
Target Engineering Construction Company LLC – Dubai Branch	Construction activities	United Arab Emirates
Target Engineering Construction Company LLC – Sharjah Branch	Construction activities	United Arab Emirates
Target Engineering Construction Company LLC – Fujairah Branch	Construction activities	United Arab Emirates

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

1. General information (continued)

Name of branch	Principal activities	Country of incorporation and operation
Target Engineering Construction Company LLC – Qatar Branch	Construction activities	United Arab Emirates
Target Engineering Construction Company LLC – Hamriyah Branch	Construction activities	United Arab Emirates
Target Engineering Construction Company LLC – Aqaba Branch – Jordan	Construction activities	Jordan
Idrotec S.r.l. – Abu Dhabi Branch	Construction activities	United Arab Emirates

- (1) ALEC LEGT Contracting WLL is legally owned by International Company for Project Development, State of Qatar and LEGT Construction Company Limited, Jersey. By virtue of the shareholders' agreement between ALEC Engineering and Contracting LLC and the shareholders of ALEC LEGT Contracting WLL, all the shareholdings in ALEC LEGT Contracting WLL are effectively owned by ALEC Engineering and Contracting LLC.
- (2) Target Engineering Construction Company L.L.C. (Target), a subsidiary, owns 49% of the shareholdings in Target General Construction WLL and Target is exercising control over this subsidiary.
- (3) During the current year, ALEC Engineering and Contracting LLC has invested in newly incorporated entities in United Arab Emirates. The operations of these newly incorporated entities have not yet commenced.
- (4) ALEC Engineering and Contracting LLC owns 50% of the shareholding of Infrastructure Protective Services Inproserv Middle East L.L.C. and ALEC Engineering and Contracting LLC is exercising control over this subsidiary.
- (5) On 1 January 2023, by virtue of a Share Purchase Agreement, ALEC Engineering and Contracting LLC purchased the remaining 20% shareholdings in AJI Heavy Equipment Rental LLC from Jones International Rentals Ltd. for a total cash consideration of AED 11,500,002. The carrying value of the non-controlling interest at the date of acquisition amounted to AED 8,614,077 which resulted in an adjustment in retained earnings arising from change in non-controlling interest amounting to AED 2,885,925.
- (6) On 2 January 2023, by virtue of a Shareholder Agreement, the Target Engineering Construction Company L.L.C. (Target) purchased 25% shareholdings in Target Construction Saudi Company from Middle East Petroleum Company ("MEPCO") for zero consideration. Further to the shareholder's agreement, Target agrees to pay MEPCO fixed remuneration amounting to 1% of the annual revenue for the duration of the contract. The carrying value of the non-controlling interest at acquisition date amounted to AED 457,686 which resulted in an adjustment in retained earnings arising from change in non-controlling interest amounting to AED 320,344.

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

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

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

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

<u>New and revised IFRS Accounting Standards</u>	<u>Effective for annual periods beginning on or after</u>
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Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2 <i>Making Materiality Judgements</i> – Disclosure of Accounting Policies	1 January 2023
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The Group has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

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

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

Amendments to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> – Definition of Accounting Estimates	1 January 2023
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The Group has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted.

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

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

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

<u>New and revised IFRS Accounting Standards</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 12 <i>Income Taxes</i> – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
The group has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.	
Amendments to IAS 12 <i>Income Taxes</i> – International Tax Reform – Pillar Two Model Rules	1 January 2023
The Group has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Following the amendments, the group is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.	

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

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

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

<u>New and revised IFRS Accounting Standards</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 17 <i>Insurance Contracts</i> (including the June 2020 and December 2021 Amendments to IFRS 17)	1 January 2023

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

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

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

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

<u>New and revised IFRS Accounting Standards</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 1 <i>Presentation of Financial Statements</i> – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 <i>Presentation of Financial Statements</i> – Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 <i>Statement of Cash Flows</i> and IFRS 7 <i>Financial Instruments: Disclosures</i> – Supplier Finance Arrangements	1 January 2024
Amendment to IFRS 16 <i>Leases</i> – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date deferred indefinitely. Adoption is still permitted.

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****2. Application of new and revised International Financial Reporting Standards (IFRS Accounting Standards) (continued)****2.2 New and amended IFRS Accounting Standards in issue but not yet effective and not early adopted (continued)**

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's combined financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the combined financial statements of the Group in the period of initial application.

3. Summary of significant accounting policies**Statement of compliance**

The combined financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) issued by the International Accounting Standards Board (IASB), except for combining of the entities under common control and ownership as detailed in the basis of preparation below.

Basis of preparation

As disclosed in Note 1, the Company initiated the re-organization of its related and affiliated companies that are beneficially owned and controlled by the Immediate Parent Company, into a unified group structure, specifically under the umbrella of ALEC Holdings LLC.

The aforementioned transfer of entities to the Company is considered to be a common control transaction as the entities will continue to be controlled by the ultimate controlling party before and after the reorganisation. Therefore, this reorganisation is considered to be outside the scope of IFRS 3 *Business Combinations*. The Company has applied the pooling of interest method of accounting for the reorganisation. Accordingly, for the purpose of this combined financial statements:

- The assets and liabilities of the entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the acquisition that would otherwise be recognised under the acquisition method.
- No goodwill is recognised as a result of the combination. Any difference between the consideration transferred and the acquired net assets is reflected within equity.
- The combined statement of profit or loss and other comprehensive income reflects the results of the entities.

The basic principle of accounting for business combinations under common control using the pooling of interest method is that the structure of ownership is discretionary, and any reorganisation thereof is without economic substance from the perspective of the ultimate controlling party. The pooling of interest method is considered to involve the combining entities being presented as if they had always been combined.

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****3. Summary of significant accounting policies (continued)****Basis of preparation (continued)**

The Company has presented the periods prior to the business combination under common control, to the extent that the combining parties were under common control of the same controlling party (retrospective approach). The financial information in the combined financial statements is presented for periods prior to the combination, to reflect the combination as if it had occurred from the beginning of the earliest period presented.

The concept of pooling of interest generally is based on the premise of a continuation of the combining entities. Consistently, the pre-combination equity composition and history associated with the assets and liabilities would be carried forward upon the combination.

In the combined financial statements of the Group:

- the share capital reported pertains to the authorised and issued share capital of the Company. The share capital of ALEC Engineering and Contracting LLC is credited to 'Other equity' (Note 17);
- the retained earnings of the individual entities that are combined are reflected under 'Retained earnings';
- the statutory reserves of the individual entities that are combined are reflected as 'Restricted reserves'; and
- the other equity components such as general reserve, foreign currency translation reserve, remeasurement (loss)/gain on employees defined benefit obligations and non-controlling interests of the individual entities that are combined are considered within these combined financial statements under the same line items.

The combined financial statements have been prepared on the historical cost basis with the exception of provision for employees' end of service benefits which is recognised at the present value of future obligations using the projected unit credit method. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies adopted applied in the preparation of these combined financial statements are set out below.

Going concern

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

Basis of consolidation

The combined financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control exists when the Group has power over the investee, 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.

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

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****3. Summary of material accounting policy information (continued)****Basis of consolidation (continued)**

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

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

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

Where 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 transactions, balances, income, expenses and cash flows relating to the transactions between the members of the Group are eliminated on consolidation.

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

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

Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****3. Summary of significant accounting policies (continued)****Basis of consolidation (continued)**

When the group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Non-controlling interests in the net assets (excluding goodwill) of combined subsidiaries are identified.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS Accounting Standards.

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

3. Summary of significant accounting policies (continued)

Business combinations (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible asset other than Goodwill

Intangible assets with finite useful lives

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The principal annual rates used for this purpose are:

	%
Computer software	10

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

3. Summary of significant accounting policies (continued)

Intangible asset other than Goodwill (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their costs). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization (straight-line method) and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. The principal annual rates used for this purpose are:

	%
Trade name	10
License	10
Customer contracts	10

These intangible assets have been recognized as a result of a business combination (Note 23).

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of property, plant and equipment on a straight-line basis over the expected useful economic lives of the assets concerned. Leasehold improvements are depreciated over the shorter of the lease period and their expected useful economic life. The principal annual rates used for this purpose are:

	%
Buildings and improvements	2.5 – 33
Plant, machinery and equipment	7 – 100
Office furniture, fixtures and equipment	20 – 100
Motor vehicles	25

The estimated useful lives, residual values and depreciation method are reviewed at each year end with the effect of any changes in estimate accounted for on a prospective basis.

Any item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is calculated as the difference between sale proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss and other comprehensive income.

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****3. Summary of significant accounting policies (continued)****Impairment of tangible and intangible assets excluding goodwill**

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

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

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

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

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

Investments in joint ventures

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

The results and assets and liabilities of joint ventures are incorporated in these combined financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in a joint venture is initially recognised in the combined statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****3. Summary of significant accounting policies (continued)****Investments in joint ventures (continued)**

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

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the investment in a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

Interests in joint operations

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

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

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

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****3. Summary of significant accounting policies (continued)****Interests in joint operations (continued)**

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

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

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

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee benefits

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

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

Actuarial gains and losses arising from experience adjustments and changes in assumptions are charged or credited to equity in the other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in combined statement of profit or loss and other comprehensive income.

The defined benefit liability comprises the present value of the defined benefit obligations using a discount rate based on market yield rates. The Group has not allocated any assets to such plans.

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

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****3. Summary of significant accounting policies (continued)****Revenue recognition**

The application of the new standard requires management to apply the following new accounting policies:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, customer returns and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(i) Contract revenue and revenue from sale of goods

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

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

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

For performance obligations where one of the above conditions are not met, revenue is recognised at a point in time at which the performance obligation is satisfied. The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has concluded that for majority of its arrangements, it is either creating or enhancing an asset controlled by the customer or it is creating an asset with no alternative use and has an enforceable right to payment for work completed. Therefore, it meets the criteria to recognise revenue overtime and measure progress of its projects through the cost to complete method (input method) as it best depicts the transfer of control of products and services under each performance obligation.

