

**NATIONAL MARINE DREDGING
COMPANY**

**Review report and interim
financial information
for the period ended
30 June 2015**

NATIONAL MARINE DREDGING COMPANY

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
National Marine Dredging Company
Abu Dhabi, UAE

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of National Marine Dredging Company (“the Company”) and its subsidiaries (together referred to as “the Group”) as at 30 June 2015 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, “*Interim Financial Reporting*”. Our responsibility is to express a conclusion on this 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.

Basis for qualified conclusion

Management has recognised revenue and unbilled receivables on projects wherein formal agreements have not been signed for significant periods of time. In addition, various projects with formal agreements have long outstanding receivables which are still unbilled. As at 30 June 2015, unbilled receivables relating to unsigned contracts and signed contracts, net of allowances, amounts subsequently invoiced or collected, and amounts recognised on claims under negotiation as described in the emphasis of matter paragraph below, amounted to AED 435,316 thousand and AED 472,817 thousand, respectively. These amounts relate to transactions with the Government of Abu Dhabi, its departments, or other related parties. While we have noted progress in the negotiations with the concerned customers, the absence of signed contracts and the significant delays in billing and collection casts doubts on the recoverability of these amounts.

Conclusion

Based on our review, except for the effects of the matters as described in the basis of qualified conclusion, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with IAS 34, “*Interim Financial Reporting*”.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION (continued)

Emphasis of matter

Without further qualifying our conclusion, as stated in note 7, unbilled receivables include an amount of AED 600,000 thousand recognised on the basis of claims submitted in prior periods. While the customer has acknowledged the claims, the amount of the claims is still under negotiation. The finalisation of such negotiations could have a significant impact on the amount of receivables recognised.

Other matter

The comparative amounts in the condensed consolidated statement of financial position at 31 December 2014 and related explanatory information were audited by another auditor whose report dated 14 April 2015 expressed a qualified opinion thereon in relation with the matter described in the basis for qualified conclusion paragraph above. The prior period comparative amounts in the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows and related explanatory information for the six-month period ended 30 June 2014, were reviewed by another auditor who issued an unmodified conclusion dated 9 September 2014.

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah
Registration Number 717
9 August 2015




**Condensed consolidated statement of financial position
as at 30 June 2015**

	Notes	30 June 2015 AED '000 (unaudited)	31 December 2014 AED '000 (audited) (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,325,297	1,295,453
Goodwill and intangible assets		52,591	52,989
Total non-current assets		1,377,888	1,348,442
Current assets			
Inventories	6	228,327	248,570
Trade and other receivables	7	3,000,621	3,163,265
Available-for-sale financial assets	8	8,308	7,992
Financial assets at fair value through profit or loss	9	27,879	26,817
Cash and bank balances	10	358,647	177,021
Total current assets		3,623,782	3,623,665
Total assets		5,001,670	4,972,107
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		250,000	250,000
Share premium		341,500	341,500
Reserves		745,425	746,763
Retained earnings		2,008,595	2,016,607
Total equity		3,345,520	3,354,870
Non-current liabilities			
Provision for employees' end of service benefits		79,193	75,672
Loans and borrowings	14	10,125	135,768
Total non-current liabilities		89,318	211,440
Current liabilities			
Trade and other payables	15	881,973	619,378
Bank overdrafts	10	63,280	-
Advances from customers	11	511,109	349,312
Dividends payable		38,470	31,992
Bank borrowings	14	72,000	405,115
Total current liabilities		1,566,832	1,405,797
Total liabilities		1,656,150	1,617,237
Total equity and liabilities		5,001,670	4,972,107


 Mohammad Thani Murshid Al Rumaihi
 Chairman




 Yasser Nasr Zaghloul
 Chief Executive Officer


 Gautam V. Pradhan
 Chief Financial Officer

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of profit or loss and other comprehensive income
for the period ended 30 June 2015**

