شركة الجرافات البحرية الوطنية
NMDC

2021

INTEGRATED REPORT

شركة الجرافات
البحرية الوطنية

NMDC

His Highness Sheikh Khalifa bin Zayed Al Nayhan

President of the United Arab Emirates

His Highness Sheikh Mohamed bin Zayed Al Nayhan

Crown Prince of Abu Dhabi, and Deputy Supremer Commander
of the UAE Armed Forces, Chairman of the Executive Council

ABOUT THIS REPORT

(GRI 102-44, GRI 102-45, GRI 102-46, GRI 102-47, GRI 102-48, GRI 102-49, GRI 102-50, GRI 102-51, GRI 102-52, GRI 102-53. GRI 102-54, GRI 102-56, ADX-G7, ADX-G8, ADX-G9)

2021 marked the successful completion of NPCC's acquisition and integration into NMDC. This included the integration of our business functions and strategies based on the company's new wider geographic reach and deeper coverage of the Engineering, Procurement, and Construction (EPC) value chain in the marine and energy segments.

REPORTING BOUNDARY AND PERIOD

This Integrated Report differs compared to the 2021 Sustainability Report which did not include any integrated reporting element and only covered the ESG performance of the marine segment. The acquisition of NPCC was completed in February 2021 and hence was not within last year's reporting boundary.

We have attempted, as much as possible, to maintain some continuity with last year's report. As such, some data, particularly pertaining to our company's ESG performance, has been extracted only from our UAE dredging, reclamation, and marine construction segment, which is similar to the scope of last year's report. For most of the Integrated Reporting content, we have opted for group-wide coverage on matters related to strategy, risks & opportunities, as well as our value creation model.

In addition to the integrated reporting and ESG related content, this report is inclusive of our directors' report, management discussion & analysis, 2021 fiscal year audited financial statements as well as our corporate governance report.

This report covers the period from January 1 to December 31 of the fiscal year 2021, unless stated otherwise.

We have included the below index to clarify the reported boundaries.

Report Section	Boundary	Period
NMDC at a Glance	NMDC 'Group'	Fiscal Year 2021
Our Strategic Focus	NMDC 'Group'	Fiscal Year 2021
Our Integrated Approach to Sustainability	NMDC 'Group'	Fiscal Year 2021
Shareholder Value Creation	NMDC 'Group'	Fiscal Year 2021
Employee Wellbeing	NMDC UAE Marine Segment	Fiscal Year 2021
Environmental Protection		
Decreasing our GHG Emissions	NMDC UAE Marine Segment – Mussafah Base	Fiscal Year 2021
Our Waste Management Reduction Plan	NMDC UAE Marine Segment	July 2020 to July 2021
Healthy Society		
CSR Initiatives	NMDC UAE Marine Segment	Fiscal Year 2021
Supporting Local Suppliers	NMDC Marine Segment – UAE & Egypt	Fiscal Year 2021
Value Creation Through Robust Governance	NMDC 'Group'	Fiscal Year 2021

REPORTING FRAMEWORKS

We have reported in full accordance with the UAE Securities & Commodities Authority's integrated reporting requirement. We have opted for an enhanced approach and have referenced the International Integrated Reporting Framework (of the Value Reporting Foundation) as a framework for our report.

In addition, the sustainability content of the report has been prepared in accordance with the GRI Standards: Core option, and in alignment with Abu Dhabi Securities Exchange's 31 ESG metrics.

Finally, we have also aligned our report with those Sustainable Development Goals (SDGs) that are material to our business model as well as with the Abu Dhabi Vision 2030.

ASSURANCE

We have employed a coordinated approach to assure the various elements of this report. Ernst & Young has audited our enclosed 2021 Financial Statements. As for the business, strategy, sustainability content, and our corporate governance report, it has been rigorously reviewed by each corresponding department. We will look to widen the validation scope of our next report to include our internal audit function.

MATERIALITY DETERMINATION PROCESS

To determine those topics on which NMDC should report and manage, we continuously engage with our stakeholders to maintain up-to-date analysis of their key interests. Our stakeholder engagement process is based on both the Integrated Reporting Framework and GRI Standards guidance as well as the AA1000 – Stakeholder Engagement Standard. The principles of inclusivity, materiality, and responsiveness were applied throughout the process.

The below list of material topics was developed based on our existing stakeholder engagement methods and according to best industry practices. We will be extending this exercise, through an independent consultant, to update and widen our engagement with our stakeholders on economic and ESG topics according to the above principles, standards, and frameworks.

Item	Material Topic	GRI Disclosure	Corresponding ADX Disclosure
Most Important			
1	**Health & Safety**	GRI 403: Occupational H&S	ADX-S7, ADX-S8
2	**Strong Governance and Business Ethics**	GRI 102-11 GRI 102-16 GRI 102-18 GRI 102-20 GRI 102-23 GRI 205: Anti-Corruption	ADX–G1 ADX–G2 ADX-G5 ADX-S10
3	**GHG Emissions and Energy Efficiency**	GRI 305: Emissions	ADX E1, ADX E2 ADX-E3, ADX-E4 ADX-E5, ADX-E6 ADX-E7, ADX-E8, ADX-E9
4	**Training & Education**	GRI 404: Training & Education	
5	**Biodiversity**	GRI 304: Biodiversity *(management approach)*	
Highly Important			
6	**Economic Performance**	GRI 201: Economic Performance	
7	**Community Welfare and Emiratisation**	GRI 413: Local Communities *(management approach)*	ADX-S11, ADX S12
8	**Diversity & Inclusion**	GRI 405: Diversity & Equal Opportunity	ADX-S2, ADX-S4, ADX-S6
9	**Waste Management**	GRI 306: Waste	
Important			
10	**Procurement Practices**	GRI 102-9 GRI 102-10 GRI 204: Procurement Practices	ADX–G4
11	**Employment**	GRI 401: Employment	ADX-S3, ADX-S5

BOARD RESPONSIBILITY

The Board of Directors acknowledges its responsibility for ensuring the integrity of this report and confirms that the disclosed information fairly represents NMDC's status and performance, and that the report accurately references the International Integrated Reporting Framework as well as the GRI Standards.

FORWARD-LOOKING STATEMENTS

Forward-looking statements involve uncertainty given the many external factors that could impact the environment in which the company is operating. EDC holds no obligation to publicly update or revise its forward-looking statements throughout the coming fiscal year except as required by applicable laws and regulations.

FEEDBACK

For any queries or feedback about this report, please contact:

Email: **integrated_report@nmdc.ae**


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TABLE OF CONTENT

REFLECTIONS FROM OUR CHAIRMAN

(GRI 102-14, GRI 102-32, ADX-G7, ADX-G8)

In 2021, National Marine Dredging Company (NMDC) completed the acquisition of National Petroleum Construction Company (NPCC), creating a new regional EPC powerhouse in the Energy and marine services business. The merger of two UAE national champions, combining 90 years of operation, is a major milestone and marks the beginning of a new era of growth.

NMDC is now an integrated energy and marine services EPC company with a footprint spanning the GCC, wider MENA, and South Asia. The company swiftly began to deliver on synergies through optimization, and revenue maximization approach.

Thanks to its broad geographic reach and integrated EPC capabilities, NMDC has established a stronger balance sheet with AED 12.92 billion in assets and AED 5.52 billion in equity that will enable it to extend its capabilities and market reach while creating sustainable value for all stakeholders. Moreover, despite the continued subdued global and regional economic recovery, I am pleased to announce the company recorded remarkable year-on-year growth for the 2021 fiscal year. NMDC reported a 78.3% increase in revenues from AED 4.42 billion to AED 7.89 billion in 2020, and a ninefold increase in net income from AED 106.99 million to AED 1.00 billion from the year before.

"

NMDC WILL LOOK TO MAKE AN **IMPORTANT CONTRIBUTION** TO THE CONTINUOUS DEVELOPMENT OF THE UAE

STAKEHOLDER VALUE CREATION

NMDC seeks to continuously engage with all key stakeholders, to understand their evolving needs and is committed to focusing on creating shared value, which will ultimately also lead to sustained positive economic impact.

Issuing this Integrated Report (with reference to the International Integrated Reporting Framework of the Value Reporting Foundation) is an important evolution in our corporate reporting style as it adds an element of transparency, comprehensiveness, and ensures the availability of actionable information for our investors. Through our Integrated Report, we have initiated the reporting on the six capitals which portray our company's ability to generate value for all interconnected stakeholders including our Clients, Employees, Shareholders, Government, the Community, the Environment, and Our Suppliers.

As part of this journey, we will seek to continuously enhance and remain aligned with global reporting best practices. It is important to note that our Integrated Report includes our financial, as well as our ESG (Environmental, Social, and Governance) performance, in accordance with the GRI Standards.

SHAPING THE FUTURE

As we celebrated the 50th anniversary of the UAE in December 2021, one could not but pause to reflect on the many achievements that have cemented the UAE's position among the leading countries in the world. We express our utmost appreciation and gratitude for the progressive vision of our founding father, the late Sheikh Zayed bin Sultan Al Nahyan. Under his leadership, the UAE began writing its rich history and we continue to be guided by his values which are centered on the importance of human capital.

As we embark on the next 50 years under the wise leadership and vision of His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the UAE and Ruler of Abu Dhabi, and His Highness Sheikh Mohammed bin Zayed al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, NMDC will look to make an important contribution to the continuous development of the UAE, guided by the UAE Centennial Plan 2071 as well as the UAE's 10 Principles for the next 50 years. We will do so by embracing operational excellence, innovation, and sustainable practices.

MOHAMED THANI
MURSHID AL RUMAITHI
CHAIRMAN

INTERVIEW WITH OUR GROUP CEO

(GRI 102-14, GRI 102-32, ADX-G7, ADX-G8)

How have you managed to keep the company focused on developing its business while simultaneously working on the post-acquisition integration?

It has been indeed a dynamic year from all perspectives. We received the regulatory approvals for the acquisition in February, effectively declaring it complete. We moved swiftly into the next phase of the acquisition and finalized the integration to immediately capitalize on synergies. As we continue to manage our massive backlog of projects worth 23.8 billion AED, we are positioning the group to be the partner of choice for our clients.

Aside from the aforementioned work, NMDC signed a $369 million contract with Abu Dhabi Ports for Shamal's marine development, as well as a $173 million project for Dadna Fujairah and the Bardawil project in Egypt. As for our Energy vertical, we have secured a number of contracts, including ADNOC's $500 million and $967 million projects related to Dalma Gas Development (in a joint venture with Tecnicas Reunidas) and Umm Al Ashaif Oilfield Development, respectively, as well as a $744 million project related to the full field development of Belbazem Offshore Block and Aramco's $2.3 billion Zulf Marine Field project.

What are NMDC's new strategic priorities and how will the group look to benefit from the synergies with NPCC?

We will launch a new name for the Group in 2022, under which we will position our five main business units, including NMDC UAE, NPCC, Emarat Europe, ADEC and NMDC Egypt. Serving as an umbrella to our integration strategy are our three primary strategic themes, which are (1) "Access & Diversity to New-Markets & Segments" to propel the Group to achieve exponential sustainable growth; (2) "Strengthen Governments & Clients' Relationships" with the aim of being their partner of choice; and finally (3) "Embrace Performance-Driven Operations & Culture".

As for capitalizing on synergies, the acquisition has created a leading integrated energy and marine service engineering, procurement, and construction (EPC) company. Our key combined markets are in the GCC, Egypt, and India. We have immediately worked to cement our current mutual market positioning in the GCC, Egypt, and India, and have been actively pursuing horizontal growth opportunities in new markets, mainly in South Asia, Africa, South Europe, and the wider GCC.

How are you embedding Sustainability in your organisation?

Sustainability has been an integral part of our group integrated strategy focusing mainly on social, HR, and Health & Safety attributes. Going forward, we are looking to build a comprehensive and integrated approach to ensuring a continuous transition into enhanced sustainability practices.

We published our inaugural sustainability report last year, and now we're enhancing our reporting through this integrated report (in reference to the International Integrated Reporting Framework) that incorporates our ESG performance in accordance with the GRI Standards.

Our focus will not only extend to creating a sustainable workplace, but expanding our capability to contribute to the UAE's and the world's transition to a cleaner energy mix, as well as in developing decarbonization technologies. To that end, NPCC has signed a MOU with Technip Energies to create a joint venture for energy transition (with an emphasis on hydrogen) and decarbonization-related projects.

Last year the UAE announced its commitment to achieving Net Zero by 2050. The pledge will undoubtedly have an impact on all organizations that must align their activities with this pledge. This commitment is likely to be codified in legislative decrees sooner rather than later, so it is extremely important that all organizations plan and be prepared for this transition.

ENG. YASSER ZAGHLOUL
GROUP CHIEF EXECUTIVE OFFICER

How would you assess NMDC's financial results for fiscal year 2021?

With AED 7.89 billion in revenues, up from AED 4.42 billion a year earlier, and net profits of AED 1.00 billion, up from AED 106.99 million in 2020, we were able to achieve tremendous financial growth during the year 2021. The profit margin jumped from 2.42% to 12.71% during this period.
From a balance sheet perspective, our assets increased by 74.61% to AED 12.92 billion while our equity rose by 78.27% to AED 5.52 billion. Our Debt-to-equity ratio remains extremely healthy at 0.24.


NPCC
NPCC
NPCC
دي أل أس - ٤٢٠٠
DLS-4200
NPCC

NMDC AT A GLANCE

(GRI 102-1, GRI 102-2, GRI 102-3, GRI 102-4, GRI 102-5, GRI 102-6, GRI 102-7, GRI 102-8, GRI 102-10, GRI 102-12, GRI 102-13, GRI 102-16, GRI 102-21, GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44)

OVERVIEW

In February 2021, the UAE witnessed an amalgamation of two UAE-born regional leaders to create an integrated energy and marine services engineering, procurement, and construction (EPC) company with a footprint spanning the MENA region as well as South Asia.

As a result, a synergetic platform was created to capture growth opportunities within the UAE, key regional markets, and beyond, strongly equipped with enhanced capabilities to expand across the value chain.

NMDC has structured its various business lines into five units, including NMDC's core Marine business, NPCC's Energy business, Emarat Europe (a fast-building technology systems factory), ADEC Engineering Consultancy, and finally NMDC's subsidiary in Egypt (A Joint Venture with Suez Canal Authority):

5 BUSINESS UNITS

- NMDC UAE
- NPCC
- EMARAT EUROPE
- ADEC
- NMDC EGYPT

5 BUSINESS FUNCTIONS

- MARINE & DREDGING
- ENERGY
- CIVIL
- ENGINEERING CONSULTANCY
- MARINE & ENERGY EGYPT

NMDC's activities, performed by its **2,221 employees**, are structured into two main divisions:

DREDGING AND RECLAMATION

- Dredging & Reclamation Works
- Survey Work

MARINE CIVIL WORKS

- Marine Construction
- Marine Logistics
- Geotechnical Works

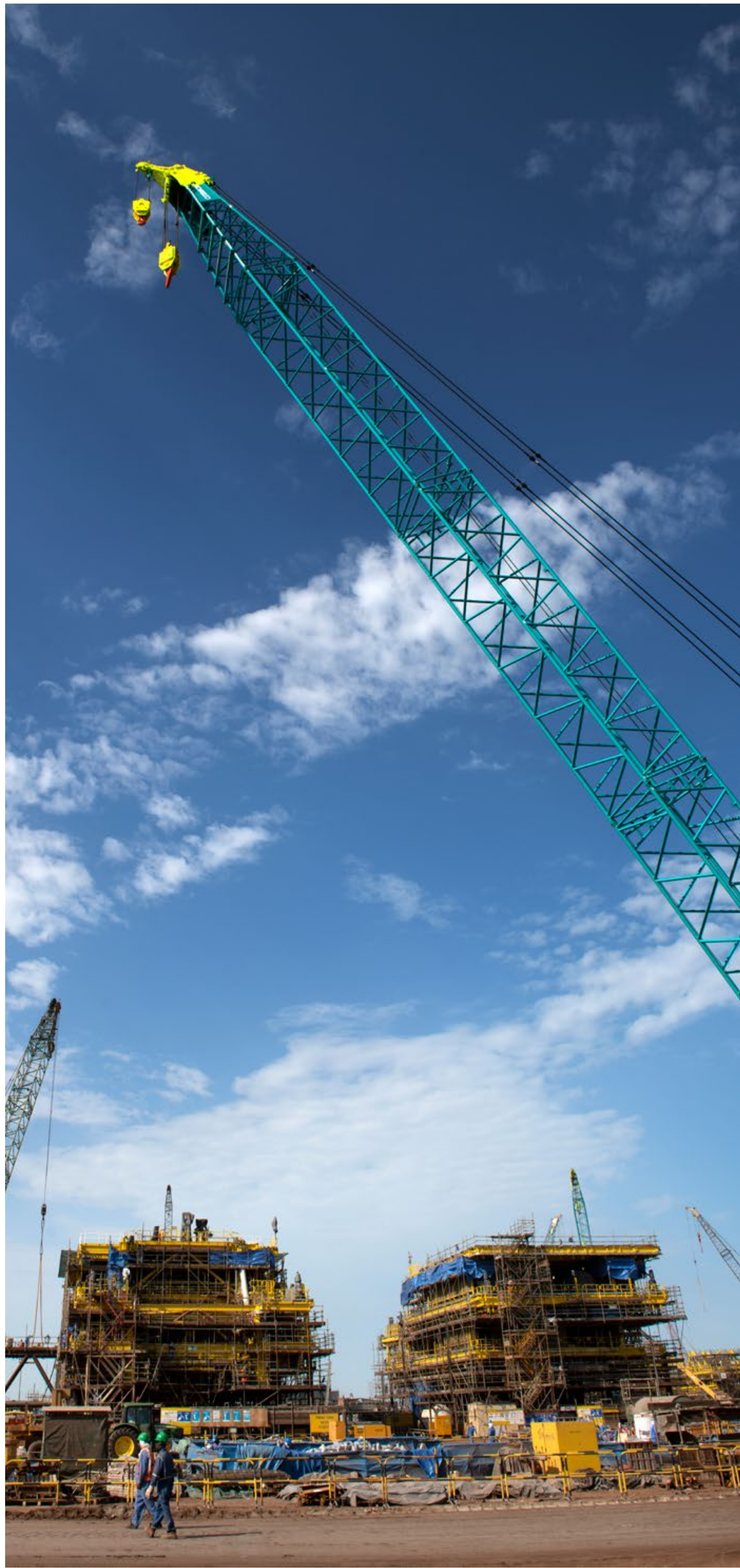
MORE ABOUT OUR MAIN ENTITIES:

National Marine Dredging Company (NMDC)

NMDC's activity was initially inaugurated under the umbrella of Abu Dhabi National Petroleum Company in 1976. It was then formally established as a shareholding independent entity in 1979 and listed on the Abu Dhabi Securities Exchange as a public joint stock company in 2000.

NMDC provides dredging, reclamation, and marine construction services to clients in the energy, environment, maritime, tourism and urban development sectors, and is one of the largest dredging players in the region. The company uses the latest technology in the dredging business, offering operational excellence, exceptional quality, and global expertise.

Headquartered in Abu Dhabi, NMDC operates out of a modern, well-equipped premises, which includes multi-discipline workshops, slipways, and fully supported administration and technical departments.



National Petroleum Construction Company (NPCC)

NPCC was established in 1973 in Abu Dhabi and offers total engineering, procurement, and construction (EPC) solutions to both offshore and onshore clients in the Oil & Gas sector. The company's management capabilities and dynamism, along with its proven technical expertise, allow it to offer quality services and continuously meet its clients' evolving needs.

With a workforce **exceeding 10,000 employees** the company has the capacity not only to deliver its varied services with excellence but to use an integrated approach whereby it acts as a single point of contact for large projects. NPCC's project execution capability is based on the principles of collaboration, integration, safety, and experience. The company's structured project management approach, effective communication, and efficient risk mitigation and management systems have enabled it to build a successful track record spanning over 45 years.

NPCC offers engineering design services, overseen by over 1,500 expert engineers. The company's procurement services cover all aspects of material and service sourcing, vendor evaluation, purchasing, material management, order processing, inspection, shipment, and logistics. These services are provided by a skilled team in accordance with local content laws, regulations, and client specifications.

NPCC has a 1.3 million square meter yard, enabling the company to offer key services and products including:

- Fabrication of heavy structures (up to 100,000 MT per annum), as well as storage tanks and spheres for various types of petroleum products
- Pipe coating
- Construction of pressure vessels
- Load-out facilities up to 30,000 MT as a single structure
- Custom built fabrication yard for construction, assembly and load-out
- Offshore operation support services
- Indoor and outdoor material storage
- Piping/sub-assembly workshops
- Post-Weld heat treatment (PWHT) facilities with furnaces

A LOOK AT THE NEW NMDC

Our Business Principles

OUR VISION

THE PERFECT CHOICE WHERE WE SERVE

OUR VALUES

Commitment | Integrity | Excellence | Teamwork | Ownership

OUR MISSION

Shareholders We act in the best interest of our shareholders with the aim of sustaining superior performance for the long term

People We aim to create a dynamic environment for our employees, emphasizing their development as the path to organizational success

Quality We continuously expand in line with industry best standards while aiming to achieve competitive and sustainable returns on investment

Society We play an active role and we are a responsible and ethical contributor to our society

Clients We provide high quality services to our clients and maintain excellence, respect and integrity in all aspects of our operations and our professional business conduct

Health, Safety & Environment We are committed to health, safety and the environment and aim to create a healthy, clean and safe place to work and live in

COMBINED SERVICES

NMDC and NPCC's synergetic offering allows for cross selling opportunities, as well as increased competitiveness through cost optimisation, and enhanced asset utilization opportunities, among other value maximisation elements.

The above is particularly apparent in the following business segments:

- Marine Logistics
- Marine Surveying & Engineering
- Procurement
- Dredging, Geotechnical works, and Offshore Solutions/Marine Construction

COMBINED 130 VESSEL FLEET

The Group currently owns a marine fleet of 130 vessels along with an extensive range of land-based equipment, consisting of the following:

19 DREDGERS

2 Dynamic Positioning (DP2/DP3) Derrick / Pipelaying barges (with 4,200t & 1,600t lifting capacity & more than 300 pax accommodation each)

3 FLOATING BOOSTER

1 Self Propelled Heavy Lift Shift (with 2,500t lifting capacity with 240 pax accommodation)

3 TOWED DERRICK/PIPELAYING BARGES

6 Self Elevating Platforms work barges

96 other support craft (Tugs, Barges, Multicats, Accommodation barge, etc.)

EXTENSIVE RANGE OF LAND-BASED EQUIPMENT

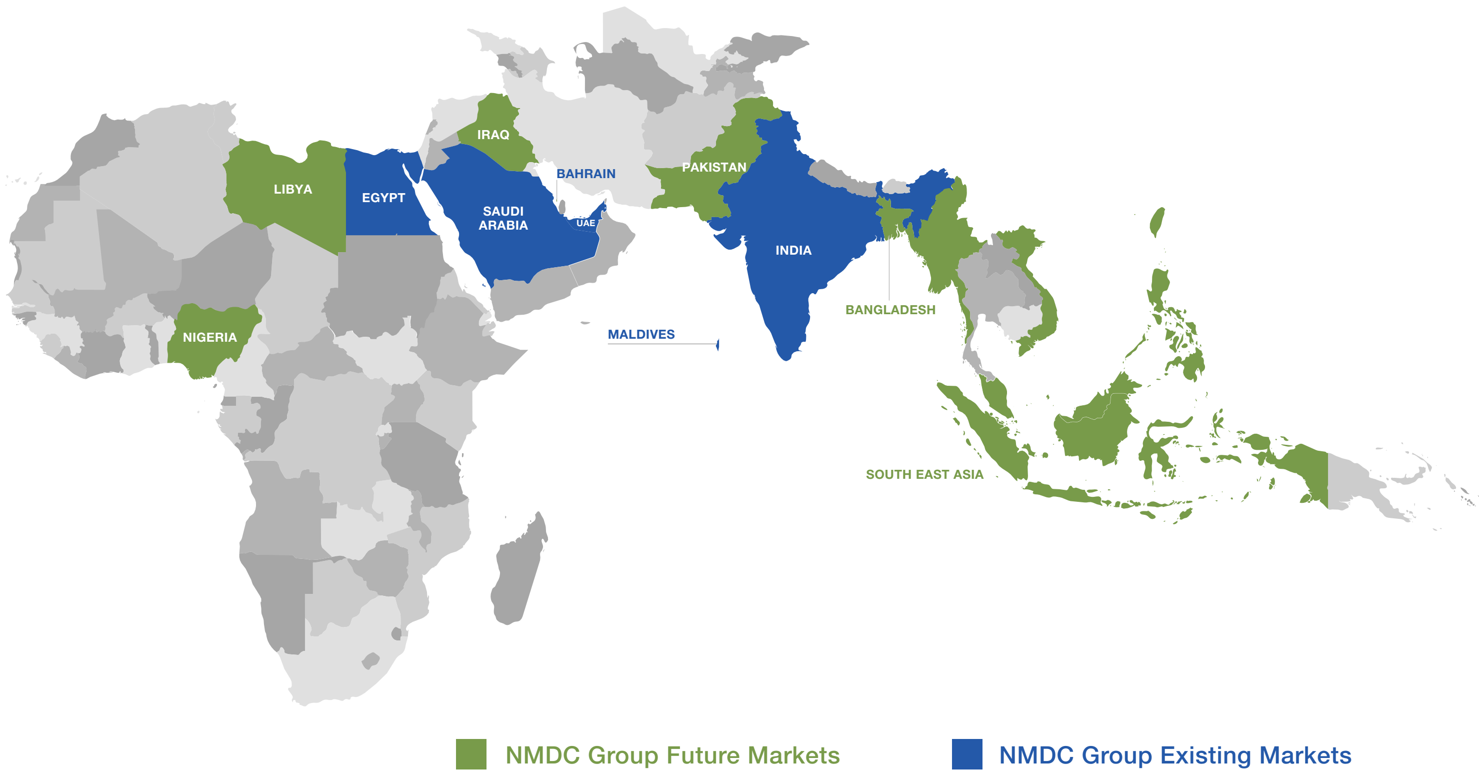
(Excavators, cranes, generators, etc.)

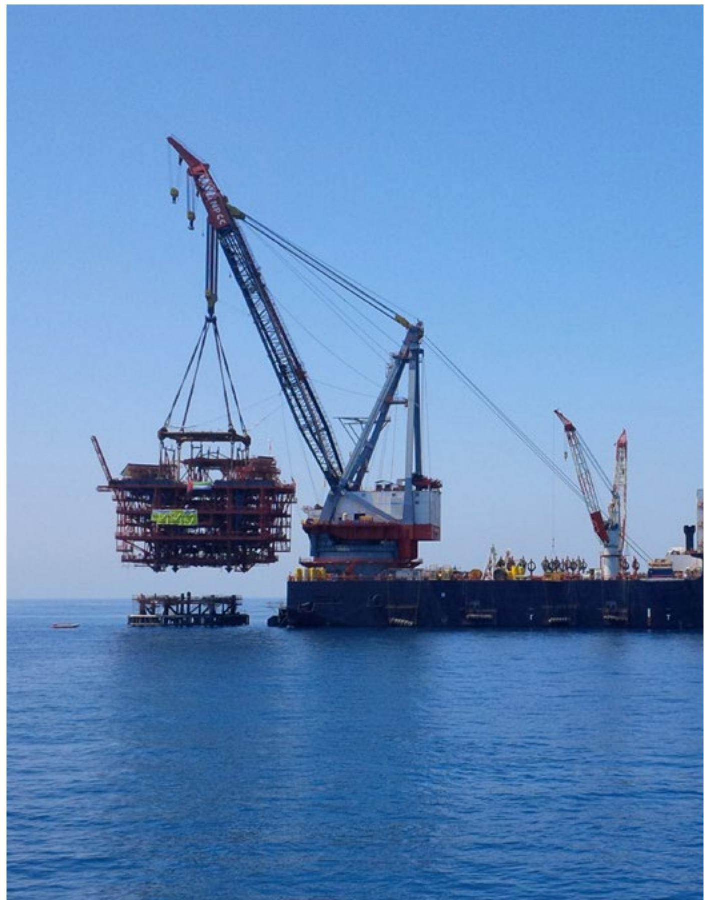
COMBINED CURRENT GEOGRAPHIC FOOTPRINT

NPCC is headquartered in Mussafah Industrial City in Abu Dhabi in the UAE with a wide operational footprint and offices in the Kingdom of Saudi Arabia, India, Malaysia, and France. In addition, NPCC has offices in the following locations:

- KSA through NPCC Saudi Ltd
- India through:
  - ANEWA Engineering Private Limited
  - NPCC Engineering Limited (NEL)
- Malaysia through NPCC Malaysia SDN BHD
- France through Principal Engineering

NMDC is also headquartered in Mussafah Industrial City and operates in multiple markets including the GCC, MENA, Egypt, India, Maldives, Seashells, and Europe.





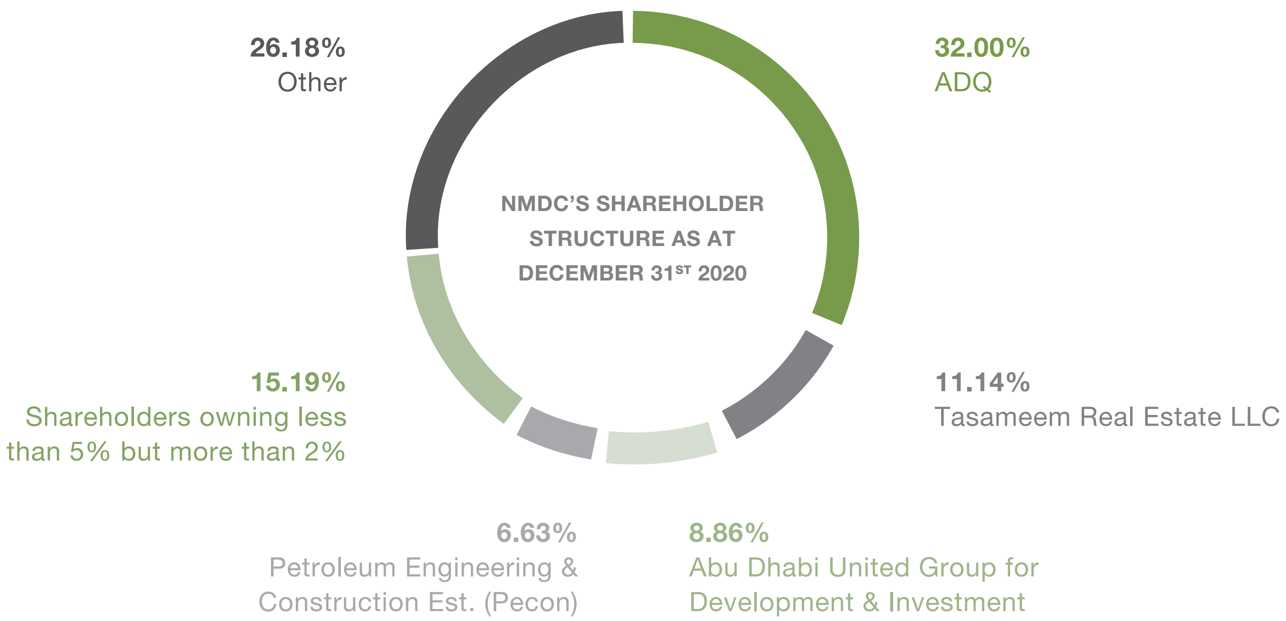
SELECTED COMBINED FLAGSHIP CLIENTS

Both **NPCC** and **NMDC** have a large portfolio of clients which include some of the most prominent port authorities as well as global energy and marine development companies.

SHAREHOLDER STRUCTURE CHANGES – EXPLAINED

Our shareholder structure has naturally changed as a result of the acquisition. Some of these changes came about as a direct result of the transaction while others were caused by structural shareholder adjustments at the level of our major shareholders. The below shows a breakdown of the main changes that have taken place.

1. NMDC and NPCC's shareholder structures prior to the acquisition of NPCC and specifically as at December 31, 2020:



NPCC's shareholder structure prior to the acquisition (as at December 31st 2020)

2. Reverse-Merger proposal & approval

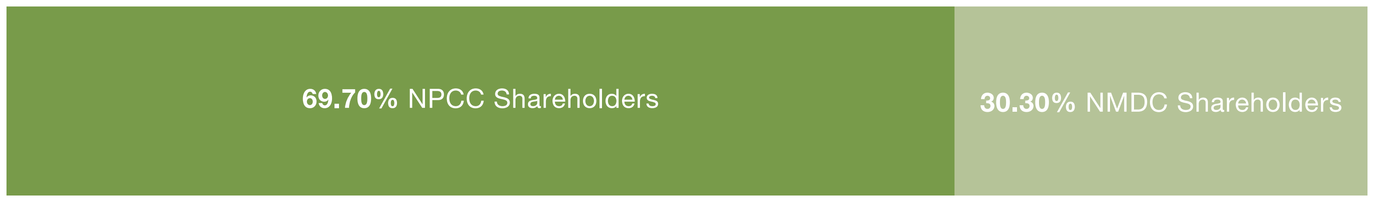
NPCC sent NMDC a reverse-merger offer on August 15, 2020, which was approved by NMDC's shareholders on December 14, 2020. Regulatory clearance for the reverse-merger was obtained on February 11, 2021, effectively completing the transaction.

The transaction resulted in NPCC's shareholders owning 69.70% of NMDC's shares which in turn meant NMDC's shareholders owning 30.30% of NMDC (post-acquisition). For this reason, the transaction is considered a reverse-merger.

The financial terms of the structure

NPCC shareholders were given mandatory convertible bonds. The terms stated that upon completion of the transaction these mandatory convertible bonds will convert into 575,000,000 ordinary shares of par value in the capital of NMDC (these would be newly issued shares that bring the new total share capital of NMDC to AED 825,000,000). This resulted in the following post-acquisition ownership split between NMDC and NPCC:

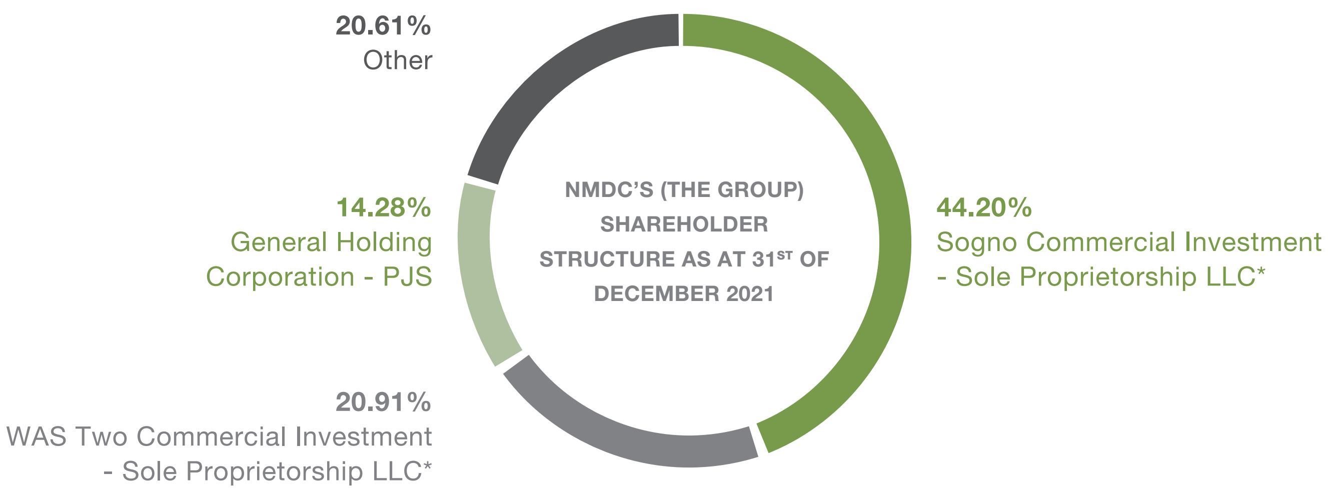
Post-Acquisition Share Split



3. Post-acquisition shareholder structural changes

Subsequently, during the second quarter of 2021, ADQ transferred 44.20% of its equity shares to entities wholly owned by Alpha Dhabi Holding PJSC, an International Holding Company (IHC) subsidiary. With this transaction, along with its previous equity shareholding in the company, Alpha Dhabi became majority shareholder with 65.10% ownership, which was increased to 68.48% towards the end of 2021.

NMDC's shareholder structure as at December 31, 2021



*Sogno Commercial Investment and WAS Two Commercial Investment are 100% owned by Alpha Dhabi Holding PJSC

CONNECTING WITH OUR STAKEHOLDERS

As part of our main group strategic themes, we will look to continuously engage with our stakeholders with the aim of being their partner of choice. To that end, we will be focusing in the coming period on strengthening our relationships with our key stakeholders. In addition, we will be conducting a thorough stakeholder engagement exercise around economic, and ESG (environmental, social, and governance) related topics which will serve as a main input to the updated and combined materiality matrix that will be revealed in the next report. This materiality matrix will allow us to update our group level list of material ESG topics on which we will continuously report.

