

ADNOC Logistics & Services PLC

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

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ADNOC Logistics & Services PLC

Directors' Report For the year ended 31 December 2023

The Directors have the pleasure of submitting their report, together with the audited consolidated financial statements of ADNOC Logistics & Services PLC for the year ended 31 December 2023.

Principal activities

The Company and its subsidiaries set out in Note 2.2 (collectively referred to as the "Group") are engaged in the business of providing freight and charter services for the transportation of petroleum products and crude oil on ocean going vessels owned or hired from third parties, the operation and maintenance of oil terminals, material handling, manpower and equipment supply, rental of stores, warehouses, office space and provision and the supply of chemicals and other on-shore oil and gas field services.

Results and appropriation of profits

Revenue for the year was USD 2,755,152 thousand (2022: USD 1,952,173 thousand) and the profit for the year was USD 620,159 thousand (2022: USD 260,793 thousand).

Retained earnings as at 31 December 2023 were USD 410,793 thousand (2022: USD 1,067,285 thousand).

In the meeting of the Board of Directors on 14 February 2024, it was proposed that a final cash dividend of USD 130,000 thousand is paid for 2023.

Statement of disclosure to auditors

The Directors of ADNOC Logistics & Services PLC certify that as far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

External auditors

A resolution to reappoint PricewaterhouseCoopers (PwC) auditors for the ensuing year will be put to the shareholders at the Annual General Meeting.

On behalf of the Board of Directors



Chairman



Independent auditor's report to the shareholders of ADNOC Logistics & Services PLC

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of ADNOC Logistics & Services PLC (the "Company") and its subsidiaries (together the "Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2023;
- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the applicable requirements of Abu Dhabi Accountability Authority ("ADAA") Chairman's Resolution No 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the Abu Dhabi Global Market ("ADGM"). We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.



Independent auditor's report to the shareholders of ADNOC Logistics & Services PLC (continued)

Report on the audit of the consolidated financial statements (continued)

Our audit approach

Overview

Key Audit Matters

- Impairment assessment for property, plant and equipment
-

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Independent auditor's report to the shareholders of ADNOC Logistics & Services PLC (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
<p>Impairment assessment for property, plant and equipment</p> <p><i>Refer to notes 3, 3.1 and 11 to the consolidated financial statements for disclosures of related accounting policies and balances</i></p> <p>The Group's consolidated statement of financial position as at 31 December 2023 includes a carrying value of USD 3.8 billion relating to property, plant and equipment, of which USD 3.5 billion relates to vessels and marine equipment. Management performs an annual impairment assessment of these assets by determining the recoverable amount of each cash generating unit (CGU) based on the higher of the value-in-use (VIU) and fair value less costs of disposal (FVL COD). Where the VIU approach was used, this was derived based on a discounted expected cash flow approach. These cash flows included areas where management makes significant judgements on certain key inputs, including the expected useful lives of the assets and discount rates. Where the FVL COD approach was used, management engaged with an external expert to obtain market valuations of the assets. The judgement involved relates to the valuation methodologies used and the assumptions used in the valuation models. We focused on this area because of the materiality to the financial statements and the significant level of judgement required in arriving at the key assumptions used in management's impairment assessment.</p>	<p>Our approach to addressing the matter, involved the following procedures, amongst others:</p> <p>For assessments based on VIU:</p> <ul style="list-style-type: none"> • updated our understanding of the methods used by management to perform its annual impairment assessment of the assets and assessed whether the methods applied were consistent with the prior year; • assessed the reasonableness of the discount rate used to discount the expected cash flows and evaluated those rates against our knowledge of the economic environment and the risk premium associated with the industry; • compared management's future cash flow forecasts used in the impairment assessment to those presented and approved by the Board of Directors as part of the annual business plan; • evaluated the accuracy of the forecasts made by comparing historical results, where available, and by comparing to the current year results of the entity; and • tested the mathematical accuracy of management's calculations. <p>For assessments based on FVL COD:</p> <ul style="list-style-type: none"> • obtained the valuation reports used by management to perform its annual impairment assessment; • evaluated the adequacy of the work of the valuers considering the appropriateness of the methodology, relevance and reasonableness of their conclusions and consistency with other audit evidence; • assessed the valuers qualifications, expertise and independence; • assessed the appropriateness of the valuation approach and reasonableness of the assumptions and held discussions with the Company's management.



Independent auditor's report to the shareholders of ADNOC Logistics & Services PLC (continued)

Report on the audit of the consolidated financial statements (continued)

Other information

The directors are responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of Law No. (1) of 2017 concerning the Financial System of the Government of Abu Dhabi and instructions issued by the Department of Finance pertaining to the preparation and implementation of the annual budget of Subject Entities, as amended, and applicable provisions of the relevant laws and regulations and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Independent auditor's report to the shareholders of ADNOC Logistics & Services PLC (continued)

Report on the audit of the consolidated financial statements (continued)

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 and the applicable requirements of ADAA Chairman's Resolution No 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs and the applicable requirements of ADAA Chairman's Resolution No 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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



Independent auditor's report to the shareholders of ADNOC Logistics & Services PLC (continued)

Report on the audit of the consolidated financial statements (continued)

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

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

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

Report on other legal and regulatory requirements

As required by the Abu Dhabi Global Market ("ADGM") Companies Regulations 2020, as amended, and the ADGM Companies Regulations (International Accounting Standards) Rules 2015, we report that:

- (i) the consolidated financial statements have been prepared, in all material respects, in accordance with the applicable requirements of the ADGM Companies Regulations 2020, as amended, and the ADGM Companies Regulations (International Accounting Standards) Rules 2015; and
- (ii) the information given in the Directors' report is consistent with the consolidated financial statements of the Group.

Further, as required by the ADAA Chairman's Resolution no 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities, we report, in connection with our audit of the financial statements for the year ended 31 December 2023, that nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the financial statements as at 31 December 2023:

- (i) Law No. (1) of 2017 concerning the Financial System of the Government of Abu Dhabi and instructions issued by the Department of Finance pertaining to the preparation and implementation of the annual budget of Subject Entities, as amended;
- (ii) its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023; and
- (iii) applicable provisions of the relevant laws, resolutions and circulars that have an impact on the Subject Entity's consolidated financial statements.

For and on behalf of PricewaterhouseCoopers Limited Partnership (ADGM Branch)
Nizar Jichi

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14 February 2024

ADNOC Logistics & Services PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

		2023	2022
	Notes	USD'000	USD'000
Revenues	4	2,755,152	1,952,173
Direct costs	5	<u>(2,003,225)</u>	<u>(1,543,025)</u>
Gross profit		751,927	409,148
General and administrative expenses	6	(146,436)	(105,604)
Provision for expected credit losses	17 & 24	(2,672)	(5,880)
Other expenses	7A	-	(3,792)
Other income	7B	<u>10,865</u>	<u>1,003</u>
Operating profit		613,684	294,875
Share of profit from joint venture	15	14,071	2,026
Finance income	9	9,785	3,717
Finance costs	10	<u>(15,098)</u>	<u>(38,475)</u>
Profit before tax for the year		622,442	262,143
Deferred tax credit	30	1,123	-
Current tax expense		<u>(3,406)</u>	<u>(1,350)</u>
Profit for the year		620,159	260,793
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Re-measurement gain on employee defined benefit obligation	22	<u>612</u>	<u>10,418</u>
Total comprehensive income for the year		<u>620,771</u>	<u>271,211</u>
Basic and diluted earnings per share	21	<u>0.08</u>	<u>0.26</u>


The attached notes on pages 13 to 66 form part of these consolidated financial statements.

ADNOC Logistics & Services PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 USD '000	2022 USD '000
ASSETS			
Non-current assets			
Property, plant and equipment	11	3,806,543	3,151,384
Right-of-use assets	12	148,146	67,208
Intangible assets	13	11,440	14,716
Investment properties	14	95,269	99,757
Investment in a joint venture	15	76,712	62,641
Goodwill	29	51,368	15,697
Trade and other receivables	17	38,884	124,252
Sub-lease receivables	12	29,201	15,474
Deferred tax asset	30	1,123	-
Total non-current assets		4,258,686	3,551,129
Current assets			
Inventories	16	120,720	105,570
Trade and other receivables	17	388,320	216,963
Due from related parties	24	742,847	465,954
Sub-lease receivables	12	19,386	3,911
Cash and cash equivalents	18	215,709	164,933
Total current assets		1,486,982	957,331
TOTAL ASSETS		5,745,668	4,508,460
EQUITY AND LIABILITIES			
Equity			
Share capital	19	3,995,189	272,294
General reserve	20	-	103,226
Retained earnings		410,793	1,067,285
Shareholder contribution	24	-	357,485
Total equity		4,405,982	1,800,290
Non-current liabilities			
Shareholder loan	24	100,000	1,900,000
Lease liabilities	12	145,241	69,269
Dismantling liabilities	12	1,873	1,727
Due to related parties	24	17,909	35,743
Other payables	29	-	69,490
Deferred tax liability	30	35,671	-
Employees' end of service benefits	22	32,631	31,464
Total non-current liabilities		333,325	2,107,693
Current liabilities			
Trade and other payables	23	708,927	462,899
Lease liabilities	12	44,313	9,768
Due to related parties	24	253,121	127,810
Total current liabilities		1,006,361	600,477
TOTAL LIABILITIES		1,339,686	2,708,170
TOTAL EQUITY AND LIABILITIES		5,745,668	4,508,460



H.E. Dr. Sultan Ahmed Al Jaber
Chairman of the Board



Abdulkareem Almessabi
Chief Executive Officer



Nicholas Gleeson
Chief Financial Officer

The attached notes on pages 13 to 66 form part of these consolidated financial statements.

ADNOC Logistics & Services PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	<i>Share capital USD'000</i>	<i>General reserve USD'000</i>	<i>Retained earnings USD'000</i>	<i>Shareholder contribution USD'000</i>	<i>Total USD'000</i>
Balance as at 1 January 2022	272,294	77,147	822,153	357,485	1,529,079
Profit for the year	-	-	260,793	-	260,793
Actuarial gain on defined benefit obligation (note 22)	-	-	10,418	-	10,418
Total comprehensive income for the year	-	-	271,211	-	271,211
Transfers to general reserve (note 20)	-	26,079	(26,079)	-	-
Balance as at 31 December 2022	272,294	103,226	1,067,285	357,485	1,800,290
Balance as at 1 January 2023	272,294	103,226	1,067,285	357,485	1,800,290
Shareholder contribution converted to share capital	357,485	-	-	(357,485)	-
Equitisation of loan from shareholder	-	-	-	1,900,000	1,900,000
Shareholder loan converted to share capital	1,900,000	-	-	(1,900,000)	-
Remaining consideration payable on acquisition of ZMI assumed by the shareholder	-	-	-	149,920	149,920
Impact of share capital issued on capital reorganisation	1,465,410	(103,226)	(1,212,264)	(149,920)	-
Dividend paid (note 19)	-	-	(64,999)	-	(64,999)
Profit for the year	-	-	620,159	-	620,159
Actuarial gain on defined benefit obligation (note 22)	-	-	612	-	612
Balance as at 31 December 2023	3,995,189	-	410,793	-	4,405,982

The attached notes on pages 13 to 66 form part of these consolidated financial statements.

ADNOC Logistics & Services PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

		2023	2022
	Notes	USD'000	USD'000
OPERATING ACTIVITIES			
Profit for the year		620,159	260,793
<i>Adjustments for:</i>			
Deferred tax credit		(1,123)	-
Current tax expense		<u>3,406</u>	<u>1,350</u>
Profit before tax		622,442	262,143
<i>Adjustments for:</i>			
Depreciation on property, plant and equipment	11	216,558	132,875
Write off of property, plant and equipment	11	-	428
Depreciation on investment properties	14	5,165	5,105
Depreciation on right-of-use assets	12	19,650	8,416
Profit on initial recognition of sub-lease receivables	12	(4,211)	(872)
Provision for dismantling expenses	12	146	117
Gain on disposal of right of use assets	12	-	(128)
Loss on disposal of subleases	12	-	2,380
Provision for slow moving and obsolete inventories	16	758	6,278
Amortisation of intangible assets	13	7,153	10,005
Gain on disposal of property, plant and equipment	7B	(1,955)	(3)
(Reversal of) / provision for expected credit losses on trade receivables, net	17	(1,616)	6,174
Provision for / (reversal of) expected credit losses on due from related parties	24	4,288	(294)
Provision for employees' end of service benefits	22	5,814	4,868
Share of profit from joint venture	15	(14,071)	(2,026)
Finance income	9	(9,785)	(3,717)
Finance costs	10	<u>15,098</u>	<u>38,475</u>
		865,434	470,224
<i>Working capital adjustments:</i>			
Inventories		(15,908)	(37,827)
Trade and other receivables		(103,895)	(27,888)
Due from related parties		(281,181)	(127,043)
Trade and other payables		245,227	83,520
Pension liabilities paid		(18,952)	(18,952)
Due to related parties		<u>119,400</u>	<u>(60,788)</u>
		810,125	281,246
Employees' end of service benefits paid	22	(4,311)	(7,148)
Receipt against sub-leases (finance leases)	12	18,132	7,273
Tax paid		(569)	-
Interest paid	10	<u>(729)</u>	<u>(7)</u>
Net cash generated from operating activities		<u>822,648</u>	<u>281,364</u>

The attached notes on pages 13 to 66 form part of these consolidated financial statements.