	Notes	6 months ended 30 June		3 months ended 30 June	
		2015 (unaudited) AED '000	2014 (unaudited) AED '000	2015 (unaudited) AED '000 (restated)	2014 (unaudited) AED '000
Contract revenue		1,401,162	693,491	925,209	303,729
Contract costs		(1,262,667)	(776,076)	(822,513)	(370,831)
Gross profit/(loss)		138,495	(82,585)	102,696	(67,102)
General and administrative expenses		(65,966)	(37,442)	(47,388)	(18,592)
Finance costs, net	18	(4,533)	(15,141)	(151)	(8,408)
Impairment losses on receivables		(18,904)	(36,532)	(18,904)	(36,532)
Other income, net	19	17,896	16,739	8,538	13,218
Profit/(loss) for the period		66,988	(154,961)	44,791	(117,416)
Other comprehensive income/(loss)					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Fair value (loss)/gain on foreign currency hedge		(1,865)	-	3,543	-
Release/(fair value loss) on interest rate swap		143	(848)	-	(516)
Fair value gains/(loss) on available-for- sale financial assets (net)	8	316	(99)	-	(289)
Cumulative translation adjustment		68	5	24	5
Total comprehensive profit/(loss) for the period		65,650	(155,903)	48,358	(118,216)
Basic and diluted earnings/(loss) per share (fils)	12	0.27	(0.64)	0.18	(0.48)

The accompanying notes are an integral part of these condensed consolidated financial statements.

NATIONAL MARINE DREDGING COMPANY

**Condensed consolidated statement of changes in equity
for the period ended 30 June 2015**

	Share capital AED '000	Additional share capital AED '000	Share premium AED '000	Reserves AED '000	Proposed dividend AED '000	Retained earnings AED '000	Total AED '000
Balance at 1 January 2014 (audited)	227,849	173,446	190,205	735,696	75,000	1,938,213	3,340,409
Loss for the period	-	-	-	-	-	(154,961)	(154,961)
<i>Other comprehensive (loss)/income</i>	-	-	-	(99)	-	-	(99)
Fair value gains on available-for-sale financial assets (net)	-	-	-	(848)	-	-	(848)
Fair value loss on interest rate swap	-	-	-	5	-	-	5
Cumulative translation adjustment	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(942)	-	(154,961)	(155,903)
Additional share capital	22,151	(173,446)	151,295	-	(75,000)	-	-
Dividend payable	-	-	-	-	-	-	(75,000)
Balance at 30 June 2014 (unaudited)	250,000	-	341,500	734,754	-	1,783,252	3,109,506
Balance at 1 January 2015 (audited)	250,000	-	341,500	746,763	-	2,016,607	3,354,870
Profit for the period	-	-	-	-	-	66,988	66,988
<i>Other comprehensive income/(loss)</i>	-	-	-	-	-	-	-
Fair value gains on available-for-sale financial assets (net)	-	-	-	316	-	-	316
Release on interest rate swap	-	-	-	143	-	-	143
Fair value loss on foreign currency exchange hedge	-	-	-	(1,865)	-	-	(1,865)
Cumulative translation adjustment	-	-	-	68	-	-	68
Total comprehensive (loss)/income for the period	-	-	-	(1,338)	-	66,988	65,650
Dividends	-	-	-	-	-	(75,000)	(75,000)
Balance at 30 June 2015 (unaudited)	250,000	-	341,500	745,425	-	2,008,595	3,345,520

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of cash flows
for the period ended 30 June 2015**