Stakeholder input allows us to broaden our understanding of key economic and ESG topics that matter to them and that therefore should be managed by us and considered as part of our strategic initiatives.

It is only by integrating the outcome of this engagement process into our strategic and operational decision-making that we will be able to create value for all stakeholders, including our shareholders, in a sustainable fashion.

Accordingly, we have listed below our key stakeholders along with their corresponding material topics determined through our existing methods of engagement:

KEY STAKEHOLDER	METHODS OF ENGAGEMENT	KEY TOPICS OF DISCUSSION	CORRESPONDING MATERIAL TOPICS
CLIENTS	• Performance evaluation surveys • Day-to-day interactions & meetings • Website • Marketing material (e.g., annual reports, sustainability reports, social media, etc.) • Exhibitions and conferences • Business Development efforts • Networking events	• Client wellbeing • Privacy & security • Responsiveness to their requirements • Quality, safety and cost • Business ethics • Company impact on the environment	• Quality, health & safety • Biodiversity • GHG emissions • Waste management • Business ethics • Procurement practices
EMPLOYEES	• Employee engagement surveys • Performance reviews • Internal communication • Company events • Succession planning & development • Policies & procedures • Exit interviews	• Employee wellbeing • Business ethics • Diversity & inclusion • Health & safety • Training & development • Sustainable workplace • Compensation • Succession planning	• Occupational health & safety • Equal opportunity, diversity, & inclusion • Training & development • Gainful employment • Business ethics
COMMUNITY	• Local initiatives and volunteering activities • Society surveys • Donations and sponsorship	• Environmental impact • Community Wellbeing • Industry practices	• Community welfare • Environmental impact & sustainability practices • Business ethics • Biodiversity • Waste Management
SHAREHOLDERS	• Annual general meeting • Periodic meetings • Corporate regulatory disclosures	• Economic performance • Capital allocation • Successful strategy implementation • Business ethics • National employment • ESG issues • Environmental impact • Regulatory issues	• Economic performance • Business ethics • Governance • Emiratisation • Environmental impact & GHG emissions • Community Welfare • Procurement practices
BOD MEMBERS	• BOD & related committees' meetings • Periodic meetings • Company events • Press releases	• Economic performance • Business ethics • ESG performance • Emiratisation • Successful strategy implementation • Capital allocation • Digital transformation	• Economic performance • Business ethics • Strong governance • Emiratisation • ESG performance • Environmental impact & GHG emissions • Sustainable workplace & practices
GOVERNMENT ENTITIES	• Direct engagement through on-site licensing department • National development plans and programmes • Audits • Press releases • Local forums	• Environmental compliance • Alignment with national development plans & programmes • Regulatory compliance • Labour practices • Transparency • Community wellbeing • National employment	• Business ethics • Economic performance • Emiratisation • ESG performance • Procurement practices • Environmental impact & sustainability practices • Community welfare • Biodiversity
SUPPLIERS & BUSINESS PARTNER	• Supplier code of conduct • Supplier assessment and audit • Regular meetings with key suppliers and subcontractors • In-Country Value Score • Supplier satisfaction survey	• Procurement practices • Fair practice • Business ethics • Environmental impact • Terms and conditions • Cost negotiation	• Procurement practices • Environmental impact & sustainability practices • Business ethics • Waste Management

OUR STRATEGIC FOCUS

(GRI 102-15, GRI 102-30, GRI 201-2, ADX-G6)

NMDC ('the Group'), is has been creating more value for its combined stakeholders, in a sustainable way and with a wider business outlook, reach, and stronger financial position to support its ambitious plans.

Moreover, we have successfully developed an integrated strategy that is pushing the Group to cross sell, to diversify geographically, as well as to cover a wider spectrum of the EPC value chain.

In addition to the above, a comprehensive programme was implemented to ensure cultural alignment and integration.

1. OUR STRATEGIC THEMES AND CORRESPONDING STRATEGIC OBJECTIVES

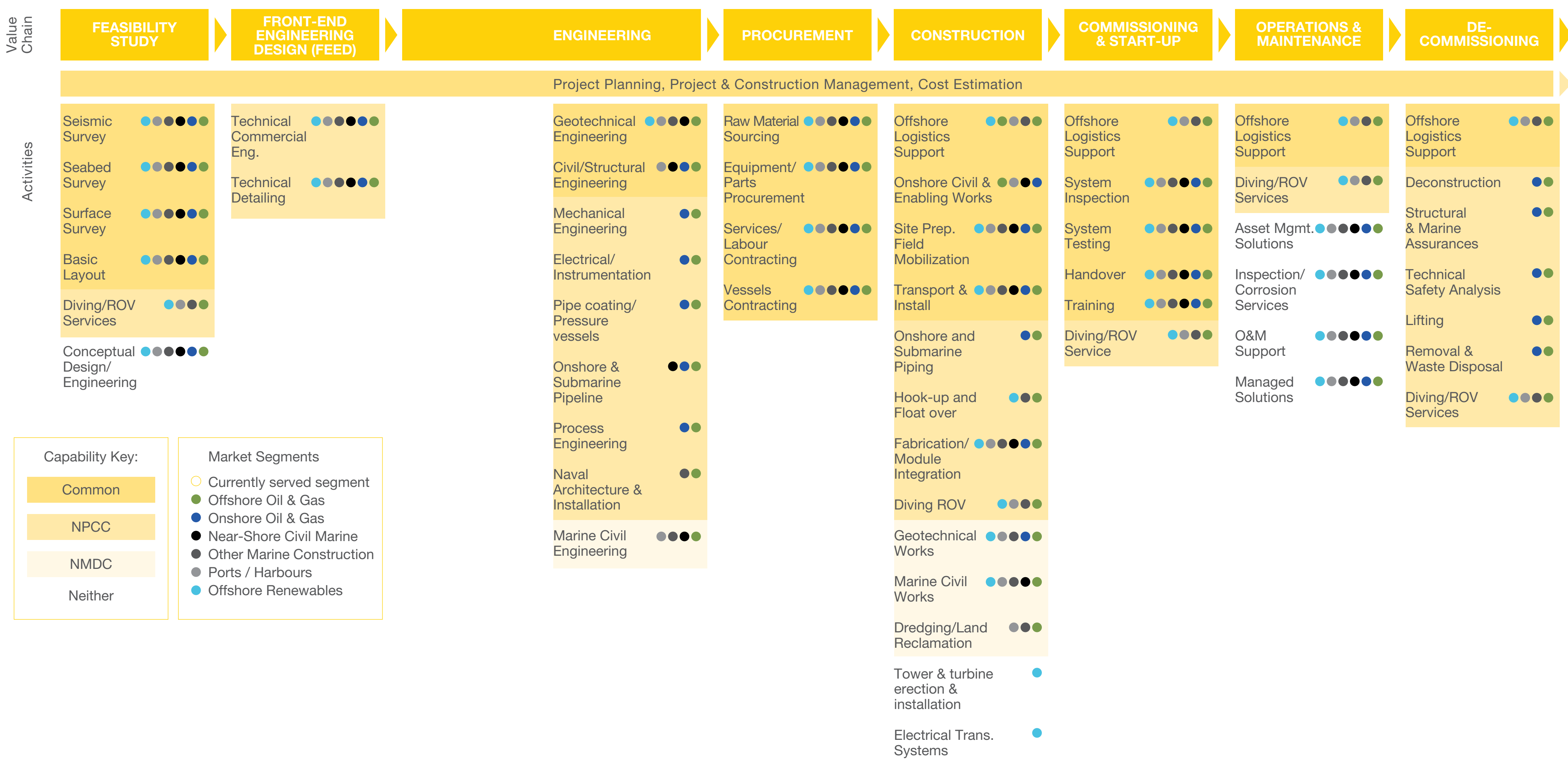
To accomplish our ambitions, we have set three clear Strategic Themes which complement our Vision and Mission along with three main strategic objectives:

STRATEGIC THEMES

- MAXIMIZE VALUE – SO01: "Access & Diversity to New-Markets and Segments"
- STAKEHOLDERS – SO02: "Strengthen Governments & Clients' Relationships"
- INTERNAL PROCESSES & CAPABILITIES – SO03: "Embrace Performance-Driven Operations & Culture"

2. VALUE CHAIN POSITIONING

NMDC and NPCC's activities are largely complementary and together provide a wider coverage across the EPC value chain. The below chart depicts the key capabilities of the combined entity:

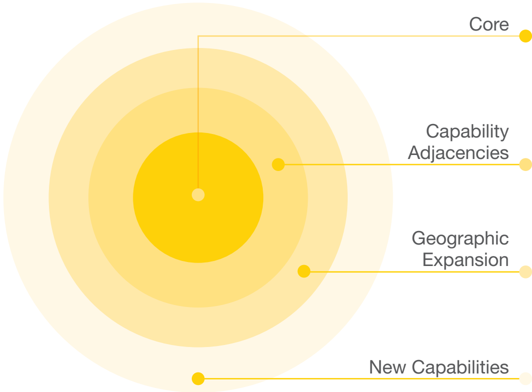


3. CAPABILITY-FOCUSED GROWTH THROUGH FIVE BUSINESS SEGMENTS

Growth Avenues

One of the main objectives of the acquisition is to use both entities' capabilities to create more value for stakeholders. This involves both cementing existing positioning as well as identifying opportunities for new revenue growth. We have been doing so by:

- **Growing our core** is about offering more to our existing clients thanks to our extended post-acquisition capabilities. This is also about acquiring new clients within the same market segment and enhancing the depth of our current offering within our core segments,
- The next growth direction is to **extend our capabilities system.** This is where we will expand into new complementary products and services in existing geographies,
- The third layer involves **geographic expansion.** As we cement our position within existing geographies and extend our capabilities to offer more services, we will extend our resources to expand to new geographies,
- Finally, it is equally important to **acquire new capabilities** to cater to the world's evolving risks and opportunities. More specifically, we will be focusing on climate change and playing a role in helping the world transition to a cleaner mix of energy, such as renewables.



SEGMENT	DESCRIPTION	EXAMPLES
GROW CORE	• Offer more to **existing customers** with **existing capabilities system** • Acquire **new customers** in same market segment • **Enhance depth** of current offering	Growth in offshore EPC and Marine Civil & Dredging in GCC, India Egypt1
EXTEND CAPABILITIES SYSTEM	• **Leverage capabilities** system to expand into new, complementary products and services **in existing geographies**	E.g., maintenance & turnaround, subsea & specialty marine
EXPAND GEOGRAPHIC FOOTPRINT	• Take offerings, capabilities system, and wait to play **new geographies** where they can thrive	E.g., expansion to S.E. Asia
ACQUIRE NEW CAPABILITIES	• **Adjust capabilities** system - only if fundamentals of sales and profitability are changing • **Selectively fill capability gaps,** if large “de novo” opportunities require to do so	E.g., Onshore EPC, near-shore civil works, offshore wind EPC, downstream EPC

Acquisitions within Specific Criteria
Further touching upon the fourth layer of our growth strategy, ‘Acquiring New Capabilities’ we will naturally look to identify targets fitting with NMDC Group’s strategic considerations.

More specifically, our acquisition criteria will include:
1. The target should be able to make an immediate contribution to our growth strategy. This would be done by adding a new strategic capability to the group and hence allowing for the expansion of our services and increasing stakeholder value,
2. Acquiring controlling stakes to integrate the acquired company into our existing corporate culture and structure as well as for financial consolidation purposes.

4. HIGH-LEVEL 5-YEAR STRATEGIC OUTLOOK & BEYOND

The below graph portrays our priorities during the short-, medium- and long-term which will dynamically drive the Group to reach its objectives and ambitions. During 2021, we have cemented our strong positioning within our core markets and delivered on synergies and are currently looking to expand capability adjacencies while also establishing new capability systems. We will always be on the look-out for “step-out” opportunities that we will assess on a case-by-case basis & incubate as soon as identified.

Beyond the fifth year, we will work to consolidate our position with our new core markets, reassess our growth avenues and make use of our selected step-out opportunities to propel the group to its next five years of exponential growth.

Strengthen current position and aim for exponential growth	Accelerate expansion into capability adjacencies	Consolidate & reassess growth choices
1	2	3
• **Deliver on synergies** • **Cement market position** in core markets • **Actively pursue cross-sell** opportunities from the acquisition • **Optimize asset utilization** • **Selectively pursue capability adjacencies** • **Assess & incubate “step-out” opportunities**	• **Continue to strongly expand in core markets** • **Focus on establishing a platform to expand to key capability adjacencies** • **Pursue targeted investments in new assets & capabilities** • **Establish new capability systems** for any selected step-out opportunities	• **Consolidate position** in the “new core” • **Re-assess growth avenues** to new capability adjacencies • **Activate selected step-out opportunities** as a platform for new growth
SHORT TERM – NEXT 1-2 YEARS	**MEDIUM TERM – YEARS 2-5**	**LONG-TERM – YEARS 5+**

5. RISKS & OPPORTUNITIES

A. TOP BUSINESS RISKS

There are multiple risks that we have factored into our strategy and growth plan by means of performing scenario analysis to identify potential significant impact on our financial performance.

The main drivers factored into our scenario analysis include Oil & Gas and Civil Marine Works; Sea-borne Trade; Population Growth; Coastal Protection; Energy, Water-related Tourism and Environment.

Some of the key considered risk factors include:

Oil Prices: An important portion of our activity is directly linked to the Oil & Gas sector which makes potential revenue from the business segments related to this industry prone to volatility, based on the average price per barrel of oil. In addition, an important portion of our revenues come from countries that are still currently reliant on income from Oil & Gas exports, making our non-O&G business segments (particularly the marine construction) indirectly impacted by the price of Oil and Gas.

a. We have factored in a scenario that sees the average price of oil gradually rising during the coming five years, which can secure additional revenue streams and support wider geographic expansion, to a base case scenario where there is growth but only concentrated in core markets, and a worst-case scenario where development will be mostly local.

COVID-19 & International Travel: As we write this report, COVID-19 and its variants continue to disrupt global economic activity. Although the variants currently seem to be causing less severe illness and fatalities, many countries are still relying on restrictive measures, such as lockdowns, to control the spread of the disease which affects business activities. Hence, the importance of factoring in a COVID-19 related risk into our scenario analysis.

a. We have assessed a worst-case scenario whereby countries re-impose strict border controls causing sustained economic disruption (and as a result a delayed recovery). Our base scenario assumes travel restrictions with PCR testing still imposed and a cautious investment approach due to a persistent threat from COVID. Finally, we also considered the scenario that we had begun to see prior to the 2020 end of year holiday period, when lifting travel restrictions led to increased demand for tourism through ports & marinas and a return to pre-COVID-19 levels of seaborne trade and container handling trends.

Urban Development: The scale of investments allocated to urban development is an important factor affecting the marine construction segments of our business. Accordingly, we have factored in a worst-case scenario that assumes a lack of investment causing a downturn in urban development, as well as an unchanged scenario, and a third scenario where government funding and investment in coastal protection projects increases.

New Markets Competitive Nature: Geographic expansion is an important part of our growth plan. This calls for carefully assessing the competitive nature of each market. To that end, we have included a scenario where we are not able to penetrate new markets or regions due to local competition, adapting a pricing strategy to simply maintain a backlog during tight economic times (in addition there could be entry barriers due to local content requirements, political developments, and market disruptions on prices specifically for the energy sector). Our base case scenario accounts for a gradual and incremental entry to new markets (emphasising utilisation of available relationships with subsidiaries in countries such as India and KSA). This scenario factors in severe price competition in mid-scale segments, yet manageable local content requirements. Finally, the best-case scenario factors in the opening of new markets (e.g., KSA and India) by establishing key partnerships, joint ventures, and leveraging existing strong relationships. The best-case scenario specifically accounts for In-Country Value (ICV) support in the UAE, and level field competition for opportunities in growth markets in the Energy sector.

B. OPPORTUNITIES

The acquisition has unlocked a wider universe of opportunities for both entities through a broader coverage of the EPC value chain as well as geographical reach. It has provided a new spectrum of cross-selling synergies as well as introduced cost optimisation opportunities that will enhance the Group's competitiveness.

In addition, we will be looking to capitalise on joint ventures and partnerships for a more robust positioning in certain segments/ geographies while we shall also be ready to grow inorganically, by means of acquiring complementary businesses.

Our successful track record and high health, safety, and environmental standards will serve as a cornerstone to our strategy.

OUR INTEGRATED APPROACH TO SUSTAINABILITY

(GRI 102-29, GRI 102-31, GRI 102-32, GRI 102-46)

Creating value for all stakeholders is at the heart of our corporate purpose. It is only by ensuring that the material needs of our key stakeholders are understood and factored into our business model that we can create value that will remain sustainable over the long-term.

Integrated Reports prepared in accordance with the International Integrated Reporting Framework offer a reliable tool for an organisation to map out and report on those capitals that it relies on for its success.

These capitals are stocks of value that are increased, depleted, or transformed through the activities of the organisation and help identify a company's performance towards all stakeholders and whether it is increasing or depleting the value of the organisation.

Integrated reporting helps to get rid of the silo mentality that is often present within an organisation. Different departments must come together to map out and assess the company's performance on the six capitals. This approach promotes integrated thinking which leads to integrated decision-making and action. This in turn leads to management having the necessary key data to make efficient decisions that create value.

The below table defines the capitals (that we have adapted to our business model), as taken from the Integrated Reporting Framework:

THE SIX CAPITALS

Financial Capital
The pool of funds that is available to an organisation for use in the production of goods or the provision of services

Human Capital
People's competencies, capabilities and experience, and their motivations to innovate

Intellectual Capital
Organisational knowledge-based intangibles

Infrastructure Capital (Assets)
Physical objects that are available to an organisation for use in the production of goods or the provision of services

Social & Relationship Capital
The institutions and the relationships within and between the communities, groups of stakeholders and other networks, and the ability to share information to enhance individuals and collective well-being

Natural Capital
All renewables and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organisation

OUR VALUE CREATION MODEL

Our value creation model shows how the company's activities have been creating, depleting, or preserving value over time to our six capitals. The model shows the inputs which represent the capitals (or resources) that our organisation needs to operate. These inputs interact with our business activities and come out at the other end of the model as outputs and outcomes. These represent the results of our activities and their effects.

INPUT

FINANCIAL CAPITAL

1.17 BILLION AED	3.80 BILLION AED	178.61 MILLION AED
Cash and Bank Balances	Retained Earrings	Capital Expenditure

HUMAN CAPITAL

11,686	60	238,151.55
Total Employees	Nationalities	Total hours of Group Training & Development

INTELLECTUAL & RELATIONSHIP CAPITAL

Innovation focused activities:
(1) Challenge Me Program
& (2) Accomplished Innovations 2021

Combined years of expertise in the Energy & Marine segments, and successful track record: 90 years

Strong relationships with Governments and key large clients

Wide geographic reach and a partner of choice: UAE, GCC with a focus on KSA, Egypt and India

INFRASTRUCTURE CAPITAL

55 TOTAL VESSEL FLEET	1.3 MILLION SQUARE METER YARD
Diversified Large Fleet	

SOCIAL & NATURAL CAPITAL

Community focused through initiatives and contributions

Strong QHSE culture and record

Local Community focused:
- Focused on increasing Emiratization. Currently at 10%
- Local suppliers focused: over 93% of purchases and procurement from local suppliers for our NMDC UAE operation and 75% for the Group

Expanding capabilities to include energy transition

OUR BUSINESS MODEL

OUR MISSION

Shareholders We act in the best interest of our shareholders with the aim of sustaining superior performance for the long term

People We aim to create a dynamic environment for our employees, emphasizing their development as the path to organizational success

Quality We continuously expand in line with industry best standards while aiming to achieve competitive and sustainable returns on investment

Society We play an active role and we are a responsible and ethical contributor to our society

Clients We provide high quality services to our clients and maintain excellence, respect and integrity in all aspects of our operations and our professional business conduct

Health, Safety & Environment We are committed to health, safety and the environment and aim to create a healthy, clean and safe place to work and live in

OUR VISION

THE **PERFECT CHOICE** WHERE **WE SERVE**

OUR MISSION

OUR VALUES

STRATEGIC THEMES

MAXIMIZE VALUE	SO01: "Access & Diversity to New-Markets & Segments"
STAKEHOLDERS	SO02: "Strenghten Governments & Clients' Relationships"
INTERNAL PROCESSES & CAPABILITIES	SO03: "Embrace Performance-Driven Operations & Culture"

ENABLERS

- Post Merger Integration
- Solidify our Partnership with Clients and Governments
- Realize on Synergies
- Capabilities Development

STRATEGIC INITIATIVES

- Expand to New Markets
- Expand into New Segments
- Survey & Dive Business Unit
- Survey & Dive Business Unit
- Acquire Heavy-Lift Capabilities
- Acquire New Offshore Fleet to Accommodate the Growth Aspiration
- Acquire Semi-Sub Capabilities

OUR VALUES

Commitment | Integrity | Excellence | Teamwork | Ownership

OUTPUT & OUTCOME

FINANCIAL CAPITAL

7.89 BILLION AED	1.00 BILLION AED (1.26 Earnings Per Share)	5.52 BILLION AED
Revenue from contracts with customers	Net Income	Shareholders' Equity

HUMAN CAPITAL

83%	1.49 BILLION AED	
Rentention Rate	In Employee Wages and Benefits	Decentralizing the HR function by creating an HR Centre of Excellence and allocating an HR partner to every business unit to increase engagement and employee satisfaction

INTELLECTUAL & RELATIONSHIP CAPITAL

Abu Dhabi Fund for Development trusted partner

Working with some of the largest clients within our segments including: ADNOC, ARAMCO, Total, Maersk, Abu Dhabi Ports, Suez Canal, OQ (Oman), among others.

NMDC partnership with Suez Canal Authority in Egypt, NPCC signed an MOU to establish a JV with Technip Energies to advance energy transition in the UAE and wider MENA region

INFRASTRUCTURE CAPITAL

The size and diversity of the Vessel fleet will allow the for a wider coverage of the EPC value chain, cost optimizing and a higher utilization rate.

To develop a similar yard for Aramco as the one in Abu Dhabi which will contribute to more collaboration with the customer and building on the existing strong track record

SOCIAL & NATURAL CAPITAL

162.63 MILLION AED	~7 MILLION	~300,000 AED
in VAT and Taxes Paid in 2021	in community contributions	300,000 in internal CSR contributions

Awards:

- Abu Dhabi Ports NEESHAN Award for HSE
- 20 million man-hours worked without LTI achievement (ADNOC)
- 5 million man-hours worked without LTI award (ADNO Hail & Gasha Project)
- Winner of British Safety Council Prestigious 'Sword of Honour' for commitment to excellent health and safety management
- 5-star rating by British Safety Council (97.4% audit score)
- ROSPA 2021 Gold Medal (8 consecutive Gold awards)
- British Safety Council International Safety Award with Distinction

11 environmental related initiatives

7 Biodiversity related initiatives including replantation activities, beach clean up and sea turtles rescue

SDG ALIGNMENT

8 DECENT WORK AND ECONOMIC GROWTH

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

3 GOOD HEALTH AND WELL-BEING

14 LIFE BELOW WATER

13 CLIMATE ACTION

OUR IMPACT ON THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)

The 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) were adopted in 2015 by all 193 United Nations members. The Agenda was adopted with the aim of resetting the direction of the world economy from one of widening inequalities, social exclusion and worsening of the environment, to one whereby economic growth is decoupled from environmental degradation and where societies are inclusive.

Corporations have an increasingly important role to play in achieving these targets by 2030. NMDC supports the SDGs and strives to play its role in making a positive impact on those targets that are material to our operation. The following section also aligns the various constituents of the Abu Dhabi Vision 2030 to each SDG so as to interconnect all elements that will help put Abu Dhabi and the UAE's economy on a sustainable path.

7 AFFORDABLE AND CLEAN ENERGY

UN SUSTAINABLE DEVELOPMENT

GOALS SDG 7
AFFORDABLE AND CLEAN ENERGY

ABU DHABI VISION 2030 PILLARS
- A Sustainable Knowledge-Based Economy
- The Optimisation Of The Emirate's Resources

ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL

NMDC'S MAIN CONTRIBUTION

Our strategic and operational efforts aim to accelerate the transition to a sustainable energy system by prioritising energy efficient practices and adopting clean energy technologies and infrastructure across our operational sites and project locations.
In addition, NPCC has signed an MOU with Technip to form a partnership aimed at enhancing co-operation in blue and green hydrogen, and related decarbonisation projects.
NMDC will look to develop energy transition related capabilities.

MATERIAL TOPICS COVERED

- GHG Emissions
- Energy Efficiency
- Waste Management
- Biodiversity

For more information, please refer to Environmental Protection

8 DECENT WORK AND ECONOMIC GROWTH

UN SUSTAINABLE DEVELOPMENT

GOALS SDG 8
DECENT WORK AND ECONOMIC GROWTH

ABU DHABI VISION 2030 PILLARS
- A sustainable knowledge-based economy
- An optimal, transparent regulatory environment
- Maintaining Abu Dhabi's value, culture and heritage

PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL

NMDC'S MAIN CONTRIBUTION

We foster economic growth by offering employment to a total of 11,686 employees while applying a well-defined talent management strategy that places the well-being of our employees at its core.
Our labour standards follow best practices and are founded on non-discriminatory practices, diversity, and inclusion

MATERIAL TOPICS COVERED

- Employment
- Diversity & Inclusion
- Emiratisation
- Health & Safety
- Training & Education

For more information, please refer to Shareholder Value Creation and Employee Wellbeing

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

UN SUSTAINABLE DEVELOPMENT

GOALS SDG 9
INNOVATION AND INFRASTRUCTURE

ABU DHABI VISION 2030 PILLARS
- A sustainable knowledge-based economy
- The optimisation of the Emirate's resources
- Premium education, healthcare and infrastructure assets

BUILD RESILIENT INFRASTRUCTURE, PROMOTE INCLUSIVE AND SUSTAINABLE INDUSTRIALISATION AND FOSTER INNOVATION

NMDC'S MAIN CONTRIBUTION

Our Energy and Marine projects, and in particular our dredging segment contributes to the development of infrastructure such as ports and marinas for society's wellbeing. In addition, our workplace fosters innovation which we believe is a key Human Capital empowerment tool.

MATERIAL TOPICS COVERED

- Employment
- Economic Performance
- Business Ethics
- Procurement Practices

For more information, please refer to ***Strategic Focus and Employee Wellbeing***

14 LIFE BELOW WATER

UN SUSTAINABLE DEVELOPMENT

GOALS SDG 14
LIFE BELOW WATER

ABU DHABI VISION 2030 PILLARS
- A sustainable knowledge-based economy
- The optimisation of the Emirate's resources
- Premium education, healthcare and infrastructure assets

CONSERVE AND SUSTAINABLY USE THE OCEANS, SEAS AND MARINE RESOURCES FOR SUSTAINABLE DEVELOPMENT

NMDC'S MAIN CONTRIBUTION

Both our Marine and Offshore Energy business streams adopt the necessary procedures and processes to ensure the protection of the marine ecosystem and that our activities do not negatively impact its biodiversity. As part of our initiatives, we promote various biodiversity related activities such as the cleaning of plastic debris or the rescue and monitoring of sea turtles. In addition, in order to protect the biodiversity around sites, we arrange alternative habitats by relocating the flora and fauna, creating alternative ecological green areas and building fish houses across different sites.

MATERIAL TOPICS COVERED

- GHG Emissions
- Energy Efficiency
- Waste Management
- Biodiversity

For more information, please refer to ***Environmental Protection***

13 CLIMATE ACTION

UN SUSTAINABLE DEVELOPMENT

GOALS SDG 13
CLIMATE CHANGE

ABU DHABI VISION 2030 PILLARS
- A sustainable knowledge-based economy
- The optimisation of the Emirate's resources
- Premium education, healthcare and infrastructure assets

TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

NMDC'S MAIN CONTRIBUTION

We are committed to reducing our GHG emissions throughout our operations and supply chain while adding capabilities to our business segments that directly contribute to energy transition (e.g., our agreement with Technip to form a partnership that will develop energy transition solutions).
Moreover, through our projects and services, we also contribute to climate change adaptation by protecting coastal areas from flooding.

MATERIAL TOPICS COVERED

- GHG Emissions
- Energy Efficiency
- Waste Management
- Biodiversity

For more information, please refer to ***Environmental Protection***

3 GOOD HEALTH AND WELL-BEING

UN SUSTAINABLE DEVELOPMENT

GOALS SDG 3
GOOD HEALTH AND WELL-BEING

ABU DHABI VISION 2030 PILLARS
- A sustainable knowledge-based economy
- Premium education, healthcare and infrastructure assets

ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING FOR ALL AT ALL AGES

NMDC'S MAIN CONTRIBUTION

NMDC since the beginning of the COVID-19 outbreak took all necessary measures to safeguard the health of our employees by means of applying strict protocols to prevent the spread of the virus in the workplace.
In addition, we extend health benefits to all our employees in the form of medical insurance, as well as life insurance to some, and encourage our employees to have a healthy lifestyle by sponsoring both internal and community related sports events. Finally, our QHSE department consistently creates awareness campaigns and training related sessions to enhance our employee's understanding of safety risks.

MATERIAL TOPICS COVERED

- Training & Education
- Community Welfare
- Gainful Employment
- Occupational Health & Safety

For more information, please refer to ***Employee Wellbeing and Healthy Society***

SHAREHOLDER VALUE CREATION

(GRI 102-7, GRI 201-1)

ECONOMIC VALUE GENERATED & DISTRIBUTED

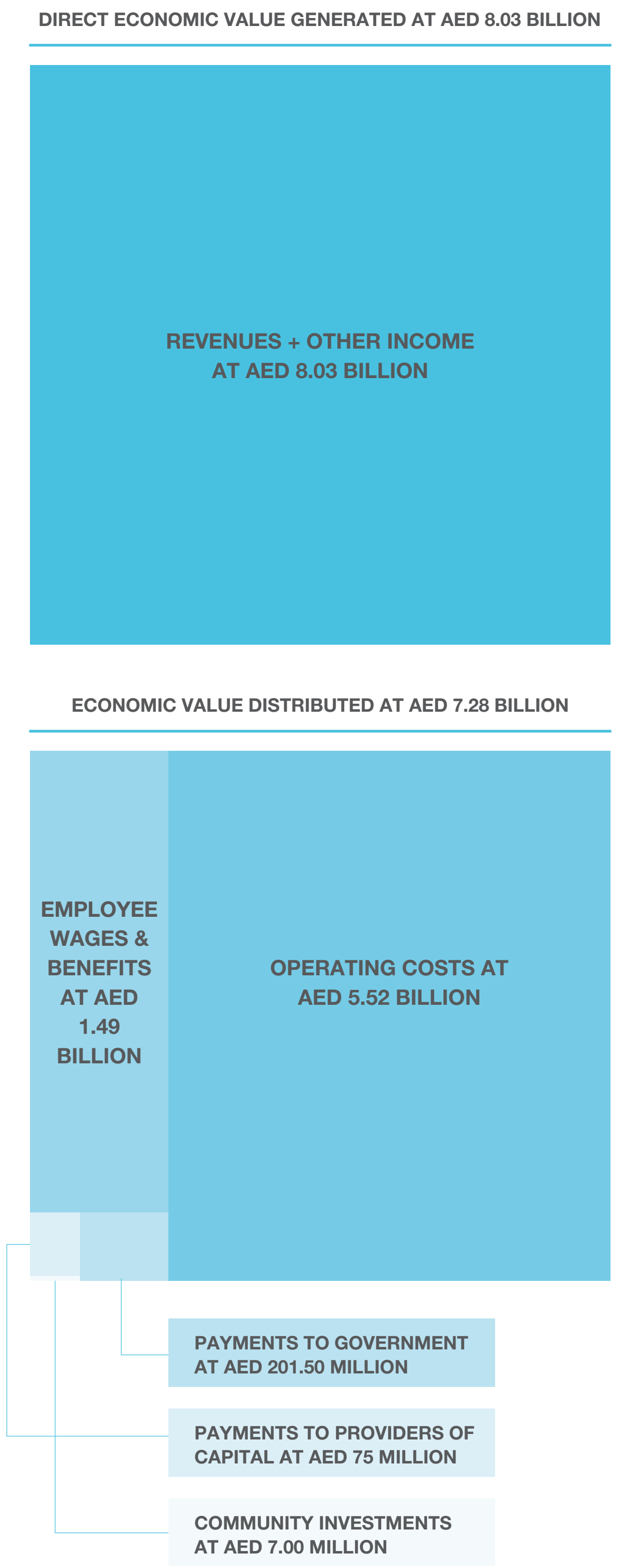
Economic prosperity is a key sustainability component as it allows people to fulfil their lives, to reach their aspirations and contribute to the well-being of those communities to which they belong.

A corporation's prosperity extends to many stakeholders. This would include remunerating employees which helps them to have a decent quality of life, pay taxes or VAT to governments for them to fulfil their obligations towards their citizens, purchase from local retailers to support the local economy and help all its participants. Organisations also contribute directly to the community by means of donations, sponsorships, and volunteering activities.

The creation and distribution of economic value is an indicator of an organisation's ability to create wealth for all stakeholders. More specifically, the below chart depicts the following components for NMDC:

1. Direct Economic Value Generated: This is effectively the revenues that a company generates along with other income,
2. Economic Value Distributed: This would be inclusive of operating costs, employee wages & benefits, payments to providers of capital, payments to government, and community investments,
3. Economic Value Retained: This component subtracts point 2 above from point 1 (Direct Economic Value Generated 'less' Economic Value Distributed)

The below is as per the classifications of the GRI standards



FINANCIAL PERFORMANCE

NMDC's 2021 financial statements witnessed a dynamic transformation due to the acquisition of NPCC. We have split this section into two segments. The first shows the changes in figures in comparison to the previous year, including combining NMDC and NPCC's numbers before the acquisition to assess progress. The second section breaks down the revenues by business segment and geography for a wider analysis.

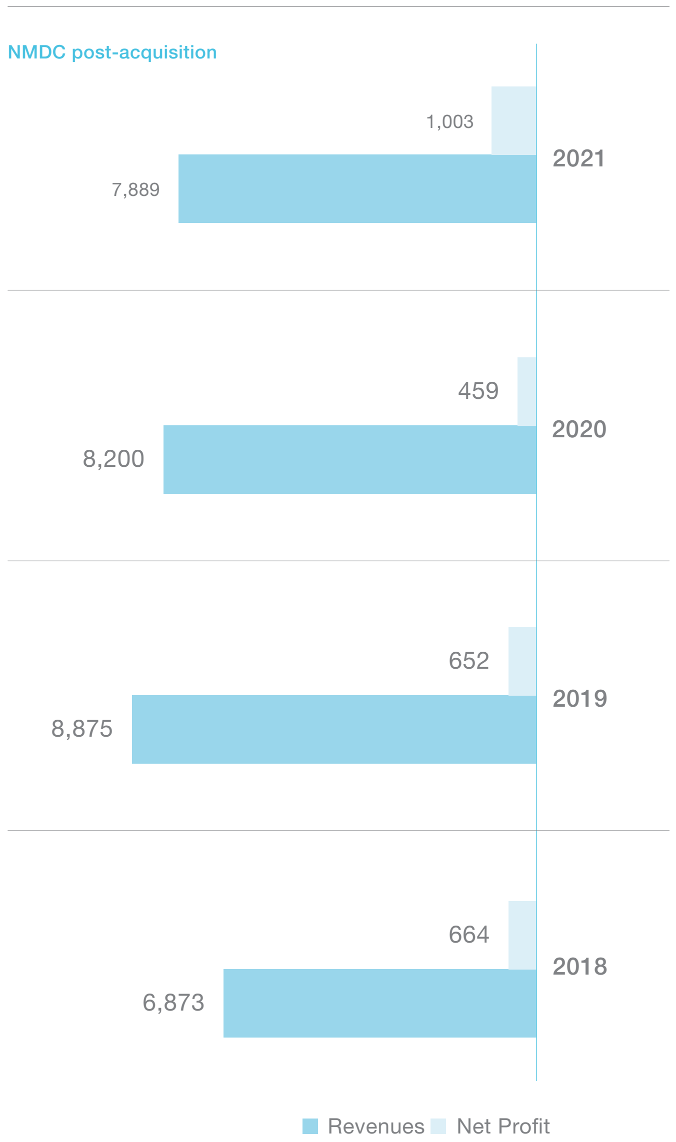
Highlight of Key Figures

Higher Net Income due to a Higher Profit Margin

When comparing NMDC before and after the acquisition of NPCC and specifically in relation to the year 2021 versus 2020, our revenues jumped by 78.30% to reach AED 7.89 billion in 2021 while our net income saw an even higher increase from AED 106.99 million in 2020 to AED 1.00 billion in 2021. Our gross and profit margins were higher at 13.53% and 12.71% respectively compared to 4.99% and 2.42% in 2020.

