



# Directors' Report

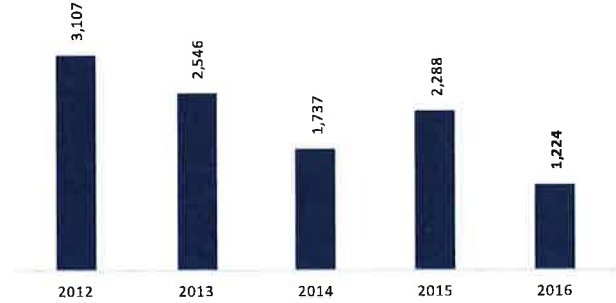
The Directors of the Company have pleasure in presenting the 32<sup>nd</sup> annual report along with the audited accounts for the year ended 31st December 2016.

## Financial Results

Your Company achieved contract revenues of AED 1,224 million and achieved a net profit of AED 57 million for the year 2016 as compared to AED 2,274 million and a net profit of AED 152 million respectively in 2015. EPS in 2016 is AED 0.23 as compared to 0.61 in 2015.

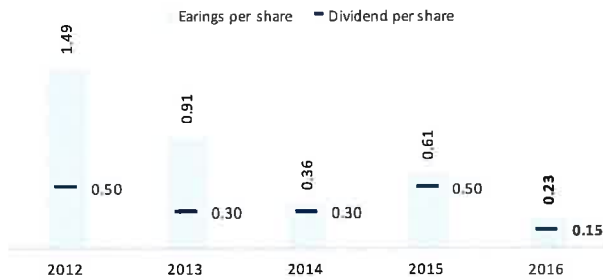
Contract revenue

(In AED million)



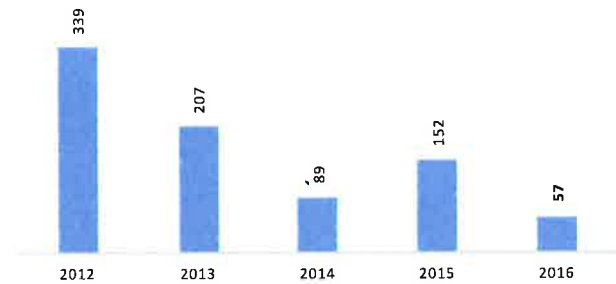
Earnings and dividend per share

(In AED)



Profit for the year

(In AED million)



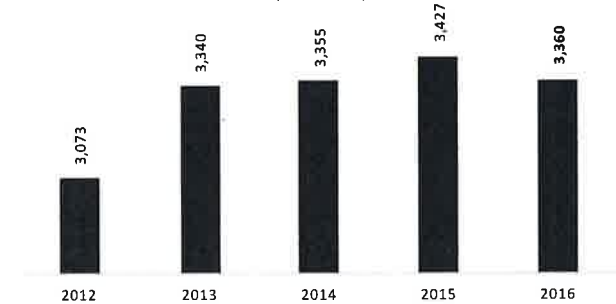
## Financial Position

Your Company has a current equity of AED 3,360 million at end of the year 2016 which is a reduction 2% YoY from AED 3,427 million at end of the year 2015. The total equity reflects compounded annual growth of 2.2% from 2012 to 2016.

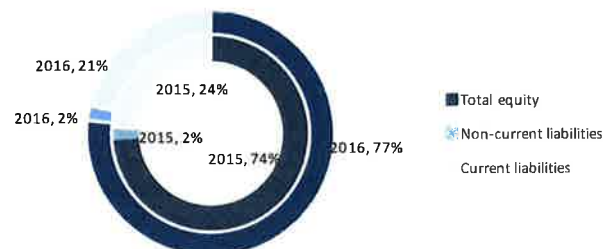
Solvency ratio, which represents debt paying capacity of the company, stood at 77% at end of the year 2016 as against 74% at end of the year 2015. Low level of debt in capital structure is in line with the strategic decision to keep the composite leverage at an optimal level.