	6 months ended 30 June	
	2015 (unaudited) AED '000	2014 (unaudited) AED '000
Cash flows from operating activities		
Profit/(loss) for the period	66,988	(154,961)
Adjustments for:		
Depreciation of property, plant and equipment	87,850	90,735
Impairment losses on property, plant and equipment	6,823	-
Amortisation of intangibles	398	398
Interest expense	6,462	9,618
Impairment losses on receivables	18,904	-
Gain on disposal of property, plant and equipment	(3,273)	(3,587)
Fair value loss/ (gain) on financial assets at fair value through profit or loss	(1,062)	6,331
Dividend income	(867)	(808)
End of service benefit charge	6,137	6,223
Operating cash flows before changes in operating assets and liabilities	188,360	(46,051)
Decrease/(increase) in inventories	20,243	(3,282)
Decrease in trade and other receivables	143,740	516,592
Increase/(decrease) in trade and other payables	237,916	(150,500)
Increase/(decrease) in advances from customers	161,797	(21,355)
Cash generated from operating activities	752,056	295,404
End of service benefits paid	(2,616)	(6,366)
Net cash generated from operating activities	749,440	289,038
Cash flows from investing activities		
Payment of property, plant and equipment	(101,632)	(39,263)
Dividend income	867	808
Proceeds from disposal of property, plant and equipment	3,345	6,345
Cash paid for acquisition of a subsidiary (net)	-	(2,300)
Net cash used in investing activities	(97,420)	(34,410)
Cash flows from financing activities		
Dividends paid	(68,522)	(63,425)
Proceeds from bank borrowings	350,000	-
Borrowings repaid	(808,758)	(256,288)
Interest expense paid	(6,462)	(9,618)
Net cash used in financing activities	(533,742)	(329,331)
Net increase/(decrease) in cash and cash equivalents	118,278	(74,703)
Cash and cash equivalents at beginning of the period	177,021	212,275
Cumulative translation adjustment	68	5
Cash and cash equivalents at end of the period	295,367	137,577
Non cash transaction:		
Purchase of property, plant and equipment	22,957	-

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2015**

1 General information

National Marine Dredging Company (“the Company”) is a public shareholding company incorporated in the Emirates of Abu Dhabi. The Company was incorporated by Law No. (10) of 1979, as amended by Decree 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 registered address of the Company is P.O. Box 3649, Abu Dhabi, United Arab Emirates.

The Company is primarily engaged in the execution of dredging contracts and associated land reclamation works in the territorial waters of the UAE, principally under the directives of the Government of Abu Dhabi (“the Government”), a major shareholder. The Group also operates in Qatar, Bahrain, Egypt, Saudi Arabia and India through its subsidiaries, branches and joint operation.

The interim financial information of the Company as at and for the six months ended 30 June 2015 includes the financial performance and position of the Company and its below mentioned subsidiaries and branches (together referred to as “the Group”).

Name	Country of incorporation	Share of equity		Principal activities
		2015	2014	
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%	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%	100%	Offshore reclamation contracts, services for fixing water installation for marine facilities and excavation contracts
National Marine and Infrastructure India Private Limited	India	100%	100%	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2015 (continued)**

1 General information (continued)

Name	Country of incorporation	Share of equity		Principal activities
		2015	2014	
National Marine Dredging Company (NMDC) Br.	Saudi Arabia	100%	-	Perform drilling operation within the bottom of coastal seas, dredging and withdrawing the soil or extracting out
National Marine Dredging Company Branch	Egypt	100%	-	Implement contract on Suez Canal project

2 Adoption of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and revised IFRSs effective for accounting periods beginning on or after 1 January 2015

In the current period, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after 1 January 2015. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group’s future transactions or arrangements and change in accounting policy on interest in joint operations (note 23).

- Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.
- Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
- Amendments to IAS 19 *Employee Benefits* clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2015.

2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective

The Group has not yet applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 1 <i>Presentation of Financial Statements</i> relating to Disclosure initiative	1 January 2016
Amendments to IFRS 11 <i>Joint arrangements</i> relating to accounting for acquisitions of interests in joint operations	1 January 2016

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2015 (continued)**

**2 Adoption of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

**2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet
effective (continued)**

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> relating to clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i> relating to bearer plants	1 January 2016
Amendments to IAS 27 <i>Separate Financial Statements</i> relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements	1 January 2016
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	1 January 2016
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 28 <i>Investment in Associates</i> relating to applying the consolidation exception for investment entities	1 January 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34	1 January 2016
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2017
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9	When IFRS 9 (2014) is first applied
IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 (2014) is first applied
IAS 1 <i>Presentation of Financial Statements: Amendments</i> resulting from the disclosure initiative	1 January 2016

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2015 (continued)****2 Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)****2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective (continued)****New and revised IFRSs****Effective for
annual periods
beginning on or after**

IFRS 9 *Financial Instruments* (2009) issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 *Financial Instruments* (2010) revised in October 2010 includes the requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*.