The below chart shows revenue and net profit from 2018 until 2021. For the years prior to the acquisition (in this case 2018, 2019, and 2020), and for comparison purposes, we have combined NPCC and NMDC's revenue and profit numbers.

Revenues & Net Profit (AED Mn)



From a balance sheet perspective, the reverse-merger has allowed NMDC to strengthen its asset and equity base while maintaining an extremely healthy gearing ratio. This will be useful in supporting our strategy and growth plan allowing the Group to reach its ambitions:

As at December 31, 2021, NMDC's balance sheet key figures as compared to NMDC's 2020 figures were:

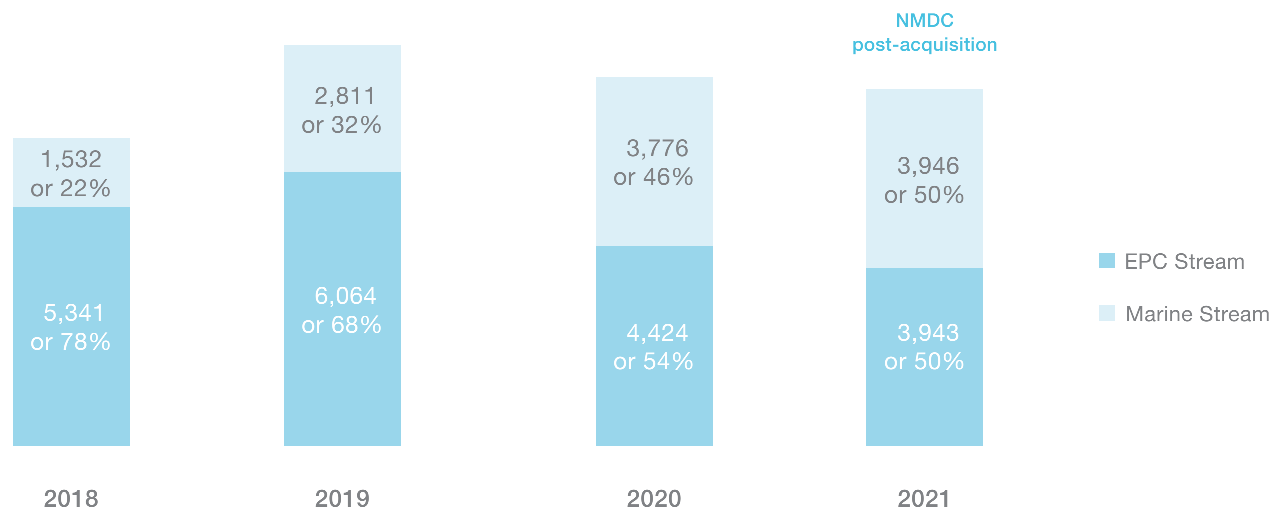
2020	AED 7.40 BILLION TOTAL ASSETS	AED 3.10 BILLION TOTAL EQUITY	AED 0.51 BILLION CASH AND BANK BALANCES
	74.61% INCREASE	78.27% INCREASE	129% INCREASE
2021	AED 12.92 BILLION TOTAL ASSETS	AED 5.52 BILLION TOTAL EQUITY	AED 1.17 BILLION CASH AND BANK BALANCES

REVENUE & GEOGRAPHIC SEGMENTATION

Revenue Segmentation

The below chart shows the contribution of the Marine and EPC streams to total revenues in 2021. For the sake of deeper analysis, we have included numbers since 2018 which naturally matches NMDC's pre-2021 numbers to the marine stream and NPCC's to the EPC stream.

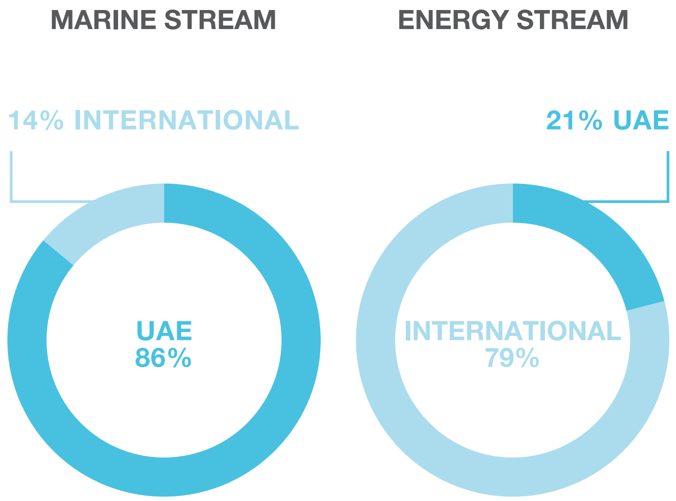
Revenue Segmentation

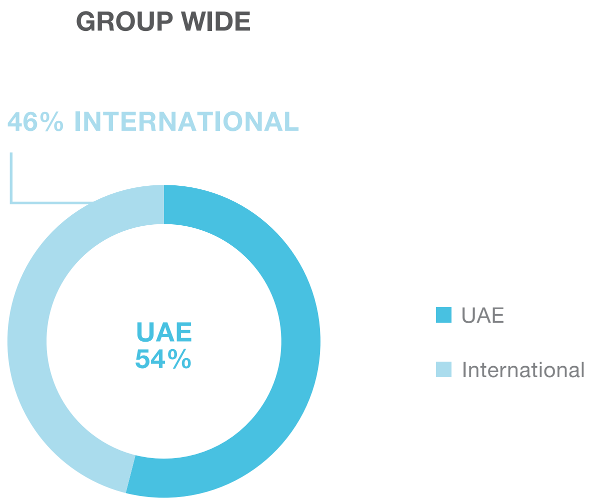


Geographic Segmentation

Key combined locations for the group include the GCC (primarily the UAE and KSA), India, and Egypt. Geographical diversification is an important strategic pillar for the company going forward. While in the short-term we intend to cement our position in our core markets, we will look to expand our reach within the wider MENA region as well as Southeast Asia, among others.

Below is the UAE versus International segmentation for each stream and for the Group:





EMPLOYEE WELLBEING

(GRI 102-7, GRI 102-8, GRI 401-1, GRI 401-2, GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4, GRI 403-5, GRI 403-6, GRI 403-7, GRI 403-8, GRI 403-9, GRI 404-1, GRI 404-3, GRI 405-1, ADX-S2, ADX-S3, ADX-S4, ADX-S5, ADX-S6, ADX-S7, ADX-S8, ADX-S11)

Our employees are the lifeblood of NMDC. It is through their hard work, creativity and innovation that we prosper, and it is by looking after their well-being that we make NMDC an employer of choice and one that provides sustainable value to all its stakeholders.

Our Human Resource department is among the functions that are going through the integration process. Accordingly, the HR departments of NMDC and NPCC will be merging during the first quarter of 2022 and will work to establish one combined strategy at the corporate level; the strategic initiatives of which will be cascaded down to the business units.

The combined HR function will look to make an immediate impact on the Group by enhancing its practices by means of continuously engaging with employees and ensuring that their needs are met.

KEY INTEGRATION FOCUS AREAS

DEVELOP AN INTEGRATED TALENT MANAGEMENT STRATEGY:

- Develop a combined talent management strategy based on 4 pillars: (1) Attracting, (2) Recruiting, (3) Retaining, and (4) Developing talent
- Emphasis on developing internal talent
- Develop a clear succession plan for all critical roles

KEY CRITICAL CONSIDERATIONS:

- The two merged entities have different compensation and benefit schemes which need to be analysed and integrated
- Diversity, and especially in terms of female presence, is a challenge to be overcome due to the nature of offshore functions
- Permanent contracts no longer apply in the UAE labour law, which calls for a strategic shift to attract senior level talent

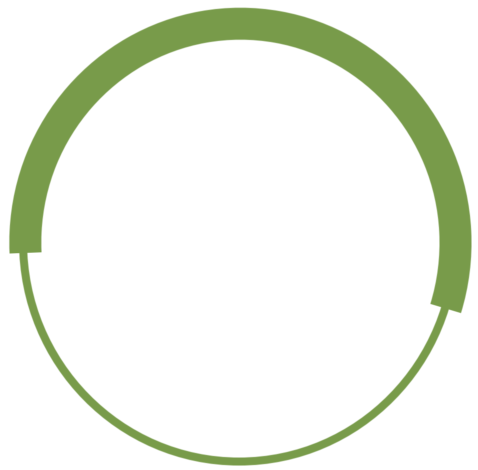
OUR TALENT COMPOSITION

NMDC's UAE marine segment (inclusive of its dredging, reclamation, and marine construction services) employs

2,278
INDIVIDUALS

60
DIFFERENT NATIONALITIES FROM ACROSS THE WORLD

Our industry's working dynamics, including its labour-intensive nature, its offshore locations, and demanding hours calls on us to further emphasise the wellbeing of our employees including their safety, mental health, as well as benefits.



All our employees are employed on a full-time basis out of which 45% are on permanent contracts and 55% are on temporary contracts.

In terms of job category segmentation, our workforce is equally split between labour, entry-level and mid-level roles (combined 94.47%) while senior-to-executive roles comprise 5.53% of the total workforce.

Female Presence

Female workers represent 4.13% of the total workforce.
Given the nature of our operational model, our industry is male dominant especially in relation to those working on the fleet and on remote sites. Hence our focus, in terms of increasing female presence, mostly lies in job categories that include engineers, technicians, as well as managerial positions.

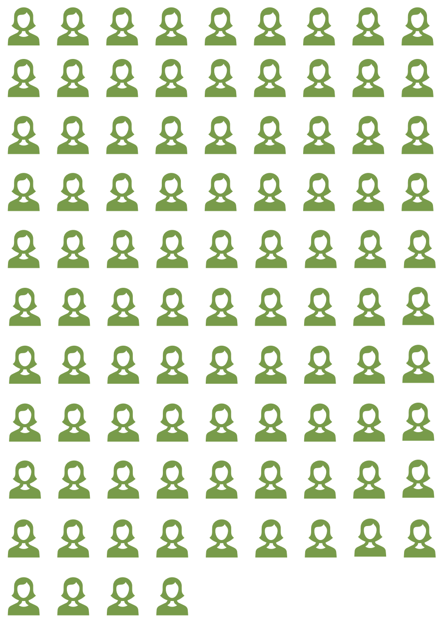
We have managed to continuously grow our female presence and will reinforce such efforts by means of including gender diversity as part of the HR team's KPIs and score cards. Our journey began in 2012 with one female employee, which has grown to 94 in 2021.

2012

ONE FEMALE EMPLOYEE

2021

94 FEMALE EMPLOYEES



Currently, female employees within NMDC's UAE operation are concentrated between entry- and mid-level positions (at 94%) with only three in senior-to-executive roles.

Finally, the 2021 median compensation for female versus male was AED 14,500 to AED 8,350, a ratio of 290:167. The fact that female jobs are mostly concentrated within entry-to-mid level roles while male jobs are skewed to a lower salary bracket (due to 33.50% of males being concentrated in labour roles) is a factor in the above.

EMPLOYEE RETENTION

We strive to continuously maintain a healthy turnover ratio below 10% per year. This is done through the yearly appraisal system that we have in place, various training and development programmes, competitive compensation schemes, or other events that allow for gainful employment practices. In addition, we have a competitive compensation scheme that is attractive to all job categories. We offer a range of benefits including, but not limited to, health insurance, workmen's compensation entitlement, maternity and paternity leave, annual air ticket allowance, pension plans, company transportation, among other incentives.

Our turnover rate for the year 2021 was 15% noting that 32% of those that left the company are within the over 50s age bracket (116 out of 360). On the other hand, we hired 147 new employees during the year (6% hire rate).

COVID-19 has undoubtedly affected the company's hiring activity. In addition, acquisitions, by their nature, usually result in volatility in the number of employees, hence the higher turnover rate of 15% in 2021 versus 5% in 2020.

AN HR CENTRE OF EXCELLENCE

To increase the level of engagement with our employees and ensure that all their differing and evolving needs are factored into our HR strategic direction, we are moving away from a centralised HR approach to a one where an HR partner is allocated to every business unit. This will help bridge gaps and ensure accurate feedback is captured. This model will further support employee engagement and reinforce communication channels between the HR department and employees.

"ON THE OTHER HAND, WE HIRED 147 NEW EMPLOYEES DURING THE YEAR (6% HIRE RATE).

EMPLOYEE ENGAGEMENT

It is our duty to continuously engage with our employees to assess their evolving needs and ensure that we create an environment that fosters diversity, inclusion, and equal opportunity.

Policies & Procedures

We continuously ensure we have the necessary policies and procedures in place to protect employees' rights as well as promote a healthy work environment. All our employees are acquainted with the company's policies and procedures, with an emphasis on relaying this information at the time of orientation.

At NMDC we have a robust Code of Business Conduct, inclusive of clear sexual harassment clauses and a non-discrimination policy, by which all our employees must abide.

NMDC's code of conduct promotes the well-being of employees and a workplace that reflects the highest ethical and professional standards. It emphasises the importance of having a healthy and safe workplace free of discrimination and harassment.

TRAINING & DEVELOPMENT

Training & development is a primary factor in retaining employees. Employees that feel they can develop and advance their careers within a company will be encouraged to remain. Development initiatives increase job security and enhance human capital performance. By investing in its own talent, a company can build capacity and drive value.

NMDC's training & development programmes are split between (1) Employee development programmes: through these programmes we ensure that we provide our employees with opportunities that enhance their job performance and support their personal career development goals; (2) Academic education support: This is particularly targeted towards our UAE National Employees whereby we provide them with continuous education opportunities; and (3) Training: These are various training programmes developed to improve individual and organisational performance.

The company delivered 35,261 total hours of training in 2021, a significant increase of 115% on the previous year's 16,429 hours.

More specifically, 46% of the training hours were conducted at the mid-level job category while 16%, 26% and 12% were conducted at the labour, entry-, and senior-to-executive levels respectively.

Training

In 2021, the HR department customised training programmes per department. In addition, the previously established NMDC academy trained young talents in the dredging business which forms the core of NMDC's marine stream. In 2021, 22 young talents went through the full training cycle.

Additional training was provided for each department including training for soft skills.

Some of the training programmes included coaching & mentoring, strategic thinking & planning, high impact negotiation skills, conflict management and resolution, crisis management, contracts for non-contracts, finance for non-finance, among others.

35,261
Hours of Training in 2021

115%
Increase from 2020

Development

NMDC rolled out a talent management process for UAE-based workers in 2021. This was applied to all critical positions with a focus on the operational functions. More specifically, 54 positions were identified as critical for the operation and 92 employees were identified as having the potential to fill these roles. We have actioned a development plan for each one of them, including psychometric and competency assessments which help guide their development.

EMIRATISATION

To overcome the structural imbalance in the UAE labour market and shift local talents to the private sector, the UAE government had launched during early 2000 an initiative (Tawteen) which calls for the inclusion of Emiratis in the private sector. This is an important initiative that all private sector companies should contribute to as it will increase the level of diversity in the workforce whose nature will be enhanced through the increased contribution of UAE citizens.

As part of our commitment towards the community, we have made Emiratisation a strategic priority for our company.

We have two initiatives in place that are specific to UAE nationals:

1. Specialised training programmes dedicated to local talents with the aim of attracting them to the Dredging and Civil Marine Industry, including an engineering programme for fresh graduates,
2. We have a Dredging Academy dedicated to training semi-skilled UAE nationals in dredging activities. The Academy includes dredging simulators that have recently been upgraded.

During 2021, NMDC's Emiratisation rate was 7% and we aim to reach the 8% threshold this year.

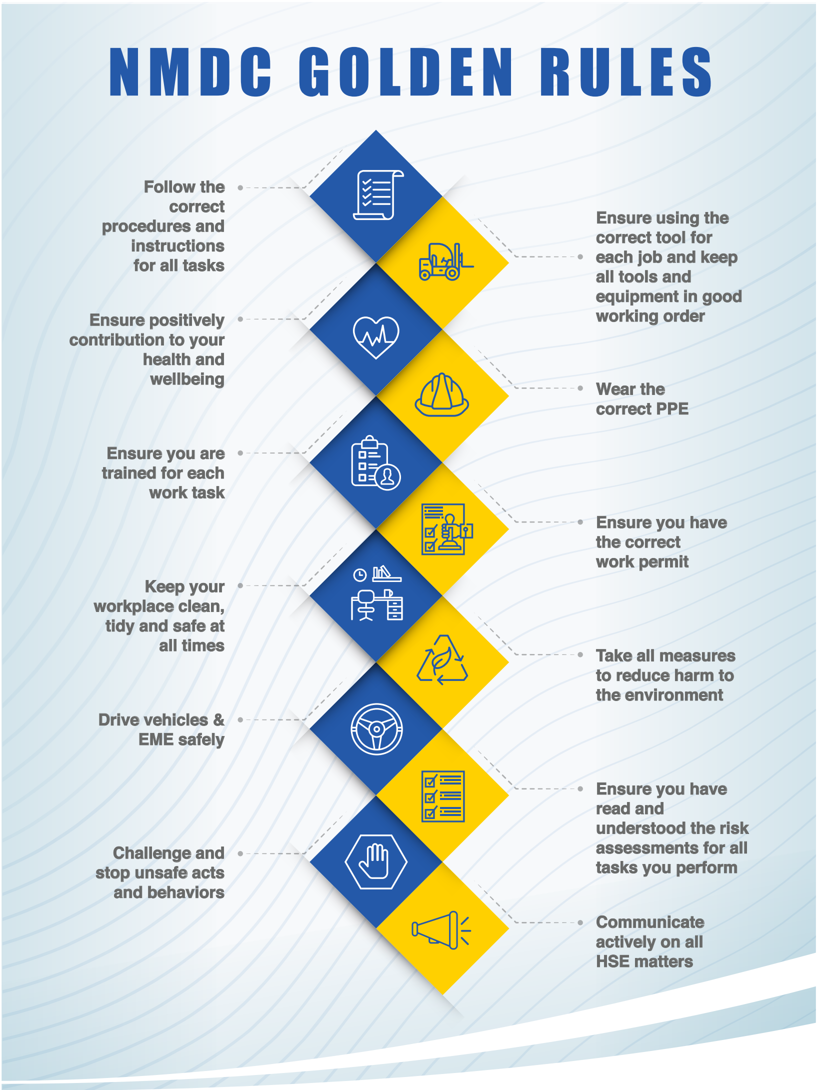
INNOVATION

Encouraging innovation in the workplace creates a stimulating environment that can enhance our business. Moreover, innovation empowers a company's workforce ultimately adding value to all stakeholders. As we continuously focus on offering more advanced and cost-effective solutions to our clients, we will look to place innovation at the heart of our ethos.

NMDC has an innovation plan and a framework through which ideas are shared and discussed. Our Strategy and Sustainability Committee leads such efforts and supports and encourages innovative activities throughout the organisation.

Moreover, NMDC's innovation plan will also be focused on creating and registering new internally developed patents so as to create value to its intellectual capital.

Innovation is a key driver of success, and we must promote it in the workplace to benefit society.



SAFETY FIRST

Managing the health and safety of our employees and sub-contractors is paramount for our business. The Quality, Health and Safety (QHSE) department continuously engages employees on health and safety matters which is key to creating a strong health and safety culture. Moreover, training on basic risk recognition and perception capabilities is provided on a yearly basis to increase awareness among workers.

The QHSE department is responsible for ensuring that its policies and ISO certifications are kept up to date as well as the regular scheduling of audits, inspections, and drills.

More specifically, NMDC has the following Quality, Health and Safety related certifications:

- ISO 45001:2018 Occupational Health and Safety Management System
- ISO 9001: 2015 Quality Management Systems
- OSHAD: This is an occupational health and safety management system certificate specific to Abu Dhabi Public Health Centre and Department of Municipalities & Transport

Awards

The QHSE department received three awards in 2021, including:

1. An award from ADNOC for 10 million man-hours worked with no Lost Time Injury (LTI) for the Hail & Gasha projects
2. Another ADNOC award for 20 million man-hours worked with no LTI for the Hail & Gasha projects
3. The NEESHAN award from Abu Dhabi Ports for the customer/contractor category

Health & Safety Performance

NMDC has been recognised over the years for its strong health & safety culture and performance. In fact, it has been one of our competitive advantages and we have attained several awards. Moreover, the QHSE team consistently reaches and exceeds its KPIs and ensures that our Company continuously enhances its Health & Safety practices.

In 2021, we had an unfortunate fatality that took place during a lifting sequence. As a result, we immediately took action to prevent this from happening again. NMDC will always strive to keep all employees safe and maintain this crucial KPI at zero.

The table below shows our main Health & Safety KPIs for the last two years:

	2020	2021
Total Man Hours	29,440,442	27,233,183
Fatality	1	1
Total Lost Time Injury (LTI) Incidents	1	2
Lost Time Injury Frequency Rate (LTIFR)/200,000	0.01	0.01
Total Recordable Incident Rate (TRIR)/200,000	0.24	0.12
HSE Campaigns	5	5
No. of Behavioral Safety Audits (BSA)	5,859	5,560
Training Hours	69,797	77,138

Rates have been calculated on 200,000 hours worked

NMDC management is commitment to continuously improve its health & safety measures and performance through skill development and training hours. To that end, 77,138 total hours of training were delivered during 2021.

We have also opted in this section to report on the Group's HSE performance for the last three years (for the pre-acquisition years of 2019 and 2020 we have simply combined the numbers of the two companies):

S/No.	KPIs	2019 Actual	2020 Actual	2021 Actual
1	Total Man Hours Worked	71,361,970	59,352,786	56,366,143
2	Fatality	1	1	1
3	Total Lost Time Injury (LTI) Incidents	6	3	3
4	Lost Time Injury Frequency Rate (LTIFR)/Million	0.08	0.05	0.05
5	Total Recordable Incident Rate (TRIR)/Million	0.92	0.87	0.70
6	HSE Campaigns	16	16	17
7	No. of Behavioral Safety Audits (BSA)	1,916	5,859	5,560
8	Co2 Emission/ Footprint Calcuation	4	4	4
9	Training Hours	141,128	104,376	145,340

2019	2020	2021
6 LTI Incidents	3 LTI Incidents	3 LTI Incidents
0.08 LTIFR/Million	0.05 LTIFR/Million	0.05 LTIFR/Million
0.92 TRIR/Million	0.87 TRIR/Million	0.70 TRIR/Million
141,128 Training Hours	104,376 Training Hours	145,340 Training Hours

COVID-19 INITIATIVES

At the time of writing, variants of the COVID-19 virus continue to disrupt the global economy. Accordingly, we have maintained a number of measures to prevent the spread of the virus among our workforce. Initiatives included:

- COVID-19 strategic response committee has been established.
- COVID-19 BCM task force has been established.
- COVID-19 guideline documents have been created.
- 100% work from home has been implemented.
- Enhanced IT capabilities to cope with work from home requirements.
- COVID-19 hotline.
- Allocate an outside building for suspected & positive cases.
- Restrict people above 55 and with chronic diseases to access the company.
- Allocate an outside building to accommodate terminated employee or undergoing long leaves.
- COVID-19 PCR tests have been frequently undertaken.
- Regular sanitization program is applied in offices, accommodation and buses.
- Dedicated Medical Center isolation room has been established.
- All trips to abroad countries have been restricted.
- Self-quarantine has been imposed on suspect cases, direct positive contact and pending PCR results.
- Tracking and monitoring of all suspect cases, positive cases.
- Restricted all visits company promises to negative PCR results.
- Internal catering services have been restricted.
- Business meetings and team gathering activities have been suspended.
- Hand sanitizers have been distributed across the group
- Wearing face masks has been imposed.
- Portable thermal heat/ fever detectors have been provided.
- Buildings' single access points have been imposed
- Buildings' single access points have been imposed
- Daily awareness circulars
- Daily inspection visits across all company premises to ensure compliance with the introduced measures

ENVIRONMENTAL PROTECTION

(GRI 201-2, GRI 304, GRI 305-1, GRI 305-2, GRI 305-4, GRI 306-3, ADX-E1, ADX-E2, ADX-E3, ADX-E4, ADX-E5, ADX-E6, ADX-E7, ADX-E8, ADX-E9, ADX-E10)

Climate Change poses a fundamental threat to life on earth. Sea levels are rising, and oceans are becoming warmer. Extreme weather events including droughts are an increasing direct threat to agriculture, wildlife, and freshwater supplies.

Climate Change risks can no longer be ignored and it is everyone's duty to take urgent action now. The COVID-19 pandemic has reminded us all that risks and vulnerabilities are systemic and interconnected. Hence the importance of taking unified action.

NMDC adheres to an Environmental Management System manual that ensures we conduct all our operations in an environmentally friendly manner, while complying with the requirements of ISO 14001-2015. Moreover, we conduct a yearly environmental inspection plan covering all ongoing NMDC projects. In addition, NMDC is certified for ISM:2018 which relates to the International Safety Management Code for marine vessels and implements the International Marine Laws and Conventions requirements, namely MARPOL which specifically deals with the control of pollution from garbage form ships.

NMDC also has in place an Environmental Manual which translates policy commitments into actions according to the best available environmental management and monitoring measures.

In addition, we have a monitoring programme for specific environmental indicators such as water, air, noise, waste, effluents, and soil, in line with EMS requirements.

DECREASING OUR GHG EMISSIONS

We have instilled as part of our environmental protection plan a system that monitors and publishes the amount of GHG emissions caused by our operation. For the moment, this covers activity at NMDC's Mussafah base but we will look to extend measurement to include all our operations.

More specifically, the activities covered in the current GHG emissions computation include the planning, management, support and follow up of NMDC's project activities, as well as the maintenance, loading, unloading, storage, and mobilisation of our fleet.

The boundary of our computed emissions includes the following:

Scope 1: Emissions from sources that are owned or controlled by the reporting entity. In our case this includes emissions from combustion of different types of fuel for equipment, generators, and passenger vehicles, as well as consumption of refrigerants in our AC systems,

Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat, steam, or cooling. This computation includes the emissions from purchased grid electricity,

Scope 3: Indirect GHG emissions from activities related to waste management such as landfilling, recycling, and water consumption.

Our computations followed the Greenhouse Gas Protocol.

GHG EMISSIONS (MT CO2 E)	2019	2020	2021
Scope 1 (Fuel Consumption)	1,804.87	1,824.73	2,660.50
Scope 2 (Electricity)	1,314.43	2,696.65	2,626.90
Scope 3 (Waste, Water and Electricity: Transmission & Distribution Loss)	N/A	N/A	643.30
TOTAL	**3,119.30**	**4,521.38**	**5,930.70**

DRIVING THE ENERGY TRANSITION

Since the acquisition of NPCC, we have accentuated climate action not only in relation to our existing operations, but to play a role in driving the energy transition. We will look to do so through extending our capabilities to the renewable sector as well as clean energy.

Offshore Wind EPC
The offshore wind sector is a long-term high-growth segment with capabilities that are relevant to offshore EPC. We will be particularly paying attention to the European and Asian markets.

The offshore wind segment in Europe started in 1991 and has now become the largest offshore wind market globally. New offshore installations are expected to grow by ~20% annually between 2020 and 2030 with the UK, Germany, the Netherlands, France, and Denmark being the largest markets.

Asia, particularly China and India, also has significant offshore wind potential.

Clean Energy

With the increase in net zero pledges by countries around the world, the transition to clean energy must be accelerated so as to provide governments, corporations and consumers with the tools to decrease their emissions footprint.

With an emphasis on blue and green hydrogen and related decarbonisation projects, NMDC through NPCC has signed an MOU with Technip Energies to create a joint venture (JV) to drive the energy transition journey.

The two companies have a long and successful collaboration history spanning over three decades. Technip Energies will be contributing to the JV through its technological know-how, overall project management capabilities and innovative solutions, while NPCC will brings its project management skills for EPC projects, its regional footprint, and its fabrication capabilities.

Technip Energies is a leading Engineering & Technology company for the energy transition, with leadership positions in Liquefied Natural Gas (LNG), hydrogen and ethylene as well as growing market positions in blue and green hydrogen, sustainable chemistry and CO2 management.

T.EN TECHNIP ENERGIES

OUR WASTE MANAGEMENT REDUCTION PLAN

We have in place a robust waste management reduction plan to ensure we shift towards a more circular operation and reduce our emissions from waste. The plan was developed to reflect NMDC's commitment to achieve reduction in the total amount of waste generated from our facilities. The plan presents the in-place and planned implementation processes and programmes to achieve our reduction targets while simultaneously complying with the requirements of the Second Phase of the Centre of Waste Management's Tariff System. This was launched by Abu Dhabi's Waste Management Centre in cooperation with the Department of Economic Development and consists of an incentive scheme designed to encourage corporations to reduce waste quantities.

The targets set by the Centre of Waste Management for waste reduction is currently at 20% per year.

NMDC's Waste Management System forms an integral part of the comprehensive Environmental, Health and Safety Management System so as to allow the adoption of a standardised process for (1) handling, (2) collecting, (3) storing, (4) transporting and (5) disposing of waste. The main elements of NMDC's current waste management system include:

- Waste segregation of hazardous versus non-hazardous waste, including colour coding,
- Staff induction in relation to proper and effective waste management practices,
- Development of a waste management plan per project,
- Reuse of specific waste items such as wood pallets, barrels, etc.,
- Collecting recyclables and recycling specific material such as steel, batteries, and other.

The total weight of waste and recyclables generated equalled 26,719 tons in 2021 compared to 12,548 the previous year.

When looking specifically at both hazardous and non-hazardous waste, the year 2021 recorded a decline of 45.18% from 1,913.00 to 1,048.62 tons noting that hazardous waste constitutes less than 1% of total waste produced.

When focusing on the recyclables, which amounted to 26,719 tons in 2021, the majority was related to sand waste (20,723.36 tons or 77.56%) while metal scrap formed the second largest quantity at 3,647.93 tons or 13.65%.

It is worth noting that the amount of waste generated per year is heavily dependent on the number, size and type of projects executed that year. NMDC looks to optimise its waste reduction plan by shifting through the purchasing process with the aim to increase the portion of material that can be reused and recycled. The objective is to minimise the waste that goes to landfill.

Waste reduction is mainly implemented through an optimised procurement system as mentioned above as well as through optimising the use of material.

Finally, our target for the year 2022 is to reduce the net amount of waste generated by NMDC Musaffah base and projects by 200 tons or 25% of the current generated amount in 2021. Initiatives adopted to achieve this target include:

- Optimisation of raw material purchasing processes
- Optimisation of material use processes
- Effective segregation of waste
- Reusing selected wasted material in internal processes
- Reselling segregated recyclables to approved vendors

BIODIVERSITY

Biodiversity is the scientific term for the variety of all life on earth. It is the key indicator of the health of an ecosystem which cleans water, purifies air, maintains healthy soil, and regulates the climate. It has been estimated that the current global extinction rate is 100 to 1,000 times higher than the natural rate, which is catastrophic. Around 1 million plant and animal species are currently threatened with extinction.

Preservation of biodiversity is an integral element of our operation and our environmental protection priorities. Depending on the type of project, our activity can impact biodiversity and therefore we take measures to mitigate this impact.

More specifically, during the year 2021 we engaged in and led the following biodiversity conservation projects as part of the Hail and Gasha artificial islands construction project:

1. Installation of bird nesting platforms
2. Beach clean-up campaigns in Hail, Gasha, and Butinah
3. Sea turtle rescue and monitoring
4. Replantation of plants around construction areas

HEALTHY SOCIETY

(GRI-413, ADX-S12)

The communities in which we operate are the backbone of our success, and therefore we have a responsibility to give back and contribute to their wellbeing. As a UAE champion we must embody the values of our country which calls for ensuring we live in a tolerant, inclusive, and happy society.

In addition, community related activities provide our employees with an increased sense of belonging and create a better working environment.

At NMDC, we continuously look to create value for all stakeholders, as this is the only way to remain a sustainable corporation. During 2021, we organised a number of related initiatives which we divide into two broad segments, the first being internal related initiatives and the second being external:

CSR INITIATIVES

Internal Initiatives

We contribute to the wellbeing of our employees by focusing on various critical issues including health by covering healthcare costs should their medical coverage fail to reimburse any of their claims.

We also promote healthy lifestyles within the company and encourage our employees to remain active. During 2021, we booked basketball courts, football pitches as well as other sports activities to ensure our employees can access these at no cost. The total amount spent on these internal initiatives in 2021 was AED 299,110.02

External Initiatives

Sports Related

Among our primary community contributions in 2021 was the sponsorship of Al Jazira Football Club at a cost of AED 6,996,389. Al Jazira Club is the pride of Abu Dhabi. It was founded in 1974 and competes in the UAE's highest tier, the UAE Pro League, with a large community fan base and a local stadium with a capacity of 37,500 attendees.

Environmental Related

To intensify our positive impact on the environment and work towards the creation of value to society and the environment (both of which are greatly interlinked) we regularly organise environmental CSR initiatives. In 2021, these included the following:

- The installation of environmental signboards on beaches to increase awareness in relation to the negative impact of plastic debris as well as the importance of c onserving wildlife such as dolphins. This initiative was part of the Hail & Gasha Artificial Island construction project and done in coordination with the Environmental Agency – Abu Dhabi,
- An environmental clean-up and water conservation campaign,
- Waste management awareness related sessions and initiatives,
- A waste segregation campaign was organised in November 2021,

SUPPORTING LOCAL CONTENT

Local sourcing has a number of advantages that directly create shared value. Local suppliers, especially those that produce their goods locally, allow for a reduced supply chain cost and more competitive prices. It is also an excellent community initiative as it supports other local companies, helps create employment, and supports local economic prosperity.

In addition, localising the supply chain is another opportunity to make a positive impact on the environment as buying locally reduces emissions from shipping and road transportation.

Moreover, as part of the "Projects of the 50", the UAE government had launched the In-Country Value (ICV) Programme on a federal level which will further increase demand for local goods and services, promote local capabilities and attract foreign direct investments. The ICV programme was initially launched in Abu Dhabi in 2018 and has witnessed great success. NMDC is proud of our contribution to this initiative and to our high ICV score which allows us to deal with all governmental entities and corporations.

As a testament to the above, 99% of our procurement spending was done locally during 2021, equivalent to AED 671.96 million out of the total AED 678.45 million spent, while we have achieved a 93.75% level for our purchases from local suppliers for an amount of AED 2.24 billion versus a total spent of AED 2.39 billion.

Out of 124 total procurement suppliers 118 were local, and out of 248 total purchasing suppliers, 204 were local, which translates to 95.15% and 82.26% respectively.

VALUE CREATION THROUGH ROBUST GOVERNANCE

(GRI 102-9, GRI 102-10, GRI 102-11, GRI 102-16, GRI 102-17, GRI 102-18, GRI 102-20, GRI 102-22, GRI 102-23, GRI 102-24, GRI 102-25, GRI 102-26, GRI 102-27, GRI 102-30, GRI 102-33, GRI 102-36, GRI 102-38, GRI 204-1, GRI 205-3, ADX-G1, ADX-G2, ADX-G4, ADX-G5, ADX-S6, ADX-S10, ADX-E8, ADX-E9, ADX-G4)

Having a strong governance system enables organisations to ensure that all stakeholders' interests are protected, and that value is created for all. In essence, this is what guarantees sustainable prosperity.

It is the Board of Directors' duty to ensure the clarity of the organisation's purpose, mission, vision, and values. In addition, it is the Board that sets the strategic direction, ensures that the necessary committees, policies, and procedures are in place and that transparency and accountability are instilled.

Finally, it is also the Board's role to oversee and manage risks as well as ensure that a robust internal control system is in place for effective compliance.

BOARD COMPOSITION

As part of the on-going integration process following the acquisition of NPCC, our governance structure is undergoing certain changes with the aim of strengthening it.

The main event that took place at Board level in 2021 was related to its re-election. We have opted to consolidate the number of members to seven from nine previously. In addition, the new Board of Directors' composition contains three members, including the Chairman, from the previous board, as well as four new members. All our Board members are non-executive and bring with them proven track records in successfully leading organisations.

NMDC's board is committed to implementing strong corporate governance practices that consider both UAE guidelines as well as international best-practices. Having a robust governance structure is an integral part of our corporate values and culture. We look to continuously revisit our governance practices and ensure their evolution.

Our Members of the Board of Directors:

Mr. Mohamed Thani Murshid Al Rumaithi

Chairman

Mr. Hamad Salem Mohammed Al Amri

Vice Chairman

Mr. Abdul Ghaffar Abdul Khaleq Al Khouri
Board Member

Mr. Mohamed Ahmed Bandouq Al Qamzi
Board Member

Mr. Mohamed Ibrahim Al Hammadi
Board Member

Mr. Yaser Saeed Al Mazrouei
Board Member

Mr. Ahmed Amer Omar Saleh Omar
Board Member

BOARD COMMITTEES

NMDC had formed essential committees, as per best corporate governance practices, to ensure the Board's tasks are thoroughly conducted and their responsibilities meticulously applied.