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****3. Summary of significant accounting policies (continued)****Revenue recognition (continued)***(i) Contract revenue and revenue from sale of goods (continued)*

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

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. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Variations which are in the nature of extension of existing scope of work are accounted for using cumulative catch up adjustments to the cost to complete method of revenue recognition. Variation orders which require addition or distinct goods and services to the scope at discounted prices are accounted for prospectively and variation orders which require addition of distinct goods and services to the scope at standalone selling prices are accounted for as new contracts with the customers.

Claims are accounted for as variable consideration. They are included in contract revenue using the expected value or most likely amount approach (whichever is more predictive of the amount the entity expects to be entitled to receive) and it is highly probable that a significant reversal in the amount of cumulative revenue will not occur when the uncertainty associated with the claim is subsequently resolved.

A loss is recognized in statement of comprehensive income when the expected contract costs exceed the total anticipated revenue.

The Group combines two or more contracts entered into at or near the same time with the same customer and accounts for the contracts as a single contract if one or more of the following criteria are met:

- The two or more contracts entered into at or near the same time with the same customer are negotiated as a package, with a single commercial objective;
- The amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

If the above criteria are met, the arrangements are combined and accounted for as a single arrangement for revenue recognition.

Pre-contract cost of obtaining a contract with a customer is recognised as an asset if those costs are expected to be recovered.

Revenue is recognised in the statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****3. Summary of significant accounting policies (continued)****Revenue recognition (continued)***(ii) Interest income*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate ("EIR") applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(iii) Dividend income

Dividend income from investments is recognised when the rights to receive payment have been established.

(iv) Lease income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

(v) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally upon delivery. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, alignment and filling services, etc.). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Contract costs

Contract costs comprise of direct contract costs and other costs relating to the contracting activity in general and which can be allocated to contracts, or are specifically chargeable to the customer under the terms of the contracts. Costs that cannot be related to contract activity or cannot be allocated to a contract are excluded from the costs of the construction contract and are included in the general and administrative expenses.

Incremental costs of obtaining a contract

The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer. The costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred. If those costs are explicitly chargeable to the customer regardless of whether the contract is obtained, the Group recognises the incremental costs of obtaining a contract as an asset.

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****3. Summary of significant accounting policies (continued)****Contract costs (continued)***Fulfilment costs*

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard, an entity recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- a. The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- b. The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- c. The costs are expected to be recovered under the terms of the contract with the customer.

Provision for maintenance expenses

The Group generally offers a one year warranty for defects on work carried out during the contractual defects liability period and does not provide extended warranties or maintenance services in its contracts with customers. Management estimates the related provision for the costs associated with rectifying defects based on historical information, as well as recent trends that might suggest that past cost information may differ from future defects costs. These costs are included in estimated contract costs. As such, the Group expects that such defects costs will be assurance-type warranties which will continue to be accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with its current practice.

Leases*The Group as lessee*

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

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

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the group and the lease does not benefit from a guarantee from the group.

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

3. Summary of significant accounting policies (continued)

Leases (continued)

The Group as lessee (continued)

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

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

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

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

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

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

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****3. Summary of significant accounting policies (continued)****Leases (continued)***The Group as lessee (continued)*

The right-of-use of assets are presented as a separate section in the property, plant and equipment in the combined statement of financial position.

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

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

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

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of machinery and equipment.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****3. Summary of significant accounting policies (continued)****Foreign currencies**

The financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates. For the purpose of the financial statements, the results and financial position of the Group are expressed in United Arab Emirates Dirhams (AED), which is the functional currency of the Group, and the presentation currency for the financial statements.

In preparing the financial statements, transactions in currencies other than the Group's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year.

Taxation

The income tax expense represents the sum of current and deferred income tax expense.

Current tax

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

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****3. Summary of significant accounting policies (continued)****Taxation (continued)***Deferred tax (continued)*

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

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

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Corporate tax in United Arab Emirates

On 9 December 2022, the United Arab Emirates (UAE) Ministry of Finance ("MOF") released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to enact a new CT regime in the UAE. The new CT regime has become effective for accounting periods beginning on or after 1 June 2023.

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****3. Summary of significant accounting policies (continued)*****Corporate tax in United Arab Emirates (continued)***

As the Group's accounting year ends on 31 December, the first tax period will be 1 January 2024 to 31 December 2024, with the first return to be filed on or before 30 September 2025.

The taxable income of the entities that are in scope for UAE CT purposes will be subject to the rate of 9% corporate tax. It is not currently foreseen that the Group's UAE operations will be subject to the application of the Global Minimum Tax rate of 15% in FY2024. The application is dependent on the implementation of Base Erosion Profit Shifting (BEPS 2) – Pillar Two rules by the countries where the Group operates and the implementation of a top-up tax regime by UAE MOF.

As per the Group's assessment, there is no material deferred tax impact on account of the CT Law in the Group combined financial statements for the year ended 31 December 2023.

Financial instruments

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

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

Financial assets

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

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

Classification of financial assets

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

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

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

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

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

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

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election / designation at initial recognition of a financial asset:

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

Amortised cost and effective interest method

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

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

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

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****3. Summary of significant accounting policies (continued)****Financial instruments (continued)****Financial assets (continued)*****Amortised cost and effective interest method (continued)***

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

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

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on contract and other receivables, lease receivables, amounts due from customers under construction contracts, retention receivables, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises Lifetime ECL for contract receivables, amounts due from customers under construction contracts (contract assets), lease receivables and related party balances. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience of the debtor, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

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.

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

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

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

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

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

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

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

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

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

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

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****3. Summary of significant accounting policies (continued)****Financial instruments (continued)****Financial assets (continued)*****Impairment of financial assets (continued)****(iv) Write-off policy*

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

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

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

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

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****3. Summary of significant accounting policies (continued)****Financial instruments (continued)****Financial liabilities and equity instruments*****Classification as debt or equity***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

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

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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

Derecognition of financial liabilities

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

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

In the process of applying the Group's accounting policies described in Note 3 to the combined financial statements, the management of the Group are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Contract variations

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

At the reporting date, management has recorded unapproved variations to the extent they will not result in significant reversal of revenue in subsequent period. This assessment is done based on the past history of agreeing variations and the probability of expected outcome from current on-going discussions with the employers, as well as the fact that unapproved variations are supported by the client appointed engineer's instructions.

Contract claims

A claim is an amount that the contractor seeks to collect from the customer or another party as reimbursements for costs not included in the contract price. A claim may arise from, for example, customer caused delays, prolongation cost, cost of acceleration of project, program errors in specifications or design, and disputed variations in contract work. The measurement of the amounts of revenue arising from claims is subject to a high level of uncertainty and often depends on the outcome of negotiations. Therefore, claims are only included in contract revenue when the amount has been accepted by the customer or the customer's representative, there is a clear contractual entitlement, and/or negotiations have reached a stage that it is highly probable that a significant reversal of revenue will not occur.

Based on the above, management have recorded extension of time claims in certain projects and which are included in the gross amounts due from customer on construction contract balance in Note 12.

Cost-to-cost (input method) to measure progress of construction contract

The Group uses the cost-to-cost (input method) in accounting for its construction contract revenue. At each reporting date, the Group is required to estimate the stage of completion and 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 the cost of potential claims by subcontractors and the cost of meeting other contractual obligations to the customers. Effects of any revision to these estimates are reflected in the 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 commercial team to estimate the costs to complete of construction contracts. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, labour costs and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****4. Critical accounting judgments and key sources of estimation uncertainty (continued)****Critical accounting judgments (continued)***Cost-to-cost (input method) to measure progress of construction contract (continued)*

The measurement of revenue is affected by a variety of uncertainties that depend on the outcome of future events. The estimated contract value may need to be revised as events occur and uncertainties are resolved. In making this judgment, management has considered the criteria prescribed in IFRS 15 *Revenue from Contracts with Customers* in determining whether the amount can be recognised as part of the estimated contract revenue of the Group. In particular, consideration was given as to whether the outcome of a construction contract can be estimated reliably and it is probable that the economic benefits associated with the transaction will flow to the Group.

Recording of contra charges

A contra charge is where the amount of a claim is deducted from another liability. Being a main contractor, the Group incurs costs on behalf of its subcontractors such as direct payments to suppliers of subcontractor and/or provision of Group's resources to assist with work completion. These contra charges are deducted by the Group on the payment certificates of its subcontractors. The right to set off the claim against the liability arises only by agreement of both parties involved. Furthermore, the measurement of the amounts arising from claim is subject to a high level of uncertainty and often depends on the outcome of negotiations. Therefore, the claims are recorded and offset against liabilities only when the amount has been accepted by the subcontractor and/or negotiations have reached at an advanced stage such that the contra charge that would be agreed by the subcontractor can be measured reliably.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of Note 3). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase in credit risk

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

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

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

Critical accounting judgments (continued)

Classification of joint arrangements and joint ventures

Management has assessed the classification of Qatar International Trading/IMAR Trading & Contracting Joint Venture and Al Jaber L.E.G.T. Engineering W.L.L., IMAR & Al Jaber Trading & Contracting Company, and Gulf Contracting Company W.L.L. & ALEC L.E.G.T. Contracting W.L.L. in consideration of the provisions of IFRS 11 *Joint Arrangements*. Although such arrangements except Gulf Contracting Company W.L.L. & ALEC L.E.G.T. Contracting W.L.L., have been structured through separate legal entities, it is the intention of the parties to the joint arrangements to have the rights to the assets and obligations for the liabilities of the joint arrangements. Accordingly, Qatar International Trading/IMAR Trading & Contracting Joint Venture and Al Jaber L.E.G.T. Engineering W.L.L., IMAR & Al Jaber Trading & Contracting Company, and Gulf Contracting Company W.L.L. & ALEC L.E.G.T. Contracting W.L.L. have been classified as joint operations of the Group.

