

NORDIC GROUP LIMITED

(Registration No: 201007399N)

Condensed Consolidated Financial Statements

For the second half year and financial year ended 31 December 2023

Condensed Consolidated Financial Statements

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Group					
		<u>2H2023</u>	<u>2H2022</u>	<u>Change</u>	<u>12M2023</u>	<u>12M2022</u>	<u>Change</u>
		\$'000	\$'000	%	\$'000	\$'000	%
Revenue	4G	71,231	82,995	(14)	160,644	162,758	(1)
Cost of sales		<u>(56,914)</u>	<u>(60,296)</u>	(6)	<u>(124,232)</u>	<u>(117,012)</u>	6
Gross profit		14,317	22,699	(37)	36,412	45,746	(20)
Other income and gains	5	4,116	2,334	76	5,162	3,018	71
Distribution costs		<u>(529)</u>	<u>(875)</u>	(40)	<u>(1,705)</u>	<u>(1,640)</u>	4
Administrative expenses		<u>(6,967)</u>	<u>(10,859)</u>	(36)	<u>(15,616)</u>	<u>(21,316)</u>	(27)
Finance costs	6	<u>(1,949)</u>	<u>(1,297)</u>	50	<u>(3,586)</u>	<u>(2,022)</u>	77
Other losses	5	<u>(898)</u>	<u>(2,692)</u>	(67)	<u>(1,095)</u>	<u>(1,422)</u>	(23)
Profit before tax	7	8,090	9,310	(13)	19,572	22,364	(12)
Income tax expense	8	<u>(2,213)</u>	<u>(73)</u>	2,932	<u>(3,595)</u>	<u>(1,511)</u>	138
Profit for the period/year		<u>5,877</u>	<u>9,237</u>	(36)	<u>15,977</u>	<u>20,853</u>	(23)
Other comprehensive income / (loss):							
Items that may be reclassified subsequently to profit or loss:							
Exchange differences on translating foreign operations, net of tax		<u>46</u>	<u>(1,491)</u>	(103)	<u>(899)</u>	<u>(1,039)</u>	(13)
Other comprehensive income / (loss) for the year, net of tax:		<u>46</u>	<u>(1,491)</u>	(103)	<u>(899)</u>	<u>(1,039)</u>	(13)
Total comprehensive income for the period/year		<u>5,923</u>	<u>7,746</u>	(24)	<u>15,078</u>	<u>19,814</u>	(24)
Profit attributable to owners of the parent, net of tax		5,877	9,120	(36)	15,977	20,673	(23)
Profit attributable to non-controlling interests, net of tax		<u>—</u>	<u>117</u>	(100)	<u>—</u>	<u>180</u>	(100)
Profit, net of tax		<u>5,877</u>	<u>9,237</u>	(36)	<u>15,977</u>	<u>20,853</u>	(23)
Total comprehensive income attributable to							
- owners of the parent		5,923	7,629	(22)	15,078	19,634	(23)
- to the non-controlling interests		<u>—</u>	<u>117</u>	(100)	<u>—</u>	<u>180</u>	(100)
		<u>5,923</u>	<u>7,746</u>	(24)	<u>15,078</u>	<u>19,814</u>	(24)
Earnings per share							
Earnings per share currency unit		<u>Cents</u>	<u>Cents</u>		<u>Cents</u>	<u>Cents</u>	
Basic and diluted	9	<u>1.5</u>	<u>2.4</u>	(38)	<u>4.0</u>	<u>5.3</u>	(25)

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Condensed Statements of Financial Position

	Notes	Group		Company	
		31/12/2023 \$'000	31/12/2022 \$'000	31/12/2023 \$'000	31/12/2022 \$'000
ASSETS					
<u>Non-current assets</u>					
Property, plant and equipment	11	43,683	47,601	5,507	5,757
Right-of-use assets		5,749	5,514	1,499	1,557
Goodwill	12	40,421	40,421	–	–
Intangible assets		3,009	3,487	–	–
Investments in subsidiaries		–	–	1,350	1,350
Other assets	14	1,472	–	–	–
Deferred tax assets		1,171	1,703	–	–
Total non-current assets		95,505	98,726	8,356	8,664
<u>Current assets</u>					
Inventories		21,862	19,440	–	–
Trade and other receivables	13	48,219	39,389	10,753	18,652
Other assets	14	26,260	24,339	935	685
Cash and cash equivalents	15	73,739	55,915	28,741	22,502
Total current assets		170,080	139,083	40,429	41,839
Total assets		265,585	237,809	48,785	50,503
EQUITY AND LIABILITIES					
<u>Equity attributable to owners of the parent</u>					
Share capital	16	24,864	24,864	24,864	24,864
Treasury shares	16	(112)	(112)	(112)	(112)
Retained earnings		93,299	84,945	955	8,900
Other reserves	17	(580)	319	–	–
Total equity	18	117,471	110,016	25,707	33,652
<u>Non-current liabilities</u>					
Deferred tax liabilities		2,433	2,818	43	43
Loans and borrowings	20	3,785	16,781	2,119	3,803
Financial liabilities – lease liabilities		5,524	5,657	1,566	1,607
Total non-current liabilities		11,742	25,256	3,728	5,453
<u>Current liabilities</u>					
Provisions	19	1,533	1,232	–	–
Income tax payable		3,672	2,388	116	147
Loans and borrowings	20	92,204	55,326	16,456	8,256
Financial liabilities – lease liabilities		607	219	36	36
Trade and other payables	21	33,630	35,465	2,742	2,959
Other non-financial liabilities	22	4,726	7,907	–	–
Total current liabilities		136,372	102,537	19,350	11,398
Total liabilities		148,114	127,793	23,078	16,851
Total equity and liabilities		265,585	237,809	48,785	50,503

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Condensed Statements of Changes in Equity

	Total <u>equity</u> \$'000	Attributable to <u>parent sub-total</u> \$'000	Share <u>capital</u> \$'000	Treasury <u>shares</u> \$'000	Retained <u>earnings</u> \$'000	Other <u>reserves</u> \$'000	Non- Controlling <u>interests</u> \$'000
Group:							
Previous period:							
Opening balance at 1 January 2022	97,635	97,635	22,439	(2,614)	76,994	816	–
Changes in equity:							
Total comprehensive income for the year	19,814	19,634	–	–	20,673	(1,039)	180
Transfer from retained earnings (Note 17B)	–	–	–	–	(542)	542	–
Acquisition of subsidiaries (Note 25)	13,180	–	–	–	–	–	13,180
Acquisition of non-controlling interest without a change in control (Note 25)	(17,946)	(4,586)	–	–	(4,586)	–	(13,360)
Dividends paid (Note 10)	(7,594)	(7,594)	–	–	(7,594)	–	–
Purchase of treasury shares (Note 16)	(112)	(112)	–	(112)	–	–	–
Sale of treasury shares (Note 16)	5,039	5,039	2,425	2,614	–	–	–
Closing balance at 31 December 2022	110,016	110,016	24,864	(112)	84,945	319	–
Current period:							
Opening balance at 1 January 2023	110,016	110,016	24,864	(112)	84,945	319	–
Changes in equity:							
Total comprehensive income for the year	15,078	15,078	–	–	15,977	(899)	–
Dividends paid (Note 10)	(7,623)	(7,623)	–	–	(7,623)	–	–
Closing balance at 31 December 2023	117,471	117,471	24,864	(112)	93,299	(580)	–

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Condensed Statements of Changes in Equity