The 2021 updated corporate governance structure brings back some of the previously formed committees while adding others with the aim of applying best practices. Below is the list of NMDC's Committees:

1. Board Committees:

a. Audit Committee
b. Nomination & Remuneration Committee
c. Strategy Committee

Details of all the above committees is clearly outlined in the Corporate Governance Report enclosed at the end of this report.

2. Management Committees:

Strategy & Sustainability Committee

The primary objective of the Strategy & Sustainability committee is to review, approve and synchronize the short- and long-term strategies, business plan and special projects, including investments, M&A and divestiture opportunities. In addition, the committee will review, refine, and endorse the following business areas: Business Performance, Sustainability, and Innovation & Knowledge Management.

Business Continuity & Risk Management Committee

This committee will drive and enforce the implementation of the Business Continuity Management Programme across the Group and oversee its related policies, procedures, and strategic initiatives. The committee will also be responsible for overseeing the Enterprise Risk Management policies and processes to ensure effectiveness and compliance.

Human Resources Executive Committee

This committee will be responsible for reviewing and approving all Human Resource and talent management related recommendations and initiatives.

Technology Transformation Committee

As part of the Group's strategic initiative to further embed digitalisation and technology in its operational processes and growth plan, this committee will oversee the implementation of all strategic IT plans.

CSR Committee

The CSR committee oversees the implementation of NMDC's CSR framework while also shaping the company's CSR activities and approving budgets accordingly.

Ethics and Compliance Committee

The ethics and compliance officer will report to this committee which will be responsible for overseeing all matters pertaining to the prevention and detection of fraud as well as ensuring the necessary response measures are in place.

Follow up and Supervision Committee

The Committee will look after the register of insiders including monitoring, following up, supervising, and managing the dealings of all insiders. In addition, the Committee will register insiders' dealings and ownership in the Register and will communicate and report to ADX regularly on all such matters.

INTERNAL CONTROL SYSTEM

The Company's internal control system is established to ensure prudent business practices by the Board and Management. It is essential to protect the interests of all stakeholders while overseeing and managing risks related to fraud or other regulatory matters.

Our internal control system is regularly revised and assessed, including through external auditors, to ensure its robustness and that its content comprehensively covers the identification, evaluation, and monitoring of our company's key risks.

In 2021, no incidents of corruption took place in the organisation.

Fraud Control Policy & Procedures

Although our Code of Business Conduct covers anti-fraud and anti-corruption risks, we have re-enforced this oversight to introduce a Fraud Control Policy & Procedures. During the year, our company recorded zero fraud cases as we remain committed to a zero-tolerance attitude towards any such action. We will continuously enforce good business conduct to protect the company's reputation.

Code of Business Conduct

NMDC has a detailed and comprehensive Code of Business Conduct which ensures all employees adhere to the highest ethical standards and remain aligned with the company's core values. The Code of Business Conduct touches upon compliance with laws, rules and regulations, personal conduct, competition and fair dealing, integrity, and conflict of interest, among others.

Additional internal control related policies include:

- Investigation Policies
- Whistleblowing policies

All our Internal Control System policies are currently being reviewed because of the acquisition to ensure it covers the new activities undertaken by the group.

PROCUREMENT & PURCHASING PRACTICES

Having appropriate procurement practices in place is an essential element of a company's governance system.

All NMDC's main suppliers (including sub-contractors) are pre-registered to ensure their compliance with the company's requirements. As it pertains to sub-contractors, a technical evaluation is conducted to ensure compliance with health, safety, legal, and quality standards.

We also ensure that purchased equipment is genuine and that suppliers and sub-contractors have the necessary ISO-related certifications. Moreover, we always give priority to local suppliers and ensure that we contribute to the prosperity of the UAE's economy. To that end, over 99% of our procurement spending and 93% of our purchasing spending was done through local suppliers.

We ask all those that we deal with to abide by our Code of Conduct and standards, and all major suppliers and sub-contracts are regularly audited.

APPENCIDES

SUSTAINABILITY DATA SHEET

HR DATA

Total Workforce

	Total Employees
2019	2,136
2020	2,495
2021	2,278

	Permanent Contract		Temporary Contract	
	Female	Male	Female	Male
2019	30	1,131	50	925
2020	43	1,097	66	1,289
2021	34	998	60	1,186

	Full-time	
	Female	Male
2019	80	2,056
2020	109	2,386
2021	94	2,184

Diversity & Inclusion

	Total Employees By Job Category And By Gender							
	Labor		Entry-Level		Mid-Level		Senior-to-Executive Level	
	Female	Male	Female	Male	Female	Male	Female	Male
2019	0.42%	99.58%	8.21%	91.79%	3.29%	96.71%	3.10%	96.90%
2020	0.38%	99.62%	9.66%	90.34%	3.51%	96.49%	2.90%	97.10%
2021	0.27%	99.73%	9.55%	90.45%	3.34%	96.66%	2.38%	97.62%

	Total Employees By Job Category And By Gender											
	Labor			Entry-Level			Mid-Level			Senior-to-Executive Level		
	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old	Between 30-50 years old	Over 50 years old
2019	6.41%	71.17%	22.42%	14.01%	71.98%	14.01%	3.89%	75.30%	20.81%	0.00%	63.57%	36.43%
2020	8.45%	72.13%	19.42%	14.75%	73.24%	12.01%	4.39%	77.69%	17.92%	0.00%	67.39%	32.61%
2021	9.14%	75.58%	15.28%	15.37%	75.22%	9.40%	5.61%	80.24%	14.15%	0.79%	67.46%	31.75%

	Total Number of Nationalities
2019	64
2020	64
2021	60

Emiratisation

Total UAE Nationals

	Female (#)	Male (#)	Female (%)	Male (%)
2019	23	60	28%	72%
2020	35	66	35%	65%
2021	26	65	29%	71%

Total UAE Nationals

	Entry-Level (#)	Mid-Level (#)	Senior-to-Executive Level (#)
2019	56	22	5
2020	70	25	6
2021	66	20	5

	Entry-Level (%)	Mid-Level (%)	Senior-to-Executive Level (%)
2019	0%	97%	3%
2020	0%	97%	3%
2021	0%	97%	3%

Employment

Total New Hires, by Gender

	Female (#)	Male (#)	Female (%)	Male (%)
2019	58	882	6.17%	93.83%
2020	40	551	6.77%	93.23%
2021	5	142	3.40%	96.60%

Total New Hires, by Age Group

	Below 30 years old	Between 30-50 years old	Over 50 years old
2019	140	690	110
2020	76	465	50
2021	22	121	4

	Below 30 years old	Between 30-50 years old	Over 50 years old
2019	14.89%	73.40%	11.70%
2020	12.86%	78.68%	8.46%
2021	14.97%	82.31%	2.72%

Employees that Left, by Gender

	Female (#)	Male (#)	Female (%)	Male (%)
2019	17	110	13.39%	86.61%
2020	4	121	3.20%	96.80%
2021	19	341	5.28%	94.72%

Employees that Left, by Age Group

	Below 30 years old	Between 30-50 years old	Over 50 years old
2019	22	74	31
2020	14	74	37
2021	23	221	116

	Below 30 years old	Between 30-50 years old	Over 50 years old
2019	17%	58%	24%
2020	11%	59%	30%
2021	6%	61%	32%

	Turnover Rate
2019	6%
2020	5%
2021	16%

Training & Development

Note: full data for performance and career review was not available at the time of publishing this report

Total Training Hours, by Gender

	Female	Male
2019	500	12,604
2020	3,041	13,388
2021	2,818	32,443

Total Training Hours, by Employee Category

	Labor	Admin-Level	Mid-Level	Senior-to-Executive Level
2019	4,484	3,084	4,432	1,104
2020	2,921	6,325	5,754	1,429
2021	5,677	9,148	16,167	4,269

Total Number of Employees, by Gender - Performance Review

	Female (#)	Male (#)	Female (%)	Male (%)
2019	61	1,750	76.25%	85.12%
2020	95	2,224	87.16%	93.21%
2021	N/A	N/A	N/A	N/A

Total Number of Employees, by Gender - Career Review

	Female (#)	Male (#)	Female (%)	Male (%)
2019	N/A	N/A	N/A	N/A
2020	3	102	2.75%	4.27%
2021	3	104	3.19%	4.76%

Total Number of Employees, by Employee Category - Performance Review

	Labor	Admin-Level	Mid-Level	Senior-to-Executive Level
2019	659	521	532	99
2020	751	693	749	126
2021	N/A	N/A	N/A	N/A

	Labor	Admin-Level	Mid-Level	Senior-to-Executive Level
2019	91.78%	83.90%	79.64%	76.74%
2020	94.70%	90.47%	93.86%	91.30%
2021	N/A	N/A	N/A	N/A

Total Number of Employees, by Employee Category - Career Review

	Labor	Admin-Level	Mid-Level	Senior-to-Executive Level
2019	N/A	N/A	N/A	N/A
2020	8	17	59	18
2021	8	19	59	18

	Labor	Admin-Level	Mid-Level	Senior-to-Executive Level
2019	N/A	N/A	N/A	N/A
2020	1.01%	2.22%	7.39%	13.04%
2021	1.09%	2.84%	7.88%	14.29%

ENVIRONMENTAL DATA

GHG Emissions

GHG Emissions (MT CO2 e)	2019	2020	2021
Scope 1 (Fuel Consumption)	1,804.87	1,824.73	2,660.50
Scope 2 (Electricity)	1,314.43	2,696.65	2,626.90
Scope 3 (Waste, Water and Electricity: Transmission & Distribution Loss)	N/A	N/A	643.30
Total	**3,119.30**	**4,521.38**	**5,930.70**

Waste Consumption

Total Weight of Waste Generated (in MT)

	Non-Hazardous Weight	Hazardous Weight	Recyclables
2019	843	17	4519
2020	1,900.00	13.00	12,548.00
2021	1,038.42	10.20	26,719.00

	2021 Recyclables Quantity
Wood	17.25
Paper (Carton)	4.08
Sand Waste	20,723.36
Concrete Waste	221.10
Metal Scrap	3,647.93
Broken Furniture	526.07
Used Tyres	1.12
Agricultural Waste	488.10
Used Batteries	3.00
Used Oil	1,087.00

OHS DATA

	2020	2021
Total Man Hours	**29,440,442**	**27,233,183**
Fatality	1	1
Total Lost Time Injury (LTI) Incidents/Million	N/A	2
Lost Time Injury Frequency Rate (LTIFR)	0.01	0.01
Total Recordable Incident Rate (TRIR)/Million	0.27	0.12
HSE Campaigns	2	5.00
No. of Behavioural Safety Audits (BSA)	2,000	5,560

Rates have been calculated on 200,000 hours worked

PROCUREMENT DATA

2021 Procurement Data

	Total Number of Suppliers/ Subcontractors	Percentage of Local Suppliers/ Subcontractors
2019	114	88.60%
2020	153	92.16%
2021	124	95.16%

	Total Procurement Spending in AED	Percentage of Procurement Spending on Local Suppliers/ Subcontractors in AED
2019	2,453,888,929.42	85.22%
2020	1,655,416,227.16	90.31%
2021	678,447,489.80	99.04%

2021 Purchasing Data

	Total Number of Suppliers/ Subcontractors	Percentage of Local Suppliers/ Subcontractors
2019	399	75.19%
2020	411	71.29%
2021	248	82.26%

	Total Procurement Spending in AED	Percentage of Procurement Spending on Local Suppliers/ Subcontractors in AED
2019	1,235,828,216.00	92.89%
2020	2,355,110,212.00	93.47%
2021	2,391,333,232.00	93.75%

GRI / ADX CONTENT INDEX

GRI DISCLOSURE	CONTENT	ADX DISCLOSURE	REFERENCE SECTION	NOTES
GRI STANDARDS				
GENERAL DISCLOSURES				
Organizational profile				
102-1	Name of the organization		20	
102-2	Activities, brands, products, and services		20	
102-3	Location of headquarters		20	
102-4	Location of operations		20	
102-5	Ownership and legal form		20	
102-6	Markets served		20	
102-7	Scale of the organization		20,44,48	
102-8	Information on employees and other workers	ADX-S4: Gender Diversity ADX-S5: Temporary Worker Ratio	20,48	
102-9	Supply Chain	ADX-G4: Supplier Code of Conduct	64	
102-10	Significant changes to the organization and its supply chain		20,64	
102-11	Precautionary Principle or approach		64	
102-12	External initiatives		20	
102-13	Membership of associations		20	
Strategy				
102-14	Statement from senior decision-maker	ADX-G7: Sustainability Reporting ADX-G8: Disclosure Practices	14,16	
102-15	Key impacts, risks, and opportunities	ADX-G6: Data Privacy	30	

GRI STANDARDS

GENERAL DISCLOSURES

GRI DISCLOSURE	CONTENT	ADX DISCLOSURE	REFERENCE SECTION	NOTES
Ethics & Integrity				
102-16	Describe your organization's values, principles, standards and norms of behavior	ADX-S6: Non-Discrimination ADX-S9: Child & Forced Labor ADX-S10: Human Rights	20,64	
102-17	Mechanisms for advice and concerns about ethics	ADX-G5: Ethics & Prevention of Corruption	64	
Governance				
102-18	Governance structure	ADX-G1: Board Diversity ADX-G2: Board Independence	64	
102-20	Executive-level responsibility for economic, environmental, and social topics	ADX-E8, ADX-E9: Environmental Oversight	64	
102-21	Consulting stakeholders on economic, environmental, and social topics	ADX-G3: Incentivized Pay	20	
102-22	Composition of the highest governance body and its committees		64	
102-23	Chair of the highest governance body		64	
102-24	Nominating and selecting the highest governance body		64	
102-25	Conflicts of interest		64	
102-26	Role of highest governance body in setting purpose, values, and strategy		64	
102-27	Collective knowledge of highest governance body		64	
102-29	Identifying and managing economic, environmental, and social impacts		36	
102-30	Effectiveness of risk management processes		30,64	
102-31	Review of economic, environmental, and social topics		36	
102-32	Highest governance body's role in sustainability reporting	ADX-E8, E9: Environmental Oversight ADX-G3: Incentivised Pay	14,16,36	
102-33	Communicating critical concerns		64	
102-36	Process for determining remuneration		64	
102-38	Annual total compensation ratio	ADX-S1: CEO Pay Ratio	64	

GRI STANDARDS				
GENERAL DISCLOSURES				
GRI DISCLOSURE	CONTENT	ADX DISCLOSURE	REFERENCE SECTION	NOTES
Stakeholder Engagement				
102-40	List of stakeholder groups		20	
102-41	Collective bargaining agreements		-	Not applicable for companies operating in UAE
102-42	Identifying and selecting stakeholders		20	
102-43	Approach to stakeholder engagement		20	
102-44	Key topics and concerns raised		6,20	
Reporting Practice				
102-45	Entities included in the consolidated financial statements		6	
102-46	Defining report content and topic boundaries	ADX-G7: Sustainability Reporting ADX-G8: Disclosure Practices	6,36	
102-47	List of material topics		6	
102-48	Restatements of information		6	
102-49	Changes in reporting		6	
102-50	Reporting period		6	
102-51	Date of the most recent report		6	
102-52	Reporting cycle		6	
102-53	Contact point for questions regarding the report		6	
102-54	Claims of reporting in accordance with the GRI standards		6	
102-55	GRI content index		84	
102-56	External assurance	ADX-G9: External Assurance	6	

GRI STANDARDS				
MATERIAL TOPICS				
GRI DISCLOSURE	CONTENT	ADX DISCLOSURE	REFERENCE SECTION	NOTES
GRI 200: Economic Standard Series				
GRI 201: Economic Performance 2016				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary		44	
103-2	The management approach and its components		44	
103-3	Evaluation of the management approach		44	
GRI 201 Topic Specific				
201-1	Direct economic value generated and distributed		44, 148	
201-2	Financial implications and other risks and opportunities due to climate change		30,58	
GRI 204: Procurement Practices 2016				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary		64	
103-2	The management approach and its components		64	
103-3	Evaluation of the management approach		64	
GRI 204 Topic Specific				
204-1	Proportion of spending on local suppliers	ADX-G4: Supplier Code of Conduct	64,83	
GRI 205: Anti-Corruption 2016				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary		64	
103-2	The management approach and its components		64	
103-3	Evaluation of the management approach		64	
GRI 205 Topic Specific				
205-3	Confirmed incidents of corruption and actions taken	ADX-G5: Ethics & Prevention of Corruption	64	

GRI STANDARDS				
MATERIAL TOPICS				
GRI DISCLOSURE	**CONTENT**	**ADX DISCLOSURE**	**REFERENCE SECTION**	**NOTES**
GRI 300: Environmental Standard Series				
GRI 304: Biodiversity 2016				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary	ADX-E6: Water Usage ADX-E7: Environmental Operations ADX-E8: Environmental Oversight ADX-E9: Environmental Oversight	58	Only the management approach has been disclosed
103-2	The management approach and its components			
103-3	Evaluation of the management approach			
GRI 305: Emissions 2016				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary	ADX-E7: Environmental Operations ADX-E8: Environmental Oversight ADX-E9: Environmental Oversight	58	
103-2	The management approach and its components			
103-3	Evaluation of the management approach			
GRI 305 Topic Specific				
305-1	Direct (Scope 1) GHG emissions	ADX-E1: GHG Emissions ADX-E2: Emissions Intensity ADX-E3: Energy Usage ADX-E4: Energy Intensity ADX-E5: Energy Mix ADX-E10: Climate Risk Mitigation	58,81	
305-2	Energy indirect (Scope 2) GHG emissions			
305-4	GHG emissions intensity			
GRI 306: Waste 2020				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary	ADX-E7: Environmental Operations ADX-E8: Environmental Oversight ADX-E9: Environmental Oversight	58	
103-2	The management approach and its components			
103-3	Evaluation of the management approach			
GRI 306 Topic Specific				
306-3	Waste Generated		58,81	

GRI STANDARDS				
MATERIAL TOPICS				
GRI DISCLOSURE	CONTENT			
GRI 400: Social Standard Series				
GRI 401: Employment 2016				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary		48	
103-2	The management approach and its components		48	
103-3	Evaluation of the management approach		48	
GRI 401 Topic Specific				
401-1	New employee hires and employee turnover	ADX-S3: Employee Turnover	48,74	
401-2	Benefits provided to full-time employees that are not provided to part-time employees		48,74	
GRI 403: Occupational Health & Safety 2018				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary		48	
103-2	The management approach and its components		48	
103-3	Evaluation of the management approach		48	
403-1	Occupational health and safety management system	ADX-S8: Global Health & Safety	48	
403-2	Hazard identification, risk assessment, and incident investigation		48	
403-3	Occupational health services		48	
403-4	Worker participation, consultation, and communication on Occupational health and safety		48	
403-5	Worker training on occupational health and safety		48	
403-6	Promotion of worker health		48	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		48	
GRI 403 Topic Specific				
403-8	Workers covered by an occupational health and safety management system	ADX-S8: Global Health & Safety	48,82	
403-9	Work-related injuries	ADX-S7: Injury Rate	48,82	

GRI STANDARDS				
MATERIAL TOPICS				
GRI DISCLOSURE	CONTENT	ADX DISCLOSURE	REFERENCE SECTION	NOTES
GRI 404: Training and Education 2016				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary		48	
103-2	The management approach and its components		48	
103-3	Evaluation of the management approach		48	
GRI 404 Topic Specific				
404-1	Average hours of training per year per employee		48,74	
404-3	Percentage of employees receiving regular performance and career development reviews		48,74	
GRI 405: Diversity and Equal Opportunity 2016				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary		48	
103-2	The management approach and its components		48	
103-3	Evaluation of the management approach		48	
GRI 405 Topic Specific				
405-1	Diversity of governance bodies and employees	ADX-S4: Gender Diversity ADX-S6: Non-Discrimination ADX-S11: Nationalisation ADX-G1: Board Diversity	48,74	
405-2	Ratio of basic salary and remuneration of women to men	ADX-S2: Gender Pay Ratio	48,74	
GRI 413: Local Community 2016				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary	ADX-S12: Community Investment	62	Only the management approach has been disclosed
103-2	The management approach and its components		62	
103-3	Evaluation of the management approach		62	

CORPORATE GOVERNANCE REPORT

Contents

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Corporate Governance Report 2021

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Corporate Governance Report 2021

1. INTRODUCTION

National Marine Dredging Company Group (hereafter referred as "NMDC" or the "Company" or the “Group) is operating in an evolving global environment of diverse expectations, constant regulatory change, and increasing focus on stakeholder engagement and accountability. We acknowledge that the environment in which we operate provides challenges from a governance and regulatory perspective; however, we are confident that our commitment to adopting and complying with good corporate governance practices, and our culture and values will continue, as ever, to provide the group with a strong foundation that will enable the Board of Directors and the Company to meet these challenges going forward.

The purpose of this document is to report on the corporate governance framework at NMDC Group, in accordance with Resolution No. 3 of 2020 concerning Approval of Joint Stock Companies Governance Guide (hereafter referred as “Corporate Governance Guide”) issued by the Securities and Commodities Authority (hereafter referred as “SCA") and as amended from time to time.

This report includes a discussion on the following:

1. Corporate Governance Practices - the principles of the Company's corporate governance framework and the approach the Company takes to the implementation of these principles;
2. Board of Directors (the Board) - the role of the Board in connection with the Company's corporate governance framework, the structure and composition of the Board, the terms of membership of the Directors including membership in other joint stock companies and details about their remuneration from the company;
3. Directors' Dealings in NMDC Group Securities - a description of the Company's share dealing policy, and the company's approach to ensuring that it complies with its disclosure obligations relating to Directors' dealings in NMDC Group securities;
4. External Auditors - a brief about the Auditor company, including a statement of the fees and expenses relating to auditing or other services provided by the Company's External Auditor, and their qualified opinion on the interim and annual financial statements;
5. Board Committees - a description of the composition, functions and responsibilities of the three Board Committees – Audit Committee, Nomination and Remuneration Committee, and Strategy Committee;
6. Internal Control System - a description of the Company's internal control system, and the Company's approach to comply with that system;
7. Company’s Contribution – in development of local community and environment protection during the year 2021; and
8. General Information - other information requested by SCA, including price movement of Company’s shares, breakdown of share ownership, statement of significant events encountered by the Company, innovative projects and initiatives, Emiratization percentage, investor relations and any corporate governance violations committed during 2021.

This Corporate Governance Report provides information pertaining to NMDC Group post-merger with National Petroleum Construction Company (NPCC). The information relating to previous years considers only NMDC details as NPCC was previously not listed in the stock market.

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2. CORPORATE GOVERNANCE PRACTICES

2.1. Corporate Governance Rules

The Board of NMDC Group is committed to implementing strong corporate governance practices to a standard derived from amalgam of UAE guidelines and international best practices. Underpinning these legislative, regulatory and best practice requirements are NMDC Group's values and philosophies, which provide the framework against which we measure behavior and practices to assess the characteristics of good governance. Our values require that directors and employees act with integrity and conduct themselves to promote and maintain trust.

Sound corporate governance is therefore implicit in our values, culture, processes, functions and organizational structure. Structures are designed to ensure that our values remain embedded in all businesses and processes. We continually refine these structures and a written statement of values serves as our code of ethics. NMDC Group undertakes a frequent review of its strategic and operational environment, including communication with its stakeholders, in order to determine an appropriate balance, scope and sophistication of the corporate governance framework which is proportionate to NMDC Group's nature, size and complexity.

The corporate governance culture of NMDC Group is driven by:

- A well informed and effective Board to direct the Company's affairs and set its objectives;
- Clearly defined roles and responsibilities of the Board, its members, its committees, and key Company officers and executives;
- Selection of productive strategies and management of risks;
- Appropriate delegation and monitoring of responsibility and accountability to Management;
- Satisfying the interests of stakeholders through relevant and material disclosures;
- Ensuring compliance with all regulatory obligations;
- Ensuring that the Company's performance and financial reporting are properly directed and controlled through an effective internal control system;
- Engaging with the community; and
- Adopting high ethical standards and practices by the Company, its officers, and employees.

To achieve these aims, and to ensure compliance with the specific requirements of the Corporate Governance Guide issued by SCA, the Company has developed and implemented its Corporate Governance Manual, which contains policies on the following subjects:

- Board and Director Matters;
- Board Committees and their Charters;
- Delegation of Authority;
- Relationship with Shareholders;
- Company's Disclosure Obligations;
- Internal Control System;

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NMDC Corporate Governance Report 2021

- Engagement of Auditors;
- Code of Conduct; and
- Share Dealing Policy.

The Board reviewed Resolution No.3 of 2020 in relation to Corporate Governance and its related amendments and Federal Law No. 2 of 2015 amendments concerning commercial Companies and will update the Corporate Governance Manual to align with these requirements.

The Board is responsible to the Company's shareholders for creating and delivering sustainable value through the management of the Company's businesses. Although day-to-day management of these businesses is delegated to the Management, the Board is responsible for providing strategic direction, management supervision and adequate controls with the ultimate objective of promoting the success and long-term value of the Company. The Board retains responsibility for the overall performance of the Company, and must ensure that Management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives.

2.2. Corporate Governance Structure

Corporate Governance is the system by which the business of the Company is directed and controlled. The implemented corporate governance structure specifies the distribution of rights and responsibilities among different stakeholders within the Company, such as, the Board Chairman, Group Chief Executive Officer, Chief Officers, Managers and shareholders; and establishes the rules and procedures for making decisions on corporate affairs. The primary goal of the Company's corporate governance policy is to create and sustain value within the Company.

The Company believes that it is important that these principles of governance are made transparent to all the stakeholders and to safeguard their rights and promote their participation in the Company's corporate governance process.

The Board plays a central role in the Company's corporate governance framework. It is ultimately responsible for ensuring that the Company complies with its legal and regulatory obligations, the Company's Memorandum and Articles of Association, and its duties to shareholders. The Board is assisted in this process by various Board committees (particularly Audit Committee, Nomination and Remuneration Committee, and Strategy Committee), external and internal auditors, and company officers and employees (including the Group Chief Executive Officer, Group Chief Financial Officer, Internal Audit and Compliance Director and other members of Management).

In addition to the Articles of Association and regulating laws, the NMDC Group Board has approved a wide range of charters, codes, policies and carefully defined business structures and processes in order to record their decisions and delegations, and regulate the operations and overview activities of the Company and its subsidiaries. The Board has also issued general principles of behavior and personal conduct for which all directors and staff are accountable as individuals and as a collective entity.

2.3. Disclosure Practices

The Company is committed to comply with all of its disclosure obligations, including to the SCA, the Abu Dhabi Stock Exchange (hereafter referred to as "ADX") and to shareholders, so that trading in its shares can take place in an informed market. In 2021, the Company made regular disclosures to SCA and ADX including upcoming Board meetings and decisions, publication of Annual Report, Corporate Governance

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Report, Sustainability Report and other announcements on key financial and/or operational matters/transactions, copies of which are generally available or updated on the Company's website.

2.4. Delegation of Authority

The Board bears ultimate responsibility for the operations of the Company, and within the provisions of the Articles of Association, UAE Companies Law and approved Corporate Policies and Procedures, the Board has the authority to delegate its powers to the committees and senior management.

The Board has approved latest revision of Delegation of Authority in 2020. The Delegation of Authority outlines authority limits delegated by the Board to the executive committees, management and employees in order to run the Company's affairs and operations within the United Arab Emirates and overseas locations.

The Board has also delegated certain authority to its committees, being the Audit Committee, the Nomination and Remuneration Committee, and the Strategy Committee, as defined within their Charters, and updates to which were approved in 2019.

2.5. Code of Business Conduct and Fraud Control Policy

The Company recognizes the importance of establishing and maintaining a set of core values and approaches to the process of doing business. The Company demands, and will maintain, the highest ethical standards in its business activities through a detailed Code of Business Conduct and Fraud Control Policies, which address the following areas:

- Compliance with Laws, Rules and Regulations;
- Personal Conduct;
- Standard of Conduct;
- Confidentiality and Intellectual Property Rights;
- Integrity and Conflicts of Interest;
- Competition and Fair Dealing;
- Corporate Opportunities;
- Protection and Proper Use of the Company's Assets;
- Environment and Community Service;
- Health and Safety;
- Reporting any Violations of the Code;
- Compliance Procedure; and
- Disclosure in Reports and Documents.

Company officers and employees are required to comply with these Codes in performing their duties.

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2.6. Director's Induction Policy

The Company's policy on director induction requires all new Directors to participate in the Company's induction program. This program includes presentations by Management to familiarize new Directors with the Company's objective and strategic plans, business operations and activities, business units and departments, and principal officers and employees. The program aims at providing the information required to ensure that a new Director understands his/her duties and responsibilities under the applicable laws and regulations, the Company's corporate governance framework, and understands the Company's policies in its field of operations.

2.7. Share Dealing Policy

The purpose of the Company's share dealing policy is to ensure that the Company's Directors and employees (and their Connected Persons) do not deal or trade in securities issued by the Company or its subsidiary or sister companies based on undisclosed confidential information or in circumstances of conflict.

The Company's share dealing policy is that no Director or employee of the Company (or any subsidiary or other company controlled by the Company) may deal in the Securities of the Company whilst they are in possession of any information which could affect the price of the Securities of the Company, where such information has not been disclosed to the ADX. Directors who are not in such possession may only deal in the securities of the Company with the prior written consent of the Chairman (or, in his absence, of the Vice-Chairman), whilst employees who are not in such possession may only do so with the prior written consent of the Group CEO (or, in his absence, the Company Secretary).

This policy does not avoid the need to obtain the consent of the ADX Board of Directors before trading in the Company's Securities, and does not permit any Director or employee to deal in the Securities of the Company during any Blackout Period, as defined Company's Corporate Governance Manual. This policy is also in addition to, and does not avoid the legal requirement to comply with, any applicable laws or regulations. Directors and employees remain personally liable for their non-compliance with any applicable laws and regulations.

2.8. Follow-up & Supervision Committee

The Follow-up & Supervision Committee has responsibility for the Register of Insiders including monitoring, follow up, supervising and managing the dealings of all Insiders, registering their dealings and ownership in the Register and to communicate and report to ADX regularly on all such matters.

The Follow-up & Supervision Committee comprises of the following members:

Name	Position	Designation
Mr. Kashif Nawaz Shaikh	Internal Audit and Compliance Director	Committee Head
Mr. Mohammed Al Falahi	General Purchasing Manager	Committee Member
Mr. Khaled Al Shalati	Investor Relation Officer	Committee Member

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Mr. Kashif Nawaz Shaikh acknowledges his responsibility for the follow-up & supervision system on transactions of the insiders in the Company, review of its work mechanism and ensuring its effectiveness.

The Committee in 2021 regularly reviewed and updated the Register of Insiders. Further, in line with ADX regulations and NMDC Group Corporate Governance Manual, notifications were communicated to Insiders for blackout periods. There was no trading conducted by Insiders during year 2021.

2.9. Transactions in Company's Securities by Board Members

The Board and the individual Directors, as well as Company Management understand their obligations with respect to disclosure requirements, in connection with their dealings in NMDC securities and are compliant with all requirements set by SCA and ADX.

The table below provides details of dealing in NMDC securities and balances as at 31 December 2021, by current Board Members and their wives, sons and daughters.

Name	Position/ Relationship	Shares Held as at 31/12/2021	Total Sale Transactions	Total Purchase Transactions
Mr. Abdul Ghafar Abdul Khaleq Al Khouri	Member	5,999,999	-	-
	Son	3,199	-	-
	Son	3,199	-	-
	Son	3,199	-	-
	Son	3,199	-	-
	Daughter	3,199	-	-
Mr. Mohamed Ahmed Bandouq Al Qamzi	Wife	53,999	-	-

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NMDC Corporate Governance Report 2021

3. BOARD OF DIRECTORS

3.1. Role of the Board

The Board is responsible to the Company's shareholders for creating and delivering sustainable value through oversight of the Company's business. In particular, the Board is responsible for providing strategic direction, management supervision and adequate controls, with the objective of promoting success and long-term value of the Company, and is accountable for performance and affairs of NMDC Group.

The Board also plays a central role in the Company's corporate governance framework. The Board has adopted a Corporate Governance Manual, which provides a framework of how the Board operates as well as the type of decisions to be taken by the Board and which decisions should be delegated to Management. The Board is ultimately responsible for ensuring that the Company complies with its legal and regulatory obligations, the Company's Memorandum and Articles of Association, and its duties to shareholders.

The following is a list of some of the key specific responsibilities of the Board:

- Taking the necessary procedures to ensure compliance with applicable laws, regulations, resolutions and requirements of the regulatory authorities.
- Approval of the strategic approaches and main objectives of the Company, and supervising implementation thereof.
- Taking the steps sufficient to ensure efficient internal control of the work flow in the Company
- Establishing an internal control department to follow up compliance to the applicable laws, regulations, and resolutions, requirements of the regulatory bodies, and the internal policy, rules, and procedures set by the Board of Directors.
- Setting written procedures to regulate conflict of interests and deal with potential cases of such conflict for Board members, the senior executive management, and shareholders, and setting the procedures to be taken in cases of misuse of the Company's assets and facilities or misconduct resulting from transactions with Related Parties.
- Ensuring soundness of administrative, financial, and accounting rules, including the rules related to preparation of financial reports.
- Ensuring the use of appropriate regulatory systems for risk management by outlining potential risk and discussing it with transparency.
- Setting clear and precise standards and procedures for Board membership and putting them in force subsequent to approval of the general assembly.
- Setting a clear authorization policy in the Company to determine authorized persons and the powers assigned to them.
- Setting a policy that regulates the relationship with stakeholders in a manner that ensures the Company's fulfilment of its obligations towards them, preserving their rights, providing them with required information, and establishing sound relations with them.
- Setting code of conduct for Board members, employees, auditor, and persons assigned some of the Company's works.
- Setting procedures to apply governance rules in the Company, review of such procedures, and assessment of compliance thereto on annual basis.

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- Designing appropriate training programs for Board members to enhance and update their knowledge and skills and ensure effective participation in the Board of Directors, and ensure compliance with any training or qualifying programs determined by the SCA or the Market.
- Familiarizing a newly appointed Board member with all the Company's departments and sections, and providing them with all the information required to ensure correct understanding of the Company's activities and works, and full realization of their responsibilities, all that enables them to perform their duties duly in accordance with the enforced legislations, all other regulatory requirements, and the Company's policies in its field of business.
- Setting procedures to prevent employees who have access to information from using the Company's confidential internal information to make tangible or intangible gains.
- Devising a mechanism for receiving shareholders' complaints and proposals including their proposals concerning particular issues in the general assembly's agenda in a manner that ensures studying such proposals and making the right decisions about them.
- Approval of the rules on which basis incentives, bonuses, and special privileges shall be granted to Board members and senior executive management in a manner that furthers the Company's interest and helps achieve its objectives.
- Setting the Company's policy of disclosure and transparency and follow up of implementation thereof in accordance with the requirements of the regulatory authorities and applicable legislations.
- Setting a clear policy for distribution of the Company's profits in a manner that furthers the interests of both the shareholders and Company, and it should be displayed to shareholders in the meeting of the general assembly and it should be mentioned in the Board of Directors' report.

3.2. Composition of the Board

NMDC Group Board of Directors comprises of the following members

Name	Designation	Membership Category	Year of Initial Appointment
Mr. Mohamed Thani Murshid Al Rumaithi	Chairman	Non-Executive	2007
Mr. Hamad Salem Mohammed Al Amri	Vice Chairman	Independent	2021
Mr. Abdul Ghaffar Abdul Khaleq Al Khouri	Member	Non-Executive	2007
Mr. Mohamed Ahmed Bandouq Al Qamzi	Member	Non-Executive	2013
Mr. Mohamed Ibrahim Al Hammadi	Member	Independent	2021
Mr. Yaser Saeed Al Mazrouei	Member	Independent	2021
Mr. Ahmed Amer Omar Saleh Omar	Member	Independent	2021

All of the above Directors are considered as non-executive and/or independent, according to the definitions used in the Corporate Governance Guide. In particular, the Guide states that a Director is non-executive if they are not employed by the Company, or who do not receive a monthly or annual salary from the Company. All of the Directors satisfy this definition and are thus considered as non-executive Directors.

Resolution No.3 of 2020 in relation to Corporate Governance highlights that a board member shall lose his/ her independency in the following cases:

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Corporate Governance Report 2021

- If a Board member or any of his/her second-degree relatives work or worked at the senior executive management of the Company or its subsidiary company during the two years preceding his/her nomination for Board membership.
- If a Board member or any of his/her first-degree relatives has a direct or indirect interest in the contracts and projects of the Company or its subsidiary companies during the last two years and the total of such transactions exceeds (5%) of the company's paid-up capital or the amount of AED 5 million or its equivalent amount in a foreign currency, the lesser of the two, unless such relationship is part of the nature of the Company's business and involves no preferential conditions.
- If a Board member works or worked for the Company or its subsidiaries during the last two years preceding the date of his appointment to the Board.
- If a Board member works for or is a partner in a company that performs consulting works for the Company or any of its subsidiary companies, sister companies, affiliate companies or any parties related thereto during last two years.
- If a Board member has entered into personal services contracts with the Company or any of its subsidiary companies, sister companies, or affiliate companies during last two years.
- If a Board member is directly engaged in a non-profit organization that receives sizeable finances from the Company or a party related thereto.
- If a Board member or any of his/her relatives is a partner or employee of the Company's auditor, or if he/she was a partner or employee of the Company's auditor or auditing office during the two years preceding his/her occupying a seat in the Board of Directors.
- If a Board member and/or any of his/her underage children own (10%) or more of the Company's capital.
- If a Board member is selected for a fourth consecutive term.