ADNOC Logistics & Services PLC

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2023

		2023	2022
	Notes	USD'000	USD'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(774,015)	(299,940)
Proceeds from disposals of property, plant and equipment and intangible assets		3,733	2,247
Investment in joint venture	15	-	(10,200)
Investment in a subsidiary, net of cash acquired	29	-	(1,278,414)
Advance paid towards remaining consideration	29	-	(62,146)
Capital expenses advances paid		-	(121,696)
Receipts from joint venture	15	-	22,385
Dividend received from joint venture	15	-	1,042
Interest received	9	<u>7,678</u>	<u>2,476</u>
Net cash used in investing activities		<u>(762,604)</u>	<u>(1,744,246)</u>
FINANCING ACTIVITIES			
Proceeds from shareholder loan	24	100,000	1,300,000
Interest paid on shareholder loan	24	(1,589)	(24,597)
Upfront fee paid on shareholder loan	24	(3,700)	-
Dividend paid	19	(64,999)	-
Payments of lease liabilities	12	<u>(38,980)</u>	<u>(16,035)</u>
Net cash (used in) / generated from financing activities		<u>(9,268)</u>	<u>1,259,368</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS			
		50,776	(203,514)
Cash and cash equivalents at beginning of the year		<u>164,933</u>	<u>368,447</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	18	<u>215,709</u>	<u>164,933</u>
Significant non-cash transactions excluded from the consolidated statement of cash flows are:			
Additions to right-of-use assets	12	100,588	45,014
Additions to sub lease receivables	12	41,016	7,487
Additions to lease liabilities	12	141,604	52,218
Shareholder loan converted to share capital		2,257,485	-
Remaining consideration payable on acquisition of ZMI assumed by the shareholder and converted to share capital		149,920	-
Total comprehensive income for the period 1 January to 31 March 2023 converted to share capital		144,929	-

The attached notes on pages 13 to 66 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

1 GENERAL INFORMATION

ADNOC Logistics & Services PLC (the “Company”) was incorporated on 19 April 2023 as a public company limited by shares, with registration number 000009847, pursuant to the Abu Dhabi Global Market (“ADGM”) (Amendment No. 1) Regulations 2020. The Company has been established for the purpose of serving as a holding company for the Abu Dhabi Marine Business and Services Company P.J.S.C. Group.

During the year, the shareholders approved the listing of the Company’s shares on the Abu Dhabi Securities Exchange, whereby 19% of its shares were offered in an Initial Public Offering (“IPO”). As of the reporting date, ADNOC held 81% of the issued share capital of the Group, while the remaining 19% is held by the general public.

The Company is controlled by Abu Dhabi National Oil Company (“ADNOC”).

During the period, a capital reorganisation took effect, which resulted in ADNOC Logistics & Services PLC becoming the parent entity of the previous Abu Dhabi Marine Business and Services Company P.J.S.C. Group. The consolidated ADNOC Logistics & Services PLC therefore represents a continuation of the business of the Group. Refer to Note 31 for details on the capital reorganisation of the Company.

The Company and its subsidiaries set out in Note 2.2 (collectively referred to as the “Group”) are engaged in the business of providing freight and charter services for the transportation of petroleum products and crude oil on ocean going vessels owned or hired from third parties, the operation and maintenance of oil terminals, material handling manpower and equipment supply, rental of stores, warehouses, office space and provision and the supply of chemicals and other on-shore oil and gas field services.

The registered office of the Company is Level 28, 28, Al Sarab Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, United Arab Emirates.

The consolidated financial statements of the Group were approved and authorised for issue by the Board of Directors and signed on their behalf on 14 February 2024.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS Accounting Standards as issued by the International Accounting Standard Board (IASB).

Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). Because the Company is incorporated under the ADGM, the financial information is required to be presented in USD.

Basis of measurement

The consolidated financial statements have been presented in United States Dollars (USD), which is the presentation currency of the Group as well as of the ultimate holding company. All values are rounded to the nearest thousand (USD’000), except where otherwise indicated.

ADNOC Logistics & Services PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed below:

	Country of incorporation	Percentage holding	
		31 December 2023	31 December 2022
<i>Direct subsidiaries</i>			
Abu Dhabi Marine Business and Services Company P.J.S.C	UAE	100%	100%
Abu Dhabi Marine Operations and Services Company LLC	UAE	100%	100%
Abu Dhabi Marine Assets Company LLC	UAE	100%	100%
Abu Dhabi Marine International Holdings RSC Limited	UAE	100%	100%
Zinc Holdco RSC Ltd	UAE	100%	100%
<i>Indirect subsidiaries</i>			
Al Gafai Marine Services Company LLC	UAE	100%	100%
Sirdal National Marine Services Company LLC	UAE	100%	100%
National Gas Carriers Company	Liberia	100%	100%
Abu Dhabi National Shipping Company BVI	British Virgin Islands	100%	100%
Abu Dhabi Marine International Chartering Holdings RSC Limited	UAE	100%	100%
Abu Dhabi Marine International Operations Holdings RSC Limited	UAE	100%	100%
Umm Al Lulu Marine Services – Sole Proprietorship LLC	UAE	100%	100%
Janana Marine Services – Sole Proprietorship LLC	UAE	100%	100%
Al Bazem Marine Services – Sole Proprietorship LLC	UAE	100%	100%
Al Samha Marine Services – Sole Proprietorship LLC	UAE	100%	100%
Al Sader Marine Services – Sole Proprietorship LLC	UAE	100%	100%
Al Reem I Marine Services – Sole Proprietorship LLC	UAE	100%	100%
Ghantout Marine Services – Sole Proprietorship LLC	UAE	100%	100%
Abu Dhabi III Shipping Company Inc	Liberia	100%	100%
Bani Yas Shipping Company Inc	Liberia	100%	100%
Mezaira'a Shipping Company Inc	Liberia	100%	100%
Arrilah I Shipping Company Inc	Liberia	100%	100%
Abu Al Abyad Shipping Company Inc	Liberia	100%	100%
Al Yasat II Shipping Company Inc	Liberia	100%	100%
Liwa V Shipping Company Inc	Liberia	100%	100%
Diyyinah I Shipping Company Inc	Liberia	100%	100%
Yamilah III Shipping Company Inc	Liberia	100%	100%
Butinah Shipping Company Inc	Liberia	100%	100%
Ras Ghumays I Shipping Company Inc	Liberia	100%	100%
Yas Shipping Company Inc	Liberia	100%	100%
Al Karama Shipping Company Inc	Liberia	100%	100%
HoldCo 1 Inc	Liberia	100%	100%
HoldCo 2 Inc	Liberia	100%	100%
Al Khtam Inc	Liberia	100%	100%
Al Ruwais Inc	Liberia	100%	100%
Tarif Inc	Liberia	100%	100%
Al Bateen Inc	Liberia	100%	100%
Al Falah Inc	Liberia	100%	100%
Al Khaznah Inc	Liberia	100%	100%
Shahamah Inc	Liberia	100%	100%
Ghasha Inc	Liberia	100%	100%
Ish Inc	Liberia	100%	100%
Umm Al Ashtan Limited	Liberia	100%	100%
Al Hamra Limited	Liberia	100%	100%
Mraweh Limited	Liberia	100%	100%
Hafeet Inc	Liberia	100%	100%
Habshan Inc	Liberia	100%	100%
Al Bahya Inc	Liberia	100%	100%

ADNOC Logistics & Services PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed below:

	Country of incorporation	Percentage holding 31 December 2023	31 December 2022
<i>Indirect subsidiaries</i> (continued)			
Mubaraz Limited	Liberia	100%	100%
Al Wathba Inc	Liberia	100%	100%
Al Dhafra Inc	Liberia	100%	100%
Das Inc	Liberia	100%	100%
Zakum Inc	Liberia	100%	100%
Hili Inc	Liberia	100%	100%
Arzanah Inc	Liberia	100%	100%
Al Jimi Inc	Liberia	100%	100%
Barakah Inc	Liberia	100%	100%
Jarnain Inc	Liberia	100%	100%
Newco 1 Inc	Liberia	100%	100%
Newco 2 Inc	Liberia	100%	100%
Newco 3 Inc	Liberia	100%	100%
Newco 4 Inc	Liberia	100%	100%
Newco 16 Inc	Liberia	100%	100%
Newco 18 Inc	Liberia	100%	100%
Newco 19 Inc	Liberia	100%	100%
Newco 20 Inc	Liberia	100%	100%
Newco 21 Inc	Liberia	100%	100%
Newco 22 Inc	Liberia	100%	100%
Newco 23 Inc	Liberia	100%	100%
Newco 24 Inc	Liberia	100%	100%
Newco 25 Inc	Liberia	100%	100%
Newco 26 Inc	Liberia	100%	100%
Newco 27 Inc	Liberia	100%	100%
Newco 28 Inc	Liberia	100%	100%
Newco 29 Inc	Liberia	100%	100%
Newco 30 Inc	Liberia	100%	100%
Newco 31 Inc	Liberia	100%	100%
Newco 32 Inc	Liberia	100%	100%
Newco 33 Inc	Liberia	100%	100%
Newco 34 Inc	Liberia	100%	100%
Newco 35 Inc	Liberia	100%	100%
ZMI Holdings	Cayman Islands	100%	100%
Zakher Marine International Inc	Panama	100%	100%
Zakher Marine International Inc. – Abu Dhabi Branch	UAE	100%	100%
QMS Holding Limited	British Virgin Islands	100%	100%
QMS 2 Offshore Services Ltd	Saint Vincent & Grenadines	100%	100%
QMS 2 Offshore Services Ltd. – Abu Dhabi Branch	UAE	100%	100%
QMS Petroleum Services Inc	Panama	100%	100%
MBBS Inc	Panama	100%	100%
Al Shahama Inc	Panama	100%	100%
Al Bahia Inc	Panama	100%	100%
Al Maryah Inc	Panama	100%	100%
QMS China Inc	Panama	100%	100%
QMS Achiever Inc	Panama	100%	100%
QMS Gladiator Inc	Panama	100%	100%
Petrodrill Inc	Panama	100%	100%
Subhiya Inc	Panama	100%	100%
QMS Gloria Inc	Panama	100%	100%
Bani Yas Inc	Panama	100%	100%

ADNOC Logistics & Services PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed below:

	Country of incorporation	Percentage holding 31 December 2023	31 December 2022
Indirect subsidiaries (continued)			
Nadiya Inc	Panama	100%	100%
Zakher Marine Saudi Company Limited	KSA	100%	100%
Premier Marine Services W.L.L	Qatar	100%	100%
Volo Travel and Tourism (Sole Proprietorship) L.L.C	UAE	100%	100%
Lexus Inc	Panama	100%	100%
QMS Offshore Industries L.L.C	UAE	100%	100%
QMS Neptune Inc	Panama	100%	100%
QMS Aquarius Inc	Panama	100%	100%
QMS Leo Inc	Panama	100%	100%
QMS Amora Inc	Panama	100%	100%
QMS Sentinel Inc	Panama	100%	100%
QMS Nouf Inc	Panama	100%	100%
QMS Amouage Inc	Panama	100%	100%
QMS Kinoa Inc	Panama	100%	-
QMS Pandan Inc	Panama	100%	-
QMS Pili Inc	Panama	100%	-
QMS Pesto Inc	Panama	100%	-
Pluto One Inc	Panama	100%	-
Pluto Two Inc	Panama	100%	-
QMS Turquoise Inc	Panama	100%	-
Joint venture			
AW Shipping Limited	UAE	50%	50%

The financial statements of the subsidiaries and these consolidated financial statements have the same calendar year and use consistent accounting policies for each year presented. All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated. Companies linked to one another by consolidation are integrated through the aggregation of accounts, in accordance with rules identical to those for full consolidation.