	<u>Total equity</u> \$'000	<u>Share capital</u> \$'000	<u>Treasury shares</u> \$'000	<u>Retained earnings</u> \$'000
<u>Company:</u>				
Previous period:				
Opening balance at 1 January 2022	35,611	22,439	(2,614)	15,786
Changes in equity:				
Total comprehensive income for the year	708	–	–	708
Dividends paid (Note 10)	(7,594)	–	–	(7,594)
Purchase of treasury shares (Note 16)	(112)	–	(112)	–
Sale of treasury shares (Note 16)	5,039	2,425	2,614	–
Closing balance at 31 December 2022	<u><u>33,652</u></u>	<u><u>24,864</u></u>	<u><u>(112)</u></u>	<u><u>8,900</u></u>
Current period:				
Opening balance at 1 January 2023	33,652	24,864	(112)	8,900
Changes in equity:				
Total comprehensive loss for the year	(322)	–	–	(322)
Dividends paid (Note 10)	(7,623)	–	–	(7,623)
Closing balance at 31 December 2023	<u><u>25,707</u></u>	<u><u>24,864</u></u>	<u><u>(112)</u></u>	<u><u>955</u></u>

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Consolidated Statement of Cash Flows

	<u>12M2023</u> \$'000	<u>12M2022</u> \$'000
<u>Cash flows from operating activities</u>		
Profit before tax	19,572	22,364
Adjustments for:		
Interest expense	3,586	2,022
Interest income	(848)	(171)
Negative goodwill	–	(1,120)
Gain on disposal of property, plant and equipment	(1,541)	(680)
Depreciation of property, plant and equipment	4,061	4,081
Depreciation of right-of-use assets	609	257
Amortisation of intangible assets	477	3,051
Foreign exchange adjustment unrealised gain/(losses)	406	(488)
Operating cash flows before changes in working capital	<u>26,322</u>	<u>29,316</u>
Inventories	(737)	(3,055)
Trade and other receivables	(4,988)	(10,370)
Other assets	(1,365)	12,220
Provisions	301	(1,196)
Trade and other payables	(1,914)	2,788
Other non-financial liabilities	(4,022)	7,010
Net cash flows from operations	<u>13,597</u>	<u>36,713</u>
Income taxes paid	(2,303)	(1,712)
Net cash flows from operating activities	<u>11,294</u>	<u>35,001</u>
<u>Cash flows from investing activities</u>		
Acquisition of subsidiaries (Note 25)	(1,243)	(37,204)
Acquisition of non-controlling interest (Note 25)	–	(17,946)
Other payables due to vendors of Eratech	(3,000)	–
Increase in keyman insurance	(1,472)	–
Purchase of property, plant and equipment	(1,118)	(879)
Disposal of property, plant and equipment	783	3,318
Interest received	848	171
Net cash flows (used in) investing activities	<u>(5,202)</u>	<u>(52,540)</u>
<u>Cash flows from financing activities</u>		
Dividends paid to equity owners	(7,623)	(7,594)
Increase in loans and borrowings	39,379	26,614
Cash restricted in use	2,881	–
Interest paid	(3,460)	(1,860)
Lease liabilities – principal and interest portion paid	(722)	(403)
Loans and borrowings paid	(15,497)	(26,146)
Purchase of treasury shares	–	(112)
Sale of treasury shares	–	5,039
Net cash flows from (used in) financing activities	<u>14,958</u>	<u>(4,462)</u>
Net increase (decrease) in cash and cash equivalents	21,050	(22,001)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(988)	(302)
Cash and cash equivalents, statement of cash flows, beginning balance	<u>53,034</u>	<u>75,337</u>
Cash and cash equivalents, statement of cash flows, ending balance (Note 15)	<u>73,096</u>	<u>53,034</u>

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Notes to the condensed consolidated financial statements 31 December 2023

1. General

The company is incorporated in Singapore with limited liability. The condensed consolidated financial statements for the second half year ended 31 December 2023 (“2H2023”) and full year ended 31 December 2023 (“12M2023”) are presented in Singapore dollar and they cover the company and the subsidiaries (“collectively, the group”)

The principal activities of the company are those of an investment holding company and providing management and administrative support to its subsidiaries. The company is listed on the Singapore Exchange Securities Trading Limited. The group is a diversified group of companies providing solutions in areas of automation and systems integration; maintenance, repair, overhaul and trading; precision engineering; scaffolding; insulation services; petrochemical and environmental engineering services; cleanroom, air and water engineering services and structural engineering and construction services.

2. Basis of preparation of the financial statements

The condensed consolidated financial statements for 2H2023 and 12M2023 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the group’s financial position and performance of the Group since the last financial statements for the period ended 30 June 2023.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1. The condensed consolidated financial statements are presented in Singapore dollar which is the company’s functional currency.

2.1 New and amended standards adopted by group

A number of amendments to Standards have become applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2 Use of judgements and estimates

In preparing the condensed consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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3. Seasonal operations

The group's businesses are not affected significantly by seasonal or cyclical factors during the financial period/year.

4. Financial information by operating segments

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by the financial reporting standard on operating segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

For management purposes the reporting entity is organised into the following major strategic operating segments that offer different products and services: (1) Project services, (2) Maintenance services and (3) Others. The results of all other activities, mainly investment holding which are not included within the two primary segments, are included in the "Others" segment. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

- (1) The Project services segment includes projects that requires engineering, design, procurement, construction, machining, scaffolding works, insulation services and passive fireproofing services.
- (2) The Maintenance services segment includes maintenance and repair services, including trading and supply of material, spare parts and components.
- (3) The Others segment relates to other revenue streams.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the significant accounting policies. The management reporting system evaluates performances based on a number of factors. However, the primary measurement to evaluate segment's operating results is the earnings from operations before depreciation and amortisation, interests and income taxes (called "EBITDA").

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

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4. Financial information by operating segments (cont'd)

4B. Profit or loss from continuing operations and reconciliations

	Project <u>services</u> \$'000	Maintenance <u>services</u> \$'000	<u>Others</u> \$'000	<u>Elimination</u> \$'000	<u>Group</u> \$'000
2H2022					
Revenue by segment					
Total revenue by segment	46,777	40,349	–	(4,131)	82,995
Inter-segment sales	(3,118)	(1,013)	–	4,131	–
Total revenue	<u>43,659</u>	<u>39,336</u>	<u>–</u>	<u>–</u>	<u>82,995</u>
Recurring EBITDA					
Inter-segment expenses	6,264	7,647	(78)	628	14,461
Adjusted EBITDA	169	459	–	(628)	–
Finance costs	6,433	8,106	(78)	–	14,461
Amortisation of intangible assets	(277)	(706)	(314)	–	(1,297)
	(1,148)	(603)	–	–	(1,751)
	<u>5,008</u>	<u>6,797</u>	<u>(392)</u>	<u>–</u>	<u>11,413</u>
Unallocated:					
Interest income					144
Depreciation of property, plant and equipment					(2,075)
Depreciation of right-of-use assets					(172)
Income tax expense					(73)
Profit for the period					<u>9,237</u>
2H2023					
Revenue by segment					
Total revenue by segment	32,745	41,319	–	(2,833)	71,231
Inter-segment sales	(415)	(2,418)	–	2,833	–
Total revenue	<u>32,330</u>	<u>38,901</u>	<u>–</u>	<u>–</u>	<u>71,231</u>
Recurring EBITDA					
Inter-segment expenses	241	8,790	1,866	1,547	12,444
Adjusted EBITDA	309	1,238	–	(1,547)	–
Finance costs	550	10,028	1,866	–	12,444
Amortisation of intangible assets	(29)	(1,441)	(479)	–	(1,949)
	(19)	(220)	–	–	(239)
	<u>502</u>	<u>8,367</u>	<u>1,387</u>	<u>–</u>	<u>10,256</u>
Unallocated:					
Interest income					458
Depreciation of property, plant and equipment					(2,145)
Depreciation of right-of-use assets					(479)
Income tax expense					(2,213)
Profit for the period					<u>5,877</u>