Independence of a Board member shall not be affected for the reason of only being an employee of the parent company or any of its subsidiary companies in case any of such companies is owned by the government or in case at least (75%) of the parent or subsidiary companies is owned by the government.

3.3. Representation of Female Members in the Board of Directors

The Company's Board was re-constituted during 2021 for which the Company sent out advertisements in line with applicable law and regulations seeking nominations for the Board from eligible members. The Nomination and Remunerations Committee of the Board reviewed the nominations received as per the Company's Articles of Association and applicable regulations; however, no female member nomination was received. Therefore, there is no female representation in the current Board of Directors.

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3.4. Director's Qualification and Experience

The current NMDC Group Board of Directors' qualifications and experience are as follows:

Name	Qualification	Exp.	Membership in Other Joint Stock Companies	Positions in any other important Regulatory, Governmental or Commercial Positions
Mr. Mohamed Thani Murshid Al Rumaithi	Businessman	25+ Years	1. Chairman of Alpha Dhabi 2. Board Member of First Abu Dhabi Bank	1. Chairman of Thani Murshed Uniliver
Mr. Hamad Salem Mohammed Al Amri	Bachelor of Civil Engineering and Master of Business Management	25+ Years	1. Board Member and CEO of Alpha Dhabi 2. Board Member in Al Dar Properties 3. Board Member in Arabtec	
Mr. Mohamed Bandouq Ahmed Al Qamzi	Bachelor of Science in Management, EMBA, PLD	25+ Years	-	1. Advisor, HH Managing Director Office at Abu Dhabi Investment Authority 2. Board Member of Khalidiya Co-operative Society 3. Member of National Consultative Council
Mr. Abdul Ghaffar Abdul Khaleq Al Khouri	Businessman	25+ Years	-	1. CEO of Abdul Khaleq Al Khouri & Sons Company. 2. Managing Director of Milipol International Company.
Mr. Mohamed Ibrahim Al Hammadi	Masters in Engineering Management and Bachelor in Electrical Engineering, Honorary Doctorate	25+ Years	-	1. Managing Director and Chief Executive Officer at Emirates Nuclear Corporation (ENEC) 2. Member of World Association of Nuclear Operation's (WANO) 3. Member of American Nuclear Society 4. Senior Member of the Institute of Electrical and Electronics Engineers (USA), the International Council on Large Electric Systems, and the Engineers Association of the UAE
Mr. Yaser Saeed Al Mazrouei	Master of Petroleum Engineering	25+ Years	1. Board Member of ADNOC Drilling	1. CEO of the Exploration, Development and Production Department - ADNOC
Mr. Ahmed Amer Omar Saleh Omar	Bachelor of Business Administration	25+ Years	1. Chairman of RAK Cement	

3.5. Directors Remunerations

The Company's General Assembly determines remuneration of the Board of Directors on an annual basis. According to the Company's Articles of Association and the Corporate Governance Guide, the Director's remuneration cannot exceed 10% of net profits of the Company, after deducting depreciations and statutory reserve.

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The Nomination and Remuneration Committee is also required to review, at least annually, the remuneration proposed to be paid to Directors, whether in their capacity as members of the Board or of the Board Committees, and make recommendations to the Board as considered appropriate.

In 2021, the Board of Directors were paid remuneration of AED 11 million in respect to financial year 2020. The Company has made a provision of AED 95 million towards Board remuneration and employee bonuses for 2021. Further, this report will be updated with the Board remuneration amounts once approved.

Apart from the above remuneration, no other remuneration or allowances have been paid to Board members for attending the meetings of the Board or membership remuneration in the committees formed by the Board for year 2021.

3.6. Board of Directors Meeting

The Board of Directors held five (5) meetings during 2021 on the following dates:

Name	Meeting No. 1	Meeting No.2	Meeting No. 3	Meeting No. 4	Meeting No. 5
	28/2/2021	31/3/2021	6/5/2021	15/7/2021	18/11/2021
Mr. Mohamed Thani Murshid Al Rumaithi (Chairman)	✔	✔	✔	✔	✔
Mr. Hamad Salem Mohammed Al Amri (Vice Chairman)	Note 1	✔	✔	✔	✔
Mr. Abdul Ghaffar Abdul Khaleq Al Khouri	✔	✔	✔	✔	✔
Mr. Mohamed Ahmed Bandouq Al Qamzi	✔	✔	✔	✔	✔
Mr. Mohamed Ibrahim Al Hammadi	Note 1	✔	✔	✔	✔
Mr. Yaser Saeed Al Mazrouei	Note 1	✔	✔	✔	✕
Mr. Ahmed Amer Omar Saleh Omar	Note 1	✔	✔	✔	✔
Dr. Mohamed Rashid Ahmed Al Hamli	✔	Note 2	Note 2	Note 2	Note 2
Mr. Majed Ahmed Al-Karbi	✔	Note 2	Note 2	Note 2	Note 2
Mr. Khalifa Mohamed Abdul Aziz Rubaya Al Muhairy	✔	Note 2	Note 2	Note 2	Note 2
Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy	✔	Note 2	Note 2	Note 2	Note 2
Mr. Dagher Darwish Al Mara	✔	Note 2	Note 2	Note 2	Note 2
Mr. Mohamed Rashed Mubarak Al Kitbi	✔	Note 2	Note 2	Note 2	Note 2

✔ refers to attendance ✕ refers to absence

Note 1: Mr. Hamad Salem Mohammed Al Amri, Mr. Mohamed Ibrahim Al Hammadi, Mr. Yaser Saeed Al Mazrouei and Mr. Ahmed Amer Omar Saleh Omar were elected as New Board Members in the Annual General Assembly held on 28 March 2021.

Note 2: Mr. Khalifa Mohamed Abdul Aziz Rubaya Al Muhairy, Dr. Mohamed Rashid Ahmed Al Hamli, Mr. Mohamed Rashed Mubarak Al Kitbi, Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy, Mr. Dagher Darwish Al Marar and Mr. Majed Ahmed Al-Karbi were replaced by new Board Members in the Annual General Assembly held on 28 March 2021.

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3.7. Board Secretary

The position of Board Secretary in 2021 was held by external consultant Allen and Overy, an international law firm which was appointed in 2012. Allen & Overy have over 5,500 people, 2,800 lawyers, over 550 partners and over 40 offices in 30 different countries. Their team advises both sponsors and investors – including private equity houses, government entities, financial institutions and corporate clients – on fund establishment and related issues, including Shari'a aspects of fund structures. They have significant experience of advising clients on commercial disputes and breach of contract claims and in particular those under the laws of the GCC. In addition, they have extensive experience in drafting laws, regulation, legislation and acting on arbitrations that include disputes across the Middle East, including in Saudi Arabia, the UAE, Iraq, Oman, Bahrain, Egypt and Jordan.

Statement of their duties during the year were the following:

- Preparing and sending invitations for Board of Directors meetings
- Distributing Board of Directors Meeting Agenda
- Taking minutes of meeting during Board of Directors meeting
- Providing legal advisory to the Board of Directors when needed

3.8. Duties and Competencies of the Board performed by Executive Management

Under the Articles of Association, and by virtue of various resolutions, the Board of Directors of the Company have delegated to the other committees of the Board, Board members, the Group CEO or other officers, the authority to transact business on behalf of the Company.

To that end, the Board has nominated, appointed and authorized the Chairman (Mr. Mohamed Thani Murshed Al Rumathi) of the Board of Directors and Vice Chairman (Mr. Hamad Salem Mohamed Al Ameri), jointly or any of them jointly with any of the following members of the Board of Directors:

Board Members
Mr. Abdul Ghaffar Abdul Khaleq Al Khouri
Mr. Mohamed Ahmed Bandouq Al Qamzi
Mr. Mohamed Ibrahim Al Hammadi
Mr. Yaser Saeed Al Mazrouei
Mr. Ahmed Amer Omar Saleh Omar

The duration of the Power of Attorney begins from 30 November 2021 and ends on 29 November 2024. Some of the duties authorized but not limited to are listed below.

- Attend to all matters affecting the Company, and its subsidiaries and their business, and to represent, act for and sign on behalf of the Company before Governmental and Local Departments.
- Open, withdraw, administer and close in the name of the Company or any of its subsidiaries accounts with any bank, financial institutions, trust or fund inside and outside the United Arab Emirates.
- Represent the Company and any of its subsidiaries in the United Arab Emirates or elsewhere and execute and sign all relevant and required documents in relation to any amendment, waiver or change (of any nature) to the Company's status or its subsidiaries status, its capital, management, employees or any other constitutional and corporate issue, and to receive on behalf of the Company any certificate or document regarding such amendments or changes.

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Corporate Governance Report 2021

- To have full authority to negotiate, conclude, sign and deliver all contracts or agreements relating to acquisitions and ownership of other companies or associations whether inside or outside the United Arab Emirates.
- Enforce, protect and defend the interest of the Company or any of its subsidiaries in all law suits or other legal proceedings, whether brought by the Company or any of its subsidiaries or against it.
- Retain and employ advisors including financial advisor, legal counsel, lawyers, advocates and others possessing appropriate skills to advise, act for or represent the Company, sign engagement letters with such advisors, determine their fees.

Further the Chairman has authorized the Group Chief Executive Officer to conduct the business of the Company within the UAE and abroad, and to carry out all acts reasonably necessary to fulfil the Company's objects with certain financial limits.

Name of Authorized Person	Designation	Duration of Authorization
Mr. Yasser Nassr Zaghloul	Group Chief Executive Officer	27 August 2019 to 26 August 2022

Specifically, the Special Power of Attorney, which is signed by the Chairman of the Board, authorize the Group CEO to perform the following:

- Sign all correspondence of the Company before Governmental and Local Departments;
- Complete legal transactions on behalf of the Company in accordance with the Company's policies and procedures;
- Address, send and receive notices and warnings on behalf of the Company;
- Visit all Federal or Local Departments and establishments for completing and signing all the administrative, legal and judicial requirements of the Company's business;
- Sign all bids, tenders, supply contracts and projects contracts executed by the Company or on its behalf via subcontracting;
- Sign sale contracts for selling materials, vehicles, sea parts or metals that the Company wishes to dispose of and sell to third parties; and
- The right to authorise third parties to do all or some of the powers conferred upon him.

3.9. Dealing with Other Related Parties

During the year 2021, no transactions were conducted with related parties equal to 5% or more of the company's capital.

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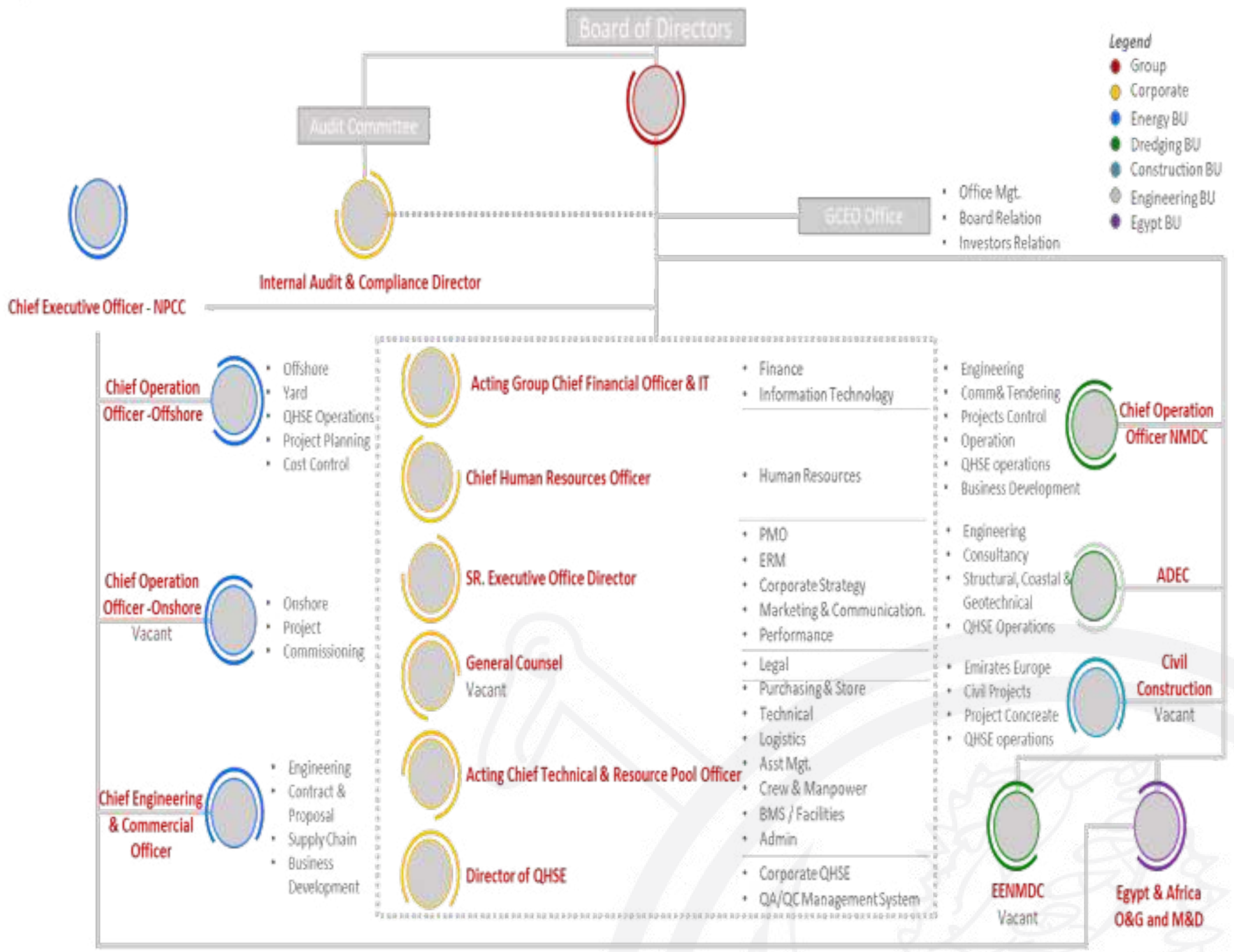
3.10. Executive Management

The Group CEO, supported by the Management team, is responsible for the day-to-day management of the Company's businesses.

The following illustrates Organization Structure of the Company.



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Corporate Governance Report 2021

The table below details the current Executive Management team at NMDC Group, along with their date of appointment, salaries, allowances and bonuses paid to them for the financial year 2021:

Current Position	Date of Current Appointment as per the new structure*	Total Salaries and Allowances paid in 2021 (AED)	Total Bonuses for 2021 (AED)	Any other Cash/in-kind benefits for 2021
Group Chief Executive Officer	29-Jul-2021	5,412,744	Note 1	-
Chief Executive Officer - NPCC	29-Jul-2021	2,961,110	Note 1	-
Group Chief Financial Officer & IT – Acting	29-Jul-2021	1,296,333	Note 1	-
Chief Operating Officer – NMDC	29-Jul-2021	1,445,771	Note 1	-
Chief Technical and Resource Pool Officer – Acting	29-Jul-2021	1,641,905	Note 1	-
Chief Engineering and Commercial Officer	29-Jul-2021	1,259,981	Note 1	-
Chief Operation Officer – Offshore	29-Jul-2021	1,668,755	Note 1	-
Chief Human Resources Officer	29-Jul-2021	1,296,315	Note 1	-
Senior Executive Office Director	21-Nov-2021	102,666	Note 1	-

*Date of current appointment was based on the new organization structure issued on 29 July 2021 in which new job positions were announced. Hence the information mentioned in the total salaries and allowances paid in 2021 covers the whole year of 2021, except for the Senior Executive Office Director who was newly appointed on 21 November 2021.

Note 1: Till the date of this report, the Board of Directors have not finalized bonus for the Executive Management of the Company for 2021 and this report will be updated once bonus amounts is decided.

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4. EXTERNAL AUDITORS

4.1. Appointment of External Auditors

The Company's External Auditors appointed for the year 2021 are Ernst & Young (EY). EY is a US$ 31.4 billion global professional services organization with over 247,570 employees in more than 150 countries. They are global leaders in providing assurance, tax, transaction and advisory services.

The Audit Committee, after consideration and evaluation recommended appointment of EY as the External Auditors for 2021. They were appointed as the Company's Auditor for the financial year 2021 by a shareholders' resolution at the Company's Annual General Meeting held on 28 March 2021.

4.2. External Auditors Independence

The Company adopts a policy on external auditors' independence by which the external auditor may not, while assuming the auditing of the Company's financial statements, perform any technical, administrative or consultation services or works in connection with its assumed duties that may affect its decisions and independence or any services or works that, in the discretion of SCA, may not be rendered by the external auditor.

The Company's policy includes measures to ensure the external auditors' independence, including the following:

- The Board nominates the external auditor, generally upon the recommendation of the Audit Committee;
- The appointment of the external auditor is made by a resolution of the Company's Annual General Meeting, for a period of one year renewable;
- The external auditor should be independent from the Company and its Board and may not be a partner, agent or a relative, even of the fourth degree, of any founder or director of the Company; and
- Review and approval by the Audit Committee for any proposed additional services from the external auditors.

Management obtains comfort on independence of the appointed external audit firm through direct inquiry to the firm on independence of the external audit engagement team. Such independence is also reiterated by the appointed auditors during their quarterly presentation to the Audit Committee/ Board.

4.3. External Auditors Fees

External auditor details for the year 2021 are mentioned below:

Name of Auditing Firm	Ernst & Young
Name of Audit Partner	Mr. Ahmed Al Dali
Number of years served as an external auditor for the Company	4 years
Total fees for auditing the financial statements of 2021	AED 971,900

During 2021, EY has provided for NMDC and ADEC professional services for Consultant Classification Certificate issued by the Department of Municipalities and Transport in Abu Dhabi amounting to AED 18,000.

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4.4. Services received from other External Audit Firms

Services received from other external audit firms in 2021 include:

Service Provider	Nature of Service	Value of Service (AED)
Price Waterhouse Cooper (PwC)	Tax Advisory Service for NMDC - Maldives	24,232
Deloitte & Touche	NMDC - KSA Transfer Pricing / ADNOC ICV Certificate / KSA Tax Advisory Service	173,393
Deloitte & Touche	Auditing and reviewing the financial statements (interim and annual) of NPCC – UAE for the year 2021	300,000
Deloitte & Touche	Auditing and reviewing the financial statements (interim and annual) of NPCC-KSA for the year 2021	88,037
Deloitte & Touche	Auditing and reviewing the financial statement (interim and annual) of NEL – India for the year 2021	163,205
Deloitte & Touche	Auditing and reviewing the financial statements (interim and annual) of ANEWA - India for the year 2021	49,153
Deloitte & Touche	Complete the evaluation and certification process to attain the ICV 3.0 Certification for the Financial year 2019 as well as to obtain Electricity Tariff Incentive Program (ETIP)	44,100
KPMG Lower Gulf Limited	ICOFR/COSO Compliance Self-assessment process for the year 2020	399,000

4.5. Qualification of External Auditors

No qualification opinion made by the external auditors Ernst & Young in the interim and annual financial statements of 2021.

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5. BOARD COMMITTEES

The following Board committees have been established by a resolution of the Board, and comprise of non-executive/ independent Board members:

Name of Board Committee	Members
Audit Committee (AC)*	Mr. Ahmed Amer Omar Saleh Omar (Chairman) Mr. Mohamed Ahmed Bandouq Al Qamzi (Member) Mr. Abdul Ghaffar Abdul Khaleq Al Khouri (Member) Mr. Mohamed Ibrahim Al Hammadi (Member)
Nomination & Remuneration Committee (N&RC)*	Mr. Mohamed Ibrahim Al Hammadi (Chairman) Mr. Ahmed Amer Omar Saleh Omar (Member) Mr. Yaser Saeed Ahmed Al Mazrouei (Member)
Strategy Committee (SC)*	Mr. Hamed Salem Mohamed Al Ameri (Chairman) Mr. Mohamed Ahmed Al Qamzi (Member) Mr. Yaser Saeed Ahmed Al Mazrouei (Member) Mr. Ahmed Amer Omar Saleh Omar (Member)

* The Committees were reconstituted on 31st March 2021 during Board of Directors meeting.

The Company has adopted formal Charters for each of these Board committees, which details the composition, duties, and responsibilities of each committee, amongst other things. These Charters are also compliant with requirements of the Corporate Governance Guide.

The following conditions govern relationship between the Board and its committees as per the Company's Corporate Governance Manual:

- **Reporting to the Board:** Each committee will report regularly to the Board about their activities and the exercise of their powers. This includes updating the Board at each Board meeting of all decisions and resolutions passed by the committees since the last Board meeting;
- **Annual Evaluation:** Each committee will evaluate its workings under its relevant Charters on an annual basis, with a view of improving workings of the relevant committee or its relationship with the Board; and
- **Board Follow-up:** The Board will follow up the operations of the committees to ensure that they are adhering to their Charters.

5.1. Audit Committee

Mr. Ahmed Amer Omar Saleh Omar, Audit Committee Chairman, acknowledges his responsibility for the Committee system in the Company, review of its work mechanism and ensuring its effectiveness.

The role of the Committee is to review the Company’s financial and accounting policies and procedures, monitor integrity of the Company’s reports and financial information, implement policy for selection of Company auditor and provide recommendation to the Board, review and assess internal control and risk management systems, set up rules to enable confidentially reporting of violations, and ensure implementation of code of conduct.

The duties and responsibilities of the Audit Committee are in line with the Corporate Governance Guide and are specified in the approved Audit Committee Charter. In particular, the Audit Committee has following key duties and responsibilities:

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- Overseeing integrity of and reviewing the Company's financial statements including quarterly and annual reports;
- Developing and applying the policy for selection of external auditors, and following up and overseeing qualifications, independence and performance of the external auditor;
- Overseeing qualifications, independence and performance of the Company's internal audit staff, and approving the annual audit plan prepared by internal auditors;
- Reviewing the external and internal auditors’ management letters, reports and recommendations, and management responses, and overseeing implementation of action plans recommended;
- Reviewing the Company's financial control, internal control and risk management systems;
- Overseeing scope of the Company's compliance with its Code of Conduct and its various legal and regulatory obligations; and
- Review or investigate any allegations of fraud or theft, which are brought to the Audit Committee's attention, which are made by or against employees or directors, and make appropriate recommendations to the Board.

The Audit Committee held six (6) meetings during the year 2021 to discharge the duties as entrusted to them by the Board and the Corporate Governance Guide. Following are the details of meetings held during 2021:

Name	Meeting No.1	Meeting No.2	Meeting No.3	Meeting No.4	Meeting No.5	Meeting No.6
	17/1/21	11/2/21	28/2/21	06/5/21	15/7/21	14/10/21
Mr. Ahmed Amer Omar Saleh Omar (Chairman)*	Note 1	Note 1	Note 1	✔	✔	✔
Mr. Mohamed Ahmed Bandouq Al Qamzi*	✔	✔	✔	✔	✔	✔
Mr. Abdul Gaffar Abdul Khaleq Al Khouri	✔	✔	✔	✔	✔	✔
Mr. Mohamed Ibrahim Al Hammadi	Note 1	Note 1	Note 1	✔	✔	✔
Mr. Mohamed Rashed Mubarak Al Kitbi	✕	✕	✔	Note 1	Note 1	Note 1
Mr. Dagher Darwish Al Marar	✔	✔	✔	Note 1	Note 1	Note 1

✔ refers to attendance ✕ refers to absence

*Mr. Mohamed Ahmed Bandouq Al Qamzi was replaced by Mr. Ahmed Amer Omar Saleh Omar as an Audit Committee Chairman on 31st of March 2021.

Note 1: Mr. Dagher Darwish Al Marar and Mr. Mohamed Rashed Mubarak Al Kitbi were replaced by Mr. Ahmed Amer Omar Saleh Omar and Mr. Mohamed Ibrahim Al Hammadi in the Board of Directors meeting held on 31st March 2021.

The Audit Committee submits its Annual Report to the Board, on the activities that were carried out by them during the year to discharge the responsibilities entrusted to the Audit Committee.

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5.2. Nomination & Remuneration Committee

Mr. Mohamed Ibrahim Al Hammadi, Nomination & Remuneration Committee Chairman, acknowledges his responsibility for the Committee system in the Company, review of its work mechanism and ensuring its effectiveness.

The role of the Committee is to set up policy and its regulation regarding nomination for the Board and executive management membership, the basis on which bonuses, privileges, incentives, and salaries shall be granted to the Board members and employees, and other related human resources policy.

The duties and responsibilities of the Nomination & Remuneration Committee are in line with the Corporate Governance Guide and are specified in the approved Nomination & Remuneration Committee Charter. In particular, the Nomination and Remuneration Committee has the following key duties and responsibilities:

- Organizing and following up the Board nomination procedures in line with requirements of applicable laws and regulations and the SCA Corporate Governance Guide, in addition to determining the Company's needs for qualified staff at the level of Senior Management and the basis for their selection;
- Verifying the continued independence of independent Board members;
- Reviewing and approving, in consultation with the Chairman of the Board and/or the Group Chief Executive Officer, the terms and conditions of the service contracts of Executive Directors and Senior Management employees;
- Reviewing at least annually, remuneration (comprising of basic salary, other allowances, and any performance-related element of salary or bonus) of the Company's employees, including the Senior Management team, and remuneration proposed to be paid to the Board Directors; and
- Preparing a succession plan for the Board and its committees, the Chief Executives, and key members of Management.

The Nomination and Remuneration Committee meets as often as required. In year 2021, the Nomination and Remuneration Committee held one (1) meeting, as detailed below:

Name	Meeting No. 1* 18/3/2021
Mr. Abdul Ghaffar Abdul Khaleq Al Khouri (Chairman)	✔
Mr. Mohamed Ahmed Al Qamzi	✔
Mr. Mohamed Rashed Mubarak Al Kitbi	✔
Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy	✔

✔ refers to attendance ✕ refers to absence

*This meeting was conducted before the constitution of the new Board of Directors and Committees.

5.3. Strategy Committee

The duties and responsibilities of the Strategy Committee are specified in its approved Charter. In particular, the Strategy Committee has the following key duties and responsibilities:

- Review and evaluate the recommendations submitted by the executive management with regard to business strategy, budgets and annual plan.

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NMDC Corporate Governance Report 2021

- Work with the executive management to make recommendations to the Board on the business strategy and long term strategic objectives of the Company, including all subsidiaries and associates.
- Review and evaluate large scale capital investments and operational expenditure.
- Review and evaluate the Company's operational plans in support of the Company's strategic plan and refer them to the Board for final approval, including:
  - Expansion Strategy, including opening of new subsidiaries, branches and joint ventures
  - Acquisition Strategy
  - Opportunities for potential acquisitions
- Review and evaluate major unbudgeted expenditure, including those relating to contractual arrangements with consultants and advisors.
- Review and assess responses to external developments and factors, such as changes in the economy, industry trends, competition and technology, which may impact the Company's strategic plan.

The Strategy Committee meets as often as required. In year 2021, the Strategy Committee held five (5) meetings, as detailed below:

Name	Meeting No. 1 7/1/2021	Meeting No. 2 6/4/2021	Meeting No. 3 5/5/2021	Meeting No. 4 10/6/2021	Meeting No. 5 24/8/2021
Mr. Hamd Salem Mohamed Al Ameri (Chairman)*	Note 1	✔	✔	✔	✔
Mr. Mohamed Ahmed Bandouq Al Qamzi*	✔	✔	✔	✔	✔
Mr. Yaser Saeed Ahmed Al Mazrouei	Note 1	✔	✔	✔	✔
Mr. Ahmed Amer Omar Saleh Omar	Note 1	✔	✔	✔	✔
Mr. Abdul Ghaffar Abdul Khaleq Al Khouri	✔	Note 1	Note 1	Note 1	Note 1
Mr. Dagher Darwish Al Marar	✔	Note 1	Note 1	Note 1	Note 1
Mr. Majed Ahmed Omar Al-Karbi	✔	Note 1	Note 1	Note 1	Note 1

✔ refers to attendance ✕ refers to absence

*Mr. Mohamed Ahmed Al Qamzi was replaced by Mr. Hamad Salem Mohamed Al Ameri as a Chairman of the Committee.

Note 1: Mr. Abdul Ghaffar Abdul Khaleq Al Khouri, Mr. Dagher Darwish Al Marar and Mr. Majed Ahmed Omar Al Karbi were replaced by Mr. Hamad Salem Mohamed Al Ameri, Mr. Yaser Salem Mohamed Al Mazrouei and Mr. Ahmed Amer Omar Saleh Omar as Strategy Committee Members in the Board of Directors meeting held 31st March 2021.

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6. INTERNAL CONTROL SYSTEM

6.1. System of Internal Control at NMDC

The Board of Directors acknowledges its responsibility for the Company internal control system, review of its work mechanism and ensuring effectiveness. Further, the Internal Audit department issued 8 reports to the Board of Directors in 2021. In relation to major problems occurred during 2021, the Company did not encountered any major problems during 2021.

The Company's internal control system is established to ensure that the Board and Management are able to achieve their business objectives in a prudent manner, safeguarding interests of the Company's shareholders and other stakeholders, whilst at the same time minimizing key risks such as fraud, unauthorized business activity, misleading financial statements, un-informed risk-taking, or breach of legal or contractual obligations, and also ensuring highest quality achieved in a safe and sustainable environment.

As per the approved Corporate Governance Manual, the Board is responsible for ensuring that the Company applies a precise internal control system that covers the following key functions being managed by respective heads as detailed hereunder:

Department	Head of Department & Designation	Date of Appointment	Qualification	Experience
Internal Audit & Compliance	Mr. Kashif Nawaz Shaikh (Internal Audit and Compliance Director)	1-Feb-2019	- Chartered Certified Accountant - Certified Internal Auditor - Cost and Management Accountant	Over 16 years of professional experience in the fields of Internal Audit, Statutory Audit, Risk Management, Corporate Governance and Business Process reviews.
Quality, Health Safety and Environment (Including Risk Management)	Mr. Mohamed Yassein Mohamed (QHSE Director)	25-Aug-16	-BS. Civil Engineering -Construction Management Diploma -MBA -ISO 9001:2015 Certified Lead Auditor - Nebosh International Certificate	Over 27 years of experience in Quality, HSE and Constructions.

Management is responsible for ensuring that adequate internal controls (both financial and operational) are in place and applied to safeguard and manage the assets of the Company, in an effective and efficient manner.

6.2. Independent Assessment of Internal Control System

Internal control is designed to mitigate, not eliminate, significant risks faced. It is recognized that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved within the Company through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, assurance and control functions such as External Audit, Internal Audit, Ethics & Compliance, Quality, Health, Safety and Environment function.

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These ongoing processes, which comply with leading practices and the Corporate Governance Guide, were in place throughout the year under review and up to the date of approval of the annual report and financial statements.

During the year 2021, the Company was subject to the following independent assessments of its internal control system:

- Annual external audit and interim reviews of NMDC Group consolidated financial statements through EY, a professional services firm. The external audit work covers assessment of internal controls over financial reporting, although the same does not entail expressing an opinion on the effectiveness of the Company's internal control.
- Process reviews of NMDC Group business processes and functions through the Internal Audit Function, according to an Internal Audit Plan approved by the Audit Committee. The scope of internal audit for the year 2021 covered both core and support processes at NMDC Group, and were prioritized in accordance with Risk Analysis Methodology.

The internal audit procedures are designed on the assumption that the responsibility for a sound system of internal controls rests with Management, and work performed by internal audit might not lead to identifying all strengths and weaknesses that may exist, but so that any material irregularity has a reasonable probability of discovery. The internal audit procedures also focus on areas identified by Management as being of greatest risk and significance, and the internal audit plan therein is subject to approval of the Audit Committee.

The internal audit function reports directly to the Audit Committee. Internal audit reports on any control recommendations, to Senior Management and the Audit Committee. The internal audit function considers and includes focus areas for audit in the annual audit plan. Material incidents and losses and significant breaches of systems and controls are reported to the Audit Committee.

External audit function discusses their management letter with the Audit Committee, highlighting control deficiencies, if any. Appropriate processes, including review by the audit function, ensure that timely corrective action is taken on matters raised by external audit. Action plan is obtained from the Management to remediate gaps and improve internal controls to avoid similar instances in the future. Internal audit regularly follows up on implementation of action plan and reports to the Audit Committee if not implemented by the due date.

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring that personnel are suitably qualified, that appropriate segregation exists between duties, and that there is suitable independent review. These areas are monitored by the Board through the Audit Committee, and are independently assessed by the internal audit and the compliance functions. Processes are in place to monitor internal control effectiveness, identify and report material breakdowns, and ensure that timely and appropriate corrective action is taken. NMDC Group finance coordinate, review and comment on the monthly financial and regulatory reports, and facilitate the interim and annual financial reporting process, including the independent audit process.

All internal control weaknesses noted during the year were discussed with Management and Audit Committee with proposed corrective actions.

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6.3. Risk Management

While global risks are intensifying, Risk Management Practice aims to enforce business sustainability and continuity by providing the means and mechanism to proactively manage and control threats and opportunities. At NMDC group, we manage risks at the enterprise level by implementing the best practices in risks identification, assessment and mitigation which are applied across all organizational levels.

Enterprise Risk Management practice is a crucial pillar for achieving NMDC group desired business objectives, maintaining sustainability and protecting all stakeholders interests efficiently and effectively. Therefore, Risk Management practice is applied at the strategic level, corporate level and project levels through centralized Enterprise Risk Management function responsible for setting up a unified, consistent and structured framework to embed risk management culture, facilitate risk management processes (identification, evaluation, prioritization, mitigation and communication) and ensuring business continuity.

6.4. Ethics and Compliance

Ethics and Compliance Function is part of Internal Audit and Compliance Department. The role of the Ethics and Compliance Office is to investigate and address any suspected wrongdoings as identified from the whistle blowing system, and to verify compliance by the Company and its officers and employees with the applicable legal and regulatory requirements (including the resolutions issued by SCA and ADX), the Company's internal policies and procedures, and commitments made to third parties (including the Company's lenders and counterparties).

The Company, in 2014, has developed and implemented policies and procedures on Fraud Control, Whistle Blowing and Investigation. These policies have been formulated to provide employees an opportunity to report in good faith in case they observe any unethical or improper practices in the Company. Responsibility for overseeing and implementing the policy has been delegated to the Internal Audit and Compliance Director. The Company's management also has specific responsibility for facilitating operation of the policy. Communication sessions are held to spread awareness on fraud control and whistle blowing system to the employees of the Company. Incidents reported during the year through the whistle blowing system were adequately investigated and appropriately resolved. HR function of the organization has also included such awareness in the new employee induction program.

6.5. Quality, Health, Safety and Environment

Notwithstanding the challenges brought about by global downturn and the continuity of the COVID-19 pandemic, NMDC continued to scale new heights in Quality, Health, Safety and Environment (QHSE) performance.

As in previous years NMDC committed to QHSE and it continues to be her top priority, with the lives of everyone with whom we work and others who are impacted by our activities. Nevertheless, we continued to deliver high-quality projects with added valued services for our clients.

In order to maintain the continuous improvement for QHSE performance, NMDC is committed managing effects and risks associated with its activities and products. To fulfil the commitment, QHSE initiated the following activities to promote a proactive culture:

- Enhanced the sub-contractor's compliance to NMDC's HSEMS at the worksite, by enforcing monitoring and auditing.
- Introduced Supervision and Leadership Campaign to increase the awareness of Line Manager's skills and competency to lead the team

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Corporate Governance Report 2021

- Remarkable increase of certified internal auditors (non- QHSE employees) who contributed with QHSE internal audit program.
- Enhanced participation Top Management in Site Walkthrough.

Understanding Management directions to improve the proactive approach towards QHSE, encourage employees by increasing their skill, competency and safety awareness by providing training. With well fit and tailored training programs, QHSE managed to arrange more than 40,000 HSE training hours' in-house and 2,000 Quality tool box talks.

During 2021, the following milestones were achieved as planned:

- NMDC has passed the surveillance audit for ISO 45001 and 9001.
- NMDC has successfully sustained an implemented management system onboard applicable marine units as well as being qualified as a MLC manning/staffing agency.
- Hail and Ghasha Project recorded 25 million working man-hours without LTI.