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the consolidated financial statements have been disclosed in Note 3.1.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date when control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

Subsidiaries (continued)

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on loss of control is recognised in the profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that the control is lost.

The Group applies the acquisition method to account for business combinations.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the profit or loss.

Any contingent consideration to be transferred by the Group are recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-group transactions, balances, income and expenses on transactions between subsidiaries are eliminated. Profits and losses resulting from inter-group transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in the consolidated statements of comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

Capital reorganisation

Business combination under common control

A business combination involving entities or businesses under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination and that control is not transitory.

Transactions giving rise to the transfer of interests in entities, which are under the common control of the Shareholders, are accounted for using the predecessor value method without restatement of comparative information. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the books of the transferor entity. The components of equity of the acquired entities are added to the same components within Group equity. Any difference between the consideration paid and capital of the acquiree is recognised directly in equity.

Transactions involving newly established entities that do not qualify as business combinations are accounted for as capital reorganisations. In its consolidated financial statements, the acquirer incorporates the assets and liabilities of the existing entity at their pre-combination carrying amounts without fair value uplift. The pre-combination book values reflect the carrying values in the books of the existing entity. The acquirer's consolidated financial statements include the acquired entity's full-year results (including comparatives), even though the business combination might have occurred part of the way through the year, or they incorporate the results from the date when the entity joined the group, where such a date is later.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.3.1 New and amended IFRS Accounting Standards applied with no material effect on the consolidated financial statements

The accounting policies adopted in the preparation of the consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, and the notes thereto, except for the addition of the accounting policy for capital reorganisations (business combinations under common control) disclosed in Note 2.2 above and the adoption of certain new and revised standards, that became effective in the current period, as set out below:

IFRS 17 Insurance Contracts (effective 1 January 2023)

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model whereby estimates are remeasured in each reporting period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (effective 1 January 2023)

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

Definition of Accounting Estimates – Amendments to IAS 8 (effective 1 January 2023)

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events including the current period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (effective 1 January 2023)

The amendments to IAS 12 Income Taxes require companies to recognise deferred taxes on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

Other than the above, there are no other material IFRS Accounting Standards or amendments that were effective for the first time for the financial year beginning on or after 1 January 2023.

The application of these amendments to IFRS Accounting Standards has not had any material impact on the amounts reported for the current period but may affect the accounting for the Group's future transactions or arrangements.

2.3.2 New and revised IFRS in issue but not yet effective and not early adopted

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

Non-current liabilities with covenants – Amendments to IAS 1 (effective 1 January 2024).

Amendments made to IAS 1 *Presentation of Financial Statements* in 2020 clarified that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant). The amendments also clarified what IAS 1 means when it refers to the 'settlement' of a liability.

The new amendments clarify that covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current, even if the covenant is only tested for compliance after the reporting date.

The amendments require disclosures if an entity classifies a liability as noncurrent and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.3.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

Lease liability in sale and leaseback – amendments to IFRS 16 (effective 1 January 2024)

The IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in *IFRS 16 Leases* which explain how an entity accounts for a sale and leaseback after the date of the transaction.

The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

Supplier finance arrangements – Amendments to IAS 7 and IFRS 7 (effective 1 January 2024)

The IASB has issued new disclosure requirements about supplier financing arrangements ('SFAs'), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by *IAS 7 Statement of Cash Flows* and *IFRS 7 Financial Instruments: Disclosures* falls short of meeting user information needs.

The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following:

The terms and conditions of SFAs

1. The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.
2. The carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers.
3. The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.
4. Non-cash changes in the carrying amounts of financial liabilities in (b).
5. Access to SFA facilities and concentration of liquidity risk with finance providers.

The IASB has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.

Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 (effective date not finalised)

The IASB has made limited scope amendments to *IFRS 10 Consolidated financial statements* and *IAS 28 Investments in associates and joint ventures*. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in *IFRS 3 Business Combinations*).

The Group is currently assessing the impact of these standards and amendments on the future consolidated financial statements of the Group, and intends to adopt these, if applicable, when they become effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICIES

IFRS 15 Revenue from Contracts with Customers

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

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

The Group 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 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.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group recognises revenue from the following major sources:

Freight/ Voyage charters:

Revenue in relation to freight/ voyage charters is recognised over time since the customer simultaneously receives and consumes the benefits of the Group's performance in providing integrated transportation services.

Vessel time charters:

Time charters contain a lease component (i.e., hire of the vessel) and service components (i.e., operation of the vessel and maintenance service etc.). Revenue from hire of vessel is recognised over the lease term and revenue from services is recognised over time. The transaction price is allocated to each performance obligation using an expected cost-plus margin approach.

Vessel bareboat charters:

Bareboat charters contain only a lease component (i.e., hire of the vessel) and does not contain service components (i.e., operation of the vessel and maintenance service etc.). Revenue from hire of vessel is recognised over the lease term.

Sale of goods:

Revenue from the sale of goods is recognised when control of the goods has transferred, being when the goods have been delivered to the customers. Revenue from sale of goods is recognised at a point of time. Sale of goods primarily include sale of drilling chemicals, bunkers, petrol and water.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICIES (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Rendering of services:

The Group provides port services, base operation services and oil field services to customers. Revenue is recognised over time since customers simultaneously receive and consume the benefits of the Group's performance in providing services under contractual terms.

Rental income:

The Group's policy for recognition of revenue from operating leases is described in the accounting policy on leasing below.

EPC (Engineering, procurement and construction contract revenue):

Revenue from EPC contracts is recognised in the consolidated statement of comprehensive income 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.

Contract revenue is recognised over time in the consolidated statement of comprehensive income based on the 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 is probable to be recovered. 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.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Depreciation is calculated using the straight-line method to allocate the assets' costs to their residual values over their estimated useful lives as follows:

	<i>Useful life</i>
Building, wharves and land improvements	7 - 25 years
Vessels (excluding dry docking component)	20 – 40 years
Dry docking components of vessel and marine equipment	2 - 5 years
Plant	20 years
Equipment and vehicles	4 - 10 years
Furniture, fixtures and office equipment	4 - 5 years

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

An item of property, plant and equipment and any significant part initially recognised, is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss as other income/(loss) when the asset is derecognised.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

Dry docking

Major dry docking is capitalised when incurred and is depreciated over the period until the next major dry dock which is normally 60 months.

Capital work in progress

Capital work in progress is included in property, plant and equipment at cost, on the basis of the percentage completed at the reporting date. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Group's policies when construction of the asset is completed and the asset is commissioned.

The costs of capital work in progress will be transferred to property, vessel and equipment when these assets reach their working condition for their intended use. The carrying amounts of capital work-in-progress are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying amounts exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Borrowing costs

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

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to the consolidated statement of profit or loss when the qualifying asset affects it. To the extent that fixed-rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are initially measured at cost, including transaction costs.

Depreciation on investment properties is calculated on a straight-line basis over the estimated useful life of 20 - 25 years.

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

The gain or loss arising on the disposal or retirement of investment properties is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement in the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICIES (continued)

Investment in a joint venture

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 unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint venture are accounted for using the equity method.

Under the equity method, the investment in 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 joint venture since the acquisition date.

The profit or loss reflects the Group's share of the results of operations of the 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 joint venture, the Group recognises its share of any changes, when applicable, in the 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 joint venture.

The aggregate of the Group's joint ventures and associates is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss and non-controlling interests in the subsidiaries of the joint venture.

The consolidated financial statements of the 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 joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the 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 joint venture and its carrying value, then recognises the loss as part of "Share of profit of a joint venture", and then recognises the loss in the 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 profit or loss.

Intangible assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICIES (continued)

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

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

Group as a lessor

The Group subleases certain assets including land and vessels under head leases with lease terms exceeding 12 months at commencement. The Group has classified the subleases as finance leases or operating leases by reference to the right-of-use asset arising from the head lease. The lease value is capitalised using discounted cash flows and a corresponding lease liability is recognised.

i) 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. Right-of-use assets are subject to impairment. 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 which is as follows:

	<i>Useful life</i>
Land – Main Mussafah base	19 years
Land – ZMI Mussafah base	30 years
Land – KIZAD	25 years
Vessels	1.5-5 years

ii) 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 in which the event or condition that triggers the payment occurs.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

ii) *Lease liabilities (continued)*

Vessel lease contracts

For the vessel lease contracts fulfilling the capitalization criteria defined by IFRS 16, the lease term corresponds to the duration of the contracts signed except in cases where the Group is reasonably certain of exercising the renewal options contractually foreseen. Vessel lease contracts concluded by the Group do not include guaranteed value clauses for leased assets.

Real-estate lease contracts

Based on its analysis, the Group has identified lease contracts according to IFRS 16 concerning surface areas rented in its base in Mussafah and lease contracts on office and other buildings.

The lease term corresponds to the non-cancellable period which is estimated to be the term until the Group's sublease contracts are effective. The discount rate used to calculate the lease liabilities is determined, for each asset, according to the incremental borrowing rate at the commencement date. The incremental borrowing rate is the rate that the lessee would pay to borrow the required funds to purchase the asset over a similar term, with a similar security and in a similar economic environment. This rate is achieved by the addition of the interest rate prevalent in the market (EIBOR) or interest rate on government bonds and the credit spread, as the case may be. The coupon on government bonds is specific to the location, currency, period and maturity. The definition of the spread curve is based upon reference points, each point consisting of asset financing on assets.

Types of non-capitalized lease contracts

The Group uses the two exemptions foreseen by the standard allowing for non-recognition in the statement of financial position: short-term lease contracts and lease contracts for which the underlying assets have a low value.

iii) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of property 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). Within the Group, short term property leases mainly relate to leases of:

- Land at operation sites with a reciprocal notice-period equal to or less than 12 months. There are no penalties associated with non-renewal in these leases;
- Office and warehouse space lease with a notice-period equal to or less than 12 months. There are no renewal rights that extend the lease beyond 12 months;
- Accommodations for expatriates with a notice period equal to or less than 12 months. There are no renewal rights that extend the lease beyond 12 months.

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 an expense on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value and are held for consumption in the vessels. Inventories consist of bunkers, lubes, raw materials, finished goods and spare parts. Cost of lubes, raw materials, finished goods and spare parts are determined using the weighted average method. Cost of fuel is determined based on the last purchase price. Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss.

Financial assets

Classification and measurement

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. With the exception of trade receivables that do not contain a significant financing component, 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. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

Debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), a mortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). The most relevant classification for the Group is the financial instruments carried at a mortised cost.

The Group measures financial assets at a mortised cost if both of the following conditions are met:

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

Financial assets at a mortised 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.

The Group's financial assets at a mortised cost primarily includes trade and other receivables, cash and cash equivalents, sublease receivables and due from related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables and due from related parties. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

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

The Group considers a financial asset in default when it is 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial instruments - recognition, de-recognition and offsetting

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument. All “regular way” purchases and sales of financial assets are recognised on the trade date (i.e. the date that the Group commits to purchase or sell the asset). Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (or where applicable a part of a financial asset or a part of group of financial assets) is de-recognised either when:

- (i) the rights to receive cash flows from the asset have expired;
- (ii) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass through’ arrangement; or
- (iii) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities

The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of borrowings, at fair value of the consideration received less directly attributable transaction costs and subsequently carried at amortised cost using the effective interest method.

The Group's financial liabilities include shareholder loan, due to related parties, trade and other payables and lease liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at banks, current accounts and bank deposits with original maturities of three months or less.

Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of receivable can be measured reliably.

Provisions for decommissioning and restoration costs, which arise principally in connection with lease of land and facilities, is estimated at current prices and in accordance with local conditions and requirements and an equivalent amount is included in the respective class of asset in property, plant and equipment and right-of-use asset. The present value is calculated using amounts discounted over the lease period. The liability is recognised (together with a corresponding amount as part of the related property, plant and equipment or right-of-use assets) once an obligation crystallizes in the period when a reasonable estimate can be made. The effects of changes resulting from revisions to the timing or the amount of the original estimate of the provision are reflected on a prospective basis, generally by adjustment to the carrying amount of the related property, plant and equipment and right-of-use asset. However, where there is no related asset, or the change reduces the carrying amount to nil, the effect, or the amount in excess of the reduction in the related asset to nil, is recognised in the profit or loss.

Taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty. Current tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICIES (continued)

Taxation (continued)

On 9 December 2022 UAE Federal Decree-Law no 47 of 2022 was published setting in place a general corporate income tax for the first time. The profit threshold of AED 375,000 (USD 102,110) at which the 9% tax will apply was set in place by Cabinet Decision No 116 of 2022 which was published on 16 January 2023 and at this point the tax law was considered enacted and substantively enacted for accounting purposes. While current taxes are not payable on profits generated before the Company's financial year commencing on 1 January 2024, the existence of an enacted tax law results in the need to immediately record deferred taxes on assets and liabilities where the carrying amount differs from the tax base.