Management has also assessed the classification of ALEMCO Zawawi LLC in consideration of the provisions of IFRS 10 *Consolidated Financial Statements* and IFRS 11 *Joint Arrangements*. Although ALEMCO Electromechanical Contracting LLC, one of the Group's subsidiaries, holds more than half of the voting rights of the entity, by virtue of the Shareholders Agreement between ALEMCO Electromechanical Contracting LLC and the other shareholder, decisions about the relevant activities of the entity require the unanimous consent of both parties. Accordingly, ALEMCO Zawawi LLC has been classified as a joint venture of the Group.

Management has also assessed the classification of the investment in Expo Contracting DWC LLC in consideration of the provisions of IFRS 11 *Joint Arrangements*. The Group holds 50% of the voting rights of Expo Contracting DWC LLC. Moreover, by virtue of the shareholders' agreement between the parties, decisions about the relevant activities requires the unanimous approval of the board of directors, with minimum one representative to be present for each shareholder for the meeting to qualify as a valid board meeting. Also, profit sharing is on a 50%:50% basis. Consequently, Expo Contracting DWC LLC does not fall under the provisions of IFRS 10 due to the lack of the Group's control over Expo Contracting DWC LLC. IFRS 10 identifies control (requiring both power and exposure to risks and rewards) as the single basis for consolidation. Accordingly, Expo Contracting DWC LLC has been classified as a joint venture of the Group.

Management has assessed the classification of Saudi Constructioners Ltd. and ALEC Saudi Arabia Engineering and Contracting LLC (SAUDICO-ALEC JV) in consideration of the provisions of IFRS 11 *Joint Arrangements*. SAUDICO-ALEC JV is an unincorporated joint venture and it is the intention of the parties to the joint arrangements to have the rights to the assets and obligations for the liabilities of the joint arrangements. Accordingly, SAUDICO-ALEC JV has been classified as a joint operation of the Group.

Management has assessed the classification of APIO Solutions Limited in consideration of the provisions of IFRS 11 *Joint Arrangements*. APIO Solutions Limited is structured through a separate legal entity which is a limited liability company. By virtue of the shareholders' agreement between the parties, decisions about the relevant activities requires the unanimous approval of the board of directors, with minimum two representative to be present for each shareholder for the meeting to qualify as a valid board meeting. Also, profit sharing is on a 50%:50% basis. Accordingly, APIO Solutions Limited has been classified as a joint venture of the Group.

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****4. Critical accounting judgments and key sources of estimation uncertainty (continued)****Critical accounting judgments (continued)***Classification of joint arrangements and joint ventures (continued)*

Management has assessed the classification of El Seif Engineering Contracting Company Ltd and ALEC Saudi Arabia Engineering and Contracting LLC (El Seif ALEC Joint Venture) in consideration of the provisions of IFRS 11 *Joint Arrangements*. El Seif ALEC Joint Venture is an unincorporated joint venture and it is the intention of the parties to the joint arrangements to have the rights to the assets and obligations for the liabilities of the joint arrangements. Accordingly, El Seif ALEC Joint Venture has been classified as a joint operation of the Group.

Key sources of estimation uncertainty

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

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Management have applied judgment that the lease term will be extended for a period of five (5) years on its two leases of land where its labour camp was constructed.

Discounting of lease payments

The lease payments are discounted using the Group's incremental borrowing rate ("IBR") at the commencement of the leases, which is ranging from 4.75% to 6.24% for all leases where implicit rates are not mentioned.

Management has applied judgments and estimates to determine the IBR at the commencement of lease, using borrowing rates that certain financial institutions would charge the Group against financing the different types of assets it leased over different terms and different ranges of values. Majority of the leases are present in the UAE and accordingly no adjustment for the economic environment was deemed required.

Calculation of loss allowance

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

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****4. Critical accounting judgments and key sources of estimation uncertainty (continued)****Key sources of estimation uncertainty (continued)***Project cost to complete estimates*

At the end of each reporting period, the Group is required to estimate costs to complete contracts. Estimating costs to complete on such contracts requires the Group to make estimates of future costs to be incurred, based on work to be performed beyond the end of the reporting period. The Group uses internal quantity surveyors together with project managers to estimate the costs to complete for construction contracts. Factors such as changes in material prices, labour costs, defects liability costs and other costs are included in the contract cost estimates based on best estimates of the contract progress and remaining works at the year-end. These estimates also include the cost of potential claims by contractors and the cost of meeting other contractual obligations to the customer.

Defects liability period and provision for maintenance

The Group provides a one-year defects liability commitment to customers from the date of handover of the project. These are assurance-type warranties and not sold separately. Management's estimates of the related provision to record for future cost of rectifying any defects is based on historical experience of costs incurred in providing maintenance services as well as recent trends that might suggest that past cost may not be an accurate measure of potential future costs.

Liquidated damages

The Group provides for liquidated damages where there have been significant delays against defined contractual delivery dates or contractual milestones and it is considered probable that the customer will successfully pursue these penalties. This requires management to estimate the amount of liquidated damages payable under the contract based on a combination of an assessment of the contractual terms, the reasons for any delays and evidence of cause of the delays to assess who is liable under the contract for the delays and consequently whether the Group is liable for the liquidated damages or not. Furthermore, there is an assessment by management of any liquidated damages, which can be recovered against subcontractors or the supply chain due to late delivery against contractual delivery dates, or milestones which are the direct cause of the delays under the contract with the customer and which the supply chain is liable for. In making this judgement, management considered the following:

- a) The outcome of ongoing constructive discussions with the customer regarding certain key delivery dates and how the delays to the progress of works can be mitigated without impacting any related contractors or any other project activity which minimises the risk of these related contractors pursuing liquidated damages against the customer, which the customer would in turn seek to recover; and
- b) The outcome of the discussions to date with the customers due to which management believes the risk of liquidated damages being levied has been mitigated.

Provision for taxation

The Group has provided for estimated income tax based on the estimated profit margins on the revenue earned from projects in Kingdom of Saudi Arabia, Ethiopia and State of Qatar based on relevant tax laws. There is a probability that the tax departments in each of the jurisdictions may assess tax at higher/lower profit margins or tax rates which may give rise to higher/lower tax liabilities.

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****4. Critical accounting judgments and key sources of estimation uncertainty (continued)****Key sources of estimation uncertainty (continued)***Employees' end of service indemnity*

The cost of the end of service benefits and the present value of these benefits obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed annually.

Allowance for inventory obsolescence

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 and volumes.

Estimated useful lives of property, plant and equipment

The costs of items of property, plant and equipment are depreciated on a systematic basis over the estimated useful lives of the assets. Management has determined the estimated useful lives of each asset and/or category of assets based on the following factors:

- Expected usage of the assets;
- Expected physical wear and tear, which depends on operational and environmental factors; and
- Legal or similar limits on the use of the assets.

Management has not made estimates of residual values for any items of property, plant and equipment at the end of their useful lives as these have been deemed to be insignificant.

Impairment of intangible assets

The Group assesses goodwill and intangibles with indefinite useful life for impairment annually and other assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication of impairment exists, the group makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets ('cash generating unit' or 'CGU'). An asset group's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

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

5. Segment reporting

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 *Operating Segments*. IFRS 8 requires operating segments to be identified based on internal reports about components of the Group that are regularly reviewed by the "Executive management" who are the Chief Operating Decision Makers (CODM) in order to allocate resources to the segment and to assess its performance. The Board of Directors is identified as chief operating decision maker for the Group. The management of the Group assessed the Group into four key business units: Building and Infrastructure Construction Services, Oil & Gas Construction Services, Related Businesses and Corporate Activities.

These businesses are the basis on which the Group reports its primary segment information to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. The above segments are the basis on which the Group reports its segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis and eliminated on combination.

Segment assets and liabilities are not disclosed in the segment reporting as these are not regularly provided to the chief operating decision maker. Only the total assets and liabilities of the Group are reported to the Chief Operating Decision Maker

**Notes to the combined financial statements
for the year ended 31 December 2023**

5. Segment reporting (continued)

	Building and infrastructure construction services AED	Oil and gas construction services AED	Related businesses AED	Corporate activities AED	Eliminations AED	Total AED
31 December 2023						
Contract revenue	3,450,149,019	1,992,777,948	1,373,780,009	-	(541,588,236)	6,275,118,740
Contract cost	(3,156,968,394)	(1,833,608,405)	(1,197,774,921)	-	546,225,592	(5,642,126,128)
Gross profit/(loss)	293,180,625	159,169,543	176,005,088	-	4,637,356	632,992,612
Administrative expenses	(82,680,781)	(43,310,771)	(76,912,500)	(102,632,463)	-	(305,536,515)
Share of results of joint ventures	16,706	-	(195,847)	-	-	(179,141)
Provision for/(reversal of) impairment losses on financial assets and contract assets	(2,041,429)	(12,584,240)	(1,705,606)	-	3,747,822	(12,583,453)
Finance costs	-	(52,889,363)	(2,888,396)	(30,496,770)	4,566,491	(81,708,038)
Other income	-	2,183,260	1,783,740	11,029,772	(4,566,491)	10,430,281
Income tax expense	-	(1,357,150)	(618)	(3,733,532)	-	(5,091,300)
Net segment results	208,475,121	51,211,279	96,085,861	(125,832,993)	8,385,178	238,324,446
31 December 2022						
Contract revenue	2,753,923,863	456,277,262	741,166,383	-	(352,456,652)	3,598,910,856
Contract costs	(2,531,780,930)	(423,057,635)	(598,832,257)	-	345,258,413	(3,208,412,409)
Gross profit/(loss)	222,142,933	33,219,627	142,334,126	-	(7,198,239)	390,498,447
Administrative expenses	(67,285,174)	(6,057,302)	(56,344,313)	(57,603,281)	-	(187,290,070)
Share of results of joint ventures	(294,466)	-	(2,240,929)	-	-	(2,535,395)
Provision for/(reversal of) impairment losses on financial assets and contract assets	(2,430,031)	-	(86,075)	-	3,760,548	1,244,442
Finance costs	-	(7,752,539)	(2,722,837)	(6,244,890)	1,724,735	(14,995,531)
Other income	-	71,355	1,186,145	2,516,564	(1,724,735)	2,049,329
Income tax expense	-	(172,620)	-	(3,057,605)	-	(3,230,225)
Net segment results	152,133,262	19,308,521	82,126,117	(64,389,212)	(3,437,691)	185,740,997

