

**National Marine Dredging Company**  
**(Public Shareholding Company)**

Condensed consolidated interim  
financial information

**31 March 2014**

**Principal business address:**  
P O Box 3649  
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 31 March 2014 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-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 condensed 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.

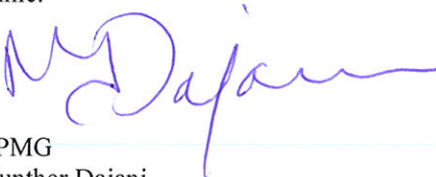
### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2014 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.

14 May 2014

  
KPMG  
Munther Dajani  
Registration No.268

**National Marine Dredging Company**  
**(Public Shareholding Company)**

Condensed consolidated interim statement of profit or loss and other comprehensive income

for the three-month period ended 31 March

	<i>Note</i>	<b>2014</b> <b>AED'000</b>	2013 AED'000
Contract revenue		389,762	704,868
Contract costs		<u>(405,245)</u>	<u>(600,558)</u>
<b>Gross profit</b>		<b>(15,483)</b>	104,310
Other income	7	3,521	776
Administrative expenses		<u>(18,850)</u>	<u>(20,012)</u>
<b>Results from operating activities</b>		<b>(30,812)</b>	85,074
Net finance (expense) / income	8	<u>(6,733)</u>	933
<b>Profit for the period</b>		<b>(37,545)</b>	86,007
<b>Other comprehensive income</b>			
Fair value loss on interest rate swap		(332)	-
Fair value gains on available-for sale financial assets ( <i>net</i> )	13	190	201
<b>Total comprehensive income for the period</b>		<b><u>(37,687)</u></b>	<b><u>86,208</u></b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (AED)	9	<b><u>(0.16)</u></b>	<b><u>0.38</u></b>

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.

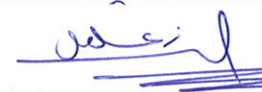
**National Marine Dredging Company**  
(Public Shareholding Company)


Condensed consolidated interim statement of financial position  
as at

	Note	31 March 2014 AED'000	31 December 2013 AED'000
<b>Non-current assets</b>			
Property, plant and equipment	10	1,371,737	1,404,958
Goodwill and other intangible assets		53,586	53,785
<b>Total non-current assets</b>		<b>1,425,323</b>	<b>1,458,743</b>
<b>Current assets</b>			
Inventories	11	283,124	249,008
Trade and other receivables	12	2,693,358	3,131,741
Available-for-sale financial assets	13	9,495	9,305
Financial assets at fair value through profit or loss	14	36,949	38,282
Cash and bank balances	15	264,527	212,275
<b>Total current assets</b>		<b>3,287,453</b>	<b>3,640,611</b>
<b>Current liabilities</b>			
Loans and borrowings (current portion)	19	422,612	422,612
Trade and other payables	18	690,038	768,793
Advances from customers	17	23,796	48,514
Dividend payable		30,182	30,612
Provision for employees' end of service benefits		77,441	77,549
<b>Total current liabilities</b>		<b>1,244,069</b>	<b>1,348,080</b>
<b>Net current assets</b>		<b>2,043,384</b>	<b>2,292,531</b>
<b>Non-current liabilities</b>			
Loans and borrowings (non-current portion)	19	165,980	410,865
<b>Net assets</b>		<b>3,302,727</b>	<b>3,340,409</b>
<b>Represented by:</b>			
Share capital	20	250,000	227,849
Share premium	21	341,500	190,205
Additional share capital		-	173,446
Reserves	22	735,559	735,696
Proposed dividend	23	75,000	75,000
Retained earnings		1,900,668	1,938,213
<b>Total equity</b>		<b>3,302,727</b>	<b>3,340,409</b>

The condensed consolidated interim financial information was approved and authorised for issue on 14 MAY 2014 by:

  
Mohammad Thani Murshid  
Al Rumaihi- Chairman

  
Yasser Nasr Zaghoul  
Chief Executive Officer

  
Gautam V. Pradhan  
Chief Financial Officer

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

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## National Marine Dredging Company (Public Shareholding Company)