Current income tax

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred tax

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred taxes are recorded on temporary differences arising after initial recognition of goodwill, including those arising on initial introduction of the tax law in the UAE. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICIES (continued)

Employees' end of service benefits

The Group operates an un-funded post-employment benefit plan (employees' end of service benefits) for its expatriate employees in the UAE, in accordance with the Company policy and UAE Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. Payment for employees' end of service benefits is made when an employee leaves, resigns or completes his service.

The cost of providing benefits under the post-employment benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to processing and marketing fees through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Interest is calculated by applying the discount rate to the defined benefit liability. The rate used to discount the end of service benefit obligation is determined by reference to market yields at the consolidated statement of financial position date on high quality corporate bonds. The current and non-current portions of the provision relating to employees' end of service benefits are separately disclosed in the consolidated statement of financial position.

The Group recognises the following changes in the employees' end of service benefits in the processing and marketing fees:

- Service costs comprising current service costs
- Interest expense

With respect to UAE national employees, contributions are made to Abu Dhabi Retirement Pensions and Benefits Fund, calculated in accordance with the Fund's regulations. With respect to GCC national employees, the contributions are made to the pension funds or agencies of their respective countries.

The provision relating to annual leave, leave passage and pension contribution is considered as a current liability, while that relating to end of service benefits is disclosed as a non-current liability.

Foreign currencies

Transactions in foreign currencies are recorded at the rate on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Value added tax ("VAT")

Expenses and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICIES (continued)

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

The principal or the most advantageous market must be accessible to 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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 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.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

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.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's top Management (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. The CODM assesses the financial performance and position of the operating segments and makes strategic decisions based on a measure of revenue and costs. Refer to Note 28 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICIES (continued)

3.1 MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

Measurement of ECL

The Group uses a provision matrix to calculate ECLs for trade receivables and to record IFRS 9 provisions thereon.

The provision matrix is initially based on the Group's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

For due from related parties' balances, probability of default (PD) is determined to be immaterial based on ADNOC's rating by Fitch as at 31 December 2023. Fitch Ratings has given ADNOC Group a standalone credit rating of AA+ and a long-term issuer default rating of AA with a stable outlook, in line with the sovereign rating of Abu Dhabi. However, on a conservative basis, the Group records provisions for expected credit losses on due from related parties based on ageing buckets.

Historical analysis of aging data:

Aging data from December 2019 to December 2023 has been used for this analysis. For the purpose of the historical analysis, management has defined 180 days past due as default. Furthermore, and in accordance with IFRS 9, Management has chosen to segment the customer base into third party and intercompany debtors.

The probability of default (PD) for the various age buckets has been calculated by assessing the flow rate of debit balances into subsequent age buckets, and ultimately into the default age bucket (according to the definition of default discussed above).

The loss given default (LGD) has been calculated by analysing the recovery / collections of defaulted balances.

Forward-looking macroeconomic factors:

IFRS 9 requires a forward-looking macroeconomic adjustment applied to the historical loss rate. To incorporate this element, the Group has identified the UAE's GDP of 3.9% to be the most relevant factor, and accordingly adjusts the historical loss rate based on expected changes in this factor.

The provision for expected credit losses on trade receivables has been calculated using a simplified approach, requiring the computation of lifetime expected credit losses. Refer to Note 17 for details.

At the consolidated statement of financial position date, gross trade receivables were USD 109,249 thousand (2022: USD 125,715 thousand), and the provision for expected credit losses was USD 7,302 thousand (2022: USD 8,918 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the profit or loss.

At the consolidated statement of financial position date, gross amount due from related parties were USD 747,335 thousand (2022: USD 466,154 thousand), and the provision for expected credit loss was USD 4,488 thousand (2022: USD 200 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICIES (continued)

3.1 MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives of property, plant and equipment and intangible assets 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.

This estimate is determined after considering the current usage of the asset compared to full utilisation capabilities of the asset and physical wear and tear, technical or commercial obsolescence and other limits on the use of the asset. Management reviews the residual value and useful lives annually and the future depreciation charge would be adjusted where management believes that the useful lives differ from previous estimates.

Impairment of property, plant and equipment

The Group determines whether property, plant and equipment are impaired when events or changes in circumstances indicate that the carrying amount may not be recoverable. If an indicator of impairment exists, the Group determines the value in use of the cash generating units, where an indicator has been identified. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating units and also choose a suitable discount rate in order to calculate the present value of those cash flows. Management did not identify any impairment indicators in the current or prior year for property, plant and equipment.

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

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset). On this basis the management has determined their best estimate of the lease term for each lease. The lease period determined will be reassessed at each reporting period.

Determining the lease classification – Group as lessor

The Group has entered into several lease arrangements in respect of land and vessels as a lessor. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term either constituting a major part of the economic life of the leased asset and the present value of the minimum lease payments either amounting to substantially all of the fair value of the leased asset, that either it retains substantially all the risks and rewards incidental to ownership of leased asset and accounts for the contracts as operating leases or finance leases accordingly.

Deferred income tax asset recognition

The recognised deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. This includes an assessment of the taxable temporary differences expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium-term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

ADNOC Logistics & Services PLC

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As at and for the year ended 31 December 2023

4 REVENUES

Disaggregation of revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines.

	Segments	2023 USD'000	2022 USD'000
Shipping- freight / voyage charter income	Shipping, Integrated Logistics & Marine Services	719,617	703,393
Base operation services	Integrated Logistics	526,792	343,271
Petroleum port operations	Integrated Logistics & Marine Services	200,306	183,768
Sales of bunkering fuel & water	Integrated Logistics	215,022	178,049
Offshore vessels charter income	Integrated Logistics & Marine Services	518,295	173,689
Operating lease income	Shipping, Integrated Logistics & Marine Services	208,037	158,883
Onshore services income	Integrated Logistics	109,256	95,877
Ship management income	Gas Carriers	57,084	69,562
EPC contracts income	Integrated Logistics	156,467	-
Drilling chemicals	Integrated Logistics	44,276	45,681
		<u>2,755,152</u>	<u>1,952,173</u>

Timing of revenue

Goods transferred at a point of time	Integrated Logistics	259,298	223,729
Operating lease income	Shipping, Integrated Logistics & Marine Services	208,037	158,883
Services rendered over time	Shipping, Integrated Logistics & Marine Services	2,287,817	1,569,561
		<u>2,755,152</u>	<u>1,952,173</u>

ADNOC Logistics & Services PLC

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5 DIRECT COSTS

	2023 USD'000	2022 USD'000
Bunker and other consumption	724,832	560,507
Manpower costs (note 8)	472,114	372,228
Freight and voyage charter costs	349,197	289,429
Port charges	73,872	64,472
Repairs and maintenance	66,818	41,776
Depreciation on property, plant and equipment (note 11)	213,018	132,602
Depreciation on right-of-use assets (note 12)	19,540	8,398
Amortization of intangibles (note 13)	579	1,785
Depreciation on investment properties (note 14)	5,165	5,105
Other operating costs	78,090	66,723
	<u>2,003,225</u>	<u>1,543,025</u>

6 GENERAL AND ADMINISTRATIVE EXPENSES

	2023 USD'000	2022 USD'000
Staff costs (note 8)	80,724	71,815
Office rent	3,400	2,160
Amortisation of intangible assets (note 13)	6,574	8,220
Consultancy fees	12,635	2,380
Depreciation on property, plant and equipment (note 11)	3,540	273
Depreciation on right-of-use assets (note 12)	110	18
Others*	39,453	20,738
	<u>146,436</u>	<u>105,604</u>

*Other costs above include auditors' remuneration as follows:

Audit of financial statements	723	669
Other assurance services	928	-
Non-assurance services required to be performed by the auditor according to applicable laws and regulations	379	136

7A OTHER EXPENSES

	2023 USD'000	2022 USD'000
Loss on reversal of sub leases	-	2,380
Demurrage and other	-	1,412
	<u>-</u>	<u>3,792</u>

7B OTHER INCOME

	2023 USD'000	2022 USD'000
Profit on initial recognition of sub-lease receivables	4,211	872
Gain on disposal of right of use assets	-	128
Gain on disposal of property, plant and equipment	1,955	3
Others	4,699	-
	<u>10,865</u>	<u>1,003</u>

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As at and for the year ended 31 December 2023

8 STAFF COSTS

	2023 USD'000	2022 USD'000
Salaries & benefits (direct hire and sub-contracted)	547,024	439,175
Employees' end of service benefits (note 22)	<u>5,814</u>	<u>4,868</u>
	<u>552,838</u>	<u>444,043</u>
<i>Analyzed as:</i>		
Direct costs	472,114	372,228
General and administrative expenses (note 6)	<u>80,724</u>	<u>71,815</u>
	<u>552,838</u>	<u>444,043</u>

The number of employees in the Group as at 31 December 2023 and 2022 is as follows:

Direct hire	2,129	2,223
Agency hire	<u>266</u>	<u>326</u>
	<u>2,395</u>	<u>2,549</u>

Staff costs also include cost of crew on vessels. The headcount of the crew on vessels and outsourced manpower are not included within the number of employees disclosed above.

9 FINANCE INCOME

	2023 USD'000	2022 USD'000
Interest income on sub-leases (finance leases) (note 12)	2,107	1,241
Interest income from ADNOC HQ (AGTS)	2,931	-
Interest income on deposits	<u>4,747</u>	<u>2,476</u>
	<u>9,785</u>	<u>3,717</u>

10 FINANCE COSTS

	2023 USD'000	2022 USD'000
Interest cost on shareholder loan (note 24)	-	31,308
Interest expense on lease liabilities (note 12)	7,893	4,685
Interest on pension cost	1,118	1,520
Interest cost as per IAS-19 (note 22)	1,473	955
Amortisation of upfront fee on shareholder loans (note 24)	1,231	-
Commitment fee on shareholder loan facilities (note 24)	2,654	-
Others	<u>729</u>	<u>7</u>
	<u>15,098</u>	<u>38,475</u>

ADNOC Logistics & Services PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

11 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings</i>	<i>Vessels and marine equipment</i>	<i>Plant</i>	<i>Equipment and vehicles</i>	<i>Furniture, fixtures and office equipment</i>	<i>Capital work in progress</i>	<i>Total</i>
	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>
2023							
<u>Cost:</u>							
At 1 January 2023	107,276	3,319,602	5,391	53,184	29,537	170,725	3,685,715
Additions	-	243,345	-	4,975	397	626,173	874,890
Disposals	-	(9,503)	-	(1,123)	(30)	-	(10,656)
Transfer to investment properties (note 14)	-	-	-	-	-	(677)	(677)
Transfer to intangible assets (note 13)	-	-	-	-	-	(3,886)	(3,886)
Transfer from capital work in progress	21,902	549,609	-	13,744	2,117	(587,372)	-
Adjustments	<u>-</u>	<u>3,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,160</u>
At 31 December 2023	<u>129,178</u>	<u>4,106,213</u>	<u>5,391</u>	<u>70,780</u>	<u>32,021</u>	<u>204,963</u>	<u>4,548,546</u>
<u>Accumulated depreciation:</u>							
At 1 January 2023	75,256	409,475	5,302	32,044	12,254	-	534,331
Charge for the year	4,242	200,811	18	6,922	4,565	-	216,558
Disposals	<u>-</u>	<u>(7,734)</u>	<u>-</u>	<u>(1,123)</u>	<u>(29)</u>	<u>-</u>	<u>(8,886)</u>
At 31 December 2023	<u>79,498</u>	<u>602,552</u>	<u>5,320</u>	<u>37,843</u>	<u>16,790</u>	<u>-</u>	<u>742,003</u>
<u>Net book value:</u>							
At 31 December 2023	<u>49,680</u>	<u>3,503,661</u>	<u>71</u>	<u>32,937</u>	<u>15,231</u>	<u>204,963</u>	<u>3,806,543</u>

ADNOC Logistics & Services PLC

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As at and for the year ended 31 December 2023

11 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings	Vessels and marine equipment	Plant	Equipment and vehicles	Furniture, fixtures and office equipment	Capital work in progress	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
2022							
Cost:							
At 1 January 2022	67,279	1,790,824	5,391	51,950	19,738	99,569	2,034,751
Additions on business acquisition	5,730	1,354,715	-	568	4,256	-	1,365,269
Additions	-	54,017	-	-	-	296,837	350,854
Disposals	-	(926)	-	-	(164)	-	(1,090)
Transfer to investment properties (note 14)	-	-	-	-	-	(85,906)	(85,906)
Transfer to intangible assets (note 13)	-	-	-	-	-	(6,802)	(6,802)
Transfer from capital work in progress	5,076	119,925	-	666	3,743	(129,410)	-
Transfer from investment properties & intangible assets (notes 13 and 14)	29,191	-	-	-	1,964	-	31,155
Adjustments	-	1,047	-	-	-	(3,135)	(2,088)
Write offs	-	-	-	-	-	(428)	(428)
At 31 December 2022	107,276	3,319,602	5,391	53,184	29,537	170,725	3,685,715
Accumulated depreciation:							
At 1 January 2022	53,769	287,149	5,283	27,370	8,750	-	382,321
Charge for the year	3,722	119,974	19	5,649	3,511	-	132,875
Disposals	-	(776)	-	-	(164)	-	(940)
Transfers	(1)	-	-	(1)	-	-	(2)
Transfer from investment properties (note 14)	17,879	-	-	-	-	-	17,879
Transfer from intangible assets (note 13)	-	-	-	-	472	-	472
Adjustments	(113)	3,128	-	(974)	(315)	-	1,726
At 31 December 2022	75,256	409,475	5,302	32,044	12,254	-	534,331
Net book value:							
At 31 December 2022	32,020	2,910,127	89	21,140	17,283	170,725	3,151,384

As at 31 December 2023, capital work in progress includes both vessels and projects under construction. During construction, projects are recorded under capital work in progress and then transferred to the respective asset classes including investment properties and intangible assets. In 2022, transfers were made from investment properties to buildings on account of change in the intended use of the property.