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4. Financial information by operating segments (cont'd)

4B. Profit or loss from continuing operations and reconciliations (cont'd)

	Project <u>services</u> \$'000	Maintenance <u>services</u> \$'000	<u>Others</u> \$'000	<u>Elimination</u> \$'000	<u>Group</u> \$'000
12M2022					
Revenue by segment					
Total revenue by segment	100,134	70,207	–	(7,583)	162,758
Inter-segment sales	(5,578)	(2,005)	–	7,583	–
Total revenue	<u>94,556</u>	<u>68,202</u>	<u>–</u>	<u>–</u>	<u>162,758</u>
Recurring EBITDA					
Inter-segment expenses	1,131	1,324	–	(2,455)	–
Adjusted EBITDA	15,451	14,759	1,394	–	31,604
Finance costs	(503)	(1,055)	(464)	–	(2,022)
Amortisation of intangible assets	(2,052)	(999)	–	–	(3,051)
	<u>12,896</u>	<u>12,705</u>	<u>930</u>	<u>–</u>	<u>26,531</u>
Unallocated:					
Interest income					171
Depreciation of property, plant and equipment					(4,081)
Depreciation of right-of-use assets					(257)
Income tax expenses					(1,511)
Profit for the year					<u>20,853</u>
12M2023					
Revenue by segment					
Total revenue by segment	89,277	76,125	–	(4,758)	160,644
Inter-segment sales	(1,247)	(3,511)	–	4,758	–
Total revenue	<u>88,030</u>	<u>72,614</u>	<u>–</u>	<u>–</u>	<u>160,644</u>
Recurring EBITDA					
Inter-segment expenses	716	1,592	–	(2,308)	–
Adjusted EBITDA	8,722	16,725	2,010	–	27,457
Finance costs	(411)	(2,316)	(859)	–	(3,586)
Amortisation of intangible assets	(166)	(311)	–	–	(477)
	<u>8,145</u>	<u>14,098</u>	<u>1,151</u>	<u>–</u>	<u>23,394</u>
Unallocated:					
Interest income					848
Depreciation of property, plant and equipment					(4,061)
Depreciation of right-of-use assets					(609)
Income tax expenses					(3,595)
Profit for the year					<u>15,977</u>

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4. Financial information by operating segments (cont'd)

4C. Assets and reconciliations

	<u>Project services</u> \$'000	<u>Maintenance services</u> \$'000	<u>Others</u> \$'000	<u>Group</u> \$'000
As at 31 December 2022				
Reportable segment assets	13,737	4,063	–	17,800
Unallocated:				
Cash and cash equivalents				55,915
Inventories				19,440
Trade and other receivables, and other assets				45,928
Property, plant and equipment				47,601
Other non-current assets				51,125
Total group assets				<u>237,809</u>
As at 31 December 2023				
Reportable segment assets	21,283	7,020	–	28,303
Unallocated:				
Cash and cash equivalents				73,739
Inventories				21,862
Trade and other receivables, and other assets				46,176
Property, plant and equipment				43,683
Other non-current assets				51,822
Total group assets				<u>265,585</u>

4D. Liabilities and reconciliations

	<u>Project services</u> \$'000	<u>Maintenance services</u> \$'000	<u>Others</u> \$'000	<u>Group</u> \$'000
As at 31 December 2022				
Reportable segment liabilities	1,949	5,958	–	7,907
Unallocated:				
Provisions				1,232
Trade and other payables				35,465
Loans and borrowings				72,107
Financial liabilities – lease liabilities				5,876
Income tax payable and deferred tax liabilities				5,206
Total group liabilities				<u>127,793</u>
As at 31 December 2023				
Reportable segment liabilities	1,516	3,210	–	4,726
Unallocated:				
Provisions				1,533
Trade and other payables				33,630
Loans and borrowings				95,989
Financial liabilities – lease liabilities				6,131
Income tax payable and deferred tax liabilities				6,105
Total group liabilities				<u>148,114</u>

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4. Financial information by operating segments (cont'd)

4E. Geographical information

	Revenue				Non-current assets	
	<u>2H2023</u>	<u>2H2022</u>	<u>12M2023</u>	<u>12M2022</u>	<u>31/12/2023</u>	<u>31/12/2022</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Group</u>						
China	7,456	8,568	19,831	31,181	2,565	3,076
Singapore	51,206	63,980	101,974	107,165	91,672	93,863
Malaysia	9,970	6,850	29,983	15,722	97	84
United States	1,025	1,785	3,916	1,785	–	–
Middle East	1,574	1,812	4,940	6,905	–	–
	<u>71,231</u>	<u>82,995</u>	<u>160,644</u>	<u>162,758</u>	<u>94,334</u>	<u>97,023</u>

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments and deferred tax assets.

4F. Other material items and reconciliations

Capital expenditures of \$1,118,000 (31 December 2022: \$879,000) are recognised in respect of property, plant and equipment. Segment information is not available for capital expenditures as the information is not available and the cost to allocate to the segment would be excessive.

4G. Disaggregation of revenue

Revenue classified by type of good or service:

	Group			
	<u>2H2023</u>	<u>2H2022</u>	<u>12M2023</u>	<u>12M2022</u>
	\$'000	\$'000	\$'000	\$'000
Services	47,407	36,295	84,827	90,290
Sale of goods	11,083	27,934	29,891	42,380
Construction contracts	12,741	18,766	45,926	30,088
Total revenue	<u>71,231</u>	<u>82,995</u>	<u>160,644</u>	<u>162,758</u>

Revenue classified by timing of revenue recognition:

	Group			
	<u>2H2023</u>	<u>2H2022</u>	<u>12M2023</u>	<u>12M2022</u>
	\$'000	\$'000	\$'000	\$'000
Point in time	11,083	27,934	29,891	42,380
Over time	60,148	55,061	130,753	120,378
Total revenue	<u>71,231</u>	<u>82,995</u>	<u>160,644</u>	<u>162,758</u>

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5. Other income and gains and (other losses)

	Group			
	<u>2H2023</u>	<u>2H2022</u>	<u>12M2023</u>	<u>12M2022</u>
	\$'000	\$'000	\$'000	\$'000
Allowance for impairment on trade receivables – loss	(124)	(12)	(124)	(1)
Reversal for impairment on other receivables	–	7	–	7
Foreign exchange adjustments losses	(774)	(2,131)	(971)	(896)
Gain on disposal of property, plant and equipment	1,532	729	1,541	680
Government grant	171	205	587	699
Interest income	458	144	848	171
Allowance for impairment on inventories – loss	–	(549)	–	(525)
Negative goodwill (Note 25)	–	1,120	–	1,120
Trade payables written back	127	–	127	–
Other income	1,828	129	2,059	341
Net	<u>3,218</u>	<u>(358)</u>	<u>4,067</u>	<u>1,596</u>
Presented in profit or loss as:				
Other income and gains	4,116	2,334	5,162	3,018
Other losses	(898)	(2,692)	(1,095)	(1,422)
Net	<u>3,218</u>	<u>(358)</u>	<u>4,067</u>	<u>1,596</u>

6. Finance costs

	Group			
	<u>2H2023</u>	<u>2H2022</u>	<u>12M2023</u>	<u>12M2022</u>
	\$'000	\$'000	\$'000	\$'000
Interest expense	1,903	1,218	3,460	1,860
Interest on lease liabilities	46	79	126	162
Total finance costs	<u>1,949</u>	<u>1,297</u>	<u>3,586</u>	<u>2,022</u>