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7. COMPANY'S CONTRIBUTION

7.1. Corporate Social Responsibility Initiatives

NMDC recognizes that its activities could, without careful management, have a potential impact on the marine environment. This fact directed NMDC to develop Corporate Social Responsibility (hereafter referred as "CSR") strategy, to address environment and social challenges and meet its stakeholders' expectations. The CSR strategy aligns with NMDC Mission "Environment, People, Value, and Profit", and emphasizes its strategic objective of performing activities directed "for the good of the community". NMDC CSR strategy is adapted regularly to suit the changes to its business environment and its stakeholder expectations. In addition, the QHSE policy also pursues commitment to protect people and property, prevent pollution, protect the environment, conserve power and focus on reducing adverse environmental impacts of our activities and operations. Emphasis is also given to comply with specific customer requirements, applicable laws, regulations, standards and relevant best practices.

NMDC identifies and selects CSR initiatives that link to its CSR policies and strategies, and add value to four quadrants as follows:

- Donations: NMDC encourages initiatives that enhance its participation in community life.
- Internal NMDC Customers: NMDC encourages initiatives that provide good and safe working conditions enhance work-life balance and increase employees' involvement.
- Business partners and authorities: NMDC contributes with business partners and authorities in delivering Abu Dhabi Urban Planning and Economic Vision 2030, encourages the long-term partnership strategy with vendors and sharing its lessons learned and knowledge with CEDA and IMCA members.
- HSE and Marine: NMDC encourages initiatives that results in minimizing adverse environmental impacts and achieving high environmental performance.

7.2. Contribution to Local Community Development

NMDC appoints independent third party specialist to conduct society surveys, to evaluate the performance of CSR, and determine the actions required to improve its management of CSR policies, strategies and initiatives.

During 2021, the main activities / sponsors that were undertaken are as follows:

- Blood donation campaigns
- Cancer Awareness campaign
- Through Internship and training program, trained more than 10 environmental students from Zayed University and 129 Saudi Candidates in Saudi Arabia.
- Distributing food for the needy families in close association with Emirates Red Crescent during Ramadan.
- Distributing "Eidiya"' for the needy families and members of the society in close association with Emirates Red Crescent during Eid.

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7.3. Contribution to Environment Protection

- Sea Turtles monitoring and Rescue program resulted to saving many turtles.
- Beach Cleaning Campaign – BuTinah, Hail and Ghasha beach clean-up campaigns and 2 beach cleaning campaigns in Saudi Arabia in coordination with Saudi ARAMCO.
- Environmental awareness signboards were installed in liaison at Ras Ghurab Island, Sir Bani Yas Island and Saadiyat Island.
- Planting trees in Hail & Ghasha and in Saudi Arabia in collaboration with Saudi ARAMCO.
- Greener NPCC - applying initiatives to reduce energy consumption / water savings to achieve a total of 30% reduction by year 2025.
- Earth Hour: To enhance employees' awareness with regard to the threats posed by the growing issue of climate change, efforts were made to switch-off unnecessary lights and electronic appliances for an hour.

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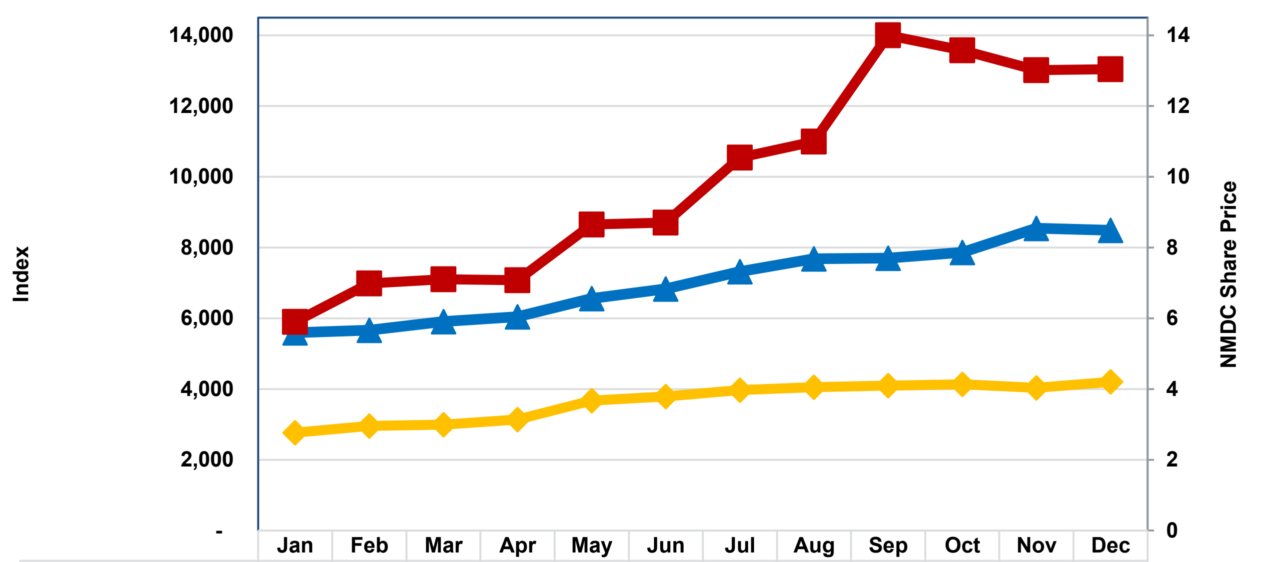
8. GENERAL INFORMATION

8.1. Monthly Price of the Company's share as compared to General and Sector Index

Statement of company's share price in the market (closing price, highest price and lowest price), General Market Index and Sector Index at the end of each month during 2021 were as follows:

Month	Highest price	Lowest price	Closing price	Services Sector Index	General Index
January	5.910	5.500	5.900	2,765.70	5,593.48
February	7.000	5.810	6.990	2,953.49	5,663.62
March	7.500	6.200	7.100	2,993.65	5,912.56
April	7.390	6.850	7.080	3,133.68	6,046.80
May	9.000	6.850	8.650	3,673.83	6,558.71
June	9.200	8.190	8.710	3,786.32	6,835.43
July	11.440	8.700	10.540	3,974.78	7,318.18
August	11.400	10.300	11.000	4,056.15	7,684.61
September	15.000	10.720	14.000	4,095.73	7,698.81
October	14.240	13.000	13.580	4,133.58	7,865.11
November	13.660	12.520	13.020	4,037.00	8,546.52
December	14.200	12.700	13.040	4,201.93	8,488.36

8.2. Chart of the comparative performance of the Company share with General Index and Company's Sector Index



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
General Index	5,593	5,664	5,913	6,047	6,559	6,835	7,318	7,685	7,699	7,865	8,547	8,488
Services Sector	2,766	2,953	2,994	3,134	3,674	3,786	3,975	4,056	4,096	4,134	4,037	4,202
NMDC Share	5.9	6.99	7.1	7.08	8.65	8.71	10.54	11	14	13.58	13.02	13.04

General Index Services Sector NMDC Share

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8.3. Breakdown of Ownership of NMDC Shares by Nationality and by Category as at 31 December 2021

Shareholder Category	Individual Shares	Companies Shares	Government	Total Shares
Locals	60,553,411	764,401,158	-	824,954,569
GCC	4,185	29,593	-	33,778
Arabs (Other than GCC)	3,599	-	-	3,599
Foreigners	8,054	-	-	8,054
Total	**60,569,249**	**764,430,751**	**0**	**825,000,000**
Percentage	**7.34%**	**92.66%**	**0%**	**100%**

8.4. Statement of the Company's Shareholders who own 5% or more of the Company's Capital as at 31 December 2021

Shareholder	Number of Shares	Percentage (%)
Sogno Commercial Investment – Sole Proprietorship L.L.C	364,649,990	44.20%
WAS TWO Commercial Investment – Sole Proprietorship L.L.C	172,500,000	20.91%
General Holding Corporation – PJS	117,850,009	14.28%

8.5. Breakdown of Ownership of Company Shareholders as at 31 December 2021

Sr. No	Share(s) Owned	Number of Shareholders	Number of shares owned	The percentage (%) of shares owned
1	Less than 50,000	3,253	12,289,940	1.49%
2	50,000 to less than 500,000	155	23,209,096	2.81%
3	500,000 to less than 5,000,000	22	25,193,739	3.05%
4	More than 5,000,000	11	764,307,225	92.65%
Total		3,441	825,000,000	100 %

8.6. Statement of significant events encountered by the Company during 2021

- The Annual General Meeting of NMDC Group, held on March 28, 2021, approved the appointment of seven new board of directors for the next three years.

  This follows the shareholder vote on December 14, 2020 as well as receiving all required regulatory approvals for the legal completion of NMDC's integration with National Petroleum Construction Company (NPCC). The combination of NMDC and NPCC (the Combined Group) created one of the leading integrated oil & gas and marine services EPC players, with an established footprint across MENA and South Asia. The businesses are complementary, and the transaction provides significant revenue diversification for the Combined Group.

  By creating a single platform, the Combined Group is ideally positioned to capture growth opportunities in the UAE and in key regional markets, with strong capabilities across the value chain to support future expansion plans.

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- In 2021, NMDC was awarded the Damietta Port Deepening & Development and Shamal Development Project. Similarly the Company's subsidiary NPCC was awarded Umm Al Dalkh Early Production Scheme EPC Project, CRPO #69 - Ju'aymah Offshore Platform - Bypass System, 18" Pipeline Remedial Project, Belbazem Offshore Block Project and Package A of the two Dalma EPC contracts.
- In 2021, NPCC signed 2 MOUs with Petrojet Egypt and CNCEC China.

8.7. Investor Relation Officer

Mr. Khaled Al Shalati and Mr. Ahmed Yousri are the Company's Investor Relation Officers. Furthermore, the Company website i.e. www.nmdc.com, has a dedicated page for investor relations, which includes Company's Articles of Association, candidates for Board of Directors, Company's address, and Investor Relation Officers contact information.

Contact Information of Investor Relation Officers

Email: ir@nmdc.ae

Office No.: 02 – 513 0242 / 02 513 0252

Mobile No.: 050-4111846 / 050-6218611

8.8. Emiratization in 2021

The Emiratization percentage in NMDC Group as of 31 December 2021 was 10% for white-collar employees. Refer to table below for Emiratization percentage in 2019 and 2020.

Year	Emiratization Percentage
2019	10%
2020	11%

8.9. Innovative projects and initiatives in 2021

Marine Catalogue

Marawah Biosphere reserve has a global importance as a shelter and feeding ground for the vulnerable Dugongs. NMDC designed and is developing a Marawah Marine Protected Area Environmental Data Catalogue.

8.10. Details of violations during 2021

There were no violations reported during 2021.

Board of Directors Chairman	Audit Committee Chairman	Nomination & Remuneration Chairman	Internal Audit and Compliance Director
Date: 04/02/2022	Date: 04/02/2022	Date: 04/02/2022	Date: 04/02/2022

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DIRECTORS’ REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

Directors' Report & Management Discussion and Analysis

The Board of Directors of National Marine Dredging Company ("NMDC" or the "Group") have the pleasure of presenting the 2021 Annual Report* along with the audited financial statements as at and for the year ended 31 December 2021.

Highlights

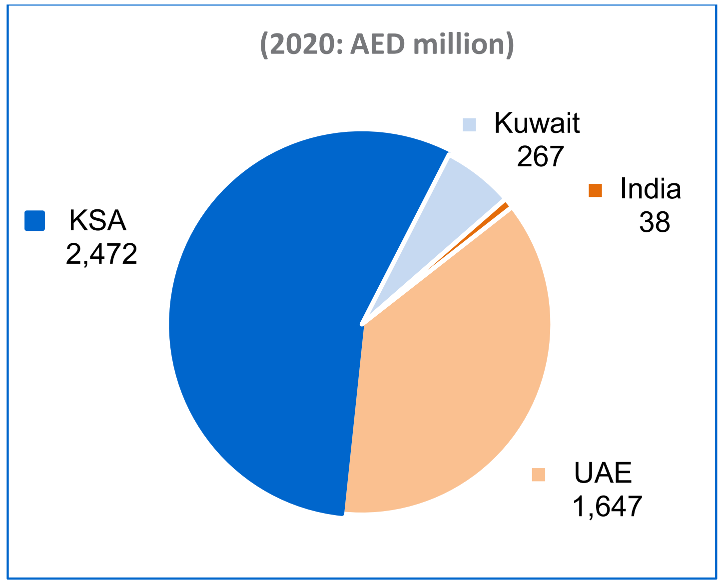
- 2021 was a turning point in NMDC's history. The merger with National Petroleum Construction Company ("NPCC") on 11 February 2021 resulted in a transformation of the size, scale and breadth of NMDC's operations, and resulted an exponential growth in revenue and profits, and a significant enhancement in its financial position.

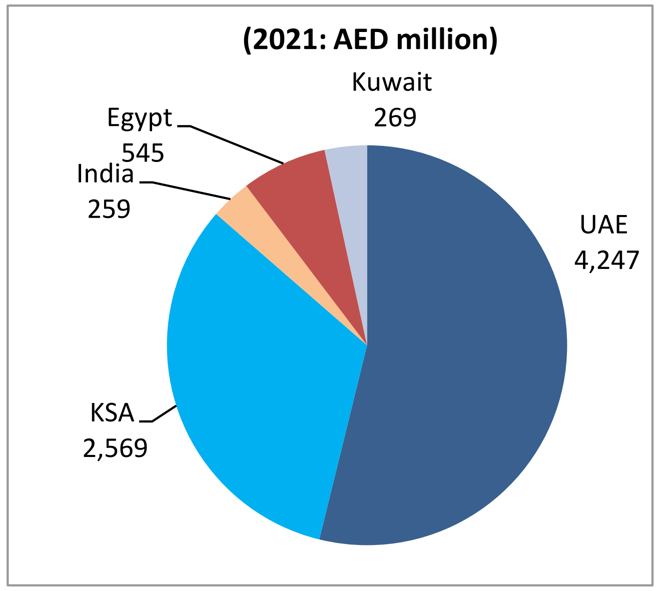
- The merger was followed by a change in ownership from Abu Dhabi Development Holding Company ("ADQ") to entities in the Alpha Dhabi Holding PJSC ("ADH", a subsidiary of International Holdings Company) group, and the Group closed out the year with a consolidated net profit crossing the threshold of AED 1 billion for the first time in its 42-year history.

- At the same time, along with the rest of the world, NMDC faced the unprecedented economic challenges caused by the COVID-19 pandemic, but displayed resilience and continued to report an improvement in overall financial performance, while keeping the health and safety of its employees as the number one priority.

2020 financial values in this report are for NPCC and 2021 is Group consolidated (NMDC & NPCC)

- The merger resulted in an immediate increase in the geographical diversification of the Group's consolidated revenues of AED 7,889 million for the year-ended 31st December 2021, as compared with year ended 31 December 2020 as shown in the pie chart below:





- As a testament to its continuing growth, the Group has recently been awarded the following new major projects in the latter half of 2021 and early 2022:
    - At the annual ADIPEC 2021 conference, the Group was awarded the Dalma Gas Development project by ADNOC for a contract value of AED 1.89 billion; additionally, the Group signed two MOU's with Egypt's Petrojet and China's CNCEC
    - The Group concluded the year winning an AED 1.3 billion contract from AD Ports Group for Shamal Development marine works and Zulf Marine Field contract with ARAMCO in Saudi Arabia for a contract value of AED 8.2 billion.
    - In January 2022, the Group was awarded the Umm Shaif Field contract from ADNOC in UAE for a contract value of AED 3.5 billion. It is worth mentioning that Umm Shaif is ADNOC's most historic offshore asset, and 2022 marks the 60th anniversary of the UAE's first oil export of Umm Shaif crude oil (July 1962).
    - The Group was also awarded a project for dredging works at the entrance to the navigation channel and the trench of the quay wall in Safaga Port in Egypt with a contract value of AED 79 million.

Financial Results

The Group achieved revenues of AED 7,889 million and net profits of AED 1,003 million for the year 2021 as compared to revenues of AED 4,424 million and net profits of AED 107 million in 2020.

Despite the improved performance, due to the expected significant and all-pervasive effect of the ongoing COVID-19 pandemic on the future operations and performance of the Group, the Directors have proposed that no dividends be paid for 2021, in order to enable the Group to maintain its cash reserves to fund its ambitious growth plans and to meet the challenges that may lie ahead.

Financial Position

The Group's equity stands at AED 5,518 million at end of the year 2021, which is an increase of 78% from the year 2020. The significant growth is primarily on account of the merger with NPCC and net profit recorded in the year 2021.

In 2021 Group maintained a debt-to-equity ratio at 24%, lower than in 2020 at 44% mainly because of increase in equity post-merger with NPCC.

Capital Expenditure

In order to deliver our clients with services to the highest standard, we continue to invest in latest technologies, machinery and equipment that would support the future execution of large, complex projects and improve our margins. Accordingly, we have invested in Fixed Assets AED 178 million in the year 2021 against AED 112 million in the year 2020. The majority of the capital expenditure in 2021 relates to payments for the Dry-docking, automation/upgrade, and major overhaul of existing vessels, and investments in other equipment.

Fleet

The Group currently owns a marine fleet of 130 vessels consisting of:

- 19 dredgers + 3 floating booster stations
- 2 Dynamic Positioning (DP2/DP3) Derrick / Pipelaying barges (with 4,200t & 1,600t lifting capacity & more than 300 pax accommodation each
- 1 Self Propelled Heavy Lift Ship (With 2,500t lifting capacity with 240 pax accommodation)
- 3 towed Derrick / Pipelaying barges
- 6 Self Elevating Platform work barges
- 96 other support craft (Tugs, Barges, Multicats, Accommodation barge, etc)
- Extensive range of land based equipment (Excavators, cranes, generators, etc)

Following the merger, cross utilization of the fleet between the main business units is a key element of the Group fleet management strategy to ensure the maximization of utilization and cost effective work execution on our portfolio of projects.

Information Technology

During the year, your Group automated many business processes in order to increase users' efficiency while maintaining corporate governance. We have developed/implemented:

- AVEVA ERM Engineering system which is a state of the art engineering system to enhance our capability to deliver projects to our clients
- Decision making support Executive Dashboards such as Balanced scorecards, Group AR Aging, Group Unbilled Aging, Financial Performance in order to assess performance against targets and to take meaningful action where required.
- 'Oracle isupplier' (Online Supplier Invoice Entry system). Now, suppliers can submit their invoices with attachments through NMDC Supplier Portal and can review the payment progress online.
- Self-billing in the Oracle system eliminating the approval process thus reducing the turnaround time.
- Stock planning and reporting functionality based on Serialized and Expiration details in Emarat Europe.
- Integrated the Ineight application with Oracle to have complete control on Project Budgets and provide various Project Performance Dashboards based on actual data.

Information Technology continued

- Digital Vendor Mobilization Plan- DVMP. The system manages the vendor mobilization and site engagement until final demobilization. It is a collaboration between all involved sections (Sub-Contract, Commissioning, PMT, and Construction) to ensure efficient utilization of the mobilized vendor and proper follow up on all requirements.

- Construction Management Portal - CM Portal. The system enables the construction manager to manage and monitor projects from a single solution.

  To increase the efficiency of our (On Shore) Engineering department, we have launched Bill of Quantities – BoQ. The system generates the Bill of Quantities (BOQs) from the engineering generated MTOs or MTOs received from clients' feed in tendering. The BoQ and Preamble system will be used in pricing when subcontracting strategy is being applied on onshore projects.

  NMDC IT has also promoted communications and information security in more sophisticated ways:

- Communication: NMDC IT continued the adoption of Online Services ; providing a platform for Collaboration, Online Meetings and one to one online calls. This fulfilled the requirement of communication and collaboration without the need of physical presence during COVID-19 crisis.

- NMDC IT has upgraded the datacentre to ensure stability in Core network and thereby providing high availability for critical IT Services.

- Completed ISO 27001 Recertification which is the most prestigious certificate in the Information Security area, to obtain an international recognition on the level of our data centre security; due to high concern of the IT security we obtained many certificates / Recognitions includes:

- ISO 20000 (IT Service Management) Surveillance Audit

- IT Security Certification audit for Abu Dhabi Health Authority

- IT Security compliance audit for Saudi Aramco

Quality, Health, Safety and Environmental ("QHSE")

Notwithstanding the challenges brought about by global downturn and the continuing COVID-19 pandemic, NMDC continued to scale new heights in Quality, Health, Safety and Environment (QHSE) performance.

2021 witnessed another strong performance path, with a Lost Time Recordable Incident Rate (LTIR) of 0.05 per Million man hours worked as well as a Total Recordable Incident Rate (TRIR) of 0.70.

In order to maintain the continuous improvement for QHSE performance, NMDC is committed to managing the risks associated with its activities and services. To fulfil the commitment, HSE initiated the following activities for the effective implementation of a HSE Management System and promote a proactive safety culture:

- Enhanced the sub-contractor's compliance to NMDC's HSEMS at the worksite, by enforcing monitoring and auditing;
- Introduced Supervision and Leadership Campaign to increase the awareness of Line Manager's skills and competency to lead the team;
- Implemented Heat Stress Campaign and managed no serious heat related illness.
- Due to presence of multi-cultural employees and their limited ability of understanding English, we translated the HSE awareness presentation to several languages and demonstrated to the workforce;
- Conducted several HSE awareness session for the key personnel in project to emphasize their accountabilities and ownership towards HSE
- Enhanced employee's welfare facilities at the site and camps;
- Enhanced employee wellbeing and behavioural attitude towards safety;
- Enhanced participation Top Management in Site Walkthrough;
- Enforced strict implementation of Permit To Work (PTW) system;
- Initiated program to reduce emission of CO2 in all over the operation; and
- Initiated Blood Donation Campaign.

As part of Management commitment to improve and proactive approach towards QHSE, NMDC encourages employees by increasing their skill, competency and safety awareness by providing training. Most of the trainings were given in-house but some advanced and mandatory competency training were provided externally by third parties as required. The training hours for 2021 was more than 145,000 hours.

As part of NMDC Group efforts to protect the health and well-being of the group employees with the development of the COVID-19 variants, the Group's Crisis Management Team has developed and implemented guidelines taking into consideration the global analysis results and scientific studies expecting increase in the number of cases and low to negligible severity levels of impact and symptoms.

Quality, Health, Safety and Environmental ("QHSE") continued

We continued to maintain our strong focus on reducing our environmental impact from our operations, and with the key initiatives developed for 2021 we saw a benefit across all our operations through our environmental monitoring programme. 2021 maintained our record of another successful year with no pollution incidents occurring. These accomplishments are remarkable considering that these were achieved while we were heavily engaged in the implementation of our major projects and the development of new fields.

The long term investments we made in the human aspects of QHSE reflected these excellent results. People are the Group's most valuable asset; hence, we put proactive programs and behavioural safety tools, which our employees and contractors completely embraced and practiced, thereby maintaining a vibrant HSE culture in all areas of our business.

The coming years will see ever more increasing challenges after the merger of NMDC and NPCC. Our risk exposure levels will continue to rise and our exceptional QHSE performances in the recent years could lead to complacency.

It is therefore imperative that while we celebrate our triumphs, we also remind ourselves, all our employees, contractors and third parties to be vigilant and continue our best efforts to meet the challenges for the year 2022.

Our Competitive Strengths

We believe that we are well positioned to maintain and enhance our leadership position in the markets that we operate in, on account of our competitive strengths, some of which are:

One of the largest integrated EPC and dredging entities in the region
The recent merger has transformed NMDC into one of the leading fully integrated EPC players in the region, with increased scale, revenue and cost synergies, access to wider markets and revenue diversification (segmental, geographic and client base), and strong capabilities across the value chain to support future expansion plans.

Largest Portfolio of Marine Assets in the UAE
The Group owns a dredging & marine construction fleet consisting of 19 dredgers with capacities ranging from 1,795 KW to 20,725 KW, including two Trailing Suction Hopper Dredgers with capacities of 6000m3 and 8000m3, 2 Dynamic Positioning (DP2/DP3) Derrick / Pipelaying barges (with 4,200t & 1,600t lifting capacity & more than 300 pax accommodation each, 1 Self Propelled Heavy Lift Shit (With 2,500t lifting capacity with 240 pax accommodation), 3 towed Derrick / Pipelaying barges, 6 Self Elevating Platform work barges.

Your vessels are supported by modern marine equipment such as tugs and multicat crafts, and ably assisted by A-Frame and barges wherever necessary. As part of NMDCs strategy, it continually reviews and expands its fleet to meet the challenging demands of customers and provide a first class service on all projects sanctioned.

Our Competitive Strengths continued

Strong relationships with Customers
EPC Contracting and Dredging and Marine Construction are our mainstream business positioning us at the top as one of the largest players in the region, with an established track record and strong relationships with most of the customers in the region. Today our operations are a highly-sophisticated business, and our latest modern technology helps our customers not only meet their needs but to exceed their expectations.

Our strategies

As a Group, we are committed to high quality growth while becoming a largest independent turnkey solution provider in the region. Our growth strategy is underpinned by the following six strategic objectives, that are each supported by a set of underlying initiatives:

- Grow returns through access to new markets and new segments
- Activate selected step-out opportunities to generate new revenue streams
- Solidify Strategic Position through strengthening government and client relationships
- Realize the full potential of the synergies from the merger
- Embrace highest standards of project controls
- Foster the Group's portfolio growth to build integrated end-to-end service delivery

Internal control systems and their adequacy

The Company's internal control system is established to ensure that the Board and Management are able to achieve their business objectives in a prudent manner, safeguarding interests of the Company's shareholders and other stakeholders, whilst at the same time minimizing key risks such as fraud, unauthorized business activity, misleading financial statements, un-informed risk-taking, or breach of legal or contractual obligations, and also ensuring highest quality achieved in a safe and sustainable environment.

The guidelines for design and implementation of the internal control systems is provided by the Company's approved Corporate Governance Manual and applicable regulations. The Board and its Committees provide oversight on the systems, and the Management is responsible for ensuring that adequate internal controls (both financial and operational) are in place and applied to safeguard and manage the assets of the Company, in an effective and efficient manner.

Internal control systems and their adequacy continued

The Company's internal control is designed to mitigate, not eliminate, significant risks faced. It is recognized that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved within the Company through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, assurance and control functions such as External Audit, Internal Audit, Ethics & Compliance, Quality, Health, Safety and Environment function. These ongoing processes, which comply with leading practices and the Corporate Governance Guide, were in place throughout the year under review and up to the date of approval of the annual report and financial statements.

During the year 2021, the Company was subject to the following independent assessments of its internal control system:

- Annual external audit and interim reviews of NMDC Group consolidated financial statements through EY, a professional services firm. The external audit work covers assessment of internal controls over financial reporting, although the same does not entail expressing an opinion on the effectiveness of the Company's internal control.
- Process reviews of NMDC Group business processes and functions through the Internal Audit Function, according to an Internal Audit Plan approved by the Audit Committee. The scope of internal audit for the year 2021 covered both core and support processes at NMDC Group, and were prioritized in accordance with Risk Analysis Methodology.

Emiratization

Emiratization is a Key performance indicator of NMDC vision and mission for the past years and surely for year 2021.

NMDC trains Emiratis in various fields and provides life skills. Various initiatives and channels have been taken at NMDC in 2021 for boosting the U.A.E national's talent in the EPC and dredging and civil marine industry:

NMDC has signed a legal commitment with Abu Dhabi Human Resource Authority for hiring UAE Nationals in maritime transport industry through its fresh graduate engineering program.

Fresh Graduate's engineers are tested; interviewed and selected to start an exciting career with the Group through a two years fresh graduate program during which they learn and proceed with on the job training on our sites and in various departments.

In Addition; NMDC has established its Dredging Academy through which semi- skilled U.A.E national workforces is hired to be trained in the core activity of the business being dredging. Life dredging simulators are established in the Academy for this particular purpose; and detailed courses are also provided by our industry experts.

As of 2021 U.A.E Nationals constitute 10% of the organization workforce, with plans to keep increasing it year on year.

Acknowledgment

On behalf of the Board, I wish to express our appreciation for the support and cooperation of the financial institutions, suppliers, subcontractors, business associates and government authorities and expect the same in future for sustaining the Group's growth rate. The Board would like to place on record its appreciation of the hard work, commitment and unstinting efforts put in by the Group's employees at all levels.

Mohammed Thani Murshed Al Rumaithi
Chairman

AUDITED ANNUAL FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NATIONAL MARINE DREDGING COMPANY PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Marine Dredging Company PJSC (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis of Opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters continued

Project revenue recognition

The Group recognised AED 7,889 million of project revenue for the year ended 31 December 2021.

Project revenue recognition is significant to the financial statements based on the quantitative materiality and the degree of management judgement required for revenue recognition. Revenue is recognized according to the stage of completion of the respective projects, which is measured using the "cost-to-cost method" and surveys of work performed.

Due to the contracting nature of the business, revenue recognition involves a significant degree of judgement, with estimates being made to:

- assess the total contract costs;
- assess the stage of completion of the contract;
- assess the proportion of revenues, including variation orders, to recognize in line with contract completion;
- forecast the profit margin on each contract incorporating appropriate allowances for technical and commercial risks; and
- appropriately identify, estimate and provide for onerous contracts.

There is a range of acceptable outcomes resulting from these judgements that could lead to different revenue or income being reported in the consolidated financial statements.

Management has also considered this area to be a key accounting estimate as disclosed in the 'accounting estimates and management judgements' note to the consolidated financial statements.

How our audit addressed the area of focus

We obtained an understanding of the key internal controls and IT systems which support the project management and accounting. These included controls in the policies and procedures concerning determination of the percentage of completion, estimates to complete for both revenue and costs and provisions for loss making projects.

We enquired of management for a selection of major projects to gain an understanding of the progress of developments, any material contract variations and the projected financial performance of projects against feasibility reports.

We verified a sample of contracts with customers and assessed project costs to date, estimates of revenue and costs to complete. We also agreed a sample of costs incurred to invoice and/or payment, including testing whether they were allocated to the appropriate project. We also evaluated subsequent payments made after the reporting date to assess whether the costs were accrued in the correct reporting period.

We also evaluated the accounting principles for revenue recognition, which form the basis for the recognition of unbilled receivables. In addition, we evaluated the adequacy of the Group's disclosures regarding trade receivables and unbilled receivables on projects, the related risks such as credit risk and the aging of trade receivables as disclosed in note 12 of the consolidated financial statements.

We also inspected the governance around approval of project budgets and held discussions with management where significant variances against the approved budgets were noted.

In addition, we performed procedures to ensure that the revenue recognition criteria adopted by the Group is appropriate and is in line with Group's accounting policy.

Valuation of gross trade receivables and unbilled receivables (included in the contract assets)

As at 31 December 2021, the gross trade receivables and the gross unbilled receivables on projects amounted to AED 1,844 million and AED 3,587 million respectively, out of which, AED 1,740 million, and AED 3,060 million related to signed contracts while AED 104 million and AED 527 million related to unsigned/ verbal contracts. Such receivables are significant to the Group as these represent approximately 42% of the total assets. Hence, collectability of receivables is considered to be a key matter for the Group.

The provision for expected credit losses on trade and unbilled receivables from customers is considered to be a key matter of significance as it requires the application of judgement by management.

This involves judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money. The Group's disclosures are included in Note 3, Note 12 and Note 13 to the consolidated financial statements, which outlines the accounting policy for determining the provision for impairment.

How our audit addressed the area of focus

We performed detailed procedures on individually significant projects, such as, substantiating transactions with underlying documentation, including contracts and third party correspondence, to obtain evidence for the accuracy and collectability.

We examined the Group's assessment of the customers' financial circumstances and ability to repay the debt and considered the customers' historical payment habits along with other macroeconomic information.

We requested and assessed legal opinions in situations where the outcome of project results or the recoverability of (un)billed receivables was dependent on the outcome of legal proceedings or arbitration.

We gained an understanding of management's assessment of expected crdit losses and their assumptions applied such as historical loss rates, time value of money and evaluated whether the assumptions used in the assessment were reasonable.

Report on the Audit of the Consolidated Financial Statements continued

Key audit matters continued

Accounting for business acquisition and related purchase price allocation	***How our audit addressed the area of focus***
During 2020, shareholders of NMDC approved the acquisition of National Petroleum Construction Company with effect from 11 Feb 2021 (the "transaction"). The transaction has been accounted for as a reverse acquisition in accordance with IFRS 3 Business Combinations and management elected to use the acquisition method, whereby NPCC was determined to be the accounting acquirer of NMDC, and accordingly the comparative information presented in the consolidated financial statements is that of NPCC. We determined that the business combination accounting is a key audit matter due to the significant judgments applied by management in: - the determination of the accounting acquirer under the reverse acquisition; - the determination of the fair value, with involvement of management's expert, of the assets and liabilities acquired in the transaction; and - the identification and measurement of intangible assets and determination of the useful lives to be assigned to the identified intangible assets. A number of assumptions were made by management in the determination of the appropriate methodology, assumptions and valuation techniques. Refer to Note 4 to the consolidated financial statements, for further details of the transaction	As part of our audit procedures, we have: - assessed the design and implementation of controls over the accounting of the transaction; - assessed, with the involvement of our internal experts, whether management's assumptions in relation to the accounting for the transaction as a reverse acquisition are in accordance with the requirements of IFRS 3; - reviewed the sale and purchase agreement to assist us in forming a view of the accounting treatment of the acquisition; - assessed the completeness and accuracy of the asset and liability accounts included in the purchase price allocation; - evaluated, with the involvement of our internal experts, the methodologies and significant inputs used by the Group including the identification of intangible assets and the determination of the useful lives of the identified intangible assets; - assessed, with involvement of our internal experts, the fair value of a sample of the assets and liabilities acquired; - analysed the fair value adjustments recognized by management and evaluated whether the adjustments made were in accordance with the requirements of IFRS 3; - agreed the fair values of the assets and liabilities determined by management to the amounts presented in the consolidated financial statements.. - assessed the bargain purchase gain recognised by management and evaluated whether it was accounted for in accordance with the requirements of IFRS 3; - performed sensitivity analysis around the key assumptions used by management to ascertain the extent of change in those assumptions that either individually or collectively would be required for additional adjustments to fair values; and - assessed the related disclosures in Note 4 to the consolidated financial statements to determine if they were in compliance with IFRSs.

Other information

Other information consists of the information included in the Group's 2021 Annual Report and Board of Director's report, other than the consolidated financial statements and our auditors' report thereon. We obtained the Board of Directors' report, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2021 Annual Report after the date of our auditors' report. Management is responsible for the other information.

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

Report on the Audit of the Consolidated Financial Statements continued

Other information continued

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015 (as amended), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NATIONAL MARINE DREDGING COMPANY PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

Auditor's responsibilities for the audit of the consolidated financial statements continued

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NATIONAL MARINE DREDGING COMPANY PJSC continued

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015 (as amended), we report that for the year ended 31 December 2021:

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

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended), and the Company's Articles of Association;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of account and records of the Company;

v) investments in shares and stocks are included in note 8 and 9 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2021;

vi) note 26 reflects the disclosures relating to related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2021, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2021; and

viii) note 22 reflects the social contributions recorded during the year.

Signed by
Raed Ahmad
Partner
Ernst & Young
Registration No. 811

31 January 2022
Abu Dhabi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 AED '000	2020 AED '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**4,017,817**	2,752,080
Right-of-use assets	6	**308,849**	297,997
Goodwill	7	**5,057**	5,057
Investments in equity accounted investees	8	**55,850**	24,013
Deferred tax assets		**7,738**	-
Contract assets	13	**687,978**	-
Retentions receivable		**28,610**	-
Total non-current assets		**5,111,899**	3,079,147
Current assets			
Inventories	11	**343,161**	152,673
Trade and other receivables	12	**2,761,409**	2,261,773
Contract assets	13	**3,506,394**	1,395,528
Financial assets at fair value through profit or loss	9	**29,103**	-
Cash and bank balances	14	**1,165,323**	508,692
Total current assets		**7,805,390**	4,318,666
TOTAL ASSETS		**12,917,289**	7,397,813
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	**825,000**	575,000
Merger reserve	17	**765,000**	(475,000)
Other reserves	18	**143,184**	37,532
Retained earnings		**3,782,325**	2,955,161
Equity attributable to the shareholders of the Company		**5,515,509**	3,092,693
Non-controlling interests		**2,876**	2,746
Total equity		**5,518,385**	3,095,439
Non-current liabilities			
Provision for employees' end of service benefits	19	**392,061**	308,776
Long term borrowings	15	**1,326,569**	1,373,590
Long term lease liabilities	6	**306,486**	300,724
Total non-current liabilities		**2,025,116**	1,983,090
Current liabilities			
Trade and other payables	20	**4,690,840**	2,048,733
Short term borrowings	15	**676,225**	264,434
Short term lease liabilities	6	**6,723**	6,117
Total current liabilities		**5,373,788**	2,319,284
Total liabilities		**7,398,904**	4,302,374
TOTAL EQUITY AND LIABILITIES		**12,917,289**	7,397,813

To the best of of our knowledge, the financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of, and for, the periods presented in these condolidated financial statements.

Mohammed Thani Murshed Al Rumaithi CHAIRMAN	**Yasser Nasr Zaghloul** GROUP CHIEF EXECUTIVE OFFICER	**Sreemont Prasad Barua** GROUP CHIEF FINANCIAL OFFICER

The attached notes 1 to 32 form part of these consolidated financial statements.