Capital work in progress additions include interest incurred during the construction of the vessels capitalized amounting to USD 2,419 thousand (31 December 2022: USD nil).

Depreciation has been allocated in the consolidated statement of comprehensive income as follows:

	2023 USD'000	2022 USD'000
Direct costs (note 5)	213,018	132,602
General and administrative expenses (note 6)	3,540	273
	216,558	132,875

ADNOC Logistics & Services PLC

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12 RIGHT-OF-USE ASSETS, SUB-LEASE RECEIVABLES & LEASE LIABILITIES

Set out below, are the carrying amounts of the Group's right-of-use assets, sub-lease receivables and lease liabilities and the movements during the period:

A. In respect of head-lease:

<i>USD'000</i>	<i>Land right -of-use asset</i>	<i>Vessels right -of-use asset</i>	<i>Total</i>
As at 1 January 2023	54,429	12,779	67,208
Additions	-	100,588	100,588
Depreciation expense	<u>(2,987)</u>	<u>(16,663)</u>	<u>(19,650)</u>
As at 31 December 2023	<u>51,442</u>	<u>96,704</u>	<u>148,146</u>
As at 1 January 2022	29,539	7,043	36,582
Additions	27,786	17,228	45,014
Disposals	-	(5,972)	(5,972)
Depreciation expense	<u>(2,896)</u>	<u>(5,520)</u>	<u>(8,416)</u>
As at 31 December 2022	<u>54,429</u>	<u>12,779</u>	<u>67,208</u>
<i>USD'000</i>	<i>Land lease liability</i>	<i>Vessels lease liability</i>	<i>Total</i>
As at 1 January 2023	57,284	12,898	70,182
Additions	-	100,588	100,588
Interest expense (note 10)	3,799	2,775	6,574
Payments	<u>(5,439)</u>	<u>(18,262)</u>	<u>(23,701)</u>
As at 31 December 2023	<u>55,644</u>	<u>97,999</u>	<u>153,643</u>
As at 1 January 2022	31,222	7,146	38,368
Additions	27,503	17,228	44,731
Gain on disposals	-	(128)	(128)
Disposals	-	(5,971)	(5,971)
Interest expense (note 10)	3,833	404	4,237
Payments	<u>(5,274)</u>	<u>(5,781)</u>	<u>(11,055)</u>
As at 31 December 2022	<u>57,284</u>	<u>12,898</u>	<u>70,182</u>

ADNOC Logistics & Services PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

12 RIGHT-OF-USE ASSETS, SUB-LEASE RECEIVABLES & LEASE LIABILITIES (continued)

	<i>Land lease</i>	<i>Vessels lease</i>	
B. In respect of sub-lease:			
<i>USD'000</i>	<i>Land sub-lease receivables</i>	<i>Vessels sub-lease receivables</i>	<i>Total</i>
As at 1 January 2023	12,622	6,763	19,385
Additions	-	41,016	41,016
Profit on initial recognition of sub-leases	-	4,211	4,211
Interest income	843	1,264	2,107
Payments received	<u>(1,443)</u>	<u>(16,689)</u>	<u>(18,132)</u>
As at 31 December 2023	<u>12,022</u>	<u>36,565</u>	<u>48,587</u>
As at 1 January 2022	13,182	13,065	26,247
Additions	-	7,487	7,487
Disposals	-	(6,809)	(6,809)
Loss on reversals	-	(2,380)	(2,380)
Profit on initial recognition of sub-leases	-	872	872
Interest income	884	357	1,241
Payments received	<u>(1,443)</u>	<u>(5,830)</u>	<u>(7,273)</u>
As at 31 December 2022	<u>12,623</u>	<u>6,762</u>	<u>19,385</u>
<i>USD'000</i>	<i>Land sub-lease liability</i>	<i>Vessels sub-lease liability</i>	<i>Total</i>
As at 1 January 2023	2,465	6,390	8,855
Additions	-	41,016	41,016
Interest expense (note 10)	160	1,159	1,319
Payments	<u>(277)</u>	<u>(15,002)</u>	<u>(15,279)</u>
As at 31 December 2023	<u>2,348</u>	<u>33,563</u>	<u>35,911</u>
As at 1 January 2022	2,575	10,133	12,708
Additions	-	7,487	7,487
Disposals	-	(6,808)	(6,808)
Interest expense (note 10)	167	281	448
Payments	<u>(277)</u>	<u>(4,703)</u>	<u>(4,980)</u>
As at 31 December 2022	<u>2,465</u>	<u>6,390</u>	<u>8,855</u>

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12 RIGHT-OF-USE ASSETS, SUB-LEASE RECEIVABLES & LEASE LIABILITIES (continued)

B. In respect of sub-lease (continued):

Sub-lease receivables are analysed in the consolidated statement of financial position as follows:

	2023 USD'000	2022 USD'000
Current portion	19,386	3,911
Non-current portion	<u>29,201</u>	<u>15,474</u>
	<u>48,587</u>	<u>19,385</u>

Sub-lease receivables as of 31 December can be further analysed as follows:

	Current portion	Non- current portion	Total	Non- current 1-5 years	Non- current 5 years & above
31 December 2023					
National Gas Shipping Company Holding Ltd	16,661	16,452	33,113	16,452	-
ADNOC Offshore	<u>2,083</u>	<u>1,369</u>	<u>3,452</u>	<u>1,369</u>	-
Total related party balances	18,744	17,821	36,565	17,821	-
Third parties	<u>642</u>	<u>11,380</u>	<u>12,022</u>	<u>3,721</u>	<u>7,659</u>
Total	<u>19,386</u>	<u>29,201</u>	<u>48,587</u>	<u>21,542</u>	<u>7,659</u>

	Current portion	Non- current portion	Total	Non- current 1-5 years	Non- current 5 years & above
31 December 2022					
ADNOC Offshore	<u>3,311</u>	<u>3,452</u>	<u>6,763</u>	<u>3,452</u>	-
Total related party balances	3,311	3,452	6,763	3,452	-
Third parties	<u>600</u>	<u>12,022</u>	<u>12,622</u>	<u>2,770</u>	<u>9,253</u>
Total	<u>3,911</u>	<u>15,474</u>	<u>19,385</u>	<u>6,222</u>	<u>9,253</u>

Lease liabilities as of 31 December are analysed in the consolidated statement of financial position as follows:

	2023 USD'000	2022 USD'000
Relating to head-lease (in respect of right-of-use assets)	153,643	70,182
Relating to sub-lease receivables (in respect of liabilities for sub-leased assets)	<u>35,911</u>	<u>8,855</u>
	<u>189,554</u>	<u>79,037</u>
Current portion	44,313	9,768
Non-current portion	<u>145,241</u>	<u>69,269</u>
	<u>189,554</u>	<u>79,037</u>

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12 RIGHT-OF-USE ASSETS, SUB-LEASE RECEIVABLES & LEASE LIABILITIES (continued)

B. In respect of sub-lease (continued):

Lease liabilities as of 31 December can be further analysed as follows:

	<i>Current portion</i>	<i>Non- current portion</i>	<i>Total</i>	<i>Non- current 1-5 years</i>	<i>Non- current 5 years & above</i>
31 December 2023					
ADNOC HQ	1,351	30,002	31,353	6,561	23,441
Total related party balances	<u>1,351</u>	<u>30,002</u>	<u>31,353</u>	<u>6,561</u>	<u>23,441</u>
Third parties	<u>42,962</u>	<u>115,239</u>	<u>158,201</u>	<u>93,069</u>	<u>22,170</u>
Total	<u>44,313</u>	<u>145,241</u>	<u>189,554</u>	<u>99,630</u>	<u>45,611</u>
	<i>Current portion</i>	<i>Non- current portion</i>	<i>Total</i>	<i>Non- current 1-5 years</i>	<i>Non- current 5 years & above</i>
31 December 2022					
ADNOC HQ	1,265	31,353	32,618	5,901	25,452
Total related party balances	<u>1,265</u>	<u>31,353</u>	<u>32,618</u>	<u>5,901</u>	<u>25,452</u>
Third parties	<u>8,503</u>	<u>37,916</u>	<u>46,419</u>	<u>13,472</u>	<u>24,444</u>
Total	<u>9,768</u>	<u>69,269</u>	<u>79,037</u>	<u>19,373</u>	<u>49,896</u>

The table below indicates rental expenses resulting from lease and service contracts which are recognised in the consolidated statement of comprehensive income:

	2023 USD'000	2022 USD'000
Short term rents (included in note 5 & 6)	<u>5,678</u>	<u>6,583</u>

The movement in provision for dismantling liability on leased land is as follows:

	2023 USD'000	2022 USD'000
As at 1 January	1,727	1,324
Additions during the year	-	286
Accretion during the year	<u>146</u>	<u>117</u>
As at 31 December	<u>1,873</u>	<u>1,727</u>

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13 INTANGIBLE ASSETS

	2023 USD'000	2022 USD'000
<u>Cost:</u>		
At 1 January	27,883	22,390
Transfer from property, plant and equipment (note 11)	3,886	6,802
Transfer to property, plant and equipment (note 11)	-	(1,964)
Adjustments	-	656
Disposals	<u>(13)</u>	<u>-</u>
At 31 December	<u>31,756</u>	<u>27,884</u>
<u>Accumulated amortisation:</u>		
At 1 January	13,168	4,699
Charge for the year	7,153	10,005
Transfer to property, plant and equipment (note 11)	-	(472)
Adjustments	-	(1,064)
Disposals	<u>(5)</u>	<u>-</u>
At 31 December	<u>20,316</u>	<u>13,168</u>
<u>Net book value:</u>		
At 31 December	<u>11,440</u>	<u>14,716</u>

Intangible assets comprise the cost of acquired enterprise computer systems, software and licenses. Transfer to property, plant and equipment include closed circuits camera hardware previously classified as intangible assets now reclassified.

14 INVESTMENT PROPERTIES

	2023 USD'000	2022 USD'000
<u>Cost:</u>		
At 1 January	155,348	98,633
Transfer to property, plant and equipment (note 11)	-	(29,191)
Transfer from property, plant and equipment (note 11)	<u>677</u>	<u>85,906</u>
At 31 December	<u>156,025</u>	<u>155,348</u>
<u>Accumulated depreciation:</u>		
At 1 January	55,591	68,365
Transfer to property, plant and equipment (note 11)	-	(17,879)
Charge for the year	<u>5,165</u>	<u>5,105</u>
At 31 December	<u>60,756</u>	<u>55,591</u>
<u>Net book value:</u>		
At 31 December	<u>95,269</u>	<u>99,757</u>

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As at and for the year ended 31 December 2023

14 INVESTMENT PROPERTIES (continued)

Investment properties comprise of buildings owned by the Group which are rented to tenants under operating lease arrangements. The fair valuation of the completed properties was carried out as at 31 December 2023 by management using the discounted cash flow method of valuation, using assumptions such as annual growth rate and discount rate. The fair value was assessed at USD 116 million as at 31 December 2023 (2022: USD 110 million).