7. Additional information on the condensed consolidated statement of profit or loss

	Group			
	<u>2H2023</u>	<u>2H2022</u>	<u>12M2023</u>	<u>12M2022</u>
	\$'000	\$'000	\$'000	\$'000
Amortisation of intangible asset	239	1,751	477	3,051
Depreciation of right-of-use asset	479	172	609	257
Depreciation of property, plant and equipment	2,145	2,075	4,061	4,081
Job Support Scheme and Foreign Workers Levy Rebate included in cost of sales	–	22	–	1,469

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8. Income tax expense

The group calculates the period/year income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed consolidated statement of profit or loss are:

	<u>2H2023</u>	<u>2H2022</u>	<u>Group</u> <u>12M2023</u>	<u>12M2022</u>
	\$'000	\$'000	\$'000	\$'000
<u>Current tax expense:</u>				
Current tax expense	1,942	1,436	3,448	2,918
<u>Deferred tax expense / (income)</u>				
Deferred tax expense / (income)	271	(1,363)	147	(1,407)
Total income tax expense	<u>2,213</u>	<u>73</u>	<u>3,595</u>	<u>1,511</u>

9. Earnings per share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	<u>2H2023</u>	<u>2H2022</u>	<u>Group</u> <u>12M2023</u>	<u>12M2022</u>
	\$'000	\$'000	\$'000	\$'000
Numerators: earnings attributable to equity:				
Profit attributable to equity holders	<u>5,877</u>	<u>9,120</u>	<u>15,977</u>	<u>20,673</u>
Denominators: weighted average number of equity shares				
Basic and diluted	<u>399,736</u>	<u>387,736</u>	<u>399,736</u>	<u>392,644</u>

The weighted average number of ordinary shares refers to shares in issue outstanding during the reporting period/year.

The basic amount per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. It is after the neutralisation by the treasury shares.

Both basic and diluted earnings per share are the same as there are no diluted ordinary share equivalents outstanding during the reporting years.

10. Dividends on equity shares

	<u>Group and Company</u>			
	<u>Rate per share</u>			
	<u>12M2023</u>	<u>12M2022</u>	<u>12M2023</u>	<u>12M2022</u>
	cents	cents	\$'000	\$'000
Final tax exempt (one-tier) dividend paid	0.906	0.608	3,622	2,359
Interim tax exempt (one-tier) dividend paid	1.001	1.162	4,001	4,645
Special tax exempt (one-tier) dividend paid	–	0.152	–	590
Total dividends paid in the year	<u>1.907</u>	<u>1.922</u>	<u>7,623</u>	<u>7,594</u>

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11. Property, plant and equipment

During the year ended 31 December 2023, the group acquired assets amounting to \$1,118,000 (31 December 2022: \$879,000) and disposed of assets with net book value amounting to \$2,201,000 (31 December 2022: \$2,638,000).

12. Goodwill

	<u>Group</u>	
	<u>31/12/2023</u>	<u>31/12/2022</u>
	\$'000	\$'000
Cost:		
At beginning of the year	40,421	29,552
Addition	–	10,869
At end of the year	<u>40,421</u>	<u>40,421</u>

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the group's investment by each subsidiary as follows:

	<u>Group</u>	
	<u>31/12/2023</u>	<u>31/12/2022</u>
	\$'000	\$'000
<u>Name of subsidiary:</u>		
Multiheight Scaffolding Pte Ltd and its subsidiary	12,292	12,292
Austin Energy (Asia) Pte Ltd and its subsidiary	10,159	10,159
Ensure Engineering Pte Ltd	7,101	7,101
Starburst Holding Limited and its subsidiaries	10,869	10,869
Net book value at end of the year	<u>40,421</u>	<u>40,421</u>

The goodwill was tested for impairment at the end of the reporting year 31 December 2023. No impairment allowance was required because the carrying amounts of all cash-generating units were lower than their estimated recoverable amounts. The recoverable amounts of cash-generating units have been measured based on the value in use method. The value in use was measured by management. The value in use is a recurring fair value measurement (Level 3).

The quantitative information about the value in use measurement using significant unobservable inputs for the cash-generating unit ("CGU") are consistent with those used for the measurement last performed and are as follows:

	<u>Group</u>	
	<u>31/12/2023</u>	<u>31/12/2022</u>
<u>Valuation technique and Unobservable inputs</u>		
<u>Discounted cash flow method:</u>		
1. Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGUs.		
Multiheight Scaffolding Pte Ltd and its subsidiary	13%	13%
Austin Energy (Asia) Pte Ltd and its subsidiary	13%	13%
Ensure Engineering Pte Ltd	13%	13%
Starburst Holdings Limited and its subsidiaries	13%	13%
2. Cash flow forecasts derived from the most recent financial budgets and plans approved by management.	5 years	5 years
3. Growth rates based on industry growth forecasts and not exceeding the average long-term growth rate for the relevant markets.	1.4%	1.4%

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12. Goodwill (cont'd)

Multiheight Scaffolding Pte Ltd and its subsidiary

Actual outcomes could vary from these estimates. If the assumptions would adversely change (all changes taken in isolation), by the following rates the recoverable amount would be equal to the carrying amount: revenue growth 137%; gross margin 26%; discount rate 50%.

Austin Energy (Asia) Pte Ltd and its subsidiary

Actual outcomes could vary from these estimates. If the assumptions would adversely change (all changes taken in isolation), by the following rates the recoverable amount would be equal to the carrying amount: revenue growth 44%; gross margin 21%; discount rate 40%.

Ensure Engineering Pte Ltd

Actual outcomes could vary from these estimates. If the assumptions would adversely change (all changes taken in isolation), by the following rates the recoverable amount would be equal to the carrying amount: revenue growth 52%; gross margin 12%; discount rate 46%.

Starburst Holdings Limited and its subsidiaries

Actual outcomes could vary from these estimates. If the assumptions would adversely change (all changes taken in isolation), by the following rates the recoverable amount would be equal to the carrying amount: revenue growth 9%; gross margin 2%; discount rate 2%.

Management's calculation of value in use took into account projects on hand.

13. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	<u>31/12/2023</u>	<u>31/12/2022</u>	<u>31/12/2023</u>	<u>31/12/2022</u>
	\$'000	\$'000	\$'000	\$'000
<u>Trade receivables:</u>				
Outside parties	40,281	34,872	–	–
Less allowance for impairment	(250)	(130)	–	–
Subsidiaries	–	–	10,753	18,652
Retention receivables	5,229	4,647	–	–
Net trade receivables – subtotal	<u>45,260</u>	<u>39,389</u>	<u>10,753</u>	<u>18,652</u>
<u>Other receivables:</u>				
Receivable from sale of property	2,959	–	–	–
Net other receivables – subtotal	<u>2,959</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total trade and other receivables	<u><u>48,219</u></u>	<u><u>39,389</u></u>	<u><u>10,753</u></u>	<u><u>18,652</u></u>

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13. Trade and other receivables (cont'd)

	<u>Group</u>		<u>Company</u>	
	<u>31/12/2023</u>	<u>31/12/2022</u>	<u>31/12/2023</u>	<u>31/12/2022</u>
	\$'000	\$'000	\$'000	\$'000
Movements in above allowance on trade receivables:				
At beginning of the year	130	195	–	–
Charge for trade receivables to profit or loss included in other losses	124	1	–	–
Used	(4)	(66)	–	–
At end of the year	<u>250</u>	<u>130</u>	<u>–</u>	<u>–</u>
Movements in above allowance on other receivables:				
At beginning of the year	–	7	–	–
Reversal for other receivables to profit or loss included in other income and gains	–	(7)	–	–
At end of the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The expected credit losses (ECL) on the above trade receivables are based on the simplified approach to measuring expected credit losses (ECL) which uses a lifetime ECL allowance approach for all trade receivables recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance matrix is based on the historical observed default rates (over a period of 36 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates including the impact of the current economic conditions. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

There are no collateral held as security and other credit enhancements for the trade receivables.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 to 90 days (2022: 30 to 90 days). But some customers take a longer period to settle the amounts.