Total equity

(In AED million)



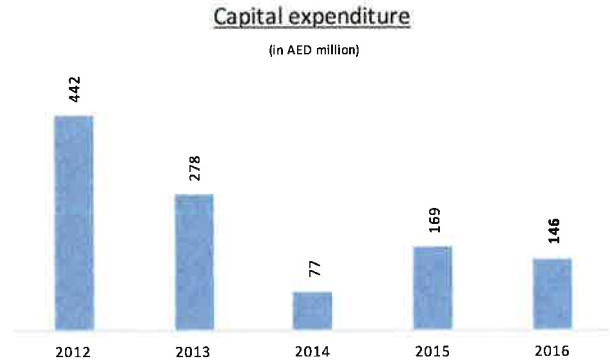
Solvency ratio





## Capital Expenditure

In order to deliver our clients with services to the highest standard, we continue to invest into latest technologies, machineries and equipment that would support the future execution of complex projects and improves our margins. Accordingly, we have added Fixed Assets amounting to AED 146 million in the year 2016 as against AED 163 million in the year 2015.



## Fleet

Your Company currently owns a marine fleet consisting of 17 dredgers, 3 booster stations, an accommodation barge (which can accommodate more than 300 personnel) and 71 other marine equipment such as marine tugs, fuel barge ships, support crafts and [162] earth moving equipment. With continuous investment, your company has grown its fleet and is currently one of the largest cutter fleet owner in the region.

## Information Technology

During the year, your company has focused on increasing performance and efficiency by providing set of tools to save employees' time and add more controls in many areas. NMDC implemented Contract Management Solution (Oracle Primavera Unifier) to track and control all contracts cycles with NMDC clients. The contract management solution integrated with Oracle e-business suite to automate the client billing cycle. The solution adds more visibility for tracking the progress and any additional claims.

In order to increase to increase efficiency and provide better employee services for NMDC employees at remote projects, NMDC implemented HR self Service, to enable employees to interact directly with their human resource data to inquire, review and act upon transactions in the workplace. This is to reach "paperless" office, streamlined business processes, and increase employee's satisfaction.

To ensure accurate delivery for sensitive spare parts to all NMDC equipment across different remote projects, NMDC developed Logistics tracking system for tracking the shipments of materials to remote projects and notify all concerned users in case of any delay in delivering material to end users.

In line with the recent cyber security threats, NMDC implemented high level of security tools to ensure secure access to NMDC data from either inside or outside the organization, some of the information security measures introduced are secure virtual private network, multi-levels mail system anti-spam and Intrusion Prevention System.



## QHSE

Your Company identified the expected challenges that come with the expanding of the operations abroad and has taken measures to reduce the impact that this might have towards QHSE performance for NMDC. Spreading the HSE culture and maintaining quality implementation while being subjected to work in diverse cultural environments, was one of the main prioritized concerns that we had to address in our planning to reach company performance expectations. This risk was recognized in advance and lessened by increasing awareness to all employees and focusing on the supervisor level by elevating their knowledge and subsequently their accountability to the performance of their subordinates.

### Performance

Despite the challenges that are associated with the expansion of the activities to remote and overseas location, the QHSE results have been maintained. The lost time injury frequency rate (LTIFR) for the year is 0.1 and the total recordable injury rate (TRIR) is 0.49. The statistical analysis approach adopted several years ago was continued with improvements to identify the gaps in our QHSE performance and setting a comprehensive control method to rectify the same and lay corrective actions to prevent re-occurrence.

Unfortunately, despite the strong safety record in your company a fatal accident took place in 2016. The sad event reiterates that attention to safety awareness can never be softened. The investigation following this unfortunate incident have had an impact over our strategic approach as we have further emphasized on the importance of 'leading by example' in compliance with the quality and HSE policy of the company.

During 2016 QHSED has accomplished 162,140 in-house training hours through 134 training sessions to 1,210 employees. In addition to the normal daily operation including monitoring of safety performance in projects and base as well as environmental follow up to ensure compliance with local legislations, NMDC maintained the QHSE certification validity by compliance with international standards of ISO 9001, 14001 and OHSAS 18001

### Internal Audits

During 2016, 20 QHSE internal audits were conducted on departments and projects as well as 13 onboard marine units. In addition, 30 follow up audits to verify closure of findings from 2015 audits.

### System Improvement

NMDC Quality and HSE management system is always improving. This is being driven by the commitment to excellence that is provided by the company top management. Changes to the management system normally triggered by lessons learnt, non-conformities, and changes in legislations, standard updates, and external communications.