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

6. Property, plant and equipment

	Buildings and improvements AED	Plant, machinery and equipment AED	Office furniture, fixtures and equipment AED	Motor vehicles AED	Right-of-use asset - land AED	Right-of-use asset - building AED	Right-of-use asset - machinery and equipment AED	Assets under development*	Total AED
Cost									
1 January 2022	196,231,115	330,942,518	23,359,206	8,474,557	57,170,767	5,821,962	57,774,919	11,050,237	690,825,281
Acquired through business combination (Note 23)	129,816,116	465,248,318	57,529,172	24,312,981	25,400,437	-	-	-	702,307,024
Additions	4,918,979	21,595,008	4,069,371	689,700	-	1,685,568	2,838,290	42,958,798	78,755,714
Disposal/write off	-	(1,100,423)	(2,697)	(638,623)	-	-	(3,532,920)	-	(5,274,663)
31 December 2022	330,966,210	816,685,421	84,955,052	32,838,615	82,571,204	7,507,530	57,080,289	54,009,035	1,466,613,356
Additions	58,804,226	48,654,345	8,787,074	24,109,535	278,536	19,188,694	16,531,319	78,848,087	255,201,816
Disposal/write off	(3,337)	(8,653,338)	(4,256,671)	(2,161,774)	-	-	(4,872,044)	(5,557,123)	(25,504,287)
Transfers	50,621,990	5,700,000	-	-	-	-	-	(56,321,990)	-
31 December 2023	440,389,089	862,386,428	89,485,455	54,786,376	82,849,740	26,696,224	68,739,564	70,978,009	1,696,310,885

* Assets under development includes the capitalizable costs of ERP system that is expected to be completed and implemented in 2024 and the cost of labour camp being constructed in the project site. The ERP system will be reclassified to intangible assets and the labour camp to buildings and improvements under property, plant and equipment once these are completed and put into use.

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

6. Property, plant and equipment (continued)

	Buildings and improvements AED	Plant, machinery and equipment AED	Office furniture, fixtures and equipment AED	Motor vehicles AED	Right-of-use asset - land AED	Right-of-use asset - building AED	Right-of-use asset - machinery and equipment AED	Assets under development AED	Total AED
Accumulated depreciation									
1 January 2022	108,696,806	282,962,941	20,363,262	5,491,160	7,568,193	5,119,433	29,931,203	-	460,132,998
Acquired through business combination (Note 23)	49,649,963	331,755,243	54,800,379	18,512,251	6,238,753	-	-	-	460,956,589
Charge for the year	8,852,775	28,072,636	2,680,039	1,840,413	2,700,270	1,697,988	5,448,049	-	51,292,170
Eliminated on disposal/write off	-	(828,442)	(2,697)	(589,896)	-	-	(2,352,693)	-	(3,773,728)
31 December 2022	167,199,544	641,962,378	77,840,983	25,253,928	16,507,216	6,817,421	33,026,559	-	968,608,029
Charge for the year	25,433,771	48,081,511	4,426,691	5,396,445	4,040,868	3,330,742	5,747,639	-	96,457,667
Eliminated on disposal/write off	(1,135)	(7,480,018)	(4,052,661)	(2,161,757)	-	-	(3,925,737)	-	(17,621,308)
31 December 2023	192,632,180	682,563,871	78,215,013	28,488,616	20,548,084	10,148,163	34,848,461	-	1,047,444,388
Carrying amount									
31 December 2023	247,756,909	179,822,557	11,270,442	26,297,760	62,301,656	16,548,061	33,891,103	70,978,009	648,866,497
31 December 2022	163,766,666	174,723,043	7,114,069	7,584,687	66,063,988	690,109	24,053,730	54,009,035	498,005,327

Included in property, plant, and equipment are assets with a cost of AED 626 million (2022: AED 595 million), that are fully depreciated but still in use as at 31 December 2023.

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

6. Property, plant and equipment (continued)

The Group leases several assets including machinery and equipment, building and land. The average lease terms are as follows:

	Number of months
Land	30 to 384 months
Building	18 to 26 months
Machinery and equipment	16 to 62 months

The right of use land includes AED 2,655,708 related to asset retirement obligations (Note 22).

Amounts recognized in profit or loss related to leases

	2023 AED	2022 AED
Depreciation expense on right-of-use assets	13,119,249	9,846,307
Finance cost related to lease liabilities (Notes 21 and 22)	3,519,710	3,470,243
Rental expense relating to short-term leases and leases of low value assets	43,165,053	26,316,157

7. Intangible assets

	Tradename AED	License AED	Customer contracts AED	Computer software AED	Total AED
Cost					
Acquired through business combination (Note 23)	49,600,000	7,000,000	58,300,000	-	114,900,000
Additions	-	-	-	1,185,972	1,185,972
31 December 2022	49,600,000	7,000,000	58,300,000	1,185,972	116,085,972
Disposal	-	-	-	(448,528)	(448,528)
31 December 2023	49,600,000	7,000,000	58,300,000	737,444	115,637,444
Accumulated amortization					
Charge for the year	1,240,000	175,000	1,457,500	584,662	3,457,162
31 December 2022	1,240,000	175,000	1,457,500	584,662	3,457,162
Charge for the year	4,959,996	699,996	5,829,996	214,958	11,704,946
Eliminated on disposal	-	-	-	(323,073)	(323,073)
31 December 2023	6,199,996	874,996	7,287,496	476,547	14,839,035
Carrying amount					
31 December 2023	43,400,004	6,125,004	51,012,504	260,897	100,798,409
31 December 2022	48,360,000	6,825,000	56,842,500	601,310	112,628,810

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

8. Investments in joint ventures

Details of the Group's joint ventures at the end of the reporting period are as follows:

Name of joint venture	Principal activity	Place of incorporation	Proportion of ownership interest held by the Group legally		Beneficial interest held by the Group	
			2023	2022	2023	2022
Service and Trade and Al Jaber L.E.G.T. Company LLC	Construction of Jabal Al Akhdar Anantara Resort Hotel and Spa	Sultanate of Oman	50%	50%	50%	50%
ALEMCO Zawawi LLC	Electromechanical contracting services	Sultanate of Oman	70%	70%	70%	70%
Expo Contracting DWC LLC	Commercial enterprises and management	United Arab Emirates	50%	50%	50%	50%
APIO Solutions Limited	Modular solutions	United Kingdom	50%	50%	50%	50%

The above joint ventures are accounted for in these combined financial statements using the equity method.

A joint venture of the Group, has assets and liabilities which offset each other through a pass through arrangement, and should there be a shortfall between these, the difference is guaranteed by the Dubai Department of Finance. The exposure of the joint venture's shareholders is therefore limited to the share capital of the joint venture.

Summarised financial information in respect of the Group's material joint ventures is set out below. These represent amounts shown in the joint ventures' financial statements prepared in accordance with IFRS Accounting Standards.

	2023 AED	2022 AED
Current assets	53,097,891	48,798,884
Non-current assets	-	-
Current liabilities	110,984,736	108,987,841
Non-current liabilities	46,983	42,195
Revenue for the year	-	-
Loss for the year	(179,141)	(2,535,395)

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

8. Investments in joint ventures (continued)

Movement in investments in joint ventures:

	2023 AED	2022 AED
At 1 January	-	-
Share of results	(179,141)	(2,535,395)
Reallocations*	179,141	2,535,395
At 31 December	-	-

* Total share of results from the Group's joint ventures during the year is a loss of AED 179,141 (2022: loss of AED 2,535,395). Out of that total, the loss attributable to two of the Group's joint ventures has exceeded the original investment by an amount of AED 179,141 (2022: AED 2,535,395). In accordance with IAS 28 *Investments in Associates and Joint Ventures*, when the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture, the Group discontinues recognizing its share of further losses and any additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations on behalf of the joint venture. Accordingly, the Group continued to recognize these further losses, and offset against the balance of its loan receivable from those joint ventures. Cumulatively, the excess losses over the investment by which the loan receivable has been written off are AED 59,873,051 (2022: AED 59,818,082).

9. Related party balances and transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard (IAS) 24 *Related Party Disclosures*. Related parties comprise companies and entities under common ownership and/or common management and control, shareholders and key management personnel. The terms and conditions of such transactions are decided by management.

Transactions with related parties

The following transactions during the year arose from the normal operations of the Group:

	2023 AED	2022 AED
Purchase of materials and services		
Companies under common control	7,695,473	6,266,926
Revenue from related parties (Note 25)		
Companies under common control	1,032,374,480	1,063,860,027
Joint venture	-	15,387

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

9. Related party balances and transactions (continued)

Compensation of key management personnel

	2023 AED	2022 AED
Short-term benefits	10,619,056	9,149,093
Long-term benefits	391,682	351,388
	<u>11,010,738</u>	<u>9,500,481</u>
Directors' fees	<u>1,250,000</u>	<u>1,250,000</u>

Dividends paid to shareholders

	2023 AED	2022 AED
Dividends paid to shareholders	<u>100,000,000</u>	<u>85,000,000</u>

On 8 February 2023, by virtue of a board resolution, the shareholders of the Company approved and declared a cash dividend of AED 4 per share equal to a total cash dividend of AED 100,000,000. The dividends were paid in full in March 2023.