1 January 2018

IFRS 9 *Financial Instruments* (2013) was revised in November 2013 to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9.

Finalised version of IFRS 9 (IFRS 9 *Financial Instruments* (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.

IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). IFRS 9 (2014) supersedes all previous versions of the standard. The various standards also permit various transitional options. Accordingly, entities can effectively choose which parts of IFRS 9 they apply, meaning they can choose to apply: (1) the classification and measurement requirements for financial assets; (2) the classification and measurement requirements for both financial assets and financial liabilities; (3) the classification and measurement requirements and the hedge accounting requirements provided that the relevant date of the initial application is before 1 February 2015.

Management anticipates that these new standards, interpretations and amendments will be adopted in the condensed consolidated financial statements for the initial period when they become effective and adoption of these new standards, interpretations and amendments, except for IFRS 15 and IFRS 9, may have no material impact on the condensed consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the condensed consolidated financial statements for the annual periods beginning 1 January 2017 and 1 January 2018, respectively. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the financial statements in respect of the Group's contracts with customers and financial assets and financial liabilities, respectively. However, it is not practicable to provide a reasonable estimate of effects of the application of this standard until the Group performs a detailed review.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2015 (continued)****3 Summary of significant accounting policies****3.1 Statement of compliance**

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and also comply with the applicable requirements of the laws in the UAE.

3.2 Basis of preparation

The condensed consolidated financial statements are presented in UAE Dirhams (AED) which is the functional currency of the Group and all values are rounded to the nearest thousand (AED '000) except when otherwise indicated.

The condensed consolidated financial statements have been prepared on the historical cost basis, except for the measurement at fair value of certain financial instruments.

These condensed consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2014. In addition, results for the six months ended 30 June 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

The accounting policies, significant judgments, estimates and assumptions applied by the Group in these condensed consolidated financial statements are consistent with those in the audited annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective 1 January 2015.

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies relating to investments in joint ventures, financial assets and derivative financial instruments are disclosed below.

3.3 Interests in joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to the interest in joint operation:

- its assets including its share of any assets held jointly;
- its liabilities including its share of any liabilities held jointly;
- its revenue from the sale of its share and output arising from joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including any share of any expenses incurred jointly.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2015 (continued)****3 Summary of significant accounting policies (continued)****3.3 Interests in joint operation (continued)**

The Group accounts for the assets, liabilities, revenue and expenses relating to interest in joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenue and expenses.

When a group entity transacts with a joint operation in which the group entity is a joint operator (such a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transaction are recognised in the Group's condensed consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which the group entity is a joint operator (such as purchase of assets), the Group does not recognise its share of the gains and losses until it resells to a third party.

3.4 Financial assets

The Group has the following financial assets: 'loans and receivables', 'cash and cash equivalent', 'fair value through profit or loss (FVTPL)' and 'available for sale (AFS)' financial assets. The classification depends on the nature of the financial asset and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks (excluding deposits held under lien) with original maturities of three months or less.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and that are not quoted in an active market. Loans and receivables are measured at amortised cost, less any impairment. Interest income is recognised by applying the effective interest rate, except for cases when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2015 (continued)****3 Summary of significant accounting policies (continued)****3.4 Financial assets (continued)**Financial assets at FVTPL

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Available for sale (AFS) investments

Investments not classified as either "FVTPL" or "held to maturity" are classified as AFS investments and are initially measured at trade date value, plus directly attributable transaction costs.

After initial recognition, AFS investments are remeasured at fair value, based on quoted market prices at the end of reporting period.

Unrealised gains and losses on remeasurement to fair value on AFS investments are recognised directly in equity until the investment is sold, collected or otherwise disposed off, or the investment is determined to be impaired, at which time the cumulative gains or losses previously reported in equity are included in profit or loss.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign exchange risks. Such derivative financial instruments are initially recognised and measured at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Any gains or losses arising from changes in fair value on derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2015 (continued)****3 Summary of significant accounting policies (continued)****3.4 Financial assets (continued)**Derivative financial instruments and hedge accounting (continued)

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise. Derivative financial instruments that do not qualify for hedge accounting are classified as held for trading derivatives.