In estimating the fair value of the properties, the highest and best use of the property is considered as their current use. The inputs used in the valuation are not based on observable market data and thus the valuation techniques were considered to be Level 3 valuation.

Land on which the buildings are constructed is leased by ADNOC to the Group for a period of 10 years until 31 December 2028 at an annual rent of USD 3,396 thousand and is expected to be renewed till the Group's sub-lease contracts are effective (note 12).

On 1 January 2022, the Group acquired two warehouses from Abu Dhabi Ports for USD 84 million. The land on which the warehouses are built is leased by Abu Dhabi Ports to the Group for a period of 25 years with effect from 1 January 2022.

The investment properties earn revenue and incur costs as below:

	<i>2023</i> <i>USD'000</i>	<i>2022</i> <i>USD'000</i>
Rental income included under operating lease income	9,908	21,330
Direct costs excluding depreciation	1,223	2,570

15 INVESTMENT IN A JOINT VENTURE

Details of the Group's investment in a joint venture at 31 December are as follows:

<i>Name of joint venture</i>	<i>Percentage holding</i>		<i>Country of incorporation</i>	<i>Principal activity</i>
	<i>2023</i>	<i>2022</i>		
AW Shipping Limited	50%	50%	UAE	Shipping services

The movement in the carrying value of investment in a joint venture is summarised below:

	<i>2023</i> <i>USD'000</i>	<i>2022</i> <i>USD'000</i>
As at 1 January	62,641	73,842
Equity investment during the year	-	10,200
Receipts from joint venture	-	(22,385)
Dividend received	-	(1,042)
Share of profit for the year	<u>14,071</u>	<u>2,026</u>
As at 31 December	<u>76,712</u>	<u>62,641</u>

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15 INVESTMENT IN A JOINT VENTURE (continued)

The assets, liabilities and results of the joint venture are summarised below:

	2023 USD'000	2022 USD'000
Statement of financial position:		
Total assets	415,420	410,923
Total liabilities	<u>(261,996)</u>	<u>(285,640)</u>
Net assets	<u>153,424</u>	<u>125,283</u>
Statement of comprehensive income:		
Revenue	79,283	18,589
Expenses	<u>(51,141)</u>	<u>(14,537)</u>
Total comprehensive income	<u>28,142</u>	<u>4,052</u>

Included in expenses above is depreciation of USD 15,384 thousand (2022: USD 4,224 thousand). Also included in expenses is finance cost of USD 16,927 thousand (2022: USD 4,068 thousand). There was no interest income earned by the joint venture in 2023 or 2022.

Included in total liabilities above are loans from banks amounting to USD 225,833 thousand (2022: USD 233,933 thousand). USD 227,118 thousand (2022: USD 209,998) was classified as non-current liability and USD 28,765 thousand (2022: USD 23,935 thousand) was classified as current liability.

16 INVENTORIES

	2023 USD'000	2022 USD'000
Bunkers	41,591	41,571
Lubes	6,545	4,886
Raw materials & finished goods	10,265	8,376
Spare parts, fuel and consumables	72,231	60,297
Firefighting foam and dispersant stock	<u>405</u>	<u>405</u>
	131,037	115,535
Less: provision for slow-moving and obsolete inventories	<u>(10,317)</u>	<u>(9,965)</u>
	<u>120,720</u>	<u>105,570</u>

Movement in the provision for slow-moving and obsolete inventories is as follows:

	2023 USD'000	2022 USD'000
At 1 January	9,965	3,687
Charge during the year	758	6,278
Write offs	<u>(406)</u>	<u>-</u>
At 31 December	<u>10,317</u>	<u>9,965</u>

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17 TRADE AND OTHER RECEIVABLES

	2023 USD'000	2022 USD'000
Trade receivables	109,249	125,715
Provision for expected credit losses	<u>(7,302)</u>	<u>(8,918)</u>
Trade receivables, net	101,947	116,797
Prepaid expenses and other receivables	178,368	81,416
Receivable from employees	14,385	14,965
Advances to suppliers	<u>93,620</u>	<u>3,785</u>
	<u>388,320</u>	<u>216,963</u>

Movement in the provision for expected credit losses is as follows:

At 1 January	8,918	2,744
Charge during the year	-	6,174
(Reversal) of provision during the year	<u>(1,616)</u>	<u>-</u>
At 31 December	<u>7,302</u>	<u>8,918</u>

Below is the information about credit risk exposure on the Group's trade receivables:

	Total USD' 000	Not past due USD' 000	Past due				
			< 30 days USD' 000	30 - 60 days USD' 000	61 - 90 days USD' 000	91 - 120 days USD' 000	> 120 days USD' 000
Provision matrix 2023		5%	6%	10%	14%	18%	21%
Provision matrix 2022		5%	6%	2%	4%	13%	18%
Gross trade receivable							
31 December 2023	109,249	29,823	6,754	27,697	10,368	12,070	22,537
31 December 2022	125,715	26,789	29,711	25,639	16,228	6,132	21,216
Provision for expected credit losses							
31 December 2023	7,302	287	810	704	640	133	4,728
31 December 2022	8,918	1,334	1,921	457	693	767	3,746
Net trade receivable							
31 December 2023	101,947	29,536	5,944	26,993	9,728	11,937	17,809
31 December 2022	116,797	25,455	27,790	25,182	15,535	5,365	17,470

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. It is not the practice of the Group to obtain a collateral over receivables balances.

Trade and other receivables (non-current) include advances paid to suppliers towards capex acquisitions. Balance as at 31 December were as follows:

	2023 USD'000	2022 USD'000
Advances to suppliers	<u>38,884</u>	<u>124,252</u>

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18 CASH AND CASH EQUIVALENTS

	2023 USD'000	2022 USD'000
Cash in hand	1,478	928
Cash at banks	<u>214,231</u>	<u>164,005</u>
	<u>215,709</u>	<u>164,933</u>

The Group held cash and cash equivalent with financial institutions that are rated at least AA- to A based on rating agency ratings. Accordingly, the ECL provision amount calculated by applying the general approach is considered to be immaterial. Cash at banks include call deposit accounts that earn interest of 0.07% (2022: 0.07%).

19 SHARE CAPITAL

	2023 USD'000	2022 USD'000
<i>Authorised, issued and fully paid</i>		
7,398,498,764 ordinary shares of USD 0.54 each	<u>3,995,189</u>	<u>272,294</u>
(1,000,000,000 ordinary shares of AED 1 each)		

On 9 October 2023, the Board of Directors approved the distribution of cash dividend of USD 64,999 thousand for Q2 2023, equivalent to 3.2 fils per share. The dividend was paid on 2 November 2023.

20 GENERAL RESERVE

In 2022, in accordance with the decision of management of the Group, 10% of the profit was transferred to a general reserve. No such transfer was made in 2023. USD 103,226 thousand was equitised as part of capital reorganisation in April before the Groups' listing on Abu Dhabi Exchange (ADX). Refer to Note 31 for further details.

21 BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share (EPS) amounts are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of shares outstanding during the year.

	2023 USD'000	2022 USD'000
Profit attributable to shareholders of the Company	<u>620,159</u>	<u>260,793</u>
Weighted average number of shares ('000)	<u>7,398,499</u>	<u>1,000,000</u>
	USD	USD
Earnings per share	<u>0.08</u>	<u>0.26</u>

There are no dilutive securities, therefore diluted EPS is the same as basic EPS.

If the earnings per share for the comparative period (31 December 2022) were calculated based on 7,398,499 shares, the earnings per share would have been USD 0.04.

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22 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the employees' end of service benefits provision are as follows:

	2023 USD'000	2022 USD'000
At 1 January	31,464	40,695
Current service cost (note 8)	5,814	4,868
Acquired through business combination	-	2,512
Benefits paid	(4,311)	(7,148)
Benefits of employees transferred -out to group companies	(1,197)	-
Interest cost (note 10)	1,473	955
<i>Remeasurement losses:</i>		
Actuarial (gains) / losses arising from experience	534	(3,662)
Actuarial gains arising from changes in financial assumptions	(1,146)	(6,756)
At 31 December	<u>32,631</u>	<u>31,464</u>

Generally, upon fulfilment of certain employment conditions, the retirement benefits are payable in lump sum upon retirement, which is determined based on the employee's one month salary for each of the first three years of service plus one and a half month's salary for each subsequent year of service.

The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2023	2022
Discount rate	5.50%	5.00%
Expected rate of salary increase	3.00%	3.00%
Average turnover	7.5%	7.5%
Mortality rate table	AM92/AF92	AM92/AF92
Retirement age	60 years	60 years

Amounts recognised in the statement of comprehensive income in respect of these benefit are as follows:

	2023 USD'000	2022 USD'000
<i>Service cost:</i>		
Current service cost (note 8)	5,814	4,868
Net interest expense (note 10)	1,473	955
Components of provision for employees' end of service benefit recognised in comprehensive income	<u>7,287</u>	<u>5,823</u>

Amounts recognised in other comprehensive income are as follows:

	2023 USD'000	2022 USD'000
Actuarial gain arising from the experience adjustments	<u>612</u>	<u>10,418</u>

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22 EMPLOYEES' END OF SERVICE BENEFITS (continued)

Significant actuarial assumptions for the determination of the provision for employees' end of service benefit are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	<i>Increase / decrease in percentage point</i>	<i>Increase / (decrease) in provision for employees' end of service benefit USD'000</i>
2023		
Discount rate	1%	(1,890)
	-1%	2,130
Expected salary growth	1%	2,233
	-1%	(2,007)
2022		
Discount rate	1%	(1,935)
	-1%	2,186
Expected salary growth	1%	2,280
	-1%	(2,046)

The sensitivity analysis presented above may not be representative of the actual change in the provision for employees' end of service benefit as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the provision for employees' end of service benefit has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the provision for employees' end of service benefit recognised in the consolidated statement of financial position.

The Group does not expect to make any contribution to defined benefit plans during the next financial year.

23 TRADE AND OTHER PAYABLES

	2023 USD'000	2022 USD'000
Trade accounts payable	99,878	62,060
Other payables and accrued expenses	503,027	315,777
Capital expenses accruals	95,965	79,717
Operating lease rent received in advance	<u>10,057</u>	<u>5,345</u>
	<u>708,927</u>	<u>462,899</u>

Trade accounts payable are interest free and are normally settled within 30 days from the date of receipt of the invoice.

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24 RELATED PARTY BALANCES AND TRANSACTIONS

These represent transactions with related parties i.e., the shareholder, directors and entities related to them, companies under common ownership and/or common management and control, their partners and key management personnel. Pricing policies and terms of these transactions are approved by the Group's management.

Terms and conditions of transactions with related parties

The sales to and services from related parties are made at agreed rates with the related parties. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2023, the Group has provision for expected credit losses of USD 4,448 thousand (2022: USD 200 thousand) on amounts due from related parties. The Group's significant balances are with entities controlled, jointly controlled or significantly influenced by the ADNOC.

Transactions with related parties included in the consolidated statement of comprehensive income are as follows:

	2023 USD'000	2022 USD'000
<i>Goods sold and services provided to entities under common control</i>		
ADNOC Offshore	1,038,479	676,928
ADNOC (Holding Company)	418,191	256,008
Abu Dhabi Polymers Company Limited (Borouge ADP)	157,370	146,322
ADNOC Global Trading (AGT)	135,024	105,440
National Gas Shipping Company Holding Limited	102,967	122,358
ADNOC Onshore	41,383	46,856
ADNOC Gas	19,859	25,026
ADNOC Drilling	12,480	9,986
ADNOC Distribution	11,706	12,155
Al Yasat	10,013	-
ADNOC Trading (AT)	3,417	10,144
ADNOC Refining	1,144	3,385
AW Shipping Limited	220	292
	<u>1,952,253</u>	<u>1,414,900</u>
<i>Good and services received from entities under common control</i>		
ADNOC Distribution	255,484	218,029
ADNOC (Holding Company)	20,286	46,476
ADNOC Gas	7,891	-
ADNOC Refining	772	793
ADNOC Offshore	674	1,707
ADNOC Onshore	131	-
Al Yasat	90	-
ADNOC Sour Gas (Al Hosn Gas)	52	-
	<u>285,380</u>	<u>267,005</u>
<i>Interest transactions</i>		
Interest on shareholder loan	-	31,308
Amortisation of upfront fee on shareholder loans (note 10)	1,231	-
Commitment fee on shareholder loan facilities (note 10)	2,654	-

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24 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Balances with related parties included in the consolidated statement of financial position are as follows:

	2023 USD'000	2022 USD'000
<i>Due from related parties:</i>		
ADNOC Offshore	285,229	290,423
ADNOC (Holding Company)	188,703	77,016
ADNOC (Holding Company) cash pooling balance*	173,402	30,462
Abu Dhabi Polymers Company Limited (Borouge ADP)	40,917	27,209
ADNOC Gas	11,488	8,214
National Gas Shipping Company Holding Limited	11,258	-
Al Yasat	8,472	-
ADNOC Onshore	7,287	12,926
ADNOC Global Trading (AGT)	7,033	13,152
ADNOC Drilling	6,706	1,187
ADNOC Distribution	5,331	3,366
ADNOC Refining	1,454	582
Borouge Pte	54	54
AW Shipping Limited	-	1,256
ADNOC Trading (AT)	1	307
	<u>747,335</u>	<u>466,154</u>
Less: provision for expected credit losses	(4,488)	(200)
	<u>742,847</u>	<u>465,954</u>

* This balance is held with ADNOC (Holding Company) and earns interest based on rates agreed between the parties.