On 26 June 2022, by virtue of a board resolution, the shareholders of the Company approved and declared a cash dividend of AED 1.8 per share equal to a total cash dividend of AED 45,000,000. This dividend was paid in full in July 2022. Also, on 24 November 2022, by virtue of another board resolution, the shareholders of the Company have approved and declared a cash dividend of AED 1.6 per share equal to a total cash dividend of AED 40,000,000. The dividends were paid in full in November 2022.

Balances and transactions with affiliated entities under the Ultimate Parent Company

The following balances and transactions during the year arose from the normal operations of the Group:

	2023 AED	2022 AED
Cash and cash equivalents held at related party banks (Note 24)	<u>221,353,294</u>	<u>505,660,659</u>
Borrowings from related party banks (Note 27)	<u>461,266,545</u>	<u>520,261,869</u>
Interest and commissions paid to related party banks	<u>35,967,873</u>	<u>12,260,405</u>

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

9. Related party balances and transactions (continued)

Balances with related parties

The following are the outstanding balances with related parties arising from the normal operations of the Group:

	2023 AED	2022 AED
Due from related parties (Note 10)		
Parent company	300,000	300,000
Joint ventures	47,540,583	49,264,646
Joint operations	27,322,933	6,558,969
Other affiliated entities	90,469,091	157,700,550
	165,632,607	213,824,165
Less: Expected credit losses	(11,435,461)	(12,377,234)
	154,197,146	201,446,931

The following table shows the movement in Lifetime ECL that has been recognised for amounts due from related parties in accordance with the simplified approach set out in IFRS 9.

	2023 AED	2022 AED
At 1 January	12,377,234	13,580,001
Change in loss allowance	(941,773)	(1,202,767)
At 31 December	11,435,461	12,377,234

	2023 AED	2022 AED
Due to related parties (Note 19)		
Other affiliated entities	2,124,936	3,711,221
Joint operations	-	1,962,700
	2,124,936	5,673,921
Retention receivables (Note 11)	269,775,078	278,743,379
Retention payables (Note 19)	113,904	508,038
Advances from customers (Note 19)	37,085,750	34,352,100

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

9. Related party balances and transactions (continued)

Balances with related parties (continued)

	2023 AED	2022 AED
Gross amounts due from customer on construction contracts (Note 12)	937,539,862	416,553,147
Gross amounts due to customer on construction contracts (Note 19)	1,019,840	928,936

10. Contract and other receivables

	2023 AED	2022 AED
Contract receivables	876,637,146	502,682,693
Less: Expected credit losses	(74,870,671)	(58,455,827)
	801,766,475	444,226,866
Due from related parties - net (Note 9)	154,197,146	201,446,931
Retention receivables - net (Note 11)	673,585,353	431,292,147
Advances to suppliers and subcontractors	538,695,094	258,066,874
Gross amounts due from customers on construction contracts - net (Note 12)	2,481,903,167	1,356,361,578
Other receivables	27,008,207	47,141,676
	4,677,155,442	2,738,536,072

The average credit period on sale of goods or services is 90 days. No interest is charged on past due contract receivables.

Before accepting any new customers, the Group assesses the potential credit quality of the customer. Out of the contract receivable balance at the end of the year, an amount of AED 100 million (2022: AED 81 million) is due from the Group's one major customer (2022: One major customer). There are no other customers whose balance exceeds more than 10% of the contract receivables as at reporting date.

Included in the Group's contract receivables balance are debtors with a carrying amount of AED 116,671,944 (2022: AED 84,687,105) which are past due at the end of the reporting period. The Group does not hold any collateral over these balances.

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

10. Contract and other receivables (continued)

Ageing of past due contract receivables:

	2023 AED	2022 AED
Past due for 90 to 120 days	11,119,644	5,829,071
Past due for 121 to 180 days	25,779,662	13,313,119
Past due for more than 180 days	79,772,638	65,544,915
	<u>116,671,944</u>	<u>84,687,105</u>

The Group always measures the loss allowance for contract receivables at an amount equal to Lifetime ECL using the simplified approach.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The following table shows the movement in Lifetime ECL that has been recognised for contract receivables in accordance with the simplified approach set out in IFRS 9.

	2023 AED	2022 AED
At 1 January	58,455,827	32,496,175
Acquired through business combination	-	25,251,116
Change in loss allowance	19,763,504	708,536
Write-off of loss allowance	(3,348,660)	-
At 31 December	<u>74,870,671</u>	<u>58,455,827</u>

11. Retention receivables

	2023 AED	2022 AED
Current portion, net of expected credit losses (Note 10)	673,585,353	431,292,147
Non-current portion, net of expected credit loss and fair value adjustment	76,252,748	175,138,110
	<u>749,838,101</u>	<u>606,430,257</u>

Non-current portion of retention receivables represents retention receivables that become due in a period exceeding one year from the reporting date.

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

11. Retention receivables (continued)

Retention receivables are classified as follows:

	2023 AED	2022 AED
Related parties, net of expected credit losses (Note 9)	269,775,078	278,743,379
Third parties, net of expected credit losses	480,063,023	327,686,878
	<u>749,838,101</u>	<u>606,430,257</u>

The management always measure the loss allowance on retention receivables at an amount equal to Lifetime ECL, taking into account the historical default experience and the future prospects of the construction industry.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for retention receivables.

The following table shows the movement in Lifetime ECL that has been recognised for retention receivables in accordance with the simplified approach set out in IFRS 9.

	2023 AED	2022 AED
At 1 January	22,814,542	11,372,481
Acquired through business combination	-	10,802,838
Change in loss allowance	(5,099,086)	639,223
Write-off of loss allowance	(904,207)	-
At 31 December	<u>16,811,249</u>	<u>22,814,542</u>

12. Gross amounts due from customers on construction contracts

	2023 AED	2022 AED
Gross amounts due from customers on construction contracts	2,493,572,459	816,789,138
Acquired through business combination (Note 23)	-	552,355,750
	<u>2,493,572,459</u>	<u>1,369,144,888</u>
Less: Expected credit losses	(11,669,292)	(12,783,310)
	<u>2,481,903,167</u>	<u>1,356,361,578</u>

Gross amounts due from customers on construction contracts are contract assets that arise when the Group performs work for customers that has been recognised as revenue to date but has not received certifications from its customers. Any amount previously recognised as a contract asset is reclassified to contract receivables at the point at which it is certified by the customer and invoiced to the customer.

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

12. Gross amounts due from customers on construction contracts (continued)

The above balance includes gross amounts due from customers on construction contracts arising from contracts with related parties, amounting to AED 937,539,862 (2022: AED 416,553,147) (Note 9).

Significant changes in the gross amounts due from and to customers on construction contracts during the year are mentioned in Note 19.

The management always measure the loss allowance on gross 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.

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

The following table shows the movement in Lifetime ECL that has been recognised for gross amounts due from customers under construction contracts in accordance with the simplified approach set out in IFRS 9.

	2023 AED	2022 AED
As at 1 January	12,783,310	8,036,083
Acquired through a business combination (Note 23)	-	6,164,220
Change in loss allowance	(1,114,018)	(1,416,993)
As at 31 December	11,669,292	12,783,310

13. Inventories

	2023 AED	2022 AED
Construction materials	51,973,076	46,363,659
Less: Allowance for obsolescence	(4,038,388)	(4,038,388)
	47,934,688	42,325,271

14. Share capital

Share capital comprises 300 authorised, issued and fully paid shares of AED 1,000 each.

15. Restricted reserves

In accordance with the UAE Federal Decree Law No. (32) of 2021 concerning Commercial Companies and the Company's Articles of Association, 5% of the profit for the year is to be transferred to a statutory reserve. Such transfers are required to be made until the reserve is equal to 50% of the share capital.

The statutory reserves of subsidiaries amounted to AED 92,976,875 (2022: AED 92,976,875). These reserves are not available for distribution.

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

16. General reserve

Transfer to and from the general reserve are made at the discretion of the Board of Directors of the Company.

17. Other equity

Management, as part of its policy choice, has opted to apply the pooling of interest method with the net amount presented as 'other equity'. This chosen accounting policy will be applied consistently to all similar common control transactions.

The net amount represents the amount of share capital of ALEC Engineering and Contracting LLC which is reflected in these combined financial statements after applying the pooling of interest method, as set out in note 3 of these combined financial statements.

Previously, the amount was split between the merger reserve account and other equity account.

This resulted in the re-issuance of the previously issued combined financial statements dated 16 September 2024.

18. Provision for employees' end-of-service benefits

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

	2023	2022
	AED	AED
At 1 January	236,936,768	164,334,038
Addition through business combination (Note 23)	-	68,596,485
Charge for the year	42,464,125	28,963,148
Payments made during the year	(23,119,515)	(22,666,606)
Remeasurement loss/(gain) on employees defined benefit obligations	6,394,168	(2,290,297)
At 31 December	262,675,546	236,936,768

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations of other subsidiaries as at 31 December 2023 and 2022 using actuarial techniques, in respect of employees' end of service benefits payable under the UAE labour Law and the Laws applicable in the countries in which the Group operates, for their periods of service up to the reporting date and have concluded the impact to be immaterial.

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

19. Contract and other payables

	2023 AED	2022 AED
Contract payables	827,963,143	635,771,266
Advances from customers	809,402,161	393,664,153
Due to related parties (Note 9)	2,124,936	5,673,921
Retention payables	511,372,066	456,401,782
Accruals	1,523,363,833	685,079,268
Gross amounts due to customers on construction contracts	176,159,545	180,913,749
Other payables	32,013,999	34,469,074
	<u>3,882,399,683</u>	<u>2,391,973,213</u>

The average credit period on purchase of goods and services is 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

Retention payables

	2023 AED	2022 AED
Current portion	511,372,066	456,401,782
Non-current portion, net of fair value adjustment	27,015,431	113,625,207
	<u>538,387,497</u>	<u>570,026,989</u>
Related parties (Note 9)	113,904	508,038
Third parties	538,273,593	569,518,951
	<u>538,387,497</u>	<u>570,026,989</u>

Gross amounts due to customers on construction contracts

	2023 AED	2022 AED
Gross amounts due to customers on construction contracts	176,159,545	46,509,809
Add: Acquired through business combination (Note 23)	-	134,403,940
	<u>176,159,545</u>	<u>180,913,749</u>

The above balance includes gross amounts due from customers on construction contracts arising from contracts with affiliated entities, amounting to AED 1,019,840 (2022: AED 928,936) (Note 9).