Concentration of trade receivable customers as at the end of reporting year:

	<u>Group</u>	
	<u>31/12/2023</u>	<u>31/12/2022</u>
	\$'000	\$'000
Top 1 customer	5,418	3,081
Top 2 customers	8,460	5,100
Top 3 customers	<u>11,310</u>	<u>7,068</u>

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14. Other assets

	Group		Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	\$'000	\$'000	\$'000	\$'000
Contract assets	13,453	9,957	–	–
Unbilled revenue	9,621	7,843	821	628
Prepayments	749	989	91	53
Advances to suppliers	1,030	2,469	–	–
Deposits to secure services	1,407	3,081	23	4
	<u>26,260</u>	<u>24,339</u>	<u>935</u>	<u>685</u>
Keyman insurance – non current	<u>1,472</u>	<u>–</u>	<u>–</u>	<u>–</u>

15. Cash and cash equivalents in the statement of cash flows

	Group	
	31/12/2023	31/12/2022
	\$'000	\$'000
Cash at end of the year	73,739	55,915
Cash pledged for bank facilities (a)	<u>(643)</u>	<u>(2,881)</u>
Cash and cash equivalents for statement of cash flows purposes at end of the year	<u>73,096</u>	<u>53,034</u>

(a) This relates to amount held by a bank to secure bank facilities granted

16. Share capital

	Number of shares issued '000	Share capital \$'000	Treasury shares \$'000	Total \$'000
Previous period: <u>Group and Company</u>				
Ordinary shares of no par value:				
Opening balance at 1 January 2022	388,000	22,439	(2,614)	19,825
Treasury shares purchased (a)	<u>(264)</u>	<u>–</u>	<u>(112)</u>	<u>(112)</u>
At end of the period 30 June 2022	387,736	22,439	(2,726)	19,713
Treasury shares sold (b)	<u>12,000</u>	<u>2,425</u>	<u>2,614</u>	<u>5,039</u>
At end of the period 31 December 2022	<u>399,736</u>	<u>24,864</u>	<u>(112)</u>	<u>24,752</u>
Current period: <u>Group and Company</u>				
Ordinary shares of no par value: As at 1 January 2023 and 31 December 2023	<u>399,736</u>	<u>24,864</u>	<u>(112)</u>	<u>24,752</u>

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.

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16. Share capital (cont'd)

- (a) Shares purchased and held as treasury shares pursuant to the share purchase mandate approved at the extraordinary general meeting on 29 April 2015 and renewed at the annual general meeting on 25 April 2022. During the reporting year, the company did not acquire any ordinary shares (31 December 2022: 264,000 ordinary shares) on the Singapore Stock Exchange and hold them as treasury shares.
- (b) On 8 July 2022, the company sold 12,000,000 treasury shares at the price of \$0.42 for each share to Edward Lim Chin Wah and Yap Tin Foo for an aggregate consideration of \$5,039,000. They were the Chairman and Executive Director and Managing and Executive Director of Starburst Holdings Limited (Note 25) respectively.

There had been no changes in the company's share capital since 30 June 2023.

The company had 399,736,100 issued shares (excluding treasury shares) as at 31 December 2023 and 31 December 2022. The company held 263,900 treasury shares as at 31 December 2023 (31 December 2022: 263,900), representing 0.07% of the total number of issued shares (31 December 2022: 0.07%).

There was no sale, transfer, disposal, cancellation and/or use of treasury shares during 2H2023.

There were no outstanding convertibles issued by the company and no subsidiary holdings as at 31 December 2023 and 31 December 2022.

17. Other reserves

	<u>Group</u>	
	<u>31/12/2023</u>	<u>31/12/2022</u>
	\$'000	\$'000
Foreign currency translation reserve (Note 17A)	(1,458)	(559)
Statutory reserve (Note 17B)	<u>878</u>	<u>878</u>
Total at the end of the year	<u><u>(580)</u></u>	<u><u>319</u></u>

17A. Foreign currency translation reserve

	<u>Group</u>	
	<u>31/12/2023</u>	<u>31/12/2022</u>
	\$'000	\$'000
At beginning of the year	(559)	581
Exchange differences on translating foreign operations	<u>(899)</u>	<u>(1,140)</u>
At end of the year	<u><u>(1,458)</u></u>	<u><u>(559)</u></u>

The currency translation reserve accumulates all foreign exchange differences.

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17B. Statutory reserve

	<u>Group</u>	
	<u>31/12/2023</u> \$'000	<u>31/12/2022</u> \$'000
At beginning of the year	878	235
Transferred from retained earnings	–	542
Foreign exchange adjustments	–	101
At end of the year	<u>878</u>	<u>878</u>

The subsidiaries in the People's Republic of China are required by local regulation to appropriate 10% of the profits each year to a non-distributable statutory reserve. Contribution to this reserve is no longer mandatory when the reserve reaches 50% of the registered share capital. The use of the funds in the non-distributable statutory reserve is subject to approval by the relevant authorities in the People's Republic of China.

18. Net asset value per share

The following table illustrates the numerators and denominators used to calculate net asset value per share of no par value:

	<u>Group</u>		<u>Company</u>	
	<u>31/12/2023</u> \$'000	<u>31/12/2022</u> \$'000	<u>31/12/2023</u> \$'000	<u>31/12/2022</u> \$'000
Numerators: net asset value	<u>117,471</u>	<u>110,016</u>	<u>25,707</u>	<u>33,652</u>
	'000	'000	'000	'000
Denominators: number of ordinary equity shares (excluding treasury shares)	399,736	399,736	399,736	399,736
Net asset value per share (cents)	<u>29.4</u>	<u>27.5</u>	<u>6.4</u>	<u>8.4</u>

19. Provisions

	<u>Group</u>	
	<u>31/12/2023</u> \$'000	<u>31/12/2022</u> \$'000
Warranties	<u>1,533</u>	<u>1,232</u>

Certain products are covered by product warranty plans of varying periods. If the customer has the option to purchase a warranty separately or is negotiated separately, the warranty is accounted as a performance obligation and a portion of the transaction price is allocated to that performance obligation and recognised as revenue over the period the warranty services are provided. The warranty obligations are affected by actual product failure rates and by material usage and service delivery costs incurred in correcting a product failure.

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20. Loans and borrowings

	<u>Group</u>		<u>Company</u>	
	<u>31/12/2023</u>	<u>31/12/2022</u>	<u>31/12/2023</u>	<u>31/12/2022</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<u>Non-current:</u>				
<u>Financial instruments with floating interest rates:</u>				
Bank loans (Note 20B)	3,785	7,137	2,119	3,803
<u>Financial instruments with fixed interest rates:</u>				
Bank loan (secured) (Note 20A)	–	9,644	–	–
Total non-current portion	<u>3,785</u>	<u>16,781</u>	<u>2,119</u>	<u>3,803</u>
<u>Current:</u>				
<u>Financial instruments with floating interest rates:</u>				
Bank loans (secured) (Note 20A)	27,392	15,600	9,800	6,600
Bank loans (Note 20B)	46,823	35,823	6,656	1,656
Invoice financing (Note 20B)	17,989	3,191	–	–
<u>Financial instruments with fixed interest rates:</u>				
Bank loans (secured) (Note 20A)	–	712	–	–
Total current portion	<u>92,204</u>	<u>55,326</u>	<u>16,456</u>	<u>8,256</u>
Total non-current and current	<u>95,989</u>	<u>72,107</u>	<u>18,575</u>	<u>12,059</u>
Presented as:				
Secured	27,392	25,956	9,800	6,600
Unsecured	68,597	46,151	8,775	5,459
Total loans and borrowings	<u>95,989</u>	<u>72,107</u>	<u>18,575</u>	<u>12,059</u>