For the purpose of hedge accounting, the Group designates derivatives into two types of hedge categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction that will affect future reported net income.

Hedge accounting

In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and the effectiveness can be reliably measured. At inception of the hedge, the Group documents its risk management objective and strategy for undertaking various hedge transactions, including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2015 (continued)****3 Summary of significant accounting policies (continued)****3.4 Financial assets (continued)**Derivative financial instruments and hedge accounting (continued)Cash flow hedges (continued)

Amounts previously recognised in other comprehensive income and accumulated in the hedging reserve in equity are recycled to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the profit or loss as the recognised hedged item. However, when the forecast transaction that is hedged, results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2015 (continued)****3 Summary of significant accounting policies (continued)****3.4 Financial assets (continued)**Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

4 Critical accounting judgments and key sources of estimation uncertainty

The preparation of these condensed consolidated financial statements requires management to make judgments, 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 financial statements, the significant judgments made by management in applying the Group's accounting policies, and the key sources of estimates uncertainty were the same as those applied in the audited financial statements as at and for the year ended 31 December 2014, except for the following:

Classification of a joint arrangement

The Company entered into a joint arrangement with other parties ("the Consortium") for the performance of the marine dredging works related to a certain project in Egypt, under a Consortium Agreement dated 15 October 2014. Management performed an assessment whether its interest on the joint arrangement should be classified as joint operation or joint venture. Management considered the detailed criteria as prescribed in IFRS 11 *Joint Arrangements* with respect to its rights to assets and obligations to liabilities and with reference to the Consortium Agreement.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2015 (continued)**

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Classification of joint arrangements (continued)

The rights to assets and obligation for liabilities must both be satisfied in order for the arrangement to be classified as a joint operation. Based on a detailed assessment, the joint arrangement was classified by management as a joint operation. The comparative figures has been restated as a result of this classification, as detailed in note 23.

5 Property, plant and equipment

	30 June 2015 AED'000
Cost	
At 1 January 2015 (audited)	3,196,588
Additions	124,589
Disposals	(3,497)
	<hr/>
At 30 June 2015 (unaudited)	3,317,680
	<hr/>
Accumulated depreciation	
At 1 January 2015 (audited)	1,901,135
Charge for the period	87,850
Eliminated on disposals	(3,425)
Allowance for impairment losses	6,823
	<hr/>
At 30 June 2015 (unaudited)	1,992,383
	<hr/>
Net carrying amount	
At 30 June 2015 (unaudited)	1,325,297
	<hr/>
At 31 December 2014 (audited)	1,295,453
	<hr/>

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2015 (continued)**

6 Inventories

	30 June 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Spare parts and consumable stores	243,663	263,762
Raw materials	1,820	4,370
Finished goods	7,421	10,535
Goods in transit	8,233	-
Less: allowance for slow moving and obsolete inventories	(32,810)	(30,097)
	<u>228,327</u>	<u>248,570</u>

7 Trade and other receivables

	30 June 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000 (restated)
Trade receivables	968,993	701,353
Less: allowance for impairment losses on trade receivables	(49,605)	(41,347)
	<u>919,388</u>	<u>660,006</u>
Unbilled receivables (net of allowance)	1,700,165	2,130,579
Deposits and prepayments	57,687	47,288
Other receivables	323,381	325,392
	<u>3,000,621</u>	<u>3,163,265</u>

Unbilled receivables include AED 476,145 thousand (31 December 2014: AED 424,088 thousand) receivables from Government of Abu Dhabi, out of which AED 57,065 thousand has been recognised as revenue during the period (for the period ended 30 June 2014: AED 134,086 thousand). The balance of AED 476,145 thousand includes amount of AED 383,269 thousand (31 December 2014: AED 351,736 thousand), outstanding for a period exceeding one year as at the reporting date. Unbilled receivables also include