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

19. Contract and other payables (continued)

Gross amounts due to customers on construction contracts (continued)

Significant changes in the Gross amounts due to customers and Gross amounts due from customers on construction contracts balance during the year are as follows:

	2023 AED	2022 AED	Variance AED
Gross amounts due from customers on construction contracts, before ECL (Note 12)	2,493,572,459	1,369,144,888	1,124,427,571
Gross amounts due to customers on construction contracts	(176,159,545)	(180,913,749)	4,754,204
	<u>2,317,412,914</u>	<u>1,188,231,139</u>	<u>1,129,181,775</u>

Significant changes are as follows:

	Variance AED
Conversion to contract receivables	(4,942,793,233)
Revenue recognition (Note 25)	6,071,975,008
	<u>1,129,181,775</u>

Advances from customers

	2023 AED	2022 AED
Current portion	809,402,161	393,664,153
Non-current portion	367,138,559	183,348,353
	<u>1,176,540,720</u>	<u>577,012,506</u>
Related parties (Note 9)	37,085,750	34,352,100
Third parties	1,139,454,970	542,660,406
	<u>1,176,540,720</u>	<u>577,012,506</u>

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

20. Profit for the year

	2023 AED	2022 AED
Profit for the year has been arrived at after charging		
Depreciation of property, plant, and equipment (Note 6)	96,457,667	51,292,170
Amortization of intangible assets (Note 7)	11,704,946	3,457,162
Staff costs including provision for end-of-service benefit	1,306,125,363	794,769,053
Gain on disposal of property, plant, and equipment	(2,786,222)	(2,342,577)
Loss on disposal of intangible assets	125,455	-
Due from related parties (Note 9)	(941,773)	(1,202,767)
Contract and other receivables (Note 10)	19,763,504	708,536
Cash and bank balances (Note 24)	(25,174)	27,559
Gross amounts due from customers on construction contracts (Note 12)	(1,114,018)	(1,416,993)
Retention receivables (Note 11)	(5,099,086)	639,223
	<u><u> </u></u>	<u><u> </u></u>

21. Finance costs

	2023 AED	2022 AED
Finance costs related to lease liabilities (Note 22)	3,519,710	3,470,243
Finance costs related to bank borrowings (Note 27)	78,188,328	11,525,288
	<u><u>81,708,038</u></u>	<u><u>14,995,531</u></u>

22. Lease liabilities

	2023		2022	
	Minimum lease payment AED	Present value of minimum lease payments AED	Minimum lease payment AED	Present value of minimum lease payments AED
Less than 1 year	16,324,748	11,323,325	11,833,787	7,987,479
Later than 1 year and not later than 5 years	55,054,440	39,919,606	30,342,463	16,548,787
Later than 5 years	80,856,899	51,957,726	85,308,011	53,741,836
	<u>152,236,087</u>	<u>103,200,657</u>	<u>127,484,261</u>	<u>78,278,102</u>
Less: future finance charges	<u>(49,035,430)</u>	<u>-</u>	<u>(49,206,159)</u>	<u>-</u>
Present value of minimum lease payments	<u><u>103,200,657</u></u>	<u><u>103,200,657</u></u>	<u><u>78,278,102</u></u>	<u><u>78,278,102</u></u>

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

22. Lease liabilities (continued)

The lease liabilities under financing lease agreements are repayable in around 60 to 62 installments due from May 2016 with final installments due in September 2028 which bear interest rate implicit on the lease ranging from 4.75% to 8.19% per annum.

The remaining lease liability related to the application of IFRS 16 has been calculated applying discount rates ranging from 4.75% to 6.24% per annum, with expiry dates between 2019 and 2055.

Lease liabilities is repayable as follows:

	2023	2022
	AED	AED
Current portion	11,323,325	7,987,479
Non-current portion	91,877,332	70,290,623
	103,200,657	78,278,102

Some of the lease liabilities related to machinery and equipment are secured by a mortgage over the financed machinery and equipment with a total cost of AED 62,204,527 (2022: AED 56,054,901) (Note 6).

Asset retirement obligation of AED 2,655,708 (2022: AED 2,655,708) pertains to the present value of the estimated costs of demolition of the labor camp and restoring the land, which is leased by the Group, to its original condition. This is a contractual obligation of the lessee as stipulated in the lease agreement.

Movement in lease liabilities are as follows:

	2023	2022
	AED	AED
At 1 January	78,278,102	63,467,815
Acquired through business combinations	-	21,274,077
Additions during the year (Note 6)	35,998,549	4,523,858
Less: Payments made during the year	(14,595,704)	(16,309,620)
Less: Finance cost related to lease liabilities (Notes 6, 21 and 22)	3,519,710	3,470,243
Adjustments of prepayments and others	-	1,851,729
	103,200,657	78,278,102

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

23. Goodwill

	2023 AED	2022 AED
At 1 January	23,055,025	15,835,098
Recognised on acquisition of a subsidiary	-	7,219,927
At 31 December	<u>23,055,025</u>	<u>23,055,025</u>

The Group tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired. No impairment loss has been recognized in 2023 (2022: Nil).

Acquisition of Target Engineering Construction Company LLC and its subsidiaries

On 14 June 2022, ALEC Engineering and Contracting LLC entered into share purchase agreement to acquire 100% of the controlling interest in Target Engineering Construction Company LLC and its subsidiaries, thereby obtaining control over the Company effective 30 September 2022 and qualifying as a business as defined in IFRS 3 *Business Combinations*. Target Engineering Construction Company LLC and its subsidiaries was acquired to provide revenue diversification to the Group, as Target is primarily an Oil and Gas EPC Contractor offering complete end-to-end solutions in the fields of Mechanical Oil and Gas, Electrical, Power and Instrumentation, and a full range of coastal and shallow water marine works, in addition to Oil and Gas heavy civil engineering.

- (a) The amounts recognised in respect of the fair value of identifiable assets acquired and liabilities assumed as at 30 September 2022 are as set out in the table below:

	AED
Non-current assets	
Property, plant and equipment *	222,188,751
Right-of-use assets	19,161,684
Retention receivables - non-current	126,706,483
Total non-current assets	<u>368,056,918</u>
Current assets	
Inventories	33,863,871
Due from related parties	13,200,398
Contract and other receivables	647,676,801
Gross amounts due from customers on construction contracts	546,191,530
Other financial assets	29,288,815
Other current assets	41,879,132
Cash and cash equivalents	20,361,687
Total current assets	<u>1,332,462,234</u>
Total assets	<u>1,700,519,152</u>

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

23. Goodwill (continued)

Acquisition of Target Engineering Construction Company LLC and its subsidiaries (continued)

- (a) The amounts recognised in respect of the fair value of identifiable assets acquired and liabilities assumed as at 30 September 2022 are as set out in the table below (continued):

	AED
Non-current liabilities	
Contract liabilities – Advances to suppliers and subcontractors	69,697,343
Provision for employees' end of service benefits	68,596,485
Lease liabilities – non-current	19,971,334
Total non-current liabilities	158,265,162
Current liabilities	
Contract and other payables	680,495,515
Contract liabilities – gross amounts due to customers on construction contracts	134,403,940
Contract liabilities – Advances to suppliers and subcontractors	39,395,182
Borrowings – current	383,803,448
Lease liabilities – current	1,302,743
Due to related parties	1,526,200
Loans due to a related party	50,446,889
Total current liabilities	1,291,373,917
Total liabilities	1,449,639,079
Total identifiable assets acquired, and liabilities assumed	250,880,073

* Property, plant and equipment was adjusted to include a fair value adjustment of AED 54,234,440.

- (b) Intangible assets arising on acquisition:

	AED
Trade name	49,600,000
License	7,000,000
Customer contracts	58,300,000
Total intangible assets arising on acquisition	114,900,000

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

23. Goodwill (continued)

Acquisition of Target Engineering Construction Company LLC and its subsidiaries (continued)

(c) Goodwill arising on acquisition:

	AED
Total consideration paid	373,000,000
Less: Total identifiable assets acquired and liabilities assumed (a)	(250,880,073)
Less: Intangible assets acquired at business combination (b)	(114,900,000)
Goodwill arising on acquisition	7,219,927

(d) Net cash outflow on acquisition:

	AED
Total consideration paid	373,000,000
Less: cash and cash equivalents acquired (a)	(20,361,687)
Cash consideration paid for the acquisition of a subsidiary - net of cash and cash equivalents acquired	352,638,313

Target Engineering Construction Company LLC and its subsidiaries contributed revenue of AED 456 million and AED 12 million to the Group's results of operations for the period between the date of acquisition and the reporting date of 31 December 2022. If the acquisition of Target Engineering Construction Company LLC and its subsidiaries had been completed on the first day of the financial year, total revenues of the Group for the year would have been AED 1,404 million and Group profit would have been AED 13.4 million for the year ended 31 December 2022.

24. Cash and bank balances

	2023 AED	2022 AED
Cash at bank and on hand	897,125,946	983,521,287
Less: Expected credit losses	(84,199)	(109,373)
Cash and bank balances	897,041,747	983,411,914
Less: Margin deposits - under lien	(35,137,057)	(45,746,892)
Cash and cash equivalents	861,904,690	937,665,022

The above balance includes cash held with an exchange house, amounting to AED 15,177,022 (2022: AED 15,097,522).