The non-current portion is repayable as follows:

	<u>Group</u>		<u>Company</u>	
	<u>31/12/2023</u>	<u>31/12/2022</u>	<u>31/12/2023</u>	<u>31/12/2022</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Due within 2 to 5 years	3,785	10,131	2,119	3,803
Due more than 5 years	–	6,650	–	–

The range of floating interest rates paid was as follows:

	<u>Group</u>		<u>Company</u>	
	<u>31/12/2023</u>	<u>31/12/2022</u>	<u>31/12/2023</u>	<u>31/12/2022</u>
Bank loans and invoice financing	4.23% to 5.46%	1.07% to 4.85%	4.27% to 5.07%	1.07% to 4.68%

The fixed interest rates paid were as follows:

	<u>Group</u>		<u>Company</u>	
	<u>31/12/2023</u>	<u>31/12/2022</u>	<u>31/12/2023</u>	<u>31/12/2022</u>
Bank loans	1.98%	1.98%	–	–

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20. Loans and borrowings (cont'd)

20A. Bank loans (secured)

The bank agreements for certain of the bank loans and other credit facilities provide among other matters for the following:

1. Corporate guarantee from the company.
2. Legal mortgage over leasehold properties.
3. Subject to certain financial covenants.
4. The bank loans comprise:
 - a. Short term borrowings with an average maturity period of 1 to 3 months and are settled at the end of maturity period.
 - b. Loan repayable in 30 quarterly instalments of \$200,000 from June 2018. Although the loan is for a period of 7.5 years from June 2018, it has been classified as "current" because the borrower does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period/year.
 - c. Loan repayable over 240 months from May 2015 with monthly instalment of approximately \$62,500. This loan arose from the acquisition of Starburst Group in 2022 and is secured by a leasehold property, legal assignment of proceeds from certain projects, charge on cash in current account, fixed deposit of not less than \$2.1 million and a first legal assignment of all the rights, title, interest and benefits under and arising out of the life insurance policies taken out on the lives of certain advisors of the company and a corporate guarantee from a subsidiary. The loan was fully repaid in May 2023. The weighted average interest rate was 2.04% per annum.
 - d. Loan repayable over 28 quarterly reductions of \$350,000 each or any such reductions as maybe specified or fixed by the Bank until the limit is reduced to \$4 million from May 2023.

20B. Bank loans (unsecured) and invoice financing

The bank agreements for certain of the bank loans and other credit facilities provide among other matters for the following:

1. Corporate guarantee from the company.
2. Loan repayable over 4 years from January 2022 with monthly instalment of about \$145,000 at floating interest rates.
3. Loan repayable over 36 months from January 2023 with monthly instalment of \$138,888.
4. Short term borrowings (invoice financing and money market loans) with an average maturity period of 1 to 6 months and are settled at the end of maturity period.

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20. Loans and borrowings (cont'd)

20C Bank facilities

	<u>Group</u>	
	<u>31/12/2023</u>	<u>31/12/2022</u>
	\$'000	\$'000
Undrawn borrowings and trade lines	41,177	59,584
Undrawn foreign exchange lines and interest rate swap	<u>60,500</u>	<u>34,100</u>
Total undrawn borrowing facilities	<u><u>101,677</u></u>	<u><u>93,684</u></u>

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the operations. A schedule showing the maturity of financial liabilities and unused bank facilities is provided regularly to management to assist in monitoring the liquidity risk.

21. Trade and other payables

	<u>Group</u>		<u>Company</u>	
	<u>31/12/2023</u>	<u>31/12/2022</u>	<u>31/12/2023</u>	<u>31/12/2022</u>
	\$'000	\$'000	\$'000	\$'000
<u>Trade payables:</u>				
Outside parties and accrued liabilities	31,130	32,465	2,742	2,959
Net trade payables – subtotal	<u>31,130</u>	<u>32,465</u>	<u>2,742</u>	<u>2,959</u>
<u>Other payables:</u>				
Amount owing to Avon and Eratech Vendors (Note 25)	2,500	3,000	–	–
Net trade payables – subtotal	<u>2,500</u>	<u>3,000</u>	<u>–</u>	<u>–</u>
Total trade and other receivables	<u><u>33,630</u></u>	<u><u>35,465</u></u>	<u><u>2,742</u></u>	<u><u>2,959</u></u>

22. Other non-financial liabilities

	<u>Group</u>	
	<u>31/12/2023</u>	<u>31/12/2022</u>
	\$'000	\$'000
Deferred revenue	836	803
Advances from customers	3,070	5,764
Contract liabilities	<u>820</u>	<u>1,340</u>
Total other non-financial liabilities	<u><u>4,726</u></u>	<u><u>7,907</u></u>

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25. Acquisition of subsidiaries

Acquisition of subsidiaries in 2023

On 22 December 2023, the group acquired 100% of the share capital in Avon Industries Pte Ltd (incorporated in Singapore) and from that date the group gained control. It became a subsidiary. The transaction was accounted for by the acquisition method of accounting and the provisional fair values (12 months from date of acquisition to finalise) are as follows:

	Pre- acquisition book value under SFRS(l) \$'000	At fair value \$'000
<u>2023: Avon Industries Pte Ltd</u>		
Property, plant and equipment	577	1,539
Right-of-use asset	157	157
Inventories	1,685	1,685
Trade and other receivables	883	883
Other assets	556	556
Cash and cash equivalents	1,257	1,257
Restricted cash	643	643
Trade and other payables	(579)	(579)
Lease liabilities	(161)	(161)
Deferred tax liabilities	(36)	(36)
Contract liabilities	(841)	(841)
Income tax payable	(103)	(103)
Net assets	<u>4,038</u>	<u>5,000</u>

The goodwill arising on acquisition is as follows:

Consideration transferred	<u>5,000</u>
Goodwill arising on acquisition	<u>–</u>

The contributions from the acquired subsidiaries for the period between the date of acquisition and the end of the reporting year were as follows:

	From date of acquisition in <u>2023</u> \$'000	For the reporting year <u>2023</u> \$'000
Revenue	–	8,650
Profit before income tax	<u>–</u>	<u>490</u>

Effect of cash flows of the group

	\$'000
Fair value of purchase consideration	5,000
Amount payable to vendor (Note 21)	(2,500)
Less: cash and cash equivalents in subsidiary acquired	<u>(1,257)</u>
Excess of consideration paid recognised in parent's equity	<u>1,243</u>

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25. Acquisition of subsidiaries (cont'd)

Acquisition of subsidiaries in 2022

On 7 January 2022, the group made a voluntary general offer to acquire all the issued and paid-up ordinary shares of Starburst Holdings Limited ("Starburst") at a consideration of S\$0.238 for each share. On 24 January 2022, the group received valid acceptances in respect of 173,061,556 shares, constituting 69.70% of the total number of issued shares (excluding treasury shares) of Starburst, and the offer was declared unconditional in all respects. As such, the group obtained controlling interest in Starburst through a wholly owned subsidiary, Nordic Flow Control Pte Ltd. Accordingly, the acquisition date of Starburst was 24 January 2022 and any subsequent valid acceptances will be treated as acquisition of non-controlling interests without a change in control.

As a result of the acquisition on 24 January 2022, a goodwill of \$10.9 million is recognised during the financial year.

On 25 August 2022 the group acquired 100% of the share capital in Eratech Pte Ltd (incorporated in Singapore) and from that date the group gained control. It became a subsidiary. The transaction was accounted for by the acquisition method of accounting.