National Marine Dredging Company PJSC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2021

	Notes	2021 AED '000	2020 AED '000
Revenue from contracts with customers	21	**7,888,762**	4,424,373
Contract costs		**(6,821,581)**	(4,203,768)
GROSS PROFIT		**1,067,181**	220,605
Share of net results of equity accounted investees	8	**8,864**	1,291
General and administrative expenses		**(204,669)**	(100,347)
Net finance costs	23	**(39,688)**	(46,408)
Foreign currency exchange gain		**21,964**	10,694
Fair value gain on financial assets at fair value through profit or loss		**1,265**	-
Other income, net	24	**145,122**	75,292
Profit before tax		**1,000,039**	161,127
Income tax credit (expense) on foreign operations	10	**2,520**	(54,135)
PROFIT FOR THE YEAR	22	**1,002,559**	106,992
PROFIT ATTRIBUTABLE TO:			
Shareholders of the Company		**1,002,404**	106,748
Non-controlling interests		**155**	244
PROFIT FOR THE YEAR		**1,002,559**	106,992
Basic and diluted earnings per share (in AED) attributable to equity holder of the Company	25	**1.26**	0.19

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Note	2021 AED '000	2020 AED '000
PROFIT FOR THE YEAR		**1,002,559**	106,992
Other comprehensive income (loss)			
Items that may be subsequently reclassified to the consolidated statement of profit or loss in subsequent periods:			
Fair value gain (loss) arising on hedging instruments during the year		**5,125**	(7,479)
Exchange differences arising on translation of foreign operations		**287**	(2,700)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**5,412**	(10,179)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,007,971**	96,813
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Shareholders of the Company		**1,007,816**	96,569
Non-controlling interests		**155**	244
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,007,971**	96,813

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share capital AED '000	Merger reserve AED '000	Other reserves AED '000	Retained earnings AED '000	Equity attributable to the shareholders of the Company AED '000	Non-controlling interests AED '000	Total equity AED '000
Balance at 1 January 2020	100,000	-	47,711	2,848,413	2,996,124	2,502	2,998,626
Profit for the year	-	-	-	106,748	106,748	244	106,992
Other comprehensive loss	-	-	(10,179)	-	(10,179)	-	(10,179)
Total comprehensive (loss) income for the year	-	-	(10,179)	106,748	96,569	244	96,813
Retroactive adjustment – acquisition (refer note 17)	475,000	(475,000)	-	-	-	-	-
Balance at 31 December 2020	575,000	(475,000)	37,532	2,955,161	3,092,693	2,746	3,095,439
Balance at 1 January 2021	575,000	(475,000)	37,532	2,955,161	3,092,693	2,746	3,095,439
Profit for the year	-	-	-	1,002,404	1,002,404	155	1,002,559
Other comprehensive income	-	-	5,412	-	5,412	-	5,412
Total comprehensive income for the year	-	-	5,412	1,002,404	1,007,816	155	1,007,971
Transfer of current year profit to legal reserve (note 18)	-	-	100,240	(100,240)	-	-	-
Acquisition of subsidiary (refer note 4)	250,000	1,240,000	-	-	1,490,000	-	1,490,000
Dividend payable	-	-	-	(75,000)	(75,000)	(25)	(75,025)
Balance at 31 December 2021	**825,000**	**765,000**	**143,184**	**3,782,325**	**5,515,509**	**2,876**	**5,518,385**

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Note	2021 AED '000	2020 AED '000
OPERATING ACTIVITIES			
Profit before tax		**1,000,039**	161,127
Adjustments for:			
Depreciation of property, plant and equipment	5	**438,569**	257,459
Depreciation of right-of-use assets	6	**13,358**	10,612
(Gain) loss on disposal of property, plant and equipment		**(13,695)**	105
Fair value gain on financial assets at fair value through profit or loss	9	**(1,265)**	-
Dividend income		**(371)**	-
Provision (reversal) for slow moving and obsolete inventories	11	**2,311**	(5,242)
Share of net results of equity accounted investees	8	**(8,864)**	(1,291)
Foreign exchange translation		**(13,956)**	-
Provision for expected credit losses		**108,568**	-
Provision for onerous contracts		**386,763**	-
Reversal of provision for liquidated damages	20.2	**(297,472)**	-
Gain on bargain purchase	4	**(49,708)**	-
Finance costs, net	23	**39,688**	46,408
Provision for employees' end of service benefits	19	**67,393**	35,821
		1,671,358	504,999
Income tax paid, net	10	**(37,870)**	(38,355)
Employees' end of service benefit paid	19	**(117,408)**	(60,612)
		1,516,080	406,032
Working capital changes:			
Change in inventories		**51,493**	30,875
Change in trade and other receivables		**766,560**	(648,824)
Change in contract assets		**(837,466)**	(84,097)
Change in trade and other payables		**117,725**	237,538
Net cash from (used in) operating activities		**1,614,392**	(58,476)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(178,612)**	(111,792)
Proceeds from disposal of property, plant and equipment		**9,877**	80
Overdraft assumed on acquisition of subsidiary, net	4	**(481,905)**	-
Dividend received		**1,836**	-
Interest received		**14,861**	-
Net cash used in investing activities		**(633,943)**	(111,712)
FINANCING ACTIVITIES			
Proceeds from term loans		**249,414**	1,836,349
Repayment of term loans and lease liabilities		**(818,552)**	(1,443,286)
Repayment of a shareholder loan		-	(293,816)
Dividends paid		**(75,369)**	-
Interest paid		**(42,435)**	(46,408)
Net cash (used in) from financing activities		**(686,942)**	52,839
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**293,507**	(117,349)
Cash and cash equivalents at 1 January		**508,692**	628,663
Foreign exchange translation adjustment		-	(2,622)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	**802,199**	508,692

The attached notes 1 to 32 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

1 GENERAL INFORMATION

National Marine Dredging Company ("NMDC" or the "Company") is a public shareholding company incorporated in the Emirate of Abu Dhabi. The Company was incorporated by Law No. (10) of 1979, as amended by Decree No. (3) and (9) of 1985 issued by His Highness Sheikh Khalifa Bin Zayed Al Nahyan, who was then the Deputy Ruler of the Emirate of Abu Dhabi. The registered address of the Company is P.O. Box 3649, Abu Dhabi, United Arab Emirates.

These consolidated financial statements include the financial performance and position of the Company and its subsidiaries, joint venture and branches (collectively referred to as the "Group"), details of which are set out below.

During 2020, the Company's shareholders accepted an offer from Abu Dhabi Development Holding Company ("ADQ") (an existing shareholder and an entity fully owned by the Government of Abu Dhabi) and other minority shareholders of National Petroleum Construction Company PJSC ("NPCC"), to acquire 100% of the shareholding of NPCC, in exchange for the issuance of 575,000,000 equity shares in the Company to ADQ and the other shareholders of NPCC. This transaction received regulatory approvals on 11 February 2021, and consequently, the Company's share capital stands increased to AED 825,000,000 from that date. As a result of this transaction, the Government of Abu Dhabi became the majority holder of the Company's shares. Subsequently, in May 2021, out of its total shareholding of 58.48% in the Company, ADQ transferred 44.2% of the equity shares to entities in the Alpha Dhabi Holding PJSC ("Alpha") group, a subsidiary of International Holding Company. With this transaction and along with its previous equity shareholding in the Company, Alpha group become the majority shareholder of the Company (also refer to notes 4 and 16).

The Company is primarily engaged in the execution of engineering, procurement and construction contracts, dredging contracts and associated land reclamation works in the territorial waters of the UAE, principally under the directives of the Government of Abu Dhabi (the "Government"). The Group also operates in other jurisdictions in the region including Bahrain, Egypt, Saudi Arabia and India through its subsidiaries, branches and joint operations.

Name	*Country of incorporation*	*Percentage holding 2021*	*2020*	*Principal activities*
Subsidiaries of NMDC				
National Petroleum Construction Company PJSC ("NPCC")	UAE	**100%**	-	Engineering Procurement and Construction
Emarat Europe Fast Building Technology System Factory L.L.C. (Emarat Europe)	UAE	**100%**	-	Manufacturing and supply of precast concrete
National Marine Dredging Company (Industrial)	UAE	**100%**	-	Manufacturing of steel pipes and steel pipe fittings and holding 1% investment in the Group's subsidiaries to comply with local regulations
ADEC Engineering Consultancy L.L.C.	UAE	**100%**	-	Consultancy services in the fields of civil, architectural, drilling and marine engineering along with related laboratory services
Abu Dhabi Marine Dredging Co S.P.C.	Bahrain	**100%**	-	Offshore reclamation contracts, services for fixing water installation for marine facilities and excavation contracts
National Marine and Infrastructure India Private Limited	India	**100%**	-	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction
Subsidiaries of NPCC				
National Petroleum Construction Co. (Saudi) LTD.	Saudi Arabia	**100%**	100%	Engineering Procurement and Construction
NPCC Engineering Limited	India	**100%**	100%	Engineering
ANEWA Engineering Pvt. Ltd.	India	**80%**	80%	Engineering

1 GENERAL INFORMATION continued

Name	Country of incorporation	Percentage holding 2021	2020	Principal activities
Branches of NMDC				
National Marine Dredging Company	Saudi Arabia	Branch	-	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction
National Marine Dredging Company	Egypt	Branch	-	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction
National Marine Dredging Company	Maldives	Branch	-	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction
National Marine Dredging Company	Abu Dhabi	Branch	-	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction
National Marine Dredging Company	Dubai	Branch	-	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction
Joint Venture of NMDC				
The Challenge Egyptian Emirates Marine Dredging Company	Egypt	**49%**	-	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction
Associate of NPCC				
Principia SAS	France	**33.33%**	33.33%	Engineering and consultancy
Joint Operations of NPCC				
Technip – NPCC-Satah Full Field		**50%**	50%	Engineering, Procurement and Construction
NPCC – Technip –UZ-750 (EPC-1)		**40%**	40%	Engineering, Procurement and Construction
NPCC – Technip UL -2		**50%**	50%	Engineering, Procurement and Construction
NPCC – Technip AGFA		**50%**	50%	Engineering, Procurement and Construction
NPCC – Technip JV – US GAS CAP FEED		**50%**	50%	Engineering, Procurement and Construction

2 BASIS OF PREPARATION AND CRITICAL ACCOUNTING JUDGEMENTS

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), applicable requirements of the UAE Federal Law No. (2) of 2015 (as amended). Federal Law by Decree No 32 of 2021, which repeals and replaces Federal Law No. 2 of 2015 (as amended) on Commercial Companies, was issued on 20 September 2021, and is effective from 2 January 2022. The Company is in the process of reviewing the new law and will apply the requirements thereof no later than one year from the date on which the new Decree Law came into effect.

These consolidated financial statements are presented in UAE Dirham (AED), which is the functional currency of the primary economic environment in which the Company operates. Each entity in the Group determines its own functional currency. All financial information presented in AED has been rounded to the nearest thousand except as otherwise stated.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and financial assets at fair value through profit or loss, that have been measured at fair value.

2 BASIS OF PREPARATION AND CRITICAL ACCOUNTING JUDGEMENTS continued

2.2 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

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

Generally, there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

2.3 New And Amended International Financial Reporting Standards (IFRS) and Interpretations

In 2021, the Group has applied the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 along with amendments with respect to Interest Rate Benchmark Reforms – Phase 2 issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2021. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements.

2 BASIS OF PREPARATION AND CRITICAL ACCOUNTING JUDGEMENTS continued

2.3 New And Amended International Financial Reporting Standards (IFRS) and Interpretations continued

Other than the above, there are no other significant IFRSs, amendments or interpretations that were effective for the first time for the financial year beginning on or after January 1, 2021.

The Group has not early adopted any new and revised IFRSs that have been issued but are not yet effective.

New standards and significant amendments to standards applicable to the Group:	Effective for annual periods beginning on or after
Amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements.	January 1, 2022
Amendments to IAS 16 'Property, Plant and Equipment' regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.	January 1, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022
Amendments to IAS 1 'Presentation of Financial Statements' to address classification of liabilities as current or non-current providing a more general approach based on the contractual arrangements in place at the reporting date.	January 1, 2023
IFRS 17 'Insurance Contracts' which requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 'Insurance Contracts' as of January 1, 2021.	January 1, 2023
Amendments to IFRS 17 'Insurance Contracts' to address concerns and implementation challenges that were identified after IFRS 17 was published in 2017.	January 1, 2023
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4). The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 'Insurance Contracts' from applying IFRS 9 'Financial Instruments', so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) which require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.	January 1, 2023
The amendments replace the definition of Accounting Estimates (Amendments to IAS 8) - 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". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	January 1, 2023
The IASB issued 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)' that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.	January 1, 2023

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

2 BASIS OF PREPARATION AND CRITICAL ACCOUNTING JUDGEMENTS continued

2.4 Critical accounting judgments and key sources of estimation uncertainty

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

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

Determining whether unsigned (verbal) agreements meet the definition of contract under IFRS 15:
Certain projects for the Government of Abu Dhabi, its departments or related parties, and for customers in Egypt, are executed on the basis of verbally agreed terms (including estimates of total project cost and timelines) in line with the Group's historical business practice. Management has determined such unsigned verbal agreements meet the definition of a 'contract with customer' under IFRS 15 on the basis of external legal opinions. Based on legal opinions, management considers such unsigned verbal agreements to meet the definition of a 'contract with customer' under IFRS 15 since the Group and the customer agree upon the essential elements of a contract and any other lawful conditions, though matters of detail are left to be agreed upon at a later date, and the contract is deemed to be made and binding even in the absence of agreement on these matter of detail. In addition, under Article 132 of the UAE Civil code and under the Supreme Administrative Court Ruling in Case no. 134 of 42 Judicial Year dated 22 July 1997 a contract can be oral or written and a contract can also result from acts which demonstrate the presence of mutual consent between the relevant parties.

Joint arrangement
For assessing joint control, the Group has considered the contractual agreement of sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. For the purpose of assessing whether a joint arrangement is a joint venture or joint operation, the Group has considered whether it has joint control on the rights to the net assets of the arrangements, in which case these are treated as joint ventures, or rights to the assets and obligations for the liabilities relating to the arrangement, in which case these are treated as joint operations.

The Group has concluded that the Group entity *"The Challenge Egyptian Emirates Marine Dredging Company"*, is a joint venture because each party has equal representation on the Board of Directors and unanimous consent of the Board of Directors is required for any resolution to be passed and the Group has rights to the net assets of the joint arrangement established by contractual agreement.

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

Contract revenue
Revenue from construction contracts is recognised in the consolidated statement of profit or loss when the outcome of the contract can be reliably estimated. The measurement of contract revenue is affected by a variety of uncertainties (including cost estimation and surveys of work performed) that depend on the outcome of future events.

2 BASIS OF PREPARATION AND CRITICAL ACCOUNTING JUDGEMENTS continued

2.4 Critical accounting judgments and key sources of estimation uncertainty continued

Estimates and assumptions continued
Contract revenue continued
As stated in note 3 to the consolidated financial statements, contract revenue is recognised in the consolidated statement of profit or loss on the basis of stage of completion of the contracts. The stage of completion can be measured by various methods. The management uses one of the following methods that measure reliably the actual work performed on the contract, depending on the nature of the contract:

- surveys of work performed; or
- the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

The above estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue recognised may increase or decrease from period to period.

COVID-19
The outbreak of novel coronavirus (COVID-19) continues to progress and evolve, causing disruption to business and economic activity. During the year, there has been macro economic uncertainty with regards to prices and demand for commodities. However, the scale and duration of these developments remain uncertain but could impact our earnings, cash flow and financial condition. The Group is monitoring the evolution of the COVID 19 pandemic and will continue to assess further impacts going forward

To alleviate the negative impact of the COVID-19 pandemic, the UAE Government, Central Bank and other independent jurisdictions and regulators have taken measures and issued directives to support businesses and the UAE economy at large, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity in the UAE.

The situation, including the government and public response to the challenges, continues to progress and rapidly evolve. Therefore, the extent and duration of the impact of these conditions remain uncertain and depend on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of approval of these consolidated financial statements. Notwithstanding this, these developments could impact the Group's future financial results, cash flows and financial position.

Contract variations and claims
Contract variations are recognised as revenues only to the extent that it is probable that they will result in revenue which can be reliably measured. This requires the exercise of estimating the value of variations based on management's prior experience, application of contract terms and the relationship with the customers.

Contract claims are recognised as revenue only when management believes that an advanced stage of negotiation has been reached and the revenue can be estimated with reasonable certainty. Management reviews the judgement related to these contract claims periodically and adjustments are made in the future periods, if assessments indicate that such adjustments are appropriate.

2 BASIS OF PREPARATION AND CRITICAL ACCOUNTING JUDGEMENTS continued

2.4 Critical accounting judgments and key sources of estimation uncertainty continued

Estimates and assumptions continued
Provision for expected credit losses on trade receivables
In measuring the expected credit loss allowance for financial assets measured at amortised cost, management uses the Expected Credit Loss (ECL) model and assumptions about future economic conditions and credit behaviour such as likelihood of customer defaulting. Management consider the following judgements and estimates:

- Development of ECL model, including formula and choice of inputs;
- Determining the criteria if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessments;
- The segmentation of financial assets when the ECL is assessed on a collective basis; and
- Determination of associations between macroeconomic scenarios and, economic inputs, and their effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGD); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into ECL models.

The Group recognises lifetime expected credit loss (ECL) for trade and retention receivables using the simplified approach (notes 12). As of 31 December 2021, the provision for expected credit losses on trade and retention receivables amounted to AED 56,362 thousand (31 December 2020: AED Nil).

Contract assets
Contract assets represent amounts relating to work performed which is yet to be billed to customers. Contract assets are measured by applying the minimum recoverable rates expected, to the actual quantities dredged or the related works performed. The contract assets expected to be realised after a period of one year from the reporting date are classified and presented as non-current. Significant judgments are involved in management's assessment of the amounts of revenue and contract assets recognised and the recoverability of these amounts. These judgments are reviewed as events occur and accordingly any changes thereon may have an impact on the amount of revenue recognised and contract assets in these consolidated financial statements.

The Group receives lump sum payments from certain clients in settlement of outstanding invoices and as advances for several projects. The allocation of proceeds against invoices and contract assets is determined based on management's judgment.

As of 31 December 2021, the provision for expected credit losses on contract assets amounted to AED 52,206 thousand (31 December 2020: AED Nil).

Useful life of property, plant and equipment
Management assigns useful lives and residual values to the items of property, plant and equipment based on the intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from the initial estimates.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and other limits on the use of the asset. The revision is based on the technical assessment carried by the Group's engineers.

2 BASIS OF PREPARATION AND CRITICAL ACCOUNTING JUDGEMENTS continued

2.4 Critical accounting judgments and key sources of estimation uncertainty continued

Estimates and assumptions continued
Useful life of property, plant and equipment continued
During the year, Management has reviewed the residual values and useful lives of the major items of property, plant and equipment and changed its estimate with respect to the useful life of certain items of Dredgers from 18 to 30 years effective 1 October 2021 and certain items of Barges, support vessels, plant, pipelines and vehicles included in property, plant and equipment, from 5 to 30 years to 8 to 40 years effective 1 January 2021. This change has been accounted for as a change in accounting estimate in accordance with the requirements of IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*. Accordingly, the effect of this change has been recognized prospectively in the consolidated statement of profit or loss. The effect of this change on the actual and expected depreciation expense was as follows:

	31 December 2021 AED '000	*31 December 2022 AED '000*	*31 December 2023 AED '000*	*31 December 2024 AED '000*	*31 December 2025* AED '000*
Decrease in depreciation expense due to change in the useful life of Dredgers, Barges, support vessels, plant, pipelines and vehicles	27,175	37,330	37,330	37,330	37,330

*Until the end of useful life

Allowance for slow moving and obsolete inventory
The Group reviews the underlying costs, ageing and movements of its inventories to assess losses due to any deterioration in the market and obsolescence on a regular basis. In determining whether an allowance should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is any future market for the product and the net realisable value for such product. Accordingly, management has determined that allowance for slow-moving and obsolete inventories at 31 December 2021 is AED 48,728 thousand (31 December 2020: AED 46,417 thousand).

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the higher of value-in-use or fair value less cost to sale of the cash-generating unit to which the goodwill has been allocated. The value-in-use calculation for goodwill requires the Group to calculate the net present value of the future cash flows for which certain assumptions are required, including management's expectations of:

- long term growth rates in cash flows;
- timing and quantum of future capital expenditure; and
- the selection of discount rates to reflect the risks involved.

Impairment of property, plant and equipment
The Group assesses for indicators of impairment of property, plant and equipment at each reporting period. In determining whether impairment losses should be recorded, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

2 BASIS OF PREPARATION AND CRITICAL ACCOUNTING JUDGEMENTS continued

2.4 Critical accounting judgments and key sources of estimation uncertainty continued

Estimates and assumptions continued
Uncertain tax positions
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long term nature and complexity of existing contractual agreements, differences may arise between the actual results and adjustments to tax income and expense already recorded. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Assessing the recoverability of deferred income tax assets requires the Group to make significant assumptions related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. As of 31 December 2021, the Group has recognised a balance of AED 7,738 thousand as a deferred tax asset (31 December 2020: AED Nil). The uncertain tax positions, for example tax disputes, have been accounted for by the applying the most likely amount. The most likely amount is the single most likely amount in a range of realistically possible options.

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or the amount initially recognized less (when appropriate) cumulative amortisation recognized in accordance with the requirements for revenue recognition.

Investments in associates and joint ventures (equity accounted investees)
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investments in associates and joint ventures (equity accounted investees) continued
The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint ventures included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of net results of equity accounted investees' in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in consolidated statement of profit or loss.

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

Revenue from contracts with customers
IFRS 15 establishes a five-step model that applies to revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The five steps are:

Step 1 Identify contract(s) with a customer;
Step 2 Identify performance obligations in the contract;
Step 3 Determine the transaction price;
Step 4 Allocate the transaction price to the performance obligations in the contract; and
Step 5 Recognise revenue when (or as) the Group satisfies a performance obligation.

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

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

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described above. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Contract revenue
Contract revenue comprises revenue from execution of contracts relating to lump-sum engineering, procurement and construction project services, dredging activities and associated land reclamation works. Lump-sum engineering, procurement and construction project execution services contracts contain distinct goods and services that are not distinct in the context of the contract. These are therefore combined into a single performance obligation.

The Group recognises revenue from its lump-sum engineering, procurement and construction project execution services contracts over time as the assets constructed are highly customized for the customers' needs with no alternative use and the Group has right to payment for performance completed to date.

National Marine Dredging Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue from contracts with customers continued
Contract revenue continued
Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, and incentive payments, to the extent that it is probable that they will result in revenue, they can be measured reliably and will be approved by the customers. Claims are recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount can be measured reliably. Contract revenue also includes revenue from securing the award of significant projects for dredging and reclamation works. These amounts are recognised when all significant service obligations arising from the related services have been discharged.

If the outcome of a contract can be estimated reliably, contract revenue is recognised in the consolidated statement of profit or loss in proportion to the stage of completion of the contract. Based on the method that most reliably measures the actual work performed on each contract, the stage of completion is determined either on the basis of surveys of work performed or in the proportion of the contract costs incurred for work performed to date as compared to the estimated total contract costs. Losses on contracts are assessed on an individual contract basis and a provision is recorded for the full amount of any anticipated losses, including losses relating to future work on a contract, in the period in which the loss is first foreseen.

In case of contracts, where revenue is recognised on the basis of surveys of work performed, revenue is measured by applying contractual rates, or the minimum recoverable rates expected, to the actual quantities dredged or the related works performed. Revenue is adjusted subsequently based on final customer approval if rates approved are different from those originally used.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable; and contract costs should be recognised as an expense in the period in which they are incurred.

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

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

For other contracts generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Cost to obtain and costs to fulfil a contract
The Group applied the practical expedient to immediately expense contract acquisition costs when the asset that would have resulted from capitalising such costs would have been amortised within one year or less. The Group does not incur any costs to obtain a contract and costs to fulfil a contract that are eligible for capitalisation.

Finance income
Finance income comprises interest income on bank deposits. Interest income is recognised as it accrues in the consolidated statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Finance costs
Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the consolidated statement of profit or loss using the effective interest method.

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

Other income
Sale of scrap
Income from the sale of scrap is recognized at the time customers take delivery and risk and rewards are transferred to customers as per agreed terms and conditions.

Dividend income
Dividend income is recognised in the consolidated statement of profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Insurance claim
Insurance claims is recognised in the consolidated statement of profit or loss on the date the Group receives the claim value.

Foreign currencies
Transactions in foreign currencies are translated to AED at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to AED at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between the amortised cost in AED at the beginning of the year, adjusted for effective interest and payments during the period and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are retranslated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to AED at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in the consolidated statement of profit or loss, except for the exchange differences arising on the retranslation of equity instruments at fair value through OCI and qualifying cash flow hedges to the extent the hedge is effective, which are recognised in other comprehensive income. Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into AED using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign currency translation reserves.

National Marine Dredging Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Taxation
Income tax (expense) / benefit comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

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

Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint venture to the extent that it is probable that they will not reverse in the foreseeable future.

In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Value added tax (VAT)
Expenses and assets are recognised net of the amount of VAT, except:

- When VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of VAT included

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment
Recognition and measurement
Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfer from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency for purchase of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs
The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. Vessel overhaul and dry-docking costs are capitalised as a separate component of dredgers when incurred. The costs of day to day servicing of property, plant and equipment are recognised in the consolidated statement of profit or loss as incurred.

Depreciation
Depreciation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Vessel overhaul and dry docking costs are depreciated over the period up to next dry-docking, which is generally four years. The estimated useful lives for other items of property, plant and equipment for the current and comparative years are as follows:

	Years
Building and base facilities	25
Dredgers	5 - 30
Barges, support vessels, plant, pipelines and vehicles	1 - 40
Office equipment and furniture	3 - 5

Depreciation methods, useful lives and residual values are reviewed at each financial year end, with the effect of any changes in estimate accounted for on a prospective basis.

During the year, the Group has made a reassessment of the estimated useful life of certain major items of property, plant and equipment (refer note 2.4).

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Capital work in progress
The Group capitalises all costs relating to the construction of tangible fixed assets as capital work-in-progress, up to the date of completion of the asset. Such costs are transferred from capital work-in-progress to the appropriate asset category upon completion, and are depreciated over their estimated useful economic lives from the date of such completion.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment continued
Derecognition
An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Insurance claim proceeds, if any, against an insured item of property, plant and equipment are recognised in “other income” in profit or loss.

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group’s CGUs to which the individual assets are allocated.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset’s or CGU’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit and loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Inventories
Inventories comprise stores and consumable spares and are measured at the lower of cost and net realisable value. The costs of inventories are based on the weighted average method, and include expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Provision for slow moving and obsolete inventories is established based on expected usage as assessed by management.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Leases
At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Group as a lessee
For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The relative stand-alone price of lease and non-lease components is determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

For determination of the lease term, the Company reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that:

a) is within the control of the Group; and
b) affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

At the commencement date, the Group recognises a right-of-use asset and a lease liability classified separately on the consolidated statement of financial position.

National Marine Dredging Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Leases continued
Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The 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 'Impairment of non-financial assets' policy.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short- term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Financial instruments
Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

a) Financial assets at amortised cost (debt instruments, cash and cash equivalents and trade receivables)
b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
d) Financial assets at fair value through profit or loss

The Group has the following financial assets:

Cash and cash equivalents
Cash and cash equivalents which include cash on hand, cash at banks, bank overdrafts and deposits held at call with banks with original maturities of three months or less, are classified as financial assets at amortised cost.

Financial assets at amortised cost (trade receivables, cash and bank balances and amounts due from related parties)
The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Cash and cash equivalents include cash on hand and deposits held with banks with original maturities of three months or less, net of overdraft balances.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the consolidated statement of profit or loss when the right of payment has been established.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued
Financial assets continued
Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost, lease receivables, trade receivables, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, 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 months 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 end of the reporting period or an actual default occurring

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 end of the reporting period 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. 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 30 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 i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) 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. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued
Financial assets continued
Impairment of financial assets continued
iii) Credit – impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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.

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

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

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

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group.
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

National Marine Dredging Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

Financial liabilities
Trade and other payables are classified as 'financial liabilities' and are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short term liabilities when the recognition of interest is immaterial.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

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

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

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

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Derivative financial instruments continued
Cash flow hedges
Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

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

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

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

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

Dividend
Dividend is recognised as a liability in the period in which the dividends are approved by the Company's shareholders and are recognised as distributions within equity.

Provisions
Provisions are recognised if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

The provisions are reviewed and adjusted at each reporting date, and if outflow is no longer probable, the provision is reversed to income.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Contingent liabilities
Unless the possibility of any outflow in settlement is remote, the Group discloses each class of contingent liability at the end of the reporting period and a brief description of the nature of the contingent liability. Where practicable, the Group discloses an estimate of its financial effect; an indication of the uncertainties relating to the amount or timing of any outflow; and the possibility of any reimbursement.

Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).

Segment information
The Group's operating segments information is in accordance with IFRS 8 Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker and used to allocate resources to the segments and to assess their performance.

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

National Marine Dredging Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Fair value measurement continued
The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in note 30.

4 ACQUISITION OF NATIONAL PETROLEUM CONSTRUCTION COMPANY PJSC

As stated in note 1, in 2020, the Company received and approved an offer from the shareholders of NPCC to transfer 100% of the shareholding of NPCC to NMDC (the "Transaction"). On 11 February 2021 (the "Acquisition Date") all regulatory approvals related to the Transaction were received, and the entire issued share capital of NPCC was transferred to NMDC in consideration for the issuance of a convertible instrument by NMDC to NPCC's shareholders on the Acquisition Date. This convertible instrument was converted upon issuance into 575,000,000 ordinary shares at a par value of AED 1 each representing 69.70% of the issued share capital of the post-merger combined entity.

In accordance with IFRS 3 *Business Combinations,* the Transaction is accounted for as a reverse acquisition with NPCC being deemed to be the Accounting Acquirer and NMDC deemed to be the Accounting Acquiree for accounting purposes. NPCC was determined to be the Accounting Acquirer based on the following facts and circumstances: (i) the transaction is effected by the way of an exchange of equity instruments (ii) as a result of this merger, ADQ, the majority shareholder of NPCC and 32% shareholder of NMDC immediately prior to the merger, holds a majority shareholding of 58.48% of the share capital of the Company, post-acquisition (iii) ADQ has the ability to elect the majority of the Board members of the Company; and (iv) NPCC's consolidated financial performance and position are greater than NMDC as indicated by the parameters in the following table:

		NPCC			***NMDC***	
AED'000	*2018*	*2019*	*2020*	*2018*	*2019*	*2020*
Revenue	5,341,014	6,064,094	4,424,373	1,532,069	2,810,733	3,776,232
Profit after tax	543,092	471,272	106,992	120,959	180,844	351,756
Total assets	6,994,340	6,961,691	7,397,813	4,741,391	5,766,705	7,231,363

4 ACQUISITION OF NATIONAL PETROLEUM CONSTRUCTION COMPANY PJSC continued

Based on the principles of reverse acquisition, (i) the information presented in these consolidated financial statements for the comparative period are those of the Accounting Acquirer; (ii) the share capital is adjusted to reflect the share capital of the Accounting Acquiree and therefore share capital presented in the consolidated statement of changes in equity is of NMDC (refer note 16) ; (iii) the assets acquired and liabilities assumed of NMDC are reported at their fair values as of the Acquisition Date; (iv) NMDC remains the continuing registrant and the reporting company (also referred as the Company as defined above); and (v) a merger reserve of AED 765,000 thousand has been created (refer note 17) and earnings per share for the comparative period has been adjusted (refer note 25).

Purchase consideration
In a business combination in which the acquirer and the acquiree (or its former owners) exchange only equity interests, the fair value of the acquiree's equity interests may be more reliably measurable than the fair value of the acquirer's equity interests. If so, the acquirer should determine the amount of goodwill by using the fair value of the acquiree's equity interests rather than the fair value of the equity interests transferred.

Since the transaction is deemed to be a reverse acquisition, purchase consideration would be an equivalent of the equity interests that would have had to be issued by NPCC to give NMDC shareholders the same proportionate shareholding. At the date of merger NPCC had 100,000,000 outstanding issued shares AED 1 each. It represented 69.7% of the value of the combined entity. NPCC, as the accounting acquirer, issued hypothetical shares to the shareholders of NMDC that represented 30.3% of the value of the combined entity. To this end, NPCC issued 43,478,261 hypothetical shares as the purchase consideration for the acquisition of NMDC. According to the deal, NMDC would issue 575,000,000 shares in exchange for 100,000,000 shares in NPCC, which implies that the exchange ratio is 5.75 NMDC shares for 1 NPCC share. The market price of NMDC shares on 10 February 2021 ("the Transaction Date") was AED 5.96 per share. Considering that the fair value of NPCC shares at the Transaction Date was AED 34.27 per share, consequently, the purchase consideration is considered to be AED 1,490,000 thousand.

The following table summarizes the acquisition date fair value of the consideration transferred:

Post-merger capital structure (from the perspective of NPCC - the accounting acquirer)	***Shares***	***% Ownership***
NPCC outstanding shares pre-transaction	100,000,000	69.7%
Shares to be issued to NMDC to achieve post-merger capital structure	43,478,261	30.3%
Post-merger capital structure (Reverse acquisition)	**143,478,261**	**100.0%**
Purchase consideration calculation		
Number of new shares NMDC will issue to obtain 100% of NPCC		575,000,000
Number of NPCC outstanding shares pre-transaction		100,000,000
Exchange ratio: number of NMDC shares per 1 NPCC share		5.75
NMDC quoted share price at the Transaction Date, AED		5.96
Fair Value of 1 share in NPCC at the Transaction Date, AED		34.27
Shares to be issued to NMDC to achieve post-merger capital structure		43,478,261
Consideration transferred for the reverse acquisition (43,478,261 new shares issued at AED 34.27 per share), AED'000		**1,490,000**

National Marine Dredging Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

4 ACQUISITION OF NATIONAL PETROLEUM CONSTRUCTION COMPANY PJSC continued

Identifiable assets acquired and liabilities assumed
The following table summarises the recognised fair values of assets acquired and liabilities assumed:

	AED'000
Assets	
Property, plant and equipment	**1,527,764**
Right-of-use assets	**24,210**
Investment in equity accounted investee	**24,438**
Financial assets at fair value through profit or loss	**27,838**
Inventories	**244,292**
Trade and other receivables	**1,345,312**
Contract assets	**2,400,347**
Deferred tax asset	**4,142**
Total assets	**5,598,343**
Liabilities	
Terms loans	**(566,897)**
Overdraft (net of cash and bank balance)	**(481,905)**
Lease liabilities	**(12,416)**
Employees end of service benefits	**(133,300)**
Trade and other payables	**(2,864,117)**
	(4,058,635)
Net assets acquired	**1,539,708**
Purchase consideration	**(1,490,000)**
Gain on bargain purchase (note 24)	**49,708**

Gain on bargain purchase
The acquisition resulted in a bargain purchase transaction because the fair value of the net assets acquired exceeded the purchase consideration. The bargain purchase gain of AED 49,708 is recognised and presented under "Other income, net" in the consolidated income statement.

Acquisition related costs
The Group has incurred acquisition-related costs amounting to AED 4,567 thousand.

Revenue and profit before tax contributed by the Accounting Acquiree
For the period from 11 February 2021 to 31 December 2021, the Accounting Acquiree contributed revenue of AED 3,946,235 thousand and net profit before tax of AED 835,506 thousand to the Group's results. If the Transaction had occurred on 1 January 2021, management estimates that consolidated pro-forma revenue would have been AED 8,247,827 thousand, and consolidated pro-forma net profit before tax for the year would have been AED 999,526 thousand.

Trade and retention receivables contributed by the Accounting Acquiree
On 11 February 2021 the acquired business includes trade and retention receivables with a fair value of AED 896,463 thousand and a gross contractual value of AED 1,100,820 thousand.