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

24. Cash and bank balances (continued)

Included in bank balances is an amount of AED 221,353,294 (2022: AED 505,660,659) held with three banks which are related parties to the Group (see Note 9). These transactions with the related parties are at arm's length and in the ordinary course of the business.

Balances with banks are assessed to have low credit risk of default since these banks are regulated by the central banks of the respective countries. Accordingly, the management of the Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12-month ECL. The management of the Group have assessed the impairment on bank and cash balances to be AED 84,199 (2022: AED 109,373), based on historical default experience and the current credit ratings of the banks.

25. Contract revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services and income derived from leasing of machinery and equipment, which are recognised over time. Also, the Group generates revenue from sale of goods which are recognised at a point in time. Details of revenue are as follows:

	2023 AED	2022 AED
Construction revenue	6,071,975,008	3,565,521,337
Sale of services	-	23,411,198
Lease income	19,520,654	9,520,313
Sale of goods	183,623,078	458,008
	<u>6,275,118,740</u>	<u>3,598,910,856</u>

Construction revenue includes revenue recognised for contracts with related parties amounting to AED 1,032,374,480 (2022: AED 1,063,860,027) (Note 9).

The transaction price allocated to (partially) unsatisfied performance obligations at 31 December 2023 and 2022, which will be recognized over time are as set out below.

	2023 AED	2022 AED
Transaction price allocated to (partially) unsatisfied performance obligations	<u>22,133,655,974</u>	<u>8,608,084,217</u>

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

26. Income taxes

Income tax expense for the year relates to current tax on profit relating to the Group's operations in State of Qatar, Kingdom of Saudi Arabia, Sultanate of Oman, Egypt and Ethiopia. The tax rates in these jurisdictions are State of Qatar (10%), Kingdom of Saudi Arabia (Zakat of 2.5% and Income Tax of 20%), Sultanate of Oman (15%), Egypt (30%) and Ethiopia (30%).

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

	2023 AED	2022 AED
Profit before tax	243,415,746	188,971,222
Less: Profit before tax on non-taxable jurisdictions	(224,282,845)	(195,843,889)
Profit/(loss) before tax on taxable jurisdictions	<u>19,132,901</u>	<u>(6,872,667)</u>
Income tax expense on profit relating to the Group's operations taxable jurisdictions	<u>5,091,300</u>	<u>3,230,225</u>
Income tax expense recognised in profit or loss	<u>5,091,300</u>	<u>3,230,225</u>
Current tax liability recognised in the combined statement of financial position	<u>5,283,802</u>	<u>1,261,663</u>

The Group's current tax liability as of the end of the reporting period relates to the same income tax above.

The Group has provided for income tax based on the estimated profit margins on revenue earned from projects in Ethiopia and Qatar based on relevant tax laws. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date and pending assessment from the tax authorities in the respective jurisdictions. There is a probability that the tax departments in each of the jurisdictions may assess tax at higher/lower profit margins or tax rates which may give rise to additional/lower tax liabilities.

27. Borrowings

	2023 AED	2022 AED
Term loans	648,283,553	503,322,647
Trust receipts	35,386,457	133,615,154
Bank overdraft	173,856,563	131,020,134
Acceptances	77,450,900	57,869,284
	<u>934,977,473</u>	<u>825,827,219</u>

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

27. Borrowings (continued)

Bank borrowings are classified and presented in the combined statement of financial position as follows:

	2023 AED	2022 AED
Within one year	552,716,338	414,367,451
More than one year	382,261,135	411,459,768
	<u>934,977,473</u>	<u>825,827,219</u>

Term loans

The Group has the following outstanding term loans:

- a) A loan amounting to AED 450,000,000 is unsecured subject to interest equal to 1.25% per annum plus 3 months EIBOR and is repayable in equal quarterly instalments of AED 12.5 million each. As at 31 December 2023, outstanding balance of the loan amounted to AED 400,000,000 (2022: AED 450,000,000).
- b) The loan for one of the subsidiaries of the Group as at 31 December 2023 is AED 4,762,181 (2022: AED 4,257,404) and is subject to interest equal to 3.5% per annum plus 1-month EIBOR with a minimum rate of 6% per annum. The proceeds of the loan were used to purchase items of machinery and equipment. The loan is payable in 60 equal monthly instalments.
- c) One of the subsidiaries of the Group has entered into a loan agreement with a bank with a total loan value of AED 24,400,000 (2022: AED 24,400,000) subject to interest equal to 2.35% per annum plus 3 months EIBOR. Out of the total loan value, as at 31 December 2023, total drawdown amounted to AED 12,365,264 (2022: AED 10,613,244). The proceeds of the loan were used to finance capital expenditure related to the setting up of the factory. The loan is repayable in 36 equal monthly instalments. As at 31 December 2023, outstanding balance of the loan amounted to AED 10,325,568 (2022: AED 10,613,244). The loan is secured by a limited corporate guarantee from ALEC Engineering and Contracting LLC amounting to AED 50,400,000.
- d) One of the subsidiaries of the Group has obtained two term loans amounting to AED 477 million. (2022: AED 44,452,000). The first loan was secured (against Payment Certificate Discounting) for various projects and is subject to interest equal to 5.00 % per annum plus 3 months EIBOR and is repayable within 90 Days of the issuance date from the proceeds of the respective projects. The second loan has been secured for the purchase of equipment and machinery, subject to interest equal to 5.25 % per annum plus 1 months EIBOR for a period of 3 years. As at 31 December 2023, the outstanding balance of both loans is AED 256,995,806 (2022: AED 38,452,000).

Trust receipt assets

Trust receipts are obtained from commercial banks, repayable in 180 days and subject to interest at 6.5% to 10% per annum.

Bank overdrafts

Bank overdrafts represent funds received against discounting of the bills receivable. Bank overdrafts are in UAE dirhams and are repayable on demand which is secured by the certified receivables of one subsidiary. Bank overdrafts are arranged at floating rates which are linked to the prevailing market rates.

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

27. Borrowings (continued)

Acceptances

Acceptances are subject to commission charges and are obtained mainly from local commercial banks. The repayment of these acceptances is generally within 3 to 6 months. The rate of interest ranged from 6.5% to 9% per annum (2022: 6.5% to 8% per annum).

Covenants

One of the Group's subsidiaries is required to comply with certain covenants in respect of its bank loans. The subsidiary has not been able to comply with certain covenants during the year. Management, based on their ongoing relationship with the bank, is confident that this will not have any significant implications on the facilities provided by the bank which in this case are all current.

There are no restrictive financial covenants against the other facilities above.

Reconciliation of liabilities arising from financing activities:

	2023 AED	2022 AED
Balance at 1 January	825,827,219	15,178,232
Acquired through business combination (Note 23)	-	383,803,448
Proceeds from bank borrowings	1,234,909,661	514,204,966
Repayments of bank borrowings	(1,203,947,735)	(98,884,715)
Finance cost paid (Note 21)	78,188,328	11,525,288
Balance at 31 December	934,977,473	825,827,219

One of the Group's borrowings are with a related party financial institution with a total balance of AED 461,266,545 (2022: AED 520,261,869) (Note 9).

28. Contingent liabilities and commitments

	2023 AED	2022 AED
Bank guarantees	4,993,941,000	3,543,829,915
Letters of credit	401,011,448	283,489,283

The above bank guarantees and letters of credit were issued in the normal course of business and includes contingent liabilities incurred by the Group arising from its interest in joint venture amounting to AED nil (2022: AED 6,024,544).

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

28. Contingent liabilities and commitments (continued)

As at 31 December 2023, the Group's contract and other receivables includes an outstanding balance of receivable from one of its wholly owned subsidiary's joint venture amounting to AED 38.5 million (2022: AED 34.7 million). The wholly owned subsidiary's joint venture had an arbitration case against the employer of its sole project in the commercial court which was awarded in favor of the wholly owned subsidiary's joint venture. However, the employer has successfully applied for a nullification of the decision on jurisdictional grounds where administrative court was found to be the correct court. After the ruling of the Court in favor of the Employer, a sole arbitrator has been appointed with the approval of both parties. The Employer, by virtue of a Royal Decree, was abolished, and was replaced by another entity as per the signed powers of attorney. Joint expert reports on quantum and delay have been submitted by the joint venture and arbitration hearings are scheduled. The recoverability of this amount due from this joint venture is dependent on the outcome of an ongoing arbitration between wholly owned subsidiary's joint venture and joint venture's customer.

At 31 December 2023, the Group is committed to AED 14,551,718 (2022: AED 10,697,107) for short-term rental.