	Pre- acquisition book value under SFRS(I) \$'000	At fair value \$'000
<u>2022: Starburst Group and Eratech Pte Ltd</u>		
Intangible assets – customer relationship	–	1,163
Intangible assets – order backlog	–	5,319
Property, plant and equipment	22,178	21,667
Right-of-use asset	2,544	2,544
Inventories	1,843	1,843
Trade and other receivables	4,600	4,600
Other assets	23,800	23,800
Cash and cash equivalents (unrestricted)	10,984	10,984
Cash pledged for bank facilities (restricted)	2,881	2,881
Trade and other payables	(5,847)	(5,847)
Lease liabilities	(2,691)	(2,691)
Loans and borrowings	(11,377)	(11,377)
Income tax payable	(267)	(267)
Net assets	<u>48,648</u>	<u>54,619</u>

The goodwill arising on acquisition is as follows:

Consideration transferred	51,188
Non-controlling interest at fair value	13,180
Fair value of identifiable net assets acquired	<u>(54,619)</u>
Goodwill arising on acquisition	<u>9,749</u>
Goodwill (Note 12)	10,869
Negative goodwill (Note 5)	<u>(1,120)</u>
	<u>9,749</u>

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25. Acquisition of subsidiaries (cont'd)

The contributions from the acquired subsidiaries for the period between the date of acquisition and the end of the reporting year were as follows:

	From date of acquisition in <u>2023</u> \$'000	For the reporting year <u>2023</u> \$'000
Revenue	31,836	38,594
Profit before income tax	<u>9,094</u>	<u>10,423</u>

Acquisition of additional interest in subsidiaries

On 20 April 2022, the group had received acceptances in respect of an aggregate of 248,300,050 shares at S\$0.238 for each share, constituting 100% of the total number of issued shares (excluding treasury shares) of Starburst for an aggregate cash consideration of \$59.1 million.

The consideration paid for the acquisition of additional interest of 30.3% in Starburst amounted to \$17.9 million and the fair value of the non-controlling interests in Starburst was approximately \$13.4 million.

As a result of the acquisition of additional interest, the group derecognised non-controlling interests of \$13.4 million (including non-controlling interest share of profits of \$0.2 million) and recorded a decrease in equity attributable to owner of the parent of \$4.6 million. The effect of changes in changes in equity during the financial period is summarised as follows:

	\$'000
Non-controlling interest at fair value	13,180
Consideration paid to non-controlling interest	(17,946)
Non-controlling interest share of profits	<u>180</u>
Excess of consideration paid recognised in parent's equity	<u>4,586</u>

The group incurred acquisition related costs of approximately \$245,000 relating to external legal fees and compliance costs and these have been classified as 'administrative' expenses in the condensed interim consolidated statement of profit or loss.

Effect of cash flows of the group

	\$'000
Fair value of purchase consideration	51,188
Amount payable to vendor (Note 21)	(3,000)
Less: cash and cash equivalents in subsidiaries acquired	<u>(10,984)</u>
Excess of consideration paid recognised in parent's equity	<u>37,204</u>
Acquisition of non-controlling interest	<u>17,946</u>

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Other Information Required by Listing Rule Appendix 7.2

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OTHER INFORMATION

1. Review

The condensed consolidated financial statements for 2H2023 and year ended 31 December 2023 and certain explanatory notes have not been audited or reviewed.

The latest financial statements of the group for the financial year ended 31 December 2022 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

2. Review of performance of the group

Review of performance for 2H2023 vs 2H2022

Revenue

The group's revenue decreased by approximately \$11.8 million or 14%, from approximately \$83.0 million in 2H2022 to approximately \$71.2 million in 2H2023. This decrease was mainly attributable to the completion of certain projects as well as the delay in other projects in Singapore and Malaysia.

Business segment	2H2023	2H2022	Change	Change
	\$'000	\$'000	\$'000	%
Project services	32,330	43,659	(11,329)	(26)
Maintenance services	38,901	39,336	(435)	(1%)
Total	71,231	82,995	(11,764)	(14)

Gross profit and gross profit margin

Gross profit for 2H2023 decreased by approximately \$8.4 million or 37% from \$22.7 million in 2H2022 to approximately \$14.3 million in 2H2023. Gross profit margin decreased from 27.3% in 2H2022 to approximately 20.1% in 2H2023 mainly due to lower revenue and increased cost such as foreign worker levies and workers' dormitories costs and increased labour cost due to project delays.

Other income and gains

Other income and gains increased approximately \$1.8 million or 76% from approximately \$2.3 million in 2H2022 to \$4.1 million in 2H2023 mainly due to higher gain on disposal of property of \$0.8 million, write back of contingent consideration liability arising from the acquisition of Starburst Group in 2022 of \$1.5 million, higher interest income of \$0.3 million and higher other income of \$0.2 million. These were offset by absence of negative goodwill of \$1.1 million.

Distribution costs

Distribution costs decreased \$0.3 million or 40% mainly due to reduction of salary cost in the Middle East office.

Administrative expenses

Administrative expenses decreased approximately \$3.9 million or 36% from approximately \$10.9 million in 2H2022 to \$7.0 million in 2H2023 mainly due to lower amortisation expense from intangibles and lower staff cost.

Finance costs

Interest expenses increased \$0.7 million or 50% from approximately \$1.3 million in 2H2022 to \$1.9 million in 2H2023 mainly due to higher interest rates during the period under review.

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2. Review of performance of the group (cont'd)

Other losses

Other losses decreased approximately \$1.8 million or 67% from approximately \$2.7 million in 2H2022 to \$0.9 million in 2H2023 mainly due to less foreign exchange adjustment loss of \$1.3 million and absence of impairment of inventories – loss of \$0.5 million.

Income tax expenses

Effective income tax rates were at approximately 1% for 2H2022 and 27% for 2H2023. The effective tax rate in 2H2022 was lower than the statutory rate of 17% mainly due to the utilization of merger & acquisition allowance, unutilised capital allowances carried forward and recognition of deferred tax asset in Malaysia in 2H2022. The effective tax rate was higher in 2H2023 due to underprovision of income tax in prior years upon finalisation of the tax assessments.

Review of performance for 12M2022 vs 12M2023

Revenue

The group's revenue decreased by approximately \$2.1 million or 1%, from approximately \$162.8 million in 12M2022 to approximately \$160.6 million in 12M2023. This decrease was mainly due to the completion of certain projects as well as the delay in other projects in Singapore and Malaysia. This was offset by an increase in maintenance services.

Business segment	12M2023	12M2022	Change	Change
	\$'000	\$'000	\$'000	%
Project services	88,030	94,556	(6,526)	(7)
Maintenance services	72,614	68,202	4,412	6
Total	160,644	162,758	(2,114)	(1)

Gross profit and gross profit margin

Gross profit for 12M2023 decreased by approximately \$9.3 million or 20% from \$45.7 million in 12M2022 to approximately \$36.4 million in 12M2023. Gross profit margin decreased from 28.1% in 12M2022 to approximately 22.7% in 12M2023 mainly due to increased cost such as foreign worker levies and workers' dormitories costs and increased labour cost due to project delays.

Other income and gains

Other income and gains increased by approximately \$2.1 million or 71% from approximately \$3.0 million in 12M2022 to \$5.2 million in 12M2023 mainly due to higher gain on disposal of property of \$0.8 million, write back of contingent consideration liability arising from the acquisition of Starburst Group in 2022 of \$1.5 million, higher interest income of \$0.7 million and higher other income of \$0.2 million. These were offset by absence of negative goodwill of \$1.1 million.

Distribution costs

Distribution costs remained constant at about \$1.7 million.

Administrative expenses

Administrative expenses decreased by approximately \$5.7 million or 27% from approximately \$21.3 million in 12M2022 to \$15.6 million in 12M2023 mainly due to lower amortisation expense from intangibles and lower staff cost.