The movement in provision for expected credit losses on related parties' receivables is as follows:

	2023 USD'000	2022 USD'000
Balance at 1 January	200	494
Charge for the year	4,288	-
Reversals during the year	-	(294)
Balance at 31 December	<u>4,488</u>	<u>200</u>

The provision for expected credit losses on due from related parties is created 33.3% and 100% against balances overdue above 365 days and 730 days respectively.

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24 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Below is the ageing of receivables from related parties:

	Total USD'000	Not past due USD'000	Past due						
			< 30 days USD'000	30 - 60 days USD'000	61 - 90 days USD'000	91 - 120 days USD'000	121-365 days USD'000	366-730 days USD'000	>730 days USD'000
<i>Gross receivables from related parties</i>									
31 December 2023	747,335	616,039	47,771	45,065	6,673	1,756	20,709	9,322	-
31 December 2022	466,154	407,645	29,274	4,958	20,135	1,033	2,507	602	-
<i>Provision for expected credit losses</i>									
31 December 2023	4,488	-	-	-	-	-	-	4,488	-
31 December 2022	200	-	-	-	-	-	-	200	-
<i>Net receivable from related parties</i>									
31 December 2023	742,847	616,039	47,771	45,065	6,673	1,756	20,709	4,834	-
31 December 2022	465,954	407,645	29,274	4,958	20,135	1,033	2,507	402	-

	2023 USD'000	2022 USD'000
<i>Due to related parties:</i>		
ADNOC (Holding Company)	194,581	120,531
ADNOC Distribution	62,336	33,347
ADNOC Gas	7,891	-
AGT	4,393	-
ADNOC Refining	772	793
ADNOC Offshore	674	1,707
ADNOC Onshore	131	-
AW Shipping	110	-
Al Yasat	90	-
ADNOC Sour Gas (Al Hosn Gas)	52	-
National Gas Shipping Company	-	7,175
	<u>271,030</u>	<u>163,553</u>

These balances are classified and presented in the statement of financial position as below:

	2023 USD'000	2022 USD'000
Current portion	253,121	127,810
Non-current portion	<u>17,909</u>	<u>35,743</u>
	<u>271,030</u>	<u>163,553</u>

Due to related parties (non-current)

In 2021 the Group's ultimate Holding Company recharged USD 90,916 thousand towards UAE national employees' pension charges. These charges relate to the differential amount paid by the Holding Company to Abu Dhabi Retirement Pensions and Benefits Fund for services of employees taken over by the Group on its formation and till the period ending 31 December 2019. USD 37,903 thousand of this liability is payable from 2024 to 2025 and accordingly as at 31 December 2023 USD 17,909 thousand (USD 35,743 thousand as at 31 December 2022) is disclosed as a non-current liability.

Related parties sub-lease receivables and lease liabilities are disclosed in note 12.

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24 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Shareholder contribution from ADNOC (Holding Company) (forming part of shareholder's equity in 2022):

In 2022, the Group's contribution from a shareholder of USD 357,485 thousand was interest free and repayable at the absolute discretion of the board of directors of the Group. Accordingly, the amount was classified under equity as shareholder contribution. In 2023, before the listing of the Group on Abu Dhabi Stock Exchange (ADX), this loan was converted to share capital. Refer to Note 31 for further details on capital reorganisation.

Shareholder loan from ADNOC (Holding Company) (forming part of non-current liabilities in 2022):

In 2022, the Group had a loan facility arrangement with ADNOC (Holding Company) totaling USD 2,300,000 thousand. As at 31 December 2022, the Group had drawn USD 1,900,000 thousand from the facility.

In 2023, before the listing of the Group on Abu Dhabi Stock Exchange (ADX), this loan was converted to share capital. Refer to Note 31 for further details on capital reorganisation.

Shareholder loan from ADNOC (Holding Company) (forming part of non-current liabilities in 2023):

During 2023, the Group entered into an unsecured senior corporate term facility agreement and a revolving credit facility (RCF) with its parent of USD 1,500,000 thousand and USD 350,000 thousand respectively. USD 300 thousand was paid as upfront fee for the unsecured senior corporate term facility and USD 700 thousand was paid as upfront fee for the revolving credit facility (RCF). Both the senior corporate term facility and the revolving credit facility (RCF) incur a commitment fee of 0.2125% on the undrawn amounts. During the year, USD 2,654 thousand was charged as commitment fee on these facilities.

As at 31 December 2023, USD 100,000 thousand was drawn from the unsecured senior corporate term facility. During the year, interest incurred on this loan amounting to USD 2,419 thousand was capitalized as part of capital work in progress.

The Group's significant bank balances with Abu Dhabi Government and other entities controlled, jointly controlled or significantly influenced by the Abu Dhabi Government are as follows:

	<i>2023</i>	<i>2022</i>
	<i>USD'000</i>	<i>USD'000</i>
Bank balances	<u>160,047</u>	<u>115,965</u>
	<i>2023</i>	<i>2022</i>
	<i>USD'000</i>	<i>USD'000</i>
Key management compensation	1,336	1,348

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25 BANK GUARANTEES, CONTINGENCIES AND COMMITMENTS

(a) *Bank guarantees:*

At 31 December 2023, the Group had bank guarantees issued by the bank and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to USD 6,373 thousand (2022: USD 2,999 thousand).

(b) *Capital commitments:*

At 31 December 2023, the Group's capital commitments amount to USD 1,113,308 thousand (2022: USD 1,371,929 thousand).

(c) *Purchases commitments:*

At 31 December 2023, the Group's purchases commitments amount to USD 39,353 thousand (2022: USD 86,275 thousand).

(d) *Contingencies:*

The Group is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's financial statements if concluded unfavorably.

26 FINANCIAL RISK MANAGEMENT AND OBJECTIVES

The activities of the Group expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The overall risk management programme of the Group seeks to minimise potential adverse effects of these risks on their financial performance.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors are responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group's principal financial liabilities consist of trade and other payables, amounts due to related parties, shareholder loan and lease liabilities. The main purpose of the financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables, bank balances and amounts due from related parties, which arise directly from its operations.

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26 FINANCIAL RISK MANAGEMENT AND OBJECTIVES (continued)

Market risk management

Foreign exchange risk

The Group has no significant currency risk exposure from its operations as the Group's majority of transactions are in UAE Dirham or US Dollars. The UAE Dirham is pegged to the US Dollar, hence balances in US Dollars are not considered to represent a significant risk.

Price risk

The Group has no significant direct exposure to commodity price risk. Reductions in oil prices may lead to reduction in the level of future logistics services procured by customers who have significant exposure to oil and gas prices.

Cash flow and fair value interest rate risk

The following table demonstrates the sensitivity of the Group's profit to reasonably possible changes in interest rates, with all other variables held constant.

	2023 USD'000	2022 USD'000
Effect of increase of 100 basis points on Group's profit	(386)	(9,620)
Effect of decrease of 100 basis points on Group's profit	386	9,620

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and arises principally from the Group's trade and other receivables, related party and bank balances. The Group has adopted a policy of dealing only with creditworthy counterparties. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counter-parties.

The average credit period on sale of goods or services is 30-60 days. No interest is charged on trade and other receivables. The bank balances are maintained with commercial banks. The credit risk on liquid funds is limited because the counterparties are reputable banks closely monitored by the regulatory bodies.

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

Other financial assets do not have a material expected credit loss, and the loss allowance considered during the year was limited to 12 months expected losses. As such, no loss allowance was made for such financial assets as at 31 December 2023 and 2022.

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26 FINANCIAL RISK MANAGEMENT AND OBJECTIVES (continued)

Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a short-term period, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Group limits its liquidity risk by ensuring adequate cash available from its operations and from support of the shareholders. The table below summarises the maturity profile of the Group's financial liabilities. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>> 5 years</i>	<i>Total</i>
	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>
31 December 2023						
Trade payables	-	99,878	-	-	-	99,878
Due to related parties	-	234,169	18,952	18,952	-	272,073
Lease liabilities	-	13,242	39,725	117,265	81,416	251,648
Shareholder loan	-	-	-	100,000	-	100,000
Other payables, accrued and capital expenses	-	<u>598,992</u>	-	-	-	<u>598,992</u>
Total	-	<u>946,281</u>	<u>58,677</u>	<u>236,217</u>	<u>81,416</u>	<u>1,322,591</u>
31 December 2022						
Trade payables	-	62,060	-	-	-	62,060
Due to related parties	-	108,858	18,952	37,903	-	165,713
Lease liabilities	-	4,618	16,260	36,052	76,937	133,867
Shareholder loan	-	-	123,500	2,023,500	-	2,147,000
Other payables (non-current)	-	-	-	71,254	-	71,254
Other payables, accrued and capital expenses	-	<u>395,494</u>	-	-	-	<u>395,494</u>
Total	-	<u>571,030</u>	<u>158,712</u>	<u>2,168,709</u>	<u>76,937</u>	<u>2,975,388</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

26 FINANCIAL RISK MANAGEMENT AND OBJECTIVES (continued)

Capital risk management

The primary objective of the Group's capital management is to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it to ensure that it will be able to continue as a going concern. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022. Equity comprises share capital, general reserve, retained earnings and shareholder contribution, and is measured at USD 4,405,982 thousand as at 31 December 2023 (2022: USD 1,800,290 thousand).

The Group monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total equity plus net debt. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as total equity as shown in the statement of financial position plus net debt.

The gearing ratio, determined as net debt to net debt plus equity, at the year-end was as follows:

	2023 USD'000	2022 USD'000
Debt	100,000	1,900,000
Cash and cash equivalents	(215,709)	(164,933)
Net debt	<u>(115,709)</u>	<u>1,735,067</u>
	2023 USD'000	2022 USD'000
Net debt	(115,709)	1,735,067
Equity	<u>4,405,982</u>	<u>1,800,290</u>
Net debt plus equity	<u>4,290,273</u>	<u>3,535,357</u>
Gearing ratio	<u>0%</u>	<u>49.1%</u>

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities. As at 31 December 2023 and 2022, the Group considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

28 OPERATING SEGMENTS

Information regarding the Group's operating segments is set out below in accordance with IFRS 8, 'Operating Segments'. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors, as the chief operating decision maker (CODM), in order to allocate resources to the segment and to assess its performance.

The Group's strategic steering committee, consisting of the Chief Executive Officer, the Chief Financial Officer and the Senior Vice President of Strategy, examines the group's performance from both a product and a service perspective but financial decisions are made by the Board. The operating segments are identified based on the nature of different services provided and are managed separately because they have different economic characteristics – such as trends in sales growth, rates of return and level of capital investment – and have different marketing strategies.

The CODM primarily uses EBITDA to monitor the performance of the business. For management purposes, the Group is organised into six operating segments and five reportable segments. These are referred to as "business units" as follows:

Integrated Logistics:

Integrated Logistics comprises two operating segments, offshore and onshore logistics services, which are aggregated into one reportable segment which also includes logistics services associated with engineering, procurement and construction contracts, charter hire of offshore support vessels and barges.

Shipping:

Shipping comprises the following reportable segments: (i) Tankers; (ii) Gas Carriers (including ship management services); and (iii) Dry-Bulk and Containers.

Marine Services:

Marine Services reportable segment comprises petroleum port operations and oil spill response services.

Others:

One-off items and COVID-19 related expenses are classified under Others by management to facilitate better understanding of the business and to ensure proper decision making. Finance income, finance costs, provision for expected credit losses, other income and other expenses which are largely non-operational costs are recorded under this segment to facilitate better decision making.