29. Joint operations

Details of the Group's material joint operations are as follows:

Name of joint operation	Principal activities	Principal place of business	Share in ownership	
			2023	2022
Qatar International Trading/IMAR Trading & Contracting Joint Venture and Al Jaber L.E.G.T. Engineering (ALEC Qatar) W.L.L. (QIT/IMAR - ALEC JV)	Carrying out general contracting activities including interior design and related mechanical works	State of Qatar	50%	50%
Gulf Contracting Company W.L.L. & ALEC L.E.G.T. Contracting W.L.L. (GCC - ALEC JV)	Execution of the Doha Festival City Package 3250	State of Qatar	50%	50%
IMAR & Al Jaber Trading & Contracting Company Co. (IMAR - ALEC JV)	General contracting and trading in decoration accessories	State of Qatar	50%	50%
Saudi Constructioners Ltd. and ALEC Saudi Arabia Engineering and Contracting LLC (SAUDICO - ALEC JV)	Construction activities	Kingdom of Saudi Arabia	50%	50%
El Seif Engineering Contracting Company Ltd and ALEC Saudi Arabia Engineering and Contracting (EL SEIF - ALEC JV)	Construction activities	Kingdom of Saudi Arabia	50%	50%

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

29. Joint operations (continued)

The following represents the share of the Group over the assets, liabilities, equity, revenue, and profit/(loss) of the Joint Operations that are combined in these financial statements:

31 December 2023	Assets AED	Liabilities AED	Equity AED	Revenue AED	Profit/(loss) AED
QIT/IMAR - ALEC JV	-	78,262	(78,262)	-	(31,549)
GCC - ALEC JV	635,991	-	635,991	-	(1,131)
IMAR - ALEC JV	1,159,611	274,447	885,164	-	(131,385)
SAUDICO - ALEC JV	14,835,547	3,690,772	11,144,775	7,356,239	(96,666)
EL SEIF - ALEC JV	246,289,400	209,291,158	36,998,242	413,528,609	24,880,711
	<u>262,920,549</u>	<u>213,334,639</u>	<u>49,585,910</u>	<u>420,884,848</u>	<u>24,619,980</u>
31 December 2022	Assets AED	Liabilities AED	Equity AED	Revenue AED	Profit/(loss) AED
QIT/IMAR - ALEC JV	-	46,713	(46,713)	-	-
GCC - ALEC JV	637,122	-	637,122	-	486,056
IMAR - ALEC JV	1,422,524	405,975	1,016,549	-	2,345,469
SAUDICO - ALEC JV	19,496,621	9,119,577	10,377,044	54,734,913	(3,760,705)
EL SEIF - ALEC JV	179,670,048	162,660,522	17,009,526	174,952,762	17,009,526
	<u>201,226,315</u>	<u>172,232,787</u>	<u>28,993,528</u>	<u>229,687,675</u>	<u>16,080,346</u>

30. Financial instruments

30.1 Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return on equity. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objective. The Group's overall strategy remains unchanged from 2022.

30.2 Financial risk management objectives

The Group is exposed to the following risks related to financial instruments - credit risk, liquidity risk and foreign currency risk. The Group does not enter into or trade in financial instruments, investment in securities, including derivative financial instruments, for speculative or risk management purposes.

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

30. Financial instruments (continued)

30.2 Financial risk management objectives (continued)

Categories of financial instruments

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	2023	2022
	AED	AED
Financial assets		
At amortised cost	2,629,851,676	2,282,657,644
Financial liabilities		
At amortised cost	3,964,687,246	2,837,781,547

30.3 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and arises principally from the Group's contract and other receivables and bank balances. The Group has adopted a policy of only dealing with creditworthy counterparties, however, significant revenue is generated by dealing with entities related to the Ultimate Parent Company, for whom the credit risk is assessed to be low. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties.

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries.

Concentration of credit risk arise 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. All balances with banks represent local commercial banks.

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

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

30. Financial instruments (continued)

30.3 Credit risk (continued)

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2023, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from:

- the carrying amount of the respective recognised financial assets as stated in the combined statement of financial position; and
- the Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >90 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
In default	Amount is >365 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Group's financial assets and contract assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

31 December 2023	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount AED	Loss allowance AED	Net carrying amount AED
Contract receivables	N/A	Note (i)	Lifetime ECL (simplified approach)	876,637,146	(74,870,671)	801,766,475
Due from related parties	N/A	Note (i)	Lifetime ECL (not credit impaired)	165,632,607	(11,435,461)	154,197,146
Gross amounts due from customers on construction contracts	N/A	Note (i)	Lifetime ECL (simplified approach)	2,493,572,459	(11,669,292)	2,481,903,167
Bank and cash	N/A	Performing	12-month ECL	897,125,946	(84,199)	897,041,747
Retention receivables	N/A	Note (i)	Lifetime ECL (simplified approach)	766,649,350	(16,811,249)	749,838,101
Other receivables	N/A	Note (i)	Lifetime ECL (simplified approach)	27,008,207	-	27,008,207
				<u>5,226,625,715</u>	<u>(114,870,872)</u>	<u>5,111,754,843</u>

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

30. Financial instruments (continued)

30.3 Credit risk (continued)

31 December 2022	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount AED	Loss allowance AED	Net carrying amount AED
Contract receivables	N/A	Note (i)	Lifetime ECL (simplified approach)	502,682,693	(58,455,827)	444,226,866
Due from related parties	N/A	Note (i)	Lifetime ECL (not credit impaired)	213,824,165	(12,377,234)	201,446,931
Gross amounts due from customers on construction contracts	N/A	Note (i)	Lifetime ECL (simplified approach)	1,369,144,888	(12,783,310)	1,356,361,578
Bank and cash	N/A	Performing	12-month ECL	983,521,287	(109,373)	983,411,914
Retention receivables	N/A	Note (i)	Lifetime ECL (simplified approach)	629,244,799	(22,814,542)	606,430,257
Other receivables	N/A	Note (i)	Lifetime ECL (simplified approach)	47,141,676	-	47,141,676
				<u>3,745,559,508</u>	<u>(106,540,286)</u>	<u>3,639,019,222</u>

Note (i) For contract receivables, retention receivables due from related parties, and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at Lifetime ECL. The Group determines the expected credit losses on these items based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

30.4 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. The responsibility of liquidity risk rests with the shareholders, who have 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 maturity profile of trade and other payables is monitored by management to ensure adequate liquidity is maintained.

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

30. Financial instruments (continued)

30.4 Liquidity risk (continued)

The contractual maturities of the financial instruments, determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date, are as follows:

	Current Less than 1 year AED	Non-current Greater than 1 year AED
At 31 December 2023		
Contract and other payables (excluding current portion of retention payables)	2,385,465,912	-
Retention payables	511,372,065	27,015,431
Borrowings (fixed interest-bearing instruments)	552,716,338	382,261,135
Lease liabilities (fixed interest-bearing instruments)	11,323,325	91,877,332
Asset retirement obligation	-	2,655,708
	<u>3,460,877,640</u>	<u>503,809,606</u>
At 31 December 2022		
Contract and other payables (excluding current portion of retention payables)	1,360,993,529	-
Retention payables	456,401,782	113,625,207
Borrowings (fixed interest-bearing instruments)	414,367,451	411,459,768
Lease liabilities (fixed interest-bearing instruments)	7,987,479	70,290,623
Asset retirement obligation	-	2,655,708
	<u>2,239,750,241</u>	<u>598,031,306</u>

30.5 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

At the reporting date, there are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirham. Other financial assets and financial liabilities are denominated in United States Dollars to which Arab Emirates Dirham is fixed and denominated in Qatari Rials, Omani Rials and Saudi Riyals to which these currencies are fixed with United States Dollars.

However, due to the incorporation of a branch in Ethiopia and a subsidiary in Egypt, the Group have exposure to exchange rate fluctuation on Ethiopian Birr and Egyptian Pound.

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

30. Financial instruments (continued)

30.5 Foreign currency risk management (continued)

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

	2023		2022	
	Assets AED	Liabilities AED	Assets AED	Liabilities AED
Ethiopian Birr	-	-	2,852,077	599,869
Great Britain Pound	600,671	3,907,687	82,844	2,527,462
The Egyptian pound	3,414	9,669	40,512	143,658
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Net current liabilities</i>		3,313,271		295,556
		<u> </u>		<u> </u>

The following table details the Group's sensitivity to a 10% increase and decrease in Arab Emirates Dirham against the relevant foreign currencies.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the Arab Emirates Dirham strengthens 10% against the relevant currency. For a 10% weakening of the Arab Emirates Dirham against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	2023 AED	2022 AED
Impact to profit	331,327	871,327
	<u> </u>	<u> </u>

30.6 Price risk

The Group is exposed to commodity price risk for its purchases of contracting material which is managed by applying the same contract terms with the Group's customer to their subcontractors. Most of the materials used in construction are subcontracted by the Group.

30.7 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of the changes in the market rates.

The Group is exposed to interest rate risk on its interest-bearing assets and liabilities (bank deposits, bank overdrafts, acceptances, trust receipts and term loans). The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

**Notes to the combined financial statements
for the year ended 31 December 2023 (continued)****30. Financial instruments (continued)****30.7 Interest rate risk (continued)**

As at 31 December 2023, if interest rates on borrowings had been 0.1% higher or lower with all other variables held constant, profit for the year would have been AED 934,977 (2022: profit would have been AED 825,827) lower/higher, mainly as a result of higher/lower interest expense.

30.8 Fair value of financial instruments

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

31. Pillar Two Tax

As at 31 December 2023, the United Arab Emirates has not (substantively) enacted Pillar Two legislation. However, Pillar Two legislation has been substantively enacted in certain jurisdictions where the Group operates (i.e., the United Kingdom and Italy).

The Group is in scope of Pillar Two (based on the revenue threshold of EUR 750m and operations in multiple jurisdictions) and it is in process of assessing the Group's potential exposure to Pillar Two income taxes.

The assessment carried out so far is based on the most recent country-by-country reporting and financial statements of the constituent entities of the Group. Based on the assessment, the transitional safe harbour relief should apply in all the jurisdictions, except the United Arab Emirates. Therefore, a potential exposure has been identified in relation to the profits earned in the United Arab Emirates, where currently the effective tax rate is approximately 0%.

However, based on the assessment performed to date, the Group has identified that the Pillar Two income taxes impact should be limited and not material during financial year 2024, given that the Pillar Two legislation has been substantively enacted only in two jurisdictions where the Group operates and given the mechanisms of the Pillar Two rules (this is assuming that during the financial year 2024 there will not be material changes to the financials of the Group). However, it is expected that the tax exposure will increase in the subsequent financial years and the profits earned in the United Arab Emirates (which represents all profits before income tax of the Group) will be subject to an effective tax rate of 15% (while in financial year 2024, the effective tax rate should be around 9% in the United Arab Emirates).

The amendments to IAS 12 introduce a temporary mandatory relief from accounting for deferred tax that arises from legislation implementing Pillar Two. The Group has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

32. Events after reporting period

On 23 August 2024, the Memorandum of Association of ALEC Holdings LLC was amended to increase the share capital of the Company from AED 300,000 to AED 50,000,000.

33. Approval of combined financial statements

The combined financial statements were approved by Board of Directors and authorised for issue on 28 October 2024.