### Condensed consolidated interim statement of changes in equity for the three-month period ended 31 March

	Share Capital AED'000 (note 20)	Additional share capital AED'000	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 2013	227,849	-	190,205	734,998	113,924	1,806,455	3,073,431
<b>Total comprehensive income for the period</b>							
Profit for the period						86,007	86,007
<b>Other comprehensive income</b>							
Fair value gains on available-for-sale financial assets ( <i>net</i> )	-	-	-	201	-	-	201
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	-	-	-	-
<b>Transactions with owners, recorded directly in equity</b>							
<b>Distribution to shareholders</b>							
Dividend for 2012	-	-	-	-	-	-	-
<b>At 31 March 2013</b>	<b>227,849</b>	<b>-</b>	<b>190,205</b>	<b>735,199</b>	<b>113,924</b>	<b>1,892,462</b>	<b>3,159,639</b>
At 1 January 2014	227,849	173,446	190,205	735,696	75,000	1,938,213	3,340,409
<b>Total comprehensive income for the period</b>							
Loss for the period	-	-	-	-	-	(37,545)	(37,545)
<b>Other comprehensive income</b>							
Fair value gains on available-for-sale financial assets ( <i>net</i> )	-	-	-	190	-	-	190
Fair value loss on interest rate swap	-	-	-	(332)	-	-	(332)
Cumulative translation adjustment	-	-	-	5	-	-	5
<b>Transactions with owners, recorded directly in equity</b>							
Additional share capital	22,151	(173,446)	151,295	-	-	-	-
<b>At 31 March 2014</b>	<b>250,000</b>	<b>-</b>	<b>341,500</b>	<b>735,559</b>	<b>75,000</b>	<b>1,900,668</b>	<b>3,302,727</b>

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 three-month period ended 31 March

	Note	2014 AED'000	2013 AED'000
<b>Cash flows from operating activities:</b>			
Profit for the period		(37,545)	86,007
<i>Adjustment for:</i>			
Depreciation	10	45,306	63,517
Amortization of intangibles		199	199
Interest expense	8	5,400	3,787
Gain on disposal of property, plant and equipment	7	(1,401)	(518)
Fair value gain on financial assets at fair value through profit or loss	14	1,333	(4,720)
Provision for employee's end of service benefits		3,062	7,116
		<u>16,354</u>	<u>155,388</u>
End of service benefits paid		(3,170)	(7,042)
		<u>13,184</u>	<u>148,346</u>
Change in inventories		(34,116)	3,051
Change in trade and other receivables		438,383	(234,509)
Change in trade and other payables		(76,787)	(105,863)
Change in advance from customers		(24,718)	(12,966)
		<u>315,946</u>	<u>(201,941)</u>
<b>Cash flows from investing activities:</b>			
Acquisition of property, plant and equipment	10	(13,359)	(77,226)
Proceeds from disposal of property, plant and equipment		2,675	657
Cash paid for acquisition of subsidiary ( <i>net</i> )		(2,300)	(16,500)
		<u>(12,984)</u>	<u>(93,069)</u>
<b>Cash flows from financing activities</b>			
Dividend paid		(430)	(372)
Term loan repaid		(244,885)	-
Interest paid		(5,400)	(3,787)
		<u>(250,715)</u>	<u>(4,159)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January	15	212,275	264,099
Cumulative translation adjustment		5	-
		<u>264,527</u>	<u>(35,070)</u>
<b>Cash and cash equivalents at 31 March</b>	15	<u>264,527</u>	<u>(35,070)</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”), a major shareholder.

The condensed consolidated interim financial information of the Company as at and for the three months ended 31 March 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
		2014	2013	
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 and holding 1% investment in the Group’s subsidiaries, to comply with the local regulations
ADEC Engineering Consultancy L.L.C	UAE	100	100	Consultancy services in the fields of civil, architectural, drilling and marine engineering along with related laboratory services
National Marine Dredging Co S.P.C.	Qatar	100	-	Dredging and associated land reclamation works, drilling & deepening of waterways and ports & marine installation works
Abu Dhabi Marine Dredging Co S.P.C.	Bahrain	100	-	Offshore reclamation contracts, services for fixing water installation for marine facilities, and excavation contracts
National Marine and Infrastructure India Private Limited	India	100	-	Dredging and associated land reclamation works, civil engineering, port contracting, and marine construction



# **National Marine Dredging Company**

## **(Public Shareholding Company)**

### Notes to the condensed consolidated interim financial information

#### **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 financial statements of the Company as at and for the year ended 31 December 2013.