2. Review of performance of the group (cont'd)

Finance costs

Interest expenses increased by \$1.6 million or 77% from approximately \$2.0 million in 12M2022 to \$3.6 million in 12M2023 mainly due to higher loans and borrowings and higher interest rates during the period under review.

Other losses

Other losses decreased approximately \$0.3 million or 23% from approximately \$1.4 million in 12M2022 to \$1.1 million in 12M2023 mainly due to absence of impairment of inventories of \$0.5 million. There was also an increase in impairment of trade receivables.

Income tax expense

Effective income tax rates were at approximately 7% for 12M2022 and 18% for 12M2023. The effective tax rate in 12M2022 was lower than the statutory rate of 17% mainly due to the utilization of merger & acquisition allowance, unutilised capital allowances carried forward and recognition of deferred tax asset in Malaysia in 12M2022. The effective tax rate in 12M2023 was close to the statutory tax rate of 17%.

Statement of Financial Position Review (as at 31 December 2023 compared to 31 December 2022)

Non-current assets

Non-current asset decreased by approximately \$3.2 million or 3% from approximately \$98.7 million as at 31 December 2022 to approximately \$95.5 million as at 31 December 2023. The decrease was mainly due to disposal of a property and depreciation charge during the year, offset by an increase in keyman insurance.

Current assets

Current asset increased by approximately \$31.0 million or 22% from approximately \$139.1 million as at 31 December 2022 to \$170.1 million as at 31 December 2023. This increase was mainly due to higher inventories of \$2.4 million mainly arising from the Avon acquisition, trade and other receivables of \$8.8 million, unbilled revenue and contract assets of \$5.3 million due to progress billings from project milestones and higher cash and cash equivalents of \$17.8 million. This increase was offset by lower deposits to secure services of \$1.6 million and lower advances to suppliers of \$1.4 million.

Equity

Our capital and reserves increased by approximately \$7.5 million or 7% as at 31 December 2023. The increase was due to retention of net profit from 12M2023 of approximately \$16.0 million. This was offset by dividend payment of \$7.6 million and foreign exchange reserve loss of \$0.9 million.

Non-current liabilities

Non-current liabilities decreased by approximately \$13.5 million or 54% from approximately \$25.3 million as at 31 December 2022 to approximately \$11.7 million as at 31 December 2023. The decrease was mainly due to the restructuring of the fixed interest long term loan to a reducing balance short term loan.

Current liabilities

Current liabilities increased by approximately \$33.8 million or 33%, from approximately \$102.5 million as at 31 December 2022 to \$136.4 million as at 31 December 2023. The increase was due to the restructuring of the fixed interest long term loan to a reducing balance short term loan as mentioned above, higher provisions due to project completion, and higher income tax payable due to taxable income in Malaysia. These increases were offset by lower other non-financial liabilities and trade and other payables.

2. Review of performance of the group (cont'd)

Statement of Cash Flows Review

12M2023

For 12M2023, net cash generated from operating activities amounted to approximately \$11.3 million. The group generated net cash of approximately \$26.3 million from operating profits before working capital changes. Working capital cash outflow was approximately \$12.7 million. This was mainly due to increase in inventories, trade and other receivables, other assets, and decrease in trade payables and other non-financial liabilities. These outflows were offset by higher provisions. Operating cash flow from operations of \$13.6 million was reduced by income tax payments of approximately \$2.3 million.

Net cash of approximately \$5.2 million was used in investing activities. The proceeds from the disposal of property, plant and equipment and interest received were offset by payment for acquisition of subsidiary, purchase of property, plant and equipment and increase in keyman insurance and payment to vendors of Eratech

Net cash of approximately \$15.0 million was generated from financing activities. This was from loans and borrowings and cash restricted in use. These cash inflows were offset by dividend payment, repayment of loans and borrowings and interest payment.

3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

There is no variance between the prospect statement previously announced and the actual results of the current financial reporting period.

4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next operating period and the next 12 months

The group has outstanding orders amounting to approximately \$187.1 million, comprising \$61.6 million from Projects Services segment and \$125.5 million from Maintenance Services segment, as at 31 December 2023.

Certain maintenance contracts are based on unit rates and do not have a contract value upfront. These contract values are estimated based on historical revenue trends and included in our order book reporting.

The deliveries for these orders will spread mainly within the next 36 months. These confirmed orders are however, subject to possible cancellation, deferral, rescheduling or variations by customers.

The high interest rates, geopolitical tensions and inflationary pressures globally posed some near-term headwinds to the group's operations. The completion of certain large projects and the longer tenure of new projects may also pose some pressures on the results of the group in the next 12 months. However, the group remains positive over the long-term prospects in the marine, offshore oil and gas, petrochemical, pharmaceutical, infrastructure, semiconductor and security agencies sectors.

The group is optimistic with the contract wins secured to date, the prudent cost and risk management initiatives undertaken, the acquisition of Avon Industries Pte Ltd and the opportunities for further M&A. The group will continue to strive to deliver greater value to shareholders in the long run.

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5. Dividends

The Board of Directors has recommended a final tax exempt (one-tier) dividend of 0.588 cents per ordinary share for the year ended 31 December 2023.

With the interim dividend of 1.001 cent per ordinary share already paid, total dividend payout for 12M2023 will be 1.589 cents per ordinary share to all shareholders.

(i) 31 December 2022

Name of Dividend	Dividend type	Dividend per ordinary shares	Tax rate	Date paid
Final	Cash	0.906 cents	Tax exempt (One tier)	17 May 2023

(ii) 31 December 2023

Name of Dividend	Dividend type	Dividend per ordinary shares	Tax rate	Date payable
Final	Cash	0.588 cents	Tax exempt (One tier)	The proposed final dividend is subject to the approval of the shareholders at the forthcoming AGM. The record date and payment date will be announced at a later date

(iii) Breakdown of the total annual dividend (in dollar value):

	<u>12M2023</u> \$'000	<u>12M2022</u> \$'000
<u>Ordinary</u>		
Interim dividend paid of 1.001 (2022: 1.162) cents per share	4,001	4,645
Proposed final dividend of 0.588 (2022: 0.906) cents per share *	<u>2,350</u>	<u>3,622</u>
Total interim, final and final dividend of 1.589 (2022: 2.068) cents per share	6,351	8,267
<u>Preference</u>	—	—
Total	<u>6,351</u>	<u>8,267</u>

*Based on 399,736,100 ordinary shares being total issued share capital excluding treasury shares as at 31 December 2022 and 31 December 2023.

6. Interested person transactions

The Company has not obtained a general mandate from shareholders for interested person transactions. The Company did not have any interested person transactions during the period under review (excluding transactions less than \$100,000).

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7. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

8. Disclosure of acquisitions and realisations pursuant to Rule 706A

Date	Details	Announcement released
22 December 2023	Acquisition of Avon Industries Pte Ltd. Refer to note 25 page 23 for more details	Proposed acquisition of entire share capital of Avon Industries Pte Ltd

9. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13). If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and / or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Astro Chang Yeh Fung	54	Brother of Chang Yeh Hong, Executive Chairman and controlling shareholder of the Company	CEO of Starburst Group in since April 2022.	None

10. Breakdown of sales

	<u>12M2023</u> \$'000	<u>12M2022</u> \$'000	<u>% increase/ (decrease)</u>
Sales reported for the first half	89,413	79,763	12
Operating profit after tax before deducting non-controlling interest reported for the first half year	10,100	11,616	(13)
Sales reported for the second half	71,231	82,995	(14)
Operating profit after tax before deducting non-controlling interest reported for the second half year	<u>5,877</u>	<u>9,237</u>	<u>(36)</u>

By Order Of The Board

Chang Yeh Hong
Executive Chairman
29 February 2024