

National Marine Dredging Company
(Public Shareholding Company)

Condensed consolidated interim
financial information

30 June 2013

Principal business address:

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UAE

National Marine Dredging Company

(Public Shareholding Company)

Condensed consolidated interim financial information

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Independent auditors' report on the review of the 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 financial information of National Marine Dredging Company (Public Shareholding Company) ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2013, which comprise the condensed consolidated interim statement of financial position as at 30 June 2013, and the condensed consolidated interim statements of comprehensive income, changes in equity, and cash flows for the six-month period then ended, and notes to the 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 the 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 consolidated 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 30 June 2013 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS - 34 *Interim Financial Reporting*.

Emphasis of matter

Without qualifying our review conclusion, we draw attention to note 12 to the condensed interim consolidated financial information, which states that management has exercised significant judgment in estimating the amounts of revenue recognised, and unbilled receivables recoverable, on projects wherein formal agreements are currently not in place for significant periods of time.

KPMG
Munther Dajani
Registration No.268

14 AUG 2013

National Marine Dredging Company
(Public Shareholding Company)

Condensed consolidated interim statement of comprehensive income
for the

		Six-month period ended 30 June 2013	Six-month period ended 30 June 2012	Three-month period ended 30 June 2013	Three-month period ended 30 June 2012
	<i>Note</i>	AED'000	AED'000	AED'000	AED'000
Contract revenue		1,385,029	1,353,339	680,161	678,180
Contract costs		(1,208,628)	(1,156,162)	(608,070)	(573,988)
Gross profit		176,401	197,177	72,091	104,192
Other income	7	14,523	18,427	13,747	9,997
Administrative expenses	6	(37,071)	(38,784)	(17,059)	(17,691)
Results from operating activities		153,853	176,820	68,779	96,498
Net finance income / (expenses)	8	3,492	197	2,559	(1,790)
Profit for the period		157,345	177,017	71,338	94,708
Other comprehensive income					
Fair value gains / (losses) on available for sale financial assets	22	391	(50)	190	(92)
Total comprehensive income for the period		157,736	176,967	71,528	94,616
Earnings per share					
Basic and diluted earnings per share (AED)	9	0.69	0.78	0.31	0.42

The notes set out on pages 6 to 18 form an integral part of the condensed consolidated interim financial information.

The independent auditors' report on the review of the 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 June 2013 AED'000	31 December 2012 AED'000
Non-current assets			
Property, plant and equipment	10	1,382,441	1,333,912
Goodwill and other intangible assets	25	54,382	54,581
Total non-current assets		1,436,823	1,388,493
Current assets			
Inventories	11	257,843	252,285
Trade and other receivables	12	3,310,424	2,937,333
Available for sale financial assets	13	8,771	8,380
Financial assets at fair value through profit or loss	14	35,729	24,399
Cash and cash equivalents	15	126,638	264,099
Total current assets		3,739,405	3,486,496
Current liabilities			
Bank overdraft		340,332	-
Advance from customers (<i>current portion</i>)	17	136,467	216,363
Finance lease (<i>current portion</i>)		-	26,097
Trade and other payables	18	721,551	918,623
Provision for employees' end of service benefits		84,070	82,756
Dividend payable		105,475	40,954
Loans and borrowings (<i>current portion</i>)	19 (a)	483,842	350,000
Total current liabilities		1,871,737	1,634,793
Net current assets		1,867,668	1,851,703
Non-current liabilities			
Loans and borrowings (<i>non-current portion</i>)	19(a)	185,317	108,000
Finance lease (<i>non-current portion</i>)	19(b)	1,931	58,765
Net assets		3,117,243	3,073,431
Equity			
Share capital	20	227,849	227,849
Share premium	21	190,205	190,205
Reserves	22	735,389	734,998
Proposed dividend	23	-	113,924
Retained earnings		1,963,800	1,806,455
Total equity		3,117,243	3,073,431

The condensed consolidated interim financial information was approved and authorised for issue on 14 AUG 2013 by:

For

 Mohammad Thani Murshid
 Al Rumaithi
 Chairman


 Yasser Nasr Zaghloul
 Chief Executive Officer


 Gautam V. Pradhan
 Chief Financial Officer

The notes set out on pages 6 to 18 form an integral part of the condensed consolidated interim financial information. The independent auditors' report on the review of the condensed consolidated interim financial information is set out on page 1.