#### **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 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014 as set out below.

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

###### *Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. The application of this standard did not have any impact on the condensed consolidated interim financial information.

###### *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (2013)*

The IASB has issued amendments to reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2014. The application of this standard did not have any impact on the condensed consolidated interim financial information.

#### **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 these condensed consolidated interim financial information, 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 financial statements as at and for the year ended 31 December 2013.

#### **5 Financial risk management**

The Group'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 2013.

**National Marine Dredging Company**  
(Public Shareholding Company)

Notes to the condensed consolidated interim financial information

**6 Staff costs**

	<b>Three month period ended 31 March 2014 AED'000</b>	Three month period ended 31 March 2013 AED'000
Salaries and wages	28,985	31,451
Other benefits	53,786	57,587
	<u>82,771</u>	<u>89,038</u>

**7 Other income**

	<b>Three month period ended 31 March 2014 AED'000</b>	Three month period ended 31 March 2013 AED'000
Gain on disposal of property, plant and equipment	1,401	518
Miscellaneous income	1,477	258
Insurance claim	643	-
	<u>3,521</u>	<u>776</u>

**8 Net finance (expense) / income**

	<b>Three month period ended 31 March 2014 AED'000</b>	Three month period ended 31 March 2013 AED'000
Fair value (loss) / gain on financial assets at fair value through profit or loss ( <i>note 14</i> )	(1,333)	4,720
Interest expense ( <i>net</i> )	(5,400)	(3,787)
	<u>(6,733)</u>	<u>933</u>

**9 Earnings per share**

Basic earnings per share are calculated by dividing the net 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 236,216,846 shares (31 March 2013: 227,848,502).

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

**National Marine Dredging Company**  
(Public Shareholding Company)

Notes to the condensed consolidated interim financial information

**10 Property, plant and equipment**

	<b>Total AED'000</b>
<i>Cost</i>	
At 1 January 2014	3,176,352
Additions	13,359
Disposals	(7,530)
<b>At 31 March 2014</b>	<b>3,182,181</b>
<i>Depreciation</i>	
At 1 January 2014	1,771,394
Charge for the period	45,306
Disposals	(6,256)
<b>At 31 March 2014</b>	<b>1,810,444</b>
<i>Net carrying amount</i>	
<b>At 31 March 2014</b>	<b>1,371,737</b>

**11 Inventories**

	<b>31 March 2014 AED'000</b>	<b>31 December 2013 AED'000</b>
Spare parts and consumable stores	293,520	266,319
Raw materials	4,784	2,025
Finished goods	10,146	5,990
Provision for slow moving and obsolete inventories	(25,326)	(25,326)
	<b>283,124</b>	<b>249,008</b>

**12 Trade and other receivables**

	<b>31 March 2014 AED'000</b>	<b>31 December 2013 AED'000</b>
Trade receivables	454,946	625,944
Less: provision for impairment of receivables	(36,674)	(36,674)
	<b>418,272</b>	<b>589,270</b>
Unbilled receivables ( <i>net of provisions</i> )	<b>2,040,744</b>	<b>2,287,668</b>
Deposits and prepayments	43,281	53,159
Other receivables	191,061	201,644
	<b>2,693,358</b>	<b>3,131,741</b>

**National Marine Dredging Company**  
(Public Shareholding Company)

Notes to the condensed consolidated interim financial information

**12 Trade and other receivables (continued)**

69% (2013: 67%) of the trade receivables balance above, amounting to AED 315,671 thousand (2013: AED 372,818 thousand) is receivable from the Government of Abu Dhabi, its departments and other related parties.

Unbilled receivables include AED 514,798 thousand (2013: AED 664,471 thousand), out of which AED 42,881 thousand (31 March 2013: AED 21,655 thousand) has been recognised as revenue during the period, receivable from Government of Abu Dhabi and its departments wherein contracts are not signed. In addition, this balance includes an amount of AED 471,917 thousand (2013: 401,000 thousand), which is outstanding for periods exceeding one year as at the reporting date.

Management has exercised significant judgement 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 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 that these recorded amounts are fully recoverable.