During 2016, your company started the plan to change management systems (9001 & 14001) to the most updated standards that were released in September 2015 by International Standards Organization (ISO)



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MANAGEMENT'S EXPLANATION ON QUALIFICATION IN AUDITORS' REPORT**

With reference to the Auditors' Report – "Qualified Opinion" and "Emphasis of Matter" – Management would like to highlight that the Group is executing strategic projects for the Government and/or Government-related entities. The Group is involved in the projects from concept design to final construction and due to the nature of these projects, they require some time from completion to finalization with the clients.

During the year, your Group has progressively received portion of the amounts outstanding from these clients and the Group is following up with the clients to settle the balance amounts. Regarding the claims, the management is confident to settle the outstanding amount in the near future.

### **OUR COMPETITIVE STRENGTHS**

We believe that we are well positioned to maintain and enhance our leadership position in the Dredging & Marine Construction market, on account of our competitive strengths, which are:

#### **Government backed dredging company in the UAE**

NMDC is one of the leading companies providing dredging, reclamation, and marine construction work in the Middle East. Our fleet mainly operates within the Middle East; however, our technical capabilities can be extended to any part of the Globe. We operate from a modern well-equipped premise, which includes multi-discipline workshops, slipways and fully supported administration and technical departments.

#### **Largest Portfolio of Dredging Assets in UAE**

Your Company owns a marine fleet consisting of 17 dredgers with capacity ranging from 1,795 KW to 20,725 KW. Our dredgers are supported by our modern marine equipment such as tugs and multicat crafts, and ably assisted by A-Frame and barges wherever necessary. It is our endeavor to keep reviewing and expanding our fleet to meet the exacting demands of our customers.

#### **Strong relationships with Customers**

Dredging and Marine Construction are our mainstream business positioning us at the top as one of the largest dredging players in the region. Today our dredging operation capability in a highly-sophisticated business, and with the help of the latest modern technology helps our customers not only meet their demands but to exceed their expectations.





## **OUR STRATEGIES**

As a company, we are committed to high quality growth while becoming a largest independent turnkey solution provider in the region.

### **Making foray into foreign market**

Apart from consolidating the presence in the UAE market, we have established branches in Egypt, Bahrain, Qatar, Saudi Arabia, Oman and India, as part of strategy to foray into global market to reduce geography risk. This strategy has started to show results whereby NMDC has executed couple of projects in Egypt, Bahrain and Oman and have also been awarded with projects in India and the Maldives.

### **Reducing Operational Cost**

During the year, Company has adopted demand and supply model to support operations whereby focus is to reduce fixed cost and optimize utilization of internal resources. Cost reduction drive has been initiated with the intention to reduce cost without compromising the quality of services, which has resulted in improvisation of system and reduction of substantial amount of cost.

While creating & developing good business relation with banks, your Company has given special attention to reduce the financing cost, which has resulted in your Company being able to secure cheaper funding & non-funding facilities.

### **Inorganic Growth**

Company has decided to strive upon the acquisition of entities on backward or forward stage of value chain as well as willing to enter into strategic alliance or acquisition to diversify the business into civil or infrastructural development.

### **Enhancement of the fleet capability**

Your Company has entered into an agreement for newbuild of a strategic equipment 'Hopper Dredger' with one of the leading shipyards for this type of vessels. Your Company is confident that the acquisition will not only provide an edge but also widen up the scope of work. In addition to it, your Company has entered into an agreement to upgrade some of existing equipment with latest technology, which is expected to enhance the performance and lead to improvement in overall performance. and enhancement of their economic life.



### Optimization of capacity utilization

Company is committed to continue to optimize its capacity utilization by continuous project monitoring and review, reducing equipment downtime through preventive maintenance and working with repair yards to accelerate dry dock repair periods and through a renewed focus on training.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has reasonable system of delegation at proper levels and an adequate system of internal control commensurate with its size and nature of its business. The Company has its own independent internal audit department for conducting extensive audit of various important operational and financial matters.

To develop the culture towards zero tolerance to fraud, during the year company has set up Ethics & Compliance Department which will directly report to CEO and/ or the Audit Committee. Further, to increase awareness, the Company arranged multiple training sessions and workshop on Fraud Awareness.

### EMIRATIZATION

The Company has devised a plan to implement Emiratization in order to provide more opportunities to UAE Nationals to work in NMDC. The Company has been coordinating with government bodies like Tawteen Council to support in this initiative. The Company provides training and resources while getting them on board on full time basis.

### ACKNOWLEDGEMENT

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

**Mohammed Thani Murshed Al Rumaithi**  
Chairman