National Marine Dredging Company
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Condensed consolidated interim statement of changes in equity
for the six-months ended 30 June

	Share capital AED'000 (note 20)	Share premium AED'000 (note 21)	Reserves AED'000 (note 22)	Proposed dividend AED'000 (note 23)	Retained earnings AED'000	Total AED'000
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	-	-	-	-	177,017	177,017
Other comprehensive income						
Fair value losses on available for sale financial assets	-	-	(50)	-	-	(50)
<i>Transactions with owners, recorded directly in equity</i>						
Distribution to shareholders						
Dividend for 2011	-	-	-	(113,924)	-	(113,924)
At 30 June 2012	227,849	190,205	734,742	-	1,758,375	2,911,171
At 1 January 2013	227,849	190,205	734,998	113,924	1,806,455	3,073,431
Total comprehensive income for the period						
Profit for the period	-	-	-	-	157,345	157,345
Other comprehensive income						
Fair value losses on available for sale financial assets	-	-	391	-	-	391
Dividend payable	-	-	-	(113,924)	-	(113,924)
At 30 June 2013	227,849	190,205	735,389	-	1,963,800	3,117,243

The notes set out on pages 6 to 18 form an integral part of the condensed consolidated interim financial information.

National Marine Dredging Company
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Condensed consolidated interim statement of cash flows
for the six-month ended 30 June

	<i>Note</i>	2013 AED'000	2012 AED'000
Cash flows from operating activities:			
Profit for the period		157,345	177,017
<i>Adjustment for:</i>			
Depreciation	10	103,156	116,669
Amortization of intangibles	25	199	504
Finance expenses	8	9,058	4,140
(Gain) / loss on disposal of property, plant and equipment	7	(1,881)	222
Fair value gain on financial assets at fair value through profit or loss	8	(11,330)	(3,735)
Dividend income	8	(1,220)	(602)
Provision for employees' end of service benefits		11,686	5,328
		<u>267,013</u>	<u>299,543</u>
End of service benefits paid		(10,372)	(5,962)
		<u>256,641</u>	<u>293,581</u>
Change in inventories	11	(5,558)	(32,139)
Change in trade and other receivables	12	(373,091)	(204,601)
Change in trade and other payables	18	(180,572)	(127,037)
Change in advance from customers	17	(79,896)	(68,832)
		<u>(382,476)</u>	<u>(139,028)</u>
Net cash used in operating activities			
Cash flows from investing activities:			
Acquisition of property, plant and equipment	10	(151,846)	(103,661)
Proceeds from disposal of property, plant and equipment		2,042	4,200
Cash paid for acquisition of a subsidiary	25	(16,500)	(90,000)
Dividend income	8	1,220	602
		<u>(165,084)</u>	<u>(188,859)</u>
Net cash used in investing activities			
Cash flows from financing activities:			
Dividend paid		(49,403)	(95,013)
Proceeds from loan	19	211,159	458,000
Payment of finance lease		(82,931)	-
Interest paid	8	(9,058)	(4,140)
Term loan repaid		-	(7,217)
		<u>69,767</u>	<u>351,630</u>
Net cash flows from financing activities			
Net (decrease) / increase in cash and cash equivalents			
Cash and cash equivalents at 1 January	15	264,099	83,516
Cash acquired		-	1,125
		<u>(213,694)</u>	<u>108,384</u>
Cash and cash equivalents at 30 June			

The notes set out on pages 6 to 18 form an integral part of the condensed consolidated interim financial information.

The independent auditors' report on the review of the 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”), who is the major shareholder.

The condensed consolidated interim financial information of the Group as at and for the six month period ended 30 June 2013 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
		2013	2012	
Emarat Europe Fast Building Technology System Factory L.L.C (Emarat Europe)	UAE	100	100	Manufacturing and supply of precast concrete
National Marine Dredging Company (Industrial)	UAE	100	100	Manufacturing of steel pipes and steel pipe fittings
ADEC Engineering Consultancy L.L.C	UAE	100	100	Consultancy services in the field of civil, architectural, drilling and marine engineering along with related laboratory services

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

2 Statement of compliance

The condensed consolidated interim financial information has been prepared in accordance with the International Accounting Standard 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 consolidated financial statements of the Company as at and for the year ended 31 December 2012.

3 Significant accounting policies

The accounting policies applied by the Group 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 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013 as disclosed in note 3(a).

National Marine Dredging Company

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Notes to the condensed consolidated interim financial information

3 Significant accounting policies (continued)

a) *New standards, interpretations and amendments adopted by the Group*

The Group applies, for the first time, certain standards and amendments. These include IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 13 *Fair Value Measurement* and amendments to IAS 1 *Presentation of Financial Statements*. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 *Disclosure of Interest in Other Entities* would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial information of the Group.