**13 Available for sale financial assets**

	31 March 2014 AED'000	31 December 2013 AED'000
At 1 January	9,305	8,380
Change in fair value (refer note 21)	190	925
	<u>9,495</u>	<u>9,305</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**

	31 March 2014 AED'000	31 December 2013 AED'000
At 1 January	38,282	24,399
Fair value adjustments	(1,333)	13,883
	<u>36,949</u>	<u>38,282</u>

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

**National Marine Dredging Company**  
**(Public Shareholding Company)**

Notes to the condensed consolidated interim financial information

**15 Cash and cash equivalents**

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

	<b>31 March 2014 AED'000</b>	31 December 2013 AED'000
Cash in hand	800	859
Cash at banks		
- Current accounts	261,828	210,113
- Short term deposits*	1,899	1,303
<b>Cash and cash equivalents for cash flow purposes</b>	<b>264,527</b>	<b>212,275</b>

\*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 personnel.

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 Advances from customers**

Advances from customers represent advances received by the Company in respect of dredging contracts for the projects set out below:

	<b>31 March 2014 AED'000</b>	31 December 2013 AED'000
Zakum project	9,298	31,706
Gasco project	1,894	3,735
Port of Fujairah project	3,825	4,180
Water Circulation project	2,819	4,029
Takreer carbon project	1,072	2,847
Al Ghubrah project	910	-
Ruwais channel extension	307	-
Other projects	3,671	2,017
	<b>23,796</b>	<b>48,514</b>

**National Marine Dredging Company**  
(Public Shareholding Company)

Notes to the condensed consolidated interim financial information

**18 Trade and other payables**

	31 March 2014 AED'000	31 December 2013 AED'000
Trade payables	281,115	323,751
Accrued liabilities	367,755	406,332
Retention payable	31,498	28,045
Other payables	9,670	10,665
	<u>690,038</u>	<u>768,793</u>

**19 Loans and borrowings**

	31 March 2014 AED'000	31 December 2013 AED'000
Revolving Mudaraba facility <sup>1</sup>	350,000	583,482
Commodity Murabaha <sup>2</sup>	238,592	249,995
	<u>588,592</u>	<u>833,477</u>

	31 March 2014 AED'000	31 December 2013 AED'000
Current portion	422,612	422,612
Non-current portion	165,980	410,865
	<u>588,592</u>	<u>833,477</u>

<sup>1</sup>*Revolving Mudaraba Facilities:*

*Facility 1*

In 2012, the Company obtained Revolving 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 1 Month EIBOR + Margin. The facility was secured against the irrevocable and unconditional assignment of project receipts in favour of the bank. In December 2013, the Company settled the facility in full and replaced this facility with another Mudaraba facility (*refer facility 2 below*) with another commercial bank.

*Facility 2*

In 2013, the Company obtained a revolving Mudaraba facility from a commercial bank 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 repayable within one year from the draw down date. The facility is secured against the irrevocable and unconditional assignment of project receipts in favour of the bank. As at 31 March 2014, the balance outstanding on the facility amounted to AED 350 million (*31 December 2013: AED 350 million*).

# National Marine Dredging Company

## (Public Shareholding Company)

### Notes to the condensed consolidated interim financial information

#### 19 Loans and borrowings (continued)

##### <sup>1</sup>Revolving Mudaraba Facilities (continued)

###### Facility 3

In 2013, the Company has availed an amount of AED 233 million from a commercial bank to finance the working capital requirements of projects executed by the Company. The amount was repayable on realisation of the invoices against which the facility is obtained or two years from the date of first draw down of the underlying tranche and carried a profit of 3 Months EIBOR + Margin. The facility was secured against the assignment of proceeds from projects financed under the facility, in favour of the bank. During the period, the Company has settled the facility.

##### <sup>2</sup>Commodity Murabaha

In April 2012, to facilitate the purchase of shareholding in Emarat Europe Fast Building Technology Factory LLC, 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 31 March 2014 the balance outstanding amounted to AED 108 million (31 December 2013: AED 108 million).

In 2013, the Company obtained a commodity murabaha facility to facilitate the purchase of items of property, plant and equipment, 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. As at 31 March 2014 the outstanding balance amounted to AED 56 million (31 December 2013: 63 million).