5 PROPERTY, PLANT AND EQUIPMENT

	Building and base facilities AED'000	*Dredgers AED'000*	*Barges support vessels, plant pipelines and vehicles AED'000*	*Office equipment and furniture AED'000*	*Capital work in progress AED'000*	*Total AED'000*
2021						
Cost:						
At 1 January 2021	537,705	-	5,791,855	113,017	18,526	6,461,103
Acquisition of a subsidiary (Note 4)	53,416	924,079	511,402	10,927	27,940	1,527,764
Additions	14,606	2,970	79,957	3,978	77,101	178,612
Transfers	4,261	44,538	9,652	63	(58,514)	-
Disposals	(57)	(31)	(51,401)	(182)	-	(51,671)
Exchange differences	-	-	-	(195)	-	(195)
At 31 December 2021	**609,931**	**971,556**	**6,341,465**	**127,608**	**65,053**	**8,115,613**
Accumulated depreciation:						
1 January 2021	356,564	-	3,262,292	90,167	-	3,709,023
Charge for the year	18,664	74,477	334,406	11,022	-	438,569
Disposals	-	-	(49,620)	(13)	-	(49,633)
Exchange differences	-	-	-	(163)	-	(163)
At 31 December 2021	**375,228**	**74,477**	**3,547,078**	**101,013**	**-**	**4,097,796**
Net carrying amount:						
At 31 December 2021	**234,703**	**897,079**	**2,794,387**	**26,595**	**65,053**	**4,017,817**
2020						
Cost:						
At 1 January 2020	533,668	-	5,357,175	103,311	366,929	6,361,083
Additions	19	-	36,826	7,520	67,427	111,792
Transfers	4,018	-	409,297	2,515	(415,830)	-
Disposals/write offs	-	-	(11,443)	(35)	-	(11,478)
Exchange differences	-	-	-	(294)	-	(294)
At 31 December 2020	537,705	-	5,791,855	113,017	18,526	6,461,103
Accumulated depreciation:						
1 January 2020	342,117	-	3,038,050	82,906	-	3,463,073
Charge for the year	14,447	-	235,507	7,505	-	257,459
Disposals/write offs	-	-	(11,265)	(28)	-	(11,293)
Exchange differences	-	-	-	(216)	-	(216)
At 31 December 2020	356,564	-	3,262,292	90,167	-	3,709,023
Net carrying amount:						
At 31 December 2020	181,141	-	2,529,563	22,850	18,526	2,752,080

National Marine Dredging Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

6 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	Right-of-use assets (land) AED'000	*Lease liabilities AED'000*
As at 1 January 2020	308,608	312,265
Depreciation expense	(10,612)	-
Other movement	1	-
Interest expense	-	11,862
Payments	-	(17,286)
As at 31 December 2020	297,997	306,841
As at 1 January 2021	**297,997**	**306,841**
Acquisition during the period (note 4)	**24,210**	**12,416**
Depreciation expense	**(13,358)**	**-**
Interest expense	**-**	**12,114**
Payments	**-**	**(18,162)**
As at 31 December 2021	**308,849**	**313,209**

Lease liabilities is disclosed in the consolidated statement of financial position as follows:

	2021 AED'000	*2020 AED'000*
Current liabilities	**6,723**	6,117
Non-current liabilities	**306,486**	300,724
Total	**313,209**	306,841

Following are the amounts recognised in the consolidated statement of profit or loss:

	2021 AED'000	*2020 AED'000*
Depreciation on right-of-use assets	**13,358**	10,612
Interest expense on lease liabilities	**12,114**	11,862

Maturity analysis of lease liabilities

	2021 AED'000	*2020 AED'000*
Less than 1 year	**6,723**	6,117
More than 1 year to 5 years	**39,339**	34,457
Later than 5 years	**267,147**	266,267
Total	**313,209**	306,841

7 GOODWILL

Acquisition of subsidiaries
In 2015, the Group acquired 80% stake in ANEWA Engineering Pvt LTD through one of its subsidiaries NPCC Engineering Limited, India.

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

	Total AED'000
Fair value of net assets acquired	12,749
Consideration paid	7,692
Goodwill on acquisition	5,057

8 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

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

	2021 AED'000	*2020 AED'000*
At 1 January	**24,013**	22,722
Acquisition during the year (note 4)	**24,438**	-
Dividend received during the year	**(1,465)**	-
Share of profit for the year	**8,864**	1,291
At 31 December	**55,850**	24,013

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

	2021 AED'000	*2020 AED'000*
Principia SAS	**23,806**	24,013
The Challenge Egyptian Emirates Marine Dredging Company	**32,044**	-
	55,850	24,013

8 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES continued

Summary financial information of the Group's equity accounted investees is set out below:

	2021 AED'000	*2020 AED'000*
Total assets	**542,315**	53,427
Total liabilities	**476,832**	28,256
Net assets	**65,483**	25,171
Group's share of net assets	**32,044**	8,390
Total revenue	**402,958**	55,501
Profit for the year	**17,872**	3,870
Group's share of net profit	**8,166**	1,291

The total assets, total liabilities and net assets under financial information of the equity accounted investees above exclude the balances related to an associate "Principia", as this information was unavailable.

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 AED'000	*2020 AED'000*
At 1 January	**-**	-
Acquisition during the period (note 4)	**27,838**	-
Change in fair value	**1,265**	-
At 31 December	**29,103**	-

The financial assets at fair value through profit or loss (FVTPL) at the end of reporting date are detailed below.

	2021 AED'000	*2020 AED'000*
Investment in quoted UAE equity securities	**29,103**	-

The fair value of the quoted UAE equity securities at the reporting date is based on the quoted market prices at 31 December 2021 as per Level 1 valuation.

10 TAXATION

The component of foreign income tax credit/(expense) are:

	2021 AED'000	2020 AED'000
Current tax:		
Current tax on profits for the year	**37,480**	54,135
Reversal of tax provisions created in prior years relating to Group's operation in India	**(40,000)**	-
Total current tax credit / expense	**(2,520)**	54,135
Deferred tax:		
Origination and reversal of temporary differences	**-**	-
Total deferred tax:	**-**	-
Income tax (credit) / expense	**(2,520)**	54,135

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

	2021 AED'000	2020 AED'000
Profit before income tax	**172,551**	161,127
Tax calculated at domestic tax rates applicable to profits in respective tax jurisdictions	**22%**	34%
Income tax expense (excludes prior years tax provision reversal)	**37,480**	54,135

Income tax charge
The tax rate used for reconciliation above are rates applicable to the profits in the respective foreign tax jurisdictions, mainly in Egypt, India and Saudi Arabia.

The movement in income tax payable is as follows:

	2021 AED'000	2020 AED'000
At 1 January	**86,606**	70,826
Assumed on acquisition	**15,265**	-
(Credit)/charge for the year	**(2,520)**	54,135
Refund received during the year	**1,020**	16,254
Movement in deferred tax asset	**3,596**	-
Exchange difference	**-**	-
Payments during the year	**(38,890)**	(54,609)
At 31 December	**65,077**	86,606

National Marine Dredging Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

10 TAXATION continued

Income tax charge continued
The movement in deferred tax assets is as follows:

	2021 AED'000	2020 AED'000
At 1 January	**-**	-
Acquired on acquisition (refer note 4)	**4,142**	-
Credited to profit or loss for the year	**(4,572)**	-
Other temporary and translation differences	**8,168**	-
At 31 December	**7,738**	-

11 INVENTORIES

	2021 AED'000	2020 AED'000
Spare parts, fuel and consumables	**391,889**	199,090
Less: allowance for slow moving and obsolete inventories	**(48,728)**	(46,417)
	343,161	152,673

During the year ended 31 December 2021, an additional amount of AED 2,311 thousand (2020: AED 5,242 thousand reversal of provision) was recognised against the allowance for slow moving and obsolete inventories.

	2021 AED'000	2020 AED'000
At 1 January	**46,417**	51,659
Charge (reversal) during the year	**2,311**	(5,242)
At 31 December	**48,728**	46,417

12 TRADE AND OTHER RECEIVABLES

	2021 AED'000	2020 AED'000
Trade receivables, net of allowance for expected credit loss	**1,787,619**	1,576,460
Retention receivables – current portion	**17,105**	1,107
Deposits and prepayments	**84,297**	144,328
Advances paid to suppliers	**480,003**	269,994
Derivative financial asset	**6,403**	7,174
VAT and GST receivables	**183,217**	62,060
VAT paid on behalf of a customer	**-**	115,489
Advances paid to employees	**31,674**	32,300
Other receivables	**171,091**	52,861
	2,761,409	2,261,773

12 TRADE AND OTHER RECEIVABLES continued

Receivables, net are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

At 31 December 2021, the Government of Abu Dhabi and its related entities are no longer considered related parties for the Group. Included in trade receivables is an amount of AED 374 million due from Government of Abu Dhabi and its related entities as at 31 December 2020, as disclosed in note 26 to the consolidated financial statements. Revenue generated from those related parties during the year ended 31 December 2020 amounting to AED 1,350 million.

Allowance for expected credit losses
The Group recognises lifetime expected credit loss (ECL) for trade receivables, retention receivables and contract assets (refer note 13) using the simplified approach. To determine the expected credit losses all debtors are classified into four categories:

- Category I – billed receivables and unbilled receivables from governments and related companies;
- Category II – private companies with low credit risk;
- Category III – private companies with high credit risk; and
- Category IV – debtors at default.

These are adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. Trade receivables are considered past due once they have passed their contracted due date. Management has not recognised an expected credit loss in respect of delays in recovery of receivables expected to be recovered in full in the future as these are expected to be recovered in the short term and therefore no discounting adjustment is required.

	2021 AED'000	*2020 AED'000*
Trade and retention receivables	**1,861,086**	1,577,567
Less: provision for expected credit losses	**(56,362)**	-
At 31 December	**1,804,724**	1,577,567

Ageing of trade and retention receivables
The ageing of non-impaired trade and retention receivables is as follows:

	2021 AED'000	*2020 AED'000*
Not past due	**1,077,095**	1,107
Past due (1 day-90 days)	**441,012**	1,435,780
Past due (91 days–180 days)	**38,480**	140,680
Past due (above 180 days)	**248,137**	-
	1,804,724	1,577,567

National Marine Dredging Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

12 TRADE AND OTHER RECEIVABLES continued

Movement in the provision for expected credit losses on trade and retention receivables is as follows:

	2021 AED'000	*2020 AED'000*
At 1 January	**-**	-
Charge during the year	**56,362**	-
At 31 December	**56,362**	-

13 CONTRACT ASSETS

	2021 AED'000	*2020 AED'000*
Non-current		
Construction contracts, net of allowance for expected credit losses and discounting (note 13.1)	**307,508**	-
Work in progress (note 13.3)	**380,470**	-
	687,978	-
Current		
Construction contracts, net of allowance for expected credit losses (note 13.2)	**3,220,401**	1,395,528
Work in progress (note 13.3)	**285,993**	-
	3,506,394	1,395,528

13.1 Construction contracts, net of allowance for expected credit loss and discount

This represents unbilled balances expected to be billed after a period of 12 months from the reporting date and accordingly classified and presented as non-current. The balance is presented net of allowance for expected credit losses and discount. The value of discount was AED 7,418 thousand recorded in the consolidated statement of profit or loss.

13.2 Construction contracts, net of allowance for expected credit losses

	2021 AED'000	*2020 AED'000*
Changes in contract assets during the year		
At 1 January	**1,395,528**	1,311,431
Add: Acquisition during the year	**1,595,194**	-
Add: Revenue recognised during the year (note 21.2)	**7,888,762**	4,424,373
Less: Movement in expected credit loss provision	**(52,206)**	**-**
Less: Discounting of non-current portion	**(7,418)**	-
Less: Progress billings	**(7,291,951)**	(4,340,276)
Total *(including non-current portion)*	**3,527,909**	1,395,528

13 CONTRACT ASSETS continued

13.2 Construction contracts, net of allowance for expected credit losses continued

Construction contracts, net of allowance for expected credit losses and discount, are analysed as follows:

	2021 AED'000	*2020 AED'000*
Unsigned contracts		
Government of Abu Dhabi and its related entities	**232,267**	-
Equity accounted investees	**248,440**	-
	480,707	-
Signed contracts		
Government of Abu Dhabi and its related entities	**1,520,150**	553,801
Equity accounted investees	**193,229**	-
Other entities	**1,333,823**	841,727
	3,047,202	1,395,528
	3,527,909	1,395,528

At 31 December 2021, the Government of Abu Dhabi and its related entities are no longer considered related parties for the Group. Included in contract assets is an amount of AED 377 million due from Abu Dhabi Government and its related entities as at 31 December 2020, as disclosed in note 26 to these consolidated financial statements.

Movement in the provision for expected credit losses on construction contracts (unbilled recievables) is as follows:

	2021 AED'000	*2020 AED'000*
At 1 January	**-**	-
Charge during the year	**52,206**	-
At 31 December	**52,206**	-

13.3 Work in progress

Work in progress represents costs incurred on certain elements of one of the Group's major projects, on which the Group is not contractually entitled to earn revenue until the various work packages are completed and handed over. While none of the work packages have been handed over upto 31 December 2021, commencing from the year 2022, a number of packages are scheduled to be completed and handed over, which will result in a winding down of the balance throughout the remaining contractual period. Work in progress is presented net of an onerous contract provision of AED 682 million recorded for the related project.

The work in progress balance on which revenue is expected to be earned post one year from the reporting date is classified and presented as non-current.

National Marine Dredging Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

14 CASH AND CASH EQUIVALENTS

	2021 AED'000	*2020 AED'000*
Cash in hand	**2,036**	867
Cash at banks:		
Current accounts	**803,527**	507,825
Short term deposits	**359,760**	-
Cash and bank balances	**1,165,323**	508,692
Less: bank overdraft *(note 15)*	**(363,124)**	-
Cash and cash equivalents	**802,199**	508,692

Short-term deposits have original maturities of three months or less. These deposits, and the bank overdraft facilities, carry interest at prevailing market interest rates.

15 BORROWINGS

	2021 AED'000	*2020 AED'000*
Long term borrowings		
Non-current portion of term loans	**1,326,569**	1,373,590
Long term borrowings	**1,326,569**	1,373,590
Short term borrowings		
Bank overdrafts *(note 14)*	**363,124**	-
Current portion of term loans	**313,101**	264,434
Short term borrowings	**676,225**	264,434

Term loans include:

A drawdown from a syndicated loan agreement amounting to USD 500 million carrying an effective interest rate of LIBOR + 0.90%. The total syndicated loan agreement consists of two portions; Conventional amounting to USD 167 million, and Islamic amounting to USD 333 million. In accordance with the terms of the agreement, the loan is repayable in quarterly installments which commenced from June 2020 and is expected to be fully repaid by February 2027. The loan is secured against mortgage of five (5) vessels.

EUR 65.67 million loan obtained in 2020 for financing the construction of a new Hopper Dredger with a 10 year tenor which carried an interest rate of EURIBOR +1.3%. The loan was repayable on a semi-annual basis commencing from February 2021 and was expected to be repaid by August 2030. This loan was fully repaid in December 2021, and refinanced by a new loan as stated below.

A term loan of AED 249 million obtained in December 2021, with a 5 years tenor which carries an interest rate of 1 month EIBOR + 1.15% per annum. The loan is repayable in quarterly installments commencing from March 2022 and is expected to be fully repaid by December 2026. This loan is secured against mortgage of a Hopper Dredger.

15 BORROWINGS continued

A short term loan amounting to AED 200 million with a total tenor of 12 months which carries an interest rate of 1 month EIBOR + 1.3% per annum. The loan is payable in twelve (12) monthly instalments which commenced from February 2021.

A short term loan of AED 75 million with a total tenor of 12 months which carries an interest rate of 6 months EIBOR + 1.25% per annum. The loan was payable in two (2) semi-annual installments which commenced from March 2021. This loan was fully repaid in September 2021.

The contractual repayment schedule of the term loans is as follows:

	2021 AED'000	*2020 AED'000*
Less than one year	**313,101**	264,434
1 to 3 years	**592,870**	528,869
3 to 5 years	**682,284**	528,869
5 years and above	**51,415**	315,852
At 31 December	**1,639,670**	1,638,024

Movement in the term loans:

	2021 AED'000	*2020 AED'000*
Balance at 1 January	**1,638,024**	1,239,537
Liabilities assumed on acquisition (note 4)	**566,897**	-
Loan obtained during the year	**249,414**	1,836,349
Foreign exchange fluctuation	**(14,275)**	-
Loan repayments	**(800,390)**	(1,437,862)
At 31 December	**1,639,670**	1,638,024

16 SHARE CAPITAL

	2021 AED'000	*2020 AED'000*
Authorised, issued and fully paid		
825,000,000 (31 December 2020: 575,000,000) ordinary shares of AED 1 each	**825,000**	575,000

As described in note 4 to these consolidated financial statements, the merger between NMDC and NPCC is recognised as reverse acquisition as per IFRS 3 *Business combination*. Accordingly, the share capital at 31 December 2020 is adjusted retroactively to reflect the number of shares (575,000,000 shares) issued to the shareholders of NPCC in the Company.

The Company's shareholders received 250,000,000 shares in the Company as purchase consideration and accordingly the issued share capital of the Company increased to 825,000,000 shares.

National Marine Dredging Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

17 MERGER RESERVE

In accordance with IFRS 3 and per the principles of reverse acquisition, the equity structure appearing in these consolidated financial statements reflects the capital structure (number of shares) of the Accounting Acquiree (NMDC), including the shares issued by NMDC to NPCC to effect the business combination (note 4). This results in the creation of a 'Merger reserve'. The Merger reserve of AED 765,000 thousand is calculated as the difference between:

(a) Sum of purchase consideration AED 1,490,000 thousand (note 4) and the share capital of NPCC prior to the merger of AED 100,000 thousand; and

(b) Post-merger share capital of the Company of AED 825,000 thousand (825,000,000 shares at par value of AED 1) as described in note 16.

The reteroactive adjustment of AED 475,000 thousand is the difference between the value of new shares, which NMDC issued to obtain 100% of NPCC and the value of NPCC outstanding shares pre merger.

18 OTHER RESERVES

	Legal reserve AED'000	*Restricted reserve AED'000*	*Hedging reserve AED'000*	*Foreign currency translation reserve AED'000*	*Total AED'000*
At 1 January 2020	50,000	1,291	3,118	(6,698)	47,711
Fair value loss on revaluation of hedging instruments	-	-	(7,479)	-	(7,479)
Cumulative translation adjustment on foreign operations	-	-	-	(2,700)	(2,700)
At 31 December 2020	50,000	1,291	(4,361)	(9,398)	37,532
At 1 January 2021	**50,000**	**1,291**	**(4,361)**	**(9,398)**	**37,532**
Transfer of 10% of current year profit	**100,240**	-	-	-	**100,240**
Fair value gain on revaluation of hedging instruments	**-**	**-**	**5,125**	**-**	**5,125**
Cumulative translation adjustment on foreign operations	**-**	**-**	**-**	**287**	**287**
At 31 December 2021	**150,240**	**1,291**	**764**	**(9,111)**	**143,184**

Legal reserve
In accordance with UAE Federal Law No. (2) of 2015, 10% of the annual profit of the Group is transferred to a non-distributable legal reserve. Transfers to this reserve are required to be made until such time as it equals 50% of the paid up share capital of the Company.

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

19 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2021 AED'000	2020 AED'000
At 1 January	**308,776**	333,567
Assumed on acquisition (note 4)	**133,300**	-
Charge for the year	**67,393**	35,821
Paid during the year	**(117,408)**	(60,612)
At 31 December	**392,061**	308,776

During the year, the Group has contributed a total amount of AED 28,827 thousand (2020: AED 23,083 thousand) towards the Abu Dhabi Pension and Retirement Benefits Fund.

20 TRADE AND OTHER PAYABLES

	2021 AED'000	2020 AED'000
Trade payables	**1,303,095**	445,063
Project and other accruals	**1,696,939**	1,016,363
Advances from customers (note 20.1)	**603,730**	208,317
Provisions (note 20.2)	**401,845**	170,602
Dividends payable (note 20.3)	**22,268**	-
Contract liabilities (note 20.4)	**135,276**	71,084
Retentions payable	**55,200**	7,926
Income tax payable (note 10)	**65,077**	86,606
Derivative financial liability	**5,639**	11,534
VAT payables	**176,161**	26,971
Other payables	**225,610**	4,267
	4,690,840	2,048,733

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. No interest is payable on the outstanding balances.

At 31 December 2021, the Government of Abu Dhabi and its related entities are no longer considered related parties for the Group. Included in trade and other payables (excluding contract liabilities) are amounts of AED 12.5 million due to Government of Abu Dhabi and its related entities as at 31 December 2020, as disclosed in note 26 to these consolidated financial statements.

20.1 ADVANCES FROM CUSTOMERS

These represent amounts received in advance from customers for certain projects which will be adjusted against future billing during the course of the projects as per contractual terms

20 TRADE AND OTHER PAYABLES continued

20.2 PROVISIONS

	2021 AED'000	2020 AED'000
Provision for liquidated damages (i)	**19,783**	-
Provision for Board remuneration and employee bonus	**101,740**	32,667
Provision for future losses	**88,695**	18,100
Provision for unused vacations	**58,693**	47,007
Provision for warranty	**25,891**	60,188
Other provisions	**107,043**	12,640
	401,845	170,602

During the year, the Group has reversed provisions for liquidated damages in connection with certain ongoing projects amounting to AED 297 million as these were assessed to be no longer required as at 31 December 2021.

20.3 DIVIDENDS PAYABLE

	2021 AED'000	2020 AED'000
At 1 January	-	-
Liabilities assumed on acquisition	**22,612**	-
Dividend approved for payment during the year	**75,000**	-
Payments during the year	**(75,344)**	-
	22,268	-

At the annual general meeting held on 28 March 2021, the Shareholders approved a dividend of AED 0.30 per share for the total amounting to AED 75,000 thousand for the year ended 31 December 2020.

20.4 CONTRACT LIABILITIES

	2021 AED'000	2020 AED'000
Contracts in progress at end of the reporting date		
Amount due to contract customers included in trade and other payables (note 20)	**135,276**	71,084

The above amount represents deferred revenue arising from construction contracts. These contracts have performance obligations (unsatisfied or partially unsatisfied) which is expected to be recognised as revenue over the remaining tenor of these contracts.

At 31 December 2021, the Government of Abu Dhabi and its related entities are no longer considered related parties for the Group. Included in contract liabilities are amounts of AED 13 million due to Government of Abu Dhabi and its related entities as at 31 December 2020, as disclosed in note 26 to these consolidated financial statements.

21 REVENUE FROM CONTRACTS WITH CUSTOMERS

21.1 REVENUE BY ACTIVITY

Year ended 31 December 2021

	UAE AED'000	***International AED'000***	***Group AED'000***
Dredging and reclamation	**1,300,094**	**568,462**	**1,868,556**
Marine construction	**1,816,373**	**-**	**1,816,373**
Other engineering, procurement and construction	**1,107,429**	**3,096,404**	**4,203,833**
Total	**4,223,896**	**3,664,866**	**7,888,762**

Year ended 31 December 2020	*UAE AED'000*	*International AED'000*	*Group AED'000*
Other engineering, procurement and construction	1,647,137	2,777,236	4,424,373
Total	1,647,137	2,777,236	4,424,373

21.2 TIMING OF REVENUE RECOGNITION

	2021 AED'000	*2020 AED'000*
Services transferred over time	**7,888,762**	4,424,373

21.3 OTHER INFORMATION

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

	Dredging & Reclamation AED'000	***Marine Construction AED'000***	***Other Engineering Procurement & Construction AED'000***	***Total AED'000***
Year ended 31 December 2021				
Customer 1	**-**	**-**	**2,569,467**	**2,569,467**
Customer 2	**102,164**	**1,155,152**	**774,125**	**2,031,441**
	102,164	**1,155,152**	**3,343,592**	**4,600,908**

	Dredging & Reclamation AED'000	*Marine Construction AED'000*	*Other Engineering Procurement & Construction AED'000*	*Total AED'000*
Year ended 31 December 2020				
Customer 1	-	-	2,472,481	2,472,481
Customer 2	-	-	1,478,453	1,478,453
	-	-	3,950,934	3,950,934

National Marine Dredging Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

21 REVENUE FROM CONTRACTS WITH CUSTOMERS continued

21.4 UNSATISFIED PERFORMANCE OBLIGATION

The transaction price allocated to (partially) unsatisfied performance obligations at 31 December 2021 and 31 December 2020 are as set out below:

	2021 AED'000	*2020 AED'000*
Within one year	**7,527,063**	3,252,000
More than one year	**11,650,259**	664,000
	19,177,322	3,916,000

22 PROFIT FOR THE YEAR

Profit for the year is stated after:

	2021 AED'000	*2020 AED'000*
Salaries and other benefits	**1,493,395**	1,118,884
Depreciation of property, plant and equipment	**438,569**	257,459
Social contributions	**7,295**	-
Recovery of long outstanding receivable **	**330,015**	-

**During the year, the Group entered into a final settlement for one of its projects whereby an amount of AED 330,015 thousand was agreed as full and final settlement for the project dues which were previously written off by the Group. As such, the recovery has been recorded in the consolidated statement of profit or loss under contract costs as a reduction of total contract costs.

23 NET FINANCE COSTS

	2021 AED'000	*2020 AED'000*
Finance costs		
Interest expense on bank overdraft and term loans	**(42,435)**	(34,546)
Interest expense on lease liabilities	**(12,114)**	(11,862)
	(54,549)	(46,408)
Finance income		
Interest income	**14,861**	-
	14,861	-
Net finance costs	**(39,688)**	(46,408)

23 NET FINANCE COSTS continued

Finance costs
Finance costs mainly include bank interest on overdraft facilities, term loans, lease liabilities and other bank transaction charges. Overdraft facilities carry interest at prevailing market rates.

Finance income
Finance income comprises income from short term deposits, which carry interest at variable market rates plus a spread.

24 OTHER INCOME (EXPENSE), NET

	2021 AED'000	*2020 AED'000*
Gain on bargain purchase (note 4)	**49,708**	-
Insurance claim	**22,591**	16,038
Income from scrap sales	**46,651**	44,899
Gain (loss) on sale of property, plant and equipment	**13,695**	(105)
Miscellaneous income	**12,477**	14,460
	145,122	75,292

25 EARNINGS PER SHARE

Basic earnings per share has been computed by dividing the profit for the year attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2021	*2020 (Restated)*
Profit attributable to the shareholders of the Company (AED'000)	**1,002,404**	106,748
Weighted average number of ordinary shares ('000)	**796,233**	575,000
Earnings per share attributable to the shareholders of the Company (AED)	**1.26**	0.19

In accordance with the requirements of IFRS 3, the basic earnings per share in these consolidated financial statements, following a reverse acquisition, for the comparative year have been restated. The basic earnings per share for the comparative year was calculated by dividing NPCC's profit attributable to ordinary shareholders for the comparative year by NPCC's historical weighted average number of ordinary shares that were outstanding, multiplied by the exchange ratio established by the business combination agreement.

Diluted earnings per share as of 31 December 2021 and 31 December 2020 are equivalent to basic earnings per share.

26 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include majority Shareholders, equity accounted investees, Directors and key management personnel, management entities engaged by the Group and those enterprises over which majority Shareholders, Directors, the Group or its affiliates can exercise significant influence, or which can exercise significant influence over the Group. In the ordinary course of business, the Group provides services to, and receives services from, such enterprises on terms agreed by management.

National Marine Dredging Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

26 RELATED PARTY TRANSACTIONS AND BALANCES continued

The Government of Abu Dhabi was not considered as a related party in view of the exemption from disclosure requirements set out in IFRS in relation to related party transactions and outstanding balances with a Government that has control or joint control of, or significant influence over the Group and an entity that is a related party of the same Government. The Group has applied exemptions related to Government entities and only disclosed certain information to meet the disclosure requirements as per IAS 24 Related Party Disclosures.

The Group in its normal of course of business and through arm's length transactions executes work for entities that are subject to ultimate control and joint control by Government of Abu Dhabi. As stated in note 1, ADQ has transferred its majority shareholding to Alpha as a result of which Government of Abu Dhabi is no longer a majority shareholder and hence is not a related party. Accordingly, related balances and transactions as disclosed in notes 12, 13 and 20 to these consolidated financial statements are for the comparative period only.

Balances with related parties included in the consolidated statement of financial position are as follows:

	2021 AED'000	*2020 AED'000*
Due from equity accounted investee for project related work:		
Trade and other receivables	**183,183**	-
Contract assets	**463,542**	-
Due from/to other related parties:		
Trade and other receivables	**66,800**	-
Contract assets	**194,136**	-
Trade and other payables	**70,842**	-
Bank balance	**857,236**	-
Borrowings	**495,402**	-

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	2021 AED'000	*2020 AED'000*
Other related parties		
Material and services purchased / received	**18,638**	42,643
Revenue earned	**920,561**	-
Interest income	**11,025**	-
Equity accounted investee		
Revenue earned	**545,849**	-
Shareholder		
Loan repaid	**-**	293,816

26 RELATED PARTY TRANSACTIONS AND BALANCES continued

Transactions with key management personnel
Compensation of key management personnel is as follows:

	2021 AED'000	*2020 AED'000*
Salaries and other short-term benefits	**7,979**	2,000
Employees' end of service benefits	**573**	-
	8,552	2,000

27 INTEREST IN JOINT OPERATIONS

The Group has share of assets, liabilities and results of operations for the following joint operations along with share percentage:

	2021	*2020*
Joint operations		
Technip – NPCC – Satah Full Field	**50%**	50%
NPCC – TECHNIP – UZ-750 (EPC-1)	**40%**	40%
NPCC – TECHNIP UL-2	**50%**	50%
NPCC – TECHNIP AGFA	**50%**	50%
NPCC - Technip JV - US GAS CAP Feed	**50%**	50%

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

	2021 AED'000	*2020 AED'000*
Total assets	**140,801**	203,069
Total liabilities	**27,804**	10,010
Net assets	**112,997**	193,059
Total revenue	**6,847**	128,317
Profit for the year	**45,368**	17,310

National Marine Dredging Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

28 CONTINGENCIES AND COMMITMENTS

	2021 AED'000	*2020 AED'000*
Bank guarantees	**7,264,399**	5,344,727
Letters of credit	**270,034**	38,597
Capital commitments	**41,293**	28,924
Purchase commitments	**1,672,312**	1,462,476

The above letters of credit and bank guarantees issued in the normal course of business.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk, equity risk and credit risk. The Group's management reviews and agrees policies for managing each of these risks which are summarised below.

Credit risk
The Group seeks to limit its credit risk with respect to customers by dealing with good reputation and financially sound customers and monitoring outstanding receivables. Its 5 largest customers account for 84% (2020: 97%) of outstanding accounts receivable at 31 December 2021. The maximum exposure is the carrying amount as disclosed in note 12 to the consolidated financial statements.

With respect to credit risk arising from the other financial assets of the Group, including cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group manages its credit risk with respect to banks by only dealing with reputable banks.

Liquidity risk
The Group seeks to limit its liquidity risk by ensuring bank facilities are available. As at 31 December 2021, the Group has AED 911,876 thousand (2020: AED 200,000 thousand) of un-utilised credit facilities from banks.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates:

	On demand AED '000	*Less than 1 year AED '000*	*1 to 5 years AED '000*	*More than 5 years AED '000*	*Total AED '000*
At 31 December 2021					
Trade and other payables	**-**	**2,254,895**	**-**	**-**	**2,254,895**
Lease liabilities	**-**	**6,723**	**39,339**	**267,147**	**313,209**
Bank overdrafts	**363,124**	**-**	**-**	**-**	**363,124**
Term loans	**-**	**337,955**	**1,340,337**	**51,757**	**1,730,049**
Total	**363,124**	**2,599,573**	**1,379,676**	**318,904**	**4,661,277**
At 31 December 2020					
Trade and other payables	-	752,969	-	-	752,969
Lease liabilities	-	6,117	34,457	266,267	306,841
Term loans	-	286,746	1,130,281	321,506	1,738,533
Total	-	1,045,832	1,164,738	587,773	2,798,343

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include bank deposits and equity investments.

Interest rate risk
The Group is mainly exposed to interest rate risk on bank overdrafts and term loans.

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

	Effect on profit/equity AED '000
2021	
+100 increase in basis points	**(20,028)**
-100 decrease in basis points	**20,028**
2020	
+100 increase in basis points	(16,380)
-100 decrease in basis points	16,380

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

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

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

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the end of the reporting year AED 686,758 thousand (2020: 819,012 thousand):

	USD'000	*AED'000*
2021		
Instrument I: outstanding receive floating pay fixed USD LIBOR 3M (0.8%)	**1,665**	**6,115**
2020		
Instrument I: outstanding receive floating pay fixed USD LIBOR 3M (0.9%)	(3,141)	(11,534)

National Marine Dredging Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Foreign currency risk
Foreign currency risk is the risk that financial instrument will fluctuate due to change in foreign exchange rates. Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures.

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

	2021		*2020*	
	Liabilities AED'000	***Assets AED'000***	*Liabilities AED'000*	*Assets AED'000*
Egyptian Pound	**520,735**	**1,377,874**	-	-
Euro	**56,851**	**1,453**	2,349	8,996
Saudi Riyal	**449,199**	**456,062**	-	-
	1,026,785	**1,835,389**	2,349	8,996

Based on the sensitivity analysis to a 5% increase/decrease in the AED against the relevant foreign currencies (assumed outstanding for the full year):

(a) there is AED 42,857 thousand (2020: Nil) net revaluation gain/ loss on the Egyptian Pound outstanding balances.

(b) there is AED 2,770 thousand (2020: AED 332 thousand) net revaluation gain/ loss on the Euro outstanding balances.

(c) there is AED 343 thousand (2020: Nil) net revaluation gain/ loss on the Saudi Riyal outstanding balances.

Equity price risk
The Group's listed equity securities are susceptible to market price arising from uncertainties about future values of the investment securities. The Group manages equity price risk through diversification and placing limits on individual and total equity investments. The Group's management reviews and approves all investment decisions.

The following demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible fair value changes in equity prices, with all variables held constant. The effect of the decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

Investments carried at fair value through profit or loss

2021	***AED'000***
5% change in variables	**1,455**
2020	*AED'000*
5% change in variables	-

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Forward foreign exchange contracts

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

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

	Foreign currency	*Notional amount AED'000*	*Fair value AED'000*	*Fair value changes AED'000*
2021				
Forward contract	**EUR**	**265,971**	**260,620**	**(5,351)**
2020				
Forward contract	USD	440,724	447,898	7,174

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020. Capital comprises share capital, reserves, retained earnings, and is measured at AED 5,515,509 thousand as at 31 December 2021 (2020: AED 3,092,693 thousand).

30 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurement recognized in the consolidated statement of financial position

The fair values of the Group's financial assets and liabilities as at 31 December 2021 and 31 December 2020 are not materially different from their carrying values at that reporting date.

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities which are measured at fair value as at 31 December 2021 and 31 December 2020:

	Fair value measurement			
	Total AED'000	*Quoted prices in active markets (Level 1) AED'000*	*Significant observable inputs (Level 2) AED'000*	*Significant unobservable inputs (Level 3) AED'000*
As at 31 December 2021				
Derivative financial asset	**6,403**	**-**	**6,403**	-
Derivative financial liability	**(5,639)**	**-**	**(5,639)**	-
Financial assets at fair value through profit or loss (FVTPL)	**29,103**	**29,103**	**-**	**-**
As at 31 December 2020				
Derivative financial asset	7,174	-	7,174	-
Derivative financial liability	(11,534)	-	(11,534)	-

31 SEGMENT INFORMATION

Geographical segment information

The Group has aggregated its geographical segments into UAE and International. UAE segment includes projects in the UAE, while International segment includes operations in Egypt, Kingdom of Saudi Arabia, Bahrain, India, Kuwait, Maldives and East Africa.

The following table shows the Group's geographical segment analysis:

	UAE AED'000	***International AED'000***	***31 December 2021 Group AED'000***
Segment revenue	**4,664,507**	**3,664,866**	**8,239,373**
Intersegment revenue	**-**	**-**	**(440,611)**
Revenue			**7,888,762**
Segment gross profit	**1,052,491**	**14,690**	**1,067,181**
Share of net results of equity accounted investees	**-**	**-**	**8,864**
General and administrative expenses	**-**	**-**	**(204,669)**
Foreign currency exchange gain	**-**	**-**	**21,964**
Fair value gain on financial assets at fair value through profit or loss	**-**	**-**	**1,265**
Net finance costs	**-**	**-**	**(39,688)**
Other income, net	**-**	**-**	**145,122**
Profit before tax for the year	**-**	**-**	**1,000,039**
Income tax credit on foreign operations	**-**	**-**	**2,520**
Profit after tax			**1,002,559**
Total assets	**9,706,721**	**3,210,568**	**12,917,289**
Total liabilities	**4,918,066**	**2,480,838**	**7,398,904**

	UAE AED'000	*International AED'000*	*31 December 2020 Group AED'000*
Segment revenue	1,647,137	2,777,236	4,424,373
Intersegment revenue	-	-	-
Revenue			4,424,373
Segment gross profit (loss)	429,666	(209,061)	220,605
Share of net results of equity accounted investees	-	-	1,291
General and administrative expenses	-	-	(100,347)
Foreign currency exchange gain	-	-	10,694
Net finance costs	-	-	(46,408)
Other income, net	-	-	75,292
Profit before tax for the year	-	-	161,127
Income tax expense on foreign operations			(54,135)
Profit after tax			106,992

	UAE AED'000	*International AED'000*	*Group AED'000*
Total assets	4,891,529	2,506,284	7,397,813
Total liabilities	2,117,009	2,185,365	4,302,374

32 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 27 January 2022.

شركة الجرافات البحرية الوطنية

NMDC