The nature and the impact of each new standard/amendments impacting the consolidated financial statements and interim condensed consolidated financial information of the Group are set out below:

IAS 1- Presentation of Financial Statements (amendments)

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified to profit or loss (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10, sets following criteria to meet the definition of control:

- (a) an investor has power over an investee;
- (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial information, unless significant events and transactions in the interim period require that such disclosures are provided. Accordingly, the Group has not made such disclosures.

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Notes to the condensed consolidated interim financial information

3 Significant accounting policies (continued)

a) New standards, interpretations and amendments adopted by the Group (continued)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

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, except for the below, 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 2012.

During the current period, in accordance with the Company's accounting policy, the management reassessed the useful lives and the residual value of the major items of property, plant and equipment and based on such a reassessment, determined that the estimated useful lives of marine equipment need to be revised. As a result of this reassessment, the estimated useful lives of marine equipment was revised from 4 – 20 years to 5 – 25 years and a residual value of 5% has been taken into consideration. Accordingly, depreciation for the period has been recognised based on the remaining net book value and the remaining useful lives of the assets. As a result of this change in estimate depreciation expense for the year is lower by AED 25 million.

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 2012.

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Notes to the condensed consolidated interim financial information

6 Staff costs

	Six-month period ended 30 June 2013 AED'000	Six-month period ended 30 June 2012 AED'000	Three-month period ended 30 June 2013 AED'000	Three-month period ended 30 June 2012 AED'000
Salaries and wages	54,799	49,506	23,348	20,160
Other benefits	91,251	100,868	33,664	55,401
	<u>146,050</u>	<u>150,374</u>	<u>57,012</u>	<u>75,561</u>

7 Other income

	Six-month period ended 30 June 2013 AED'000	Six-month period ended 30 June 2012 AED'000	Three-month period ended 30 June 2013 AED'000	Three-month period ended 30 June 2012 AED'000
Gain/(loss) on disposal of property, plant and equipment	1,881	(222)	1,363	(1,684)
Foreign exchange gains	1,188	4,670	1,188	4,670
Insurance claim	5,535	6,903	5,535	6,903
Miscellaneous income	5,919	7,076	5,661	108
	<u>14,523</u>	<u>18,427</u>	<u>13,747</u>	<u>9,997</u>

8 Net finance income / (expenses)

	Six-month period ended 30 June 2013 AED'000	Six-month period ended 30 June 2012 AED'000	Three-month period ended 30 June 2013 AED'000	Three-month period ended 30 June 2012 AED'000
Fair value gain on financial assets at fair value through profit or loss (<i>refer note 14</i>)	11,330	3,735	6,610	1,752
Interest expense	(9,058)	(4,140)	(5,271)	(4,144)
Dividend income	1,220	602	1,220	602
	<u>3,492</u>	<u>197</u>	<u>2,559</u>	<u>(1,790)</u>

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 average number of ordinary shares outstanding at the end of the period was 227,848,502 shares (30 June 2012: 227,848,502).

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

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Notes to the condensed consolidated interim financial information

10 Property, plant and equipment

	Total AED'000
<i>Cost</i>	
At 1 January 2013	2,920,112
Additions	151,846
Disposals	(5,108)
At 30 June 2013	3,066,850
<i>Depreciation</i>	
At 1 January 2013	1,586,200
Charge for the period	103,156
Disposals	(4,947)
At 30 June 2013	1,684,409
<i>Net carrying amount</i>	
At 30 June 2013	1,382,441

11 Inventories

	30 June 2013 AED'000	31 December 2012 AED'000
Spare parts and consumable stores	275,268	271,221
Raw materials	1,357	1,686
Finished goods	3,942	3,253
Less: Provision for slow moving and obsolete inventories	(23,875)	(23,875)
	256,692	252,285
Goods in transit	1,151	-
	257,843	252,285

12 Trade and other receivables

	30 June 2013 AED'000	31 December 2012 AED'000
Trade receivables	594,272	430,031
Less: provision for impairment of receivables	(36,341)	(37,341)
	557,931	392,690
Unbilled receivables (<i>net of provisions</i>)	2,513,921	2,300,735
Deposits and prepayments	66,944	50,361
Other receivables	171,628	193,547
	3,310,424	2,937,333

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Notes to the condensed consolidated interim financial information

12 Trade and other receivables (continued)

66% (2012:66%) of the trade receivables balance above, amounting to AED 391,479 thousand (2012: AED 282,020 thousand) is receivable from the Government of Abu Dhabi, its departments and other related parties.

Unbilled receivables include AED 711,991 thousand (30 June 2012: AED 557,673 thousand), out of which AED 105,596 thousand (30 June 2012: AED 112,444 thousand) has been recognised as revenue during the period, receivable from Government of Abu Dhabi and its departments for which the contracts are not signed. The unbilled amount of AED 711,991 thousand includes an amount of AED 556,014 thousand, which is outstanding for periods exceeding one year as at the reporting date.

Management has exercised significant judgment in estimating the amounts of revenue recognised, and unbilled receivables recoverable, on these projects wherein formal agreements are currently not in place for significant periods of time. Furthermore, the unbilled receivables on such projects have not been subsequently invoiced or recovered for more than one year, consequently raising uncertainties over the recoverability of these amounts.

However, based on the status of discussions with the counterparties, past payment history and the relationship between the parties, management has assessed that these recorded amounts are fully recoverable.

13 Available for sale financial assets

	30 June 2013 AED'000	31 December 2012 AED'000
At 1 January	8,380	8,174
Change in fair value (refer note 22)	391	206
	<u>8,771</u>	<u>8,380</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 June 2013 AED'000	31 December 2012 AED'000
At 1 January	24,399	20,389
Fair value adjustments	11,330	4,010
	<u>35,729</u>	<u>24,399</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.

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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 June 2013 AED'000	31 December 2012 AED'000
Cash in hand	898	874
Cash at banks		
- Current accounts	124,584	262,544
- Short term deposit*	1,156	681
Cash and bank balances	126,638	264,099
Bank overdraft	(340,332)	-
Cash and cash equivalents for cash flow purpose	(213,694)	264,099

*Short term deposits have original maturities 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*).

17 Advance from customers

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

	30 June 2013 AED'000	31 December 2012 AED'000
Zakum project	118,221	198,740
GASCO project	5,826	14,657
Carbon black project	1,767	-
Takreer project	7,304	-
Al Gamayn Island project	-	2,180
Yas Island project	786	786
Das Island development	774	-
Others	1,789	-
	136,467	216,363

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18 Trade and other payables

	30 June 2013 AED'000	31 December 2012 AED'000
Trade payables	245,219	482,709
Accrued liabilities	436,757	391,777
Retention payable	34,148	37,510
Other payables	5,427	6,627
	<u>721,551</u>	<u>918,623</u>

19 (a) Loans and borrowings

	30 June 2013 AED'000	31 December 2012 AED'000
Revolving Mudaraba facility ¹	483,842	350,000
Commodity Murabaha ²	185,317	108,000
	<u>669,159</u>	<u>458,000</u>

	30 June 2013 AED'000	31 December 2012 AED'000
Current portion	483,842	350,000
Non-current portion	185,317	108,000
	<u>669,159</u>	<u>458,000</u>

¹Revolving Mudaraba Facility
Facility 1

In 2012, the Company obtained a Mudaraba facility from a commercial bank amounting to AED 350 million to finance the working capital requirements for projects executed by the Company. As per the facility agreement the Company was entitled to draw down the amount against invoices raised on certain projects and the bank was entitled to a profit of 3 months EIBOR + margin. In December, 2012 the Company settled the facility in full and replaced this facility with another Mudaraba facility with another commercial bank.

During the current period, the Company has availed an amount of AED 133 million from Union National Bank. The amount is repayable on realisation of the invoices against which facility is obtained or two years from the date of first draw down of the underlying tranche and carries a profit of 3 months EIBOR + margin. The facility was secured against the assignment of proceeds from projects financed under the facility, in the favour of bank. As at 30 June 2013, the balance outstanding amounted to AED 133 million.

National Marine Dredging Company

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Notes to the condensed consolidated interim financial information

19 (a) Loans and borrowings (continued)

Facility 2

In 2012, The Company obtained another revolving Mudaraba facility amounting to AED 350 million to replace facility 1. As per the facility agreement the bank is entitled to a profit of 1 month EIBOR + margin. The facility is settled and rolled over on a monthly basis. The facility is secured against the irrevocable and unconditional assignment of project receipts in favour of the bank. As at 30 June 2013, the balance outstanding amounted to AED 350 million (2012: AED 350 million)

²*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 + margin. The principal amount is to be repaid in four quarterly instalments commencing from two years of the 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 for 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. As at 30 June 2013, the outstanding balance amounted to AED 108 million (2012: AED 108 million).

During the current period, to facilitate the purchase of items of property, plant and equipment, the Company obtained a commodity murabaha facility from a bank amounting to AED 100 million for a period of three years. The bank is entitled to a profit equal to 3 months EIBOR + margin. The principal amount is to be repaid in twelve quarterly instalments commencing from the draw down.

19 (b) Finance lease

In 2012 the Company acquired rock transport barges and tug boats on finance lease from the supplier. Finance lease liabilities are payable as follows:

	Future minimum lease payments AED'000	Interest AED'000	Present value of minimum lease payments AED'000
More than one year	1,939	-	1,939
	<u>1,939</u>	<u>-</u>	<u>1,939</u>

The Company has repaid finance lease liabilities amounting to AED 82,931 thousand during the period ended 30 June 2013.

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Notes to the condensed consolidated interim financial information

19 (a) Loans and borrowings (continued)

Facility 2

In 2012, The Company obtained another revolving Mudaraba facility amounting to AED 350 million to replace facility 1. As per the facility agreement the bank is entitled to a profit of 1 month EIBOR + margin. The facility is settled and rolled over on a monthly basis. The facility is secured against the irrevocable and unconditional assignment of project receipts in favour of the bank. As at 30 June 2013, the balance outstanding amounted to AED 350 million (2012: AED 350 million)

²Commodity 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 + margin. The principal amount is to be repaid in four quarterly instalments commencing from two years of the 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 for 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. As at 30 June 2013, the outstanding balance amounted to AED 108 million (2012: AED 108 million).

During the current period, to facilitate the purchase of items of property, plant and equipment, the Company obtained a commodity murabaha facility from a bank amounting to AED 100 million for a period of three years. The bank is entitled to a profit equal to 3 months EIBOR + margin. The principal amount is to be repaid in twelve quarterly instalments commencing from the draw down.

19 (b) Finance lease

In 2012 the Company acquired rock transport barges and tug boats on finance lease from the supplier. Finance lease liabilities are payable as follows:

	Future minimum lease payments AED'000	Interest AED'000	Present value of minimum lease payments AED'000
More than one year	1,931	-	1,931
	<u>1,931</u>	<u>-</u>	<u>1,931</u>

The Company has repaid finance lease liabilities amounting to AED 82,931 thousand during the period ended 30 June 2013.

National Marine Dredging Company

(Public Shareholding Company)

Notes to the condensed consolidated interim financial information

20 Share capital

	30 June 2013 AED'000	31 December 2012 AED'000
Authorised, issued and fully paid: 227,848,502 (31 December 2012: 227,848,502) ordinary shares of AED 1 each	<u>227,849</u>	<u>227,849</u>

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
	<u>218,054</u>

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 and 2013. Accordingly, no convertible bonds have been issued during the current period.

National Marine Dredging Company

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22 Reserves

	Legal reserve AED'000	Asset replacement reserve AED'000	Regulatory reserve AED'000	Effective portion of change in fair value of cash flows AED'000	Unrealised gain on available for sale financial assets AED'00	Total AED'000
At 1 January 2012	113,924	595,000	20,000	-	5,868	734,792
Fair value loss on available for sale financial assets (<i>net</i>)	-	-	-	-	(50)	(50)
At 30 June 2012	113,924	595,000	20,000	-	5,818	734,742

	Legal reserve AED'000	Asset replacement reserve AED'000	Regulatory reserve AED'000	Effective portion of change in fair value of cash flows AED'000	Unrealised gain on available for sale financial assets AED'00	Total AED'000
At 1 January 2013	113,924	595,000	20,000	-	6,074	734,998
Fair value loss on available for sale financial assets (<i>net</i>)	-	-	-	-	391	391
At 30 June 2013	113,924	595,000	20,000	-	6,465	735,389

Legal reserve

The Articles of Association of the Company require 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.

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23 Proposed dividend

The Board of Directors at a meeting held on 24 February 2013, recommended a final dividend of AED 0.5 per share, for the year ended 31 December 2012 amounting to AED 113,924 thousand (2011: AED 113,924 thousand) for the Company's shareholders. At the Annual General Meeting held on 24 April 2013, the shareholders approved the final dividend of AED 0.5 per share, amounting to AED 113,924 thousand (2011: AED 113,924 thousand) to all the shareholders whose names were included in the register of members as at 24 April 2013. Subsequent to the shareholders' approval, the amount was recorded as a current liability.

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 June 2013 AED'000	31 December 2012 AED'000
Guarantees	1,334,432	1,209,268
Letters of credit	12,737	3,023

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.

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 fair value of identifiable assets acquired, as set out below, has been determined based on 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, amortisation of AED 199 thousand (30 June 2012: AED 504 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 (refer above)	(83,724)
	<u>36,276</u>

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.

(b) Formation of subsidiaries

National Marine Dredging Company (Industrial) is an Establishment registered in the Emirate of Abu Dhabi. National Marine Dredging Company (Industrial) currently holds 1% investment in the Group's subsidiaries.

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.