##### Ijarah Muntahia Bitamleek

During 2013, to facilitate the purchase of items of property, plant and equipment, the Company obtained a Ijarah Muntahia Bitamleek facility from a commercial bank amounting to AED 87 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 eleven quarterly instalments of AED 4.37 million each, commencing from the draw down date. The Company has an option to repay the remaining amount of AED 39 million in one tranche as the twelfth instalment, or to enter into a new Ijarah Muntahia Bitamleek agreement for AED 39 million. As at 31 March 2014, the outstanding balance amounted to AED 74 million (31 December 2013: 79 million).

##### Interest rate swap

During the year, the Company has entered into an interest rate swap agreement with commercial banks to hedge against the risk of unfavourable market changes with respect of the floating interest rate on the long term borrowings.

#### 20 Share capital

	31 March 2014 AED'000	31 December 2013 AED'000
Authorised, issued and fully paid: 250,000,000 (31 December 2013: 227,848,502) ordinary shares of AED 1 each	<u>250,000</u>	<u>227,849</u>

**National Marine Dredging Company**  
**(Public Shareholding Company)**

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 was to issue 50,000,000 convertible bonds to Tasameem to be converted into 50,000,000 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 were to take place as per the schedule stated in the agreement and set out below:

Issue No.	Issue Date as Per Agreement	Conversion 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

In accordance with the above, the Company issued 16,773 and 11,076 thousand convertible bonds to Tasameem in 2010 and 2011, respectively, 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 16,773 thousand in 2010 and AED 11,076 thousand in 2011. On 29 November 2013, the Company issued 22,151 thousand convertible bonds to Tasameem for a total consideration of AED 173,446 thousand, representing issue number 3 and 4 set out in the table above. These bonds were converted to 22,151 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 22,151 thousand in 2014.

The excess of the consideration over the face value of the equity shares issued, as set out below, has been recorded as share premium:

	<b>AED’000</b>
Par value of shares issued	<b>50,000</b>
Share premium	<b>341,500</b>
	<b><u>391,500</u></b>



**National Marine Dredging Company**  
(Public Shareholding Company)

Notes to the condensed consolidated interim financial information

**22 Reserves**

	Legal reserve AED'000	Asset replacement reserve AED'000	Regulatory reserve AED'000	Cumulative translation adjustment AED'000	Unrealised loss on interest rate swap AED'00	Unrealised gain on available for sale financial assets AED'000	Total AED'000
<b>At 1 January 2013</b>	113,924	595,000	20,000	-	-	6,074	734,998
Fair value gains on available for sale financial assets ( <i>net</i> )	-	-	-	-	-	201	201
<b>At 31 March 2013</b>	<u>113,924</u>	<u>595,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>6,275</u>	<u>735,199</u>
	Legal reserve AED'000	Asset replacement reserve AED'000	Regulatory reserve AED'000	Cumulative translation adjustment AED'000	Unrealised loss on interest rate swap AED'00	Unrealised gain on available for sale financial assets AED'000	Total AED'000
<b>At 1 January 2014</b>	113,924	595,000	20,000	-	(227)	6,999	735,696
Fair value gains on available for sale financial assets ( <i>net</i> )	-	-	-	-	-	190	190
Fair value loss on interest rate swap Cumulative translation adjustment	-	-	-	5	(332)	-	(332)
<b>At 31 March 2014</b>	<u>113,924</u>	<u>595,000</u>	<u>20,000</u>	<u>5</u>	<u>(559)</u>	<u>7,189</u>	<u>735,559</u>

**National Marine Dredging Company**  
(Public Shareholding Company)

Notes to the condensed consolidated interim financial information

**22 Reserves (continued)**

**Legal reserve**

The Articles of Association of the Company require that 10% of the Company's net 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 net 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 Board of 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 24 March 2014, recommended a final dividend of AED 0.3 per share, for the year ended 31 December 2013 amounting to AED 75,000 thousand (2012: AED 0.50 amounting to AED 113,924 thousand) for the Company's shareholders. At the Annual General Meeting held on 29 April 2014, the shareholders approved the final dividend of AED 0.3 per share, amounting to AED 75,000 thousand (2012: 113,924 thousand) to all the shareholders whose names were included in the register of members as at 29 April 2014.

**24 Contingencies and commitments**

	<b>31 March 2014 AED'000</b>	31 December 2013 AED'000
Guarantees	<u>1,387,624</u>	<u>1,52,099</u>
Letters of credit	<u>6,576</u>	<u>16,581</u>

**25 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.