ADNOC Logistics & Services PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

28 OPERATING SEGMENTS (continued)

The following schedules illustrate the Group's activities according to the operating segments for the year ended 31 December 2023 in USD'000s:

2023	Integrated Logistics	Tankers	Gas Carriers	Dry-Bulk and Containers	Marine Services	Others	Total
Revenues	1,739,002	407,370	173,550	257,900	177,330	-	2,755,152
Direct costs	(1,272,255)	(279,170)	(112,330)	(201,280)	(138,190)	-	(2,003,225)
Gross profit	466,747	128,200	61,220	56,620	39,140	-	751,927
General and administrative expenses	(82,236)	(10,660)	(6,190)	(7,700)	(19,300)	(20,350)	(146,436)
Provision for expected credit losses	-	-	-	-	-	(2,672)	(2,672)
Other income	-	-	4,211	-	-	6,654	10,865
Operating profit / (loss)	384,511	117,540	59,241	48,920	19,840	(16,368)	613,684
Share of profit from joint venture	-	-	14,071	-	-	-	14,071
Finance income	1,021	-	1,086	-	-	7,678	9,785
Finance costs	(7,633)	-	(990)	-	-	(6,475)	(15,098)
Profit / (loss) before tax for the year*	377,899	117,540	73,408	48,920	19,840	(15,165)	622,442
Deferred tax credit*	-	-	-	-	-	1,123	1,123
Income tax expense*	(3,406)	-	-	-	-	-	(3,406)
Profit for the year*	374,493	117,540	73,408	48,920	19,840	(14,042)	620,159
Depreciation and amortisation in direct costs	144,062	39,480	26,310	10,330	18,120	-	238,302
Depreciation and amortisation in general and administrative expenses	3,794	2,240	1,400	1,030	1,760	-	10,224
Income tax	3,406	-	-	-	-	-	3,406
Deferred tax	-	-	-	-	-	(1,123)	(1,123)
Finance income	(1,021)	-	(1,086)	-	-	(7,678)	(9,785)
Finance costs	7,633	-	990	-	-	6,475	15,098
EBITDA	532,367	159,260	101,022	60,280	39,720	(16,368)	876,281

ADNOC Logistics & Services PLC

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As at and for the year ended 31 December 2023

28 OPERATING SEGMENTS (continued)

The following schedules illustrate the Group's activities according to the operating segments for the year ended 31 December 2022 in USD'000s:

2022	Integrated Logistics	Tankers	Gas Carriers	Dry-Bulk and Containers	Marine Services	Others	Total
Revenues	923,015	334,570	169,117	358,128	167,343	-	1,952,173
Direct costs	(768,155)	(265,373)	(100,898)	(263,859)	(138,778)	-	(1,537,063)
COVID - 19 costs*	-	-	-	-	-	(5,962)	(5,962)
Gross profit / (loss)	154,860	69,197	68,219	94,269	28,565	(5,962)	409,148
General and administrative expenses	(57,838)	(11,972)	(7,517)	(10,045)	(18,232)	-	(105,604)
Provision for expected credit losses*	-	-	-	-	-	(5,880)	(5,880)
Other expenses	(2,380)	-	-	-	-	(1,412)	(3,792)
Other income	1,000	-	-	-	-	3	1,003
Operating profit / (loss)	95,642	57,225	60,702	84,224	10,333	(13,251)	294,875
Share of profit from joint venture*	-	-	2,026	-	-	-	2,026
Finance income	1,241	-	-	-	-	2,476	3,717
Finance costs	(4,686)	(7)	-	-	-	(33,782)	(38,475)
Profit / (loss) before tax for the year*	92,197	57,218	62,728	84,224	10,333	(44,557)	262,143
Income tax *	(1,350)	-	-	-	-	-	(1,350)
Profit / (loss) for the year*	90,847	57,218	62,728	84,224	10,333	(44,557)	260,793
Depreciation and amortisation in direct costs	63,804	35,269	23,563	10,000	15,255	-	147,891
Depreciation and amortisation in general and administrative expenses	4,578	986	619	827	1,501	-	8,511
Income tax	1,350	-	-	-	-	-	1,350
Finance income	(1,241)	-	-	-	-	(2,476)	(3,717)
Finance costs	4,686	7	-	-	-	33,782	38,475
EBITDA	164,024	93,480	86,910	95,051	27,089	(13,251)	453,303

The Group's largest customers are related entities within the ADNOC Group (Refer to Note 24). The Group's vessels are deployed throughout the world and are not concentrated in certain geographical areas. The Group's management does not consider the geographical distribution of the group's operations to be relevant for their internal management analysis and therefore no geographical segment information has been disclosed.

All operating segment results are reviewed regularly by the Group's management to make decisions about resources to be allocated to the segment and assess their performance.

ADNOC Logistics & Services PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28 OPERATING SEGMENTS (continued)

The following tables represent segment assets for the Group's operating segments as reviewed by the management in USD'000s:

2023	Integrated Logistics	Tankers	Gas Carriers	Dry-Bulk and Containers	Marine Services	Total
Property, plant & equipment *	1,909,055	1,178,641	406,957	161,958	149,932	3,806,543
Investment properties *	95,269	-	-	-	-	95,269

2022	Integrated Logistics	Tankers	Gas Carriers	Dry-Bulk and Containers	Marine Services	Total
Property, plant & equipment *	1,667,172	1,052,148	125,168	167,505	139,391	3,151,384
Investment properties *	99,757	-	-	-	-	99,757

* These relate to additional voluntary disclosures not presented to CODM, but which are allocated on a reasonable and consistent basis to provide additional information.

29 BUSINESS COMBINATION / GOODWILL

On 12 July 2022, shareholders of the Group approved to acquire 100% of the Share Capital of ZMI Holdings (here after referred to as ZMI) through a wholly owned subsidiary Zinc HoldCo RSC LTD, a restricted scope company duly incorporated under the laws of the Abu Dhabi Global Market with company number 7990 and whose registered office is at Floor 28, Al Sarab Tower, Abu Dhabi Global Market Square, Al Maryah Island, P.O. Box 764652, Abu Dhabi, United Arab Emirates (the "Purchaser"). ZMI is an Abu Dhabi-based owner and operator of offshore support vessels, with the world's largest fleet of self-propelled jack-up barges.

On 1 November 2022, Zinc HoldCo RSC Limited acquired 100% of the shares of ZMI. The acquisition of ZMI will enable further strengthening of the Groups' leading position as the region's largest shipping and integrated logistics company. The acquisition has been accounted for using the acquisition method. For the year ended 31 December 2023, the consolidated financial statements include the amounts of ZMI for the entire 12 months whereas, for the year ended 31 December 2022, the results were included from the acquisition date. Fair values of the identifiable assets and liabilities of ZMI as at the date of acquisition are set out below:

	<i>Fair Value on acquisition</i>	
	2023	2022
	USD'000	USD'000
Assets		
Property, plant and equipment	1,365,269	1,365,269
Inventories	16,321	16,321
Trade and other receivables	112,416	112,416
Cash and cash equivalents	50,496	50,496
Total assets	<u>1,544,502</u>	<u>1,544,502</u>
Liabilities		
Employees' end of service benefits	(2,512)	(2,512)
Deferred tax liability	(35,671)	-
Trade and other payables	(78,857)	(78,857)
Total liabilities	<u>(117,340)</u>	<u>(81,369)</u>
Total identifiable net assets at fair value	<u>1,427,462</u>	<u>1,463,133</u>
Final / provisional goodwill recognized	<u>51,368</u>	<u>15,697</u>
Purchase consideration	<u>1,478,830</u>	<u>1,478,830</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

29 BUSINESS COMBINATION / GOODWILL (continued)

The fair value of acquired trade receivables was USD 112 million. The gross contractual amount for trade receivables due was USD 135 million, with a loss allowance of USD 23 million recognised on acquisition.

Under IFRS 3, management had a one-year window up to 31 October 2023 to finalise the accounting for the acquisition. With the enactment of the UAE Tax laws in January 2023 and subsequent clarifications obtained by management on the accounting for deferred tax in the current year, management has recognised a deferred tax liability on the fair value uplift of the assets acquired in ZMI in the amount of USD 35,671 on 31 October 2023.

As part of the SPA with the previous owners of ZMI, part of the consideration was determined to be based on the expected revenue of the acquired entity. As at the date of acquisition, the fair value for the consideration to be based on revenue amounted to USD 149,920 thousand given the revenue targets of ZMI. The purchase consideration can be analysed as follows:

	<i>USD'000</i>
Initial consideration paid in cash	1,328,910
Fair value of consideration based on expected revenue	<u>149,920</u>
Purchase consideration	<u>1,478,830</u>

The goodwill is attributable to synergies expected to be achieved from the business combination and an increase in market share. For impairment testing, the goodwill is allocated to the Cash Generating Unit ("CGU") where the goodwill is monitored for internal management purposes. The recoverable amount of the CGU was based on its value in use determined by management. The carrying amount of this unit was determined to be lower than its recoverable amount.

Value in use was determined based on the five-year business plan approved by the management. The projected future cash flows from the continuing use of the unit are based on past experience and current rates of contractual arrangements for the initial five-year period. Beyond this period, the projected future cash flows were determined by reference to historical experience and based on market rates available for similar vessels. Both the cash inflows and outflows projected utilized a growth rate equivalent to the estimated inflation rate of 2%. These resulting cash flows were then discounted based on the Group's approved discount rate.

Key assumptions used for the CGU impairment testing are as below:

	2023	2022
Discount rate (%)	9%	9%

Anticipated annual revenue growth is based on latest available forecasts. The values assigned to the key assumptions represent the management's assessment of future trends in the industry and are based on both external and internal sources.

Sensitivity analysis

The Group has conducted an analysis of the impairment test to changes in key assumptions used to determine the recoverable amount of the CGU to which goodwill is allocated. Management anticipates that no reasonably possible change in any of the key assumptions above would cause the carrying value of the CGU including goodwill to materially exceed its recoverable amount.

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30 TAX ASSESSMENT

On 16 January 2023, the UAE government published a Cabinet Decision setting the threshold at which the new Corporate Income Tax will apply. This event made the Corporate Income Tax substantively enacted and enacted within the meaning of IAS 12. Current Taxes as defined in IAS 12 will be payable for financial years ending after 1 January 2024. The company will be subject to Corporate Income Tax for the first time during the year ending 31 December 2024. Enactment of the legislation requires the Company to record deferred taxes using the enacted rate of 9%. An assessment of the impact of the law is underway.

During the year, the Group also signed a Fiscal Letter with the Department of Finance's Supreme Council for Financial and Economic Affairs ("SCFAEA") which will become effective for the year ended 31 December 2024. The UAE Corporate Income Tax law takes precedence over the Fiscal Letter and net income from group entities in Abu Dhabi exempt under the UAE Corporate Income Tax law gets taxed under Fiscal Letter at the rate of 9%.

Deferred taxes analysed by type of temporary difference:

Differences between IFRS accounting standards and statutory taxation regulations in UAE give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax basis. The tax effect of the movement in those temporary differences is detailed below:

	<i>2023</i> <i>USD'000</i>	<i>2022</i> <i>USD'000</i>
Tax effect of deductible/(taxable) temporary differences		
End of service benefits	1,123	-
Fair value up-lift on PPE acquired	(35,671)	-

The deferred tax impact on end of service benefits amounting to USD 1,123 thousand was credited to the consolidated statement of comprehensive income during the year.

	<i>2023</i> <i>USD'000</i>	<i>2022</i> <i>USD'000</i>
As disclosed in the consolidated statement of financial position		
Recognised deferred tax assets	<u>1,123</u>	=
Recognised deferred tax liability	<u>(35,671)</u>	=

The Group has not recorded any deferred tax liability in respect of a temporary difference associated with the carrying value of the investment in AW Shipping Limited (Joint venture) because the group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

31 CAPITAL REORGANISATION

The transfer of the interest in Abu Dhabi Marine Business and Services Company P.J.S.C. (refer Note 1) is assessed to be a common control transaction as the Abu Dhabi Marine Business and Services Company P.J.S.C. continued to be controlled by the Shareholder being, by Abu Dhabi National Oil Company (“ADNOC”) both before and after the reorganisation. Therefore, the reorganisation was considered to be outside the scope of IFRS 3 Business Combinations.

Although, ADNOC Logistics & Services PLC (the Company) was incorporated on the 19th of April 2023, the reorganisation became effective on the 25th of April 2023 as this is the date when the shares were transferred that effectively made the Company the parent company of Abu Dhabi Marine Business and Services Company P.J.S.C. and the wider L&S group.

The Group has applied the capital reorganisation method of accounting in line with its accounting policies. Accordingly, for the purpose of this consolidated financial statements:

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

32 SUBSEQUENT EVENTS

In the meeting of the Board of Directors on 14 February 2024, it was proposed that a final cash dividend of USD 130,000 thousand is paid for 2023.