

National Marine Dredging Company
(Public Shareholding Company)

Condensed consolidated interim
financial information

30 September 2012

Principal business address:
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Abu Dhabi
UAE

National Marine Dredging Company
(Public Shareholding Company)

Condensed consolidated interim financial information

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Independent auditors' report on the review of condensed consolidated interim financial information

The Board of Directors
National Marine Dredging Company
(Public Shareholding Company)
Abu Dhabi

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of National Marine Dredging Company (Public Shareholding Company) ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2012 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the nine-month period then ended ("condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of the condensed consolidated interim financial information in accordance with International Accounting Standard IAS – 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 September 2012 is not prepared, in all material respects, in accordance with IAS – 34, *Interim Financial Reporting*.

Munther Dajani
Registration No.268

12 NOV 2012

National Marine Dredging Company
(Public Shareholding Company)

Condensed consolidated interim statement of comprehensive income
for the

		Nine-month period ended 30 Sept 2012	Nine-month period ended 30 Sept 2011	Three-month period ended 30 Sept 2012	Three-month period ended 30 Sept 2011
	<i>Note</i>	AED'000	AED'000	AED'000	AED'000
Contract revenue		2,225,017	1,875,254	871,678	765,383
Contract costs		(1,938,754)	(1,490,045)	(782,592)	(637,378)
Gross profit		<u>286,263</u>	<u>385,209</u>	<u>89,086</u>	<u>128,005</u>
Other income	7	30,785	8,346	12,358	876
Administrative expenses		(55,938)	(38,038)	(17,154)	(13,268)
Provision for impairment of receivables		-	(36,013)	-	2,168
Results from operating activities		<u>261,110</u>	<u>319,504</u>	<u>84,290</u>	<u>117,781</u>
Net finance (expenses) / income	8	(5,298)	2,646	(5,495)	(842)
Profit for the period		<u>255,812</u>	<u>322,150</u>	<u>78,795</u>	<u>116,939</u>
Other comprehensive income					
Fair value gain / (losses) on available for sale financial assets	22	139	(299)	189	32
Total comprehensive income for the period		<u><u>255,951</u></u>	<u><u>321,851</u></u>	<u><u>78,984</u></u>	<u><u>116,971</u></u>
Earnings per share					
Basic and diluted earnings per share (AED)	9	<u>1.12</u>	<u>1.49</u>	<u>0.35</u>	<u>0.54</u>

The notes set out on pages 6 to 16 form an integral part of the condensed consolidated interim financial information.

The independent auditors' report on the review of condensed consolidated interim financial information is set out on page 1.

National Marine Dredging Company

(Public Shareholding Company)

Condensed consolidated interim statement of financial position as at

		30 September 2012 AED'000	31 December 2011 AED'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	10	1,214,676	1,141,774
Goodwill	25	36,276	-
Other intangible assets	25	18,557	-
Total non-current assets		1,269,509	1,141,774
Current assets			
Inventories	11	258,607	221,249
Trade and other receivables	12	3,045,920	2,474,719
Available for sale financial assets	13	8,313	8,174
Financial assets at fair value through profit or loss	14	25,535	20,389
Cash at bank	15	155,963	83,516
Total current assets		3,494,338	2,808,047
Current liabilities			
Advance from customers	17	118,340	215,402
Trade and other payables	18	906,032	783,790
Provision for employees' end of service benefits		83,504	79,682
Dividend payable		41,032	22,819
Bank overdraft	15	166,784	-
Loans and borrowings (<i>current portion</i>)	19	350,000	-
Total current liabilities		1,665,692	1,101,693
Net current assets		1,828,646	1,706,354
Non-current liabilities			
Loans and borrowings (<i>non-current portion</i>)	19	108,000	-
Net assets		2,990,155	2,848,128
Equity			
Share capital	20	227,849	227,849
Share premium	21	190,205	190,205
Reserves	22	734,931	734,792
Proposed dividend	23	-	113,924
Retained earnings		1,837,170	1,581,358
Total equity		2,990,155	2,848,128

The condensed consolidated interim financial information was approved and authorised for issue on

12 NOV 2012

by:

Mohammad Thani Murshid
Al Rumaithi
Chairman

Yasser Nasr Zaghoul
Chief Executive Officer

Gautam V. Pradhan
Chief Financial Officer

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National Marine Dredging Company
(Public Shareholding Company)

Condensed consolidated interim statement of changes in equity
for the nine-month ended 30 September

	Share capital AED'000 <i>(note 20)</i>	Share premium AED'000 <i>(note 21)</i>	Reserves AED'000 <i>(note 22)</i>	Proposed dividend AED'000 <i>(note 23)</i>	Retained earnings AED'000	Total AED'000
At 1 January 2011	216,773	114,558	726,341	108,386	1,229,225	2,395,283
Total comprehensive income for the period						
Profit for the period	-	-	-	-	322,150	322,150
Other comprehensive income						
Fair value losses on available for sale financial assets	-	-	(299)	-	-	(299)
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	3,212	-	-	3,212
<i>Transactions with owners, recorded directly in equity</i>						
Distribution to shareholders						
Dividend	-	-	-	(108,386)	-	(108,386)
At 30 September 2011	216,773	114,558	729,254	-	1,551,375	2,611,960
At 1 January 2012	227,849	190,205	734,792	113,924	1,581,358	2,848,128
Total comprehensive income for the period						
Profit for the period	-	-	-	-	255,812	255,812
Other comprehensive income						
Fair value losses on available for sale financial assets	-	-	139	-	-	139
<i>Transactions with owners, recorded directly in equity</i>						
Distribution to shareholders						
Dividend for 2011	-	-	-	(113,924)	-	(113,924)
At 30 September 2012	227,849	190,205	734,931	-	1,837,170	2,990,155

The notes set out on pages 6 to 16 form an integral part of the condensed consolidated interim financial information.

National Marine Dredging Company

(Public Shareholding Company)

Condensed consolidated interim statement of cash flows for the nine-month ended 30 September

	Note	2012 AED'000	2011 AED'000
Cash flows from operating activities:			
Profit for the period		255,812	322,150
<i>Adjustment for:</i>			
Depreciation	10	174,590	161,873
Amortization of intangibles	25	756	-
Interest expenses / (income) - net	8	11,045	(4,115)
Gain on disposal of property, plant and equipment	7	(1,034)	(7,046)
Fair value (gain) / loss on financial assets at fair value through profit or loss	8	(5,146)	1,780
Dividend income	8	(601)	(311)
Provision for employees' end of service benefits		8,713	8,740
		<u>444,135</u>	<u>483,071</u>
End of service benefits paid		(6,730)	(4,245)
		<u>437,405</u>	<u>478,826</u>
Change in inventories	11	(37,358)	(18,417)
Change in trade and other receivables	12	(571,201)	(828,864)
Change in trade and other payables	18	103,758	(36,280)
Change in advance from customers	17	(97,062)	113,574
		<u>(164,458)</u>	<u>(291,161)</u>
Cash flows from investing activities:			
Acquisition of property, plant and equipment	10	(198,122)	(173,266)
Proceeds from disposal of property, plant and equipment		9,736	9,649
Cash paid for acquisition of subsidiary - net	25	(88,875)	-
Interest received - net		-	4,115
Dividend income	8	601	311
		<u>(276,660)</u>	<u>(159,191)</u>
Cash flows from financing activities:			
Dividend paid		(95,711)	(106,124)
Proceeds from loans	19	458,000	-
Term loan repaid		(7,217)	-
Interest paid - net		(8,292)	-
		<u>346,780</u>	<u>(106,124)</u>
Net decrease in cash and cash equivalents			
Cash and cash equivalents at 1 January	15	83,516	573,887
		<u>(94,338)</u>	<u>(556,476)</u>
Cash and cash equivalents at 30 September	15	<u>(10,822)</u>	<u>17,411</u>

The notes set out on pages 6 to 16 form an integral part of the condensed consolidated interim financial information.

The independent auditors' report on the review of condensed consolidated interim financial information is set out on page 1.

National Marine Dredging Company

(Public Shareholding Company)

Notes to the condensed consolidated interim financial information

1 Legal status and principal activities

National Marine Dredging Company (“the Company”) is a public shareholding company incorporated in the Emirate of Abu Dhabi. The Company was incorporated by Law No. (10) of 1979, as amended by Decrees No. (3) and (9) of 1985 issued by His Highness Sheikh Khalifa Bin Zayed Al Nahyan, who was then the Deputy Ruler of the Emirate of Abu Dhabi.

The Company is primarily engaged in the execution of dredging contracts and associated land reclamation works in the territorial waters of the United Arab Emirates (“UAE”), principally under the directives of the Government of Abu Dhabi (“the Government”), the major shareholder.

The condensed consolidated interim financial information of the Group as at and for the nine month period ended 30 September 2012 includes the financial performance and position of the Company and its below mentioned subsidiaries (collectively referred to as “the Group”).

Subsidiary	Country of incorporation and operation	Share of equity %		Principal activity
		2012	2011	
Emarat Europe Fast Building Technology System Factory L.L.C (Emarat Europe)	UAE	100	-	Manufacturing and supply of precast concrete
National Marine Dredging Company (Industrial)	UAE	100	-	Manufacturing of steel pipes and steel pipe fittings; holding of investments in the Group’s subsidiaries
ADEC Engineering Consultancy L.L.C	UAE	100	-	Consultancy services in the field of civil, architectural, drilling and marine engineering along with related laboratory services; holding of investments in the Group’s subsidiaries

For more information on the acquisition / formation of subsidiaries, refer to note 25.

2 Statement of compliance

The condensed consolidated interim financial information has been prepared in accordance with the IAS 34, *Interim Financial Reporting*. They accordingly do not include all the information required for a complete set of annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2011.

3 Significant accounting policies

The accounting policies applied by the Company in these condensed consolidated interim financial information are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2011. In addition, the Group’s accounting policy for accounting for its interests in subsidiaries and goodwill and other intangible assets is set out below:

National Marine Dredging Company

(Public Shareholding Company)

Notes to the condensed consolidated interim financial information

3 Significant accounting policies *(continued)*

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Adjustments are made to the figures reported by subsidiaries, when necessary, to align them with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(b) Goodwill

Goodwill, arising on acquisition, represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the date of the exchange transaction. Goodwill is stated at cost less any accumulated impairment losses.

(c) Other intangible assets

Other intangible assets primarily comprise contractual rights, representing that portion of the costs of acquisition that management attributes to the net present value of the expected future cash flows arising from contracts acquired as a part of business combinations. These rights are amortised and charged to the consolidated statement of comprehensive income over the period management expects to derive benefits from these future contractual cash flows.

4 Estimates

The preparation of condensed consolidated interim financial information requires management to make 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.

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same, as those that applied to the financial statements as at and for the year ended 31 December 2011. In addition, management has used estimates and judgements in the following areas that have a significant effect on the amounts of assets and liabilities recognised in these condensed consolidated interim financial information.

Impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated.

Impairment of other intangible assets

The Company assesses impairment of other intangible assets annually. In determining whether impairment losses should be recorded, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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Notes to the condensed consolidated interim financial information

5 Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2011.

6 Staff costs

	Nine-month period ended 30 Sept 2012 AED'000	Nine-month period ended 30 Sept 2011 AED'000	Three-month period ended 30 Sept 2012 AED'000	Three-month period ended 30 Sept 2011 AED'000
Salaries and wages	73,041	59,044	23,535	19,790
Other benefits	151,237	90,965	50,369	33,031
	<u>224,278</u>	<u>150,009</u>	<u>73,904</u>	<u>52,821</u>

7 Other income

	Nine-month period ended 30 Sept 2012 AED'000	Nine-month period ended 30 Sept 2011 AED'000	Three-month period ended 30 Sept 2012 AED'000	Three-month period ended 30 Sept 2011 AED'000
Gain on disposal of property, plant and equipment	1,034	7,046	1,256	1,207
Foreign exchange gain	4,852	-	182	-
Insurance claim	7,046	-	143	-
Miscellaneous income	17,853	1,300	10,777	(331)
	<u>30,785</u>	<u>8,346</u>	<u>12,358</u>	<u>876</u>

8 Net finance (expenses) / income

	Nine-month period ended 30 Sept 2012 AED'000	Nine-month period ended 30 Sept 2011 AED'000	Three-month period ended 30 Sept 2012 AED'000	Three-month period ended 30 Sept 2011 AED'000
Fair value gain / (loss) on financial assets at fair value through profit or loss (refer note 14)	5,146	(1,780)	1,411	(974)
Interest (expense) / income (net)	(11,045)	4,115	(6,905)	66
Dividend income	601	311	(1)	66
	<u>(5,298)</u>	<u>2,646</u>	<u>(5,495)</u>	<u>(842)</u>

National Marine Dredging Company

(Public Shareholding Company)

Notes to the condensed consolidated interim financial information

9 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the period. The weighted number of ordinary shares outstanding at the end of the period was 227,848,502 shares (30 September 2011: 216,772,753).

There are no potentially dilutive instruments and therefore, the basic and diluted earnings per share are same.

10 Property, plant and equipment

	Total AED'000
<i>Cost</i>	
At 1 January 2012	2,502,803
Acquisition through business combination (refer note 25)	58,071
Other additions	198,122
Disposals	(18,083)
Exchange of assets	(8,881)
	<hr/>
At 30 September 2012	2,732,032
	<hr/>
<i>Depreciation</i>	
At 1 January 2012	1,361,027
Charge for the period	174,590
Disposals	(4,935)
Exchange of assets	(13,326)
	<hr/>
At 30 September 2012	1,517,356
	<hr/>
<i>Net carrying amount</i>	
At 30 September 2012	1,214,676
	<hr/> <hr/>

11 Inventories

	30 September 2012 AED'000	31 December 2011 AED'000
Spare parts and consumable stores	271,776	240,933
Raw materials	3,025	-
Finished goods	5,911	-
Less: Provision for slow moving and obsolete inventories	(22,974)	(22,974)
	<hr/>	<hr/>
	257,738	217,959
Goods in transit	869	3,290
	<hr/>	<hr/>
	258,607	221,249
	<hr/> <hr/>	<hr/> <hr/>

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Notes to the condensed consolidated interim financial information

12 Trade and other receivables

	30 September 2012 AED'000	31 December 2011 AED'000
Trade receivables	256,776	803,995
Less: provision for impairment of receivables	(38,341)	(46,817)
	<u>218,435</u>	<u>757,178</u>
Unbilled receivables (<i>net of provisions</i>)	2,545,738	1,560,171
Deposits and prepayments	62,909	57,847
Other receivables	218,838	99,523
	<u><u>3,045,920</u></u>	<u><u>2,474,719</u></u>

53 % (2011: 83%) of the trade receivables balance above, amounting to AED 135,710 thousand (2011: AED 671,064 thousand) is receivable from the Government of Abu Dhabi, its departments and other related parties.

Unbilled receivables include AED 679,162 thousand (2011: AED 476,655 thousand), out of which AED 154,846 thousand has been recognised as revenue during the period (period ended 30 September 2011: AED 344,085), receivable from Government of Abu Dhabi and its departments wherein contract agreements are currently being finalised. However, based on the status of discussion with the parties, management has assessed that these recorded amounts are fully recoverable.

13 Available for sale financial assets

	30 September 2012 AED'000	31 December 2011 AED'000
At 1 January	8,174	8,473
Net unrealised gain / (loss) recorded in equity (<i>refer note 22</i>)	139	(299)
	<u>8,313</u>	<u>8,174</u>

Available for sale financial assets comprise equity investments listed in securities markets in the United Arab Emirates. Such instruments are denominated in UAE Dirhams.

14 Financial assets at fair value through profit or loss

	30 September 2012 AED'000	31 December 2011 AED'000
At 1 January	20,389	22,834
Net unrealised gain / (loss) (<i>note 8</i>)	5,146	(2,445)
	<u>25,535</u>	<u>20,389</u>

Financial assets at fair value through profit or loss comprise equity instruments listed on securities markets in UAE. Such instruments are denominated in UAE Dirhams.

National Marine Dredging Company
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Notes to the condensed consolidated interim financial information

15 Cash and cash equivalents

For the purposes of the condensed interim statement of cash flows, cash and cash equivalents comprise the following:

	30 September 2012 AED'000	31 December 2011 AED'000
Cash in hand	941	150
Cash at banks		
- current accounts	154,388	83,366
- short term deposit*	634	-
	<u>155,963</u>	<u>83,516</u>
Bank overdraft	(166,784)	-
	<u>(10,822)</u>	<u>83,516</u>

* Deposit accounts have an original maturity of less than 3 months and earn interest at prevailing market rates.

16 Related party transactions and balances

Related parties comprise the Company's shareholders and key management.

The Company derives a significant portion of its revenue from the Government of Abu Dhabi, the major shareholder, and its departments (refer note 12 for balances).

17 Advance from customers

Advance from customers represents advances received by the Company in respect of dredging contracts from projects set out below:

	30 September 2012 AED'000	31 December 2011 AED'000
Zakum project	96,957	181,107
Gasco	17,853	32,115
Al Garnayn Island	2,180	2,180
Yas Island	1,350	-
	<u>118,340</u>	<u>215,402</u>

18 Trade and other payables

	30 September 2012 AED'000	31 December 2011 AED'000
Trade payables	344,806	320,437
Accrued liabilities	506,185	423,163
Retention payable	37,447	37,314
Other payables	17,594	2,876
	<u>906,032</u>	<u>783,790</u>

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Notes to the condensed consolidated interim financial information

19 Loans and borrowings

	30 September 2012 AED'000	31 December 2011 AED'000
Revolving Mudaraba facility	350,000	-
Commodity Murabaha	108,000	-
	<u>458,000</u>	<u>-</u>
	<u>350,000</u>	<u>-</u>
	<u>108,000</u>	<u>-</u>
	<u>458,000</u>	<u>-</u>

Revolving Mudaraba Facility

In April 2012, the Company obtained a Mudaraba facility from a commercial bank amounting to AED 350 million to finance the projects executed by the Company. As per the facility agreement the Company is entitled to draw down the amount against invoices raised on certain projects and the bank is entitled to a profit of 3 months EIBOR + 2%. The amount is repayable on realization of the invoices against which facility is obtained or two years from the date of first draw down of the underlying tranche. Based on management's expectation, the invoices are expected to be realised within one year from the reporting date and accordingly the related loan amount has been classified as current. The facility is secured against the assignment of proceeds from projects financed under the facility, in the favour of bank.

Commodity Murabaha

In April 2012, to facilitate the purchase of shareholding in Emarat Europe Fast Building Technology Factory LLC (*refer note 25*), the Company obtained a commodity murabaha facility from a bank amounting to AED 108 million for a period of three years. The bank is entitled to a profit equal to 3 months EIBOR + 2%. Principal amount is to be repaid in four quarterly instalments commencing from two years of draw down. The first three instalments of AED 6.75 million each are payable quarterly, commencing 2 years from the draw down date. The Company has an option to repay the remaining amount of AED 81 million in one tranche as the fourth instalment, or to enter into a new murabaha agreement of AED 81 million. The facility is secured against a corporate guarantee from Emarat Europe Fast Building Technology Factory LLC covering the facility amount of AED 108 million.

20 Share capital

	30 September 2012 AED'000	31 December 2011 AED'000
Authorised, issued and fully paid: 227,848,502 (31 December 2011: 227,848,502) ordinary shares of AED 1 each	<u>227,849</u>	<u>227,849</u>

National Marine Dredging Company

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Notes to the condensed consolidated interim financial information

21 Share premium

On 4 February 2010, the Company and Tasameem Real Estate LLC (“Tasameem”) entered into an agreement according to which the Company will issue 50,000,000 convertible bonds to Tasameem to be converted into equity shares of the Company at AED 7.83 per share over a period of four years. The issue and the conversion of these bonds will take place as per the schedule stated in the agreement and set out below.

The Company issued 27,849 thousand convertible bonds to Tasameem in 2011 and 2010, for a total consideration of AED 218,054 thousand. These bonds were converted to 27,849 thousand equity shares of the Company at the face value of AED 1 per share resulting in an increase in the Company’s share capital by AED 27,849 thousand. The excess of the consideration over the face value of the equity shares issued, as set out below, has been recorded as share premium:

	AED’000
Par value of shares issued	27,849
Share premium	190,205
	218,054

The table set out below represents schedule for the issue of the bonds and the conversion thereof into equity shares:

Issue No.	Issue Date as Per Agreement	Transfer Date	Issue Value* AED	Number of shares to be issued	Settlement method
1	2 February 2010	15 March 2010	131,330,664	16,772,753	Transfer of property, plant and equipment
2	30 January 2011	15 March 2011	86,723,112	11,075,749	Cash
3	30 January 2012	15 March 2012	86,723,112	11,075,749	Cash
4	30 January 2013	15 March 2013	86,723,112	11,075,749	Cash

Tasameem has defaulted on its obligation to pay the consideration for issue of bonds in 2012. Accordingly, no convertible bonds have been issued during the current period.

22 Reserves

	Legal reserve	Asset replacement reserve	Regulatory reserve	Effective portion of change in fair value of cash flows hedge	Unrealised gain on available for sale financial assets	Total
	AED’000	AED’000	AED’000	AED’000	AED’000	AED’000
At 1 January 2011	108,386	595,000	20,000	(3,212)	6,167	726,341
Realisation of cash flow hedge	-	-	-	3,212	-	3,212
Fair value loss on available for sale financial assets (net)	-	-	-	-	(299)	(299)
At 30 September 2011	108,386	595,000	20,000	-	5,868	729,254

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Notes to the condensed consolidated interim financial information

22 Reserves (continued))

	Legal reserve AED'000	Asset replacement reserve AED'000	Regulatory reserve AED'000	Effective portion of change in fair value of cash flow hedge AED'000	Unrealised gain on available for sale financial assets AED'000	Total AED'000
At 1 January 2012	113,924	595,000	20,000	-	5,868	734,792
Fair value gain on available for sale financial assets (<i>net</i>)	-	-	-	-	139	139
At 30 September 2012	113,924	595,000	20,000	-	6,007	734,931

Legal reserve

The Articles of Association of the Company requires that 10% of the Company's profit be transferred to a non-distributable statutory reserve until the amount of the statutory reserve reaches an amount equal to 50% of the Company's paid-up capital. No such transfers have been made to this reserve as the threshold limit has already been reached.

Asset replacement reserve

This reserve represents an appropriation from the annual profit at the discretion of the Board of Directors with the approval of the General Assembly to facilitate the financing of dredgers and support craft and other major items of capital structure. No appropriation was proposed from the current or prior period profit.

Regulatory reserve

Transfers to and from the regulatory reserve are made at the discretion of the Board of Directors with the approval of the General Assembly and in accordance with the powers granted by the Articles of Association. This reserve may be used for such purposes as the Directors deem necessary for the Company's activities. No appropriation was made from the current or prior year profit.

23 Proposed dividend

The Board of Directors at a meeting held on 22 February 2012, recommended a final dividend of AED 0.5 per share, for the year ended 31 December 2011 amounting to AED 113,924 thousand (2010: 108,386 thousand) for the Company's shareholders. At the Annual General Meeting held on 20 March 2012, the shareholders approved the final dividend of AED 0.5 per share, amounting to AED 113,924 thousand (2010: 108,386 thousand) to all the shareholders whose names were included in the register of members as at 20 March 2012.

National Marine Dredging Company

(Public Shareholding Company)

Notes to the condensed consolidated interim financial information

24 Contingencies and commitments

In addition to the securities provided in relation to the loans and borrowings as disclosed in note 19, the Group has following contingencies and commitments:

	30 September 2012 AED'000	31 December 2011 AED'000
Guarantees	<u>788,605</u>	<u>800,500</u>
Letters of credit	<u>11,481</u>	<u>17,863</u>

25 Acquisition / formation of subsidiaries

(a) Acquisition of a subsidiary

In January 2012 the Company completed the acquisition of Emarat Europe Fast Building Technology Factory LLC (“Emarat Europe”) by acquiring a 100% of Emarat Europe’s shares and voting rights from Investment Holding Establishment and Sehab Al Sayed Ahmed Al Sayed Al Hashmi (collectively referred to as “the Seller”), on a debt and cash free basis, for a consideration of AED 120,000 thousand.

Emarat Europe, a limited liability company registered in the Emirate of Abu Dhabi, is primarily engaged in the manufacturing and erection of pre-stressed and pre-cast concrete products such as hollow core slabs, panels, columns, stairs and other concrete products.

Acquisition of Emarat Europe will enable the Company to take advantage of growth opportunities in local market and in region and to improve its delivery of turnkey civil marine projects.

The fair value of identifiable assets acquired, as set out below, has been determined provisionally pending completion of an independent valuation.

	AED'000
Property, plant and equipment	58,071
Intangible assets*	19,313
Inventories	6,340
	<u>83,724</u>

*Intangible assets include fair value of operating lease rights amounting to AED 19,101 thousand and customers’ order backlog amounting to AED 212 thousand. During the period amortization of AED 756 thousand is recognised in profit or loss on these assets.

Goodwill has been recognised as follows:

	AED'000
Purchase price	120,000
Fair value of assets acquired (<i>refer above</i>)	<u>(83,724)</u>
	<u>36,276</u>

National Marine Dredging Company

(Public Shareholding Company)

Notes to the condensed consolidated interim financial information

25 Acquisition / formation of subsidiaries (continued)

(a) Acquisition of a subsidiary (continued)

The goodwill is attributable mainly to the skills and the technical talent of the acquiree's work force and synergies expected to be achieved from integrating Emarat Europe in the Group's existing business.

As per the sales and purchase agreement ("SPA") the seller is obligated to settle all the liabilities and is entitled to take certain assets as at 31 December 2011, as set out below. However, the seller had not yet settled the said liabilities and taken over the assets, accordingly purchase price is adjusted as set out below:

	AED '000
Cash and bank	1,125
Trade and other receivables	28,888
Term loan	(10,007)
Due to a related party	(2,122)
Trade and other payables	(29,113)
Bank overdraft	(2,560)
End of service benefits obligation	(1,839)
	<hr/>
Net liabilities	(15,628)
Purchase consideration	120,000
	<hr/>
Adjusted purchase price	104,372
Payments made	(90,000)
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Net amount payable to seller	<u>14,372</u>

(b) Formation of subsidiaries

National Marine Dredging Company (Industrial) is an Establishment registered in the Emirate of Abu Dhabi. National Marine Dredging Company (Industrial) is established with the object of manufacturing of steel pipes and steel pipe fittings and for holding 1% investment in the Group's subsidiaries, to comply with the local regulations.

ADEC Engineering Consultancy L.L.C is a limited liability company registered in the Emirate of Abu Dhabi. ADEC Engineering Consultancy L.L.C is formed for the purpose of holding Group's investments in future.

26 Business and geographical segments

Business segments

The majority of the Company's revenue is generated from marine dredging contracts and associated works carried out for the Government of Abu Dhabi.

Geographical segments

All of the Company's projects are carried out in the territorial waters of the United Arab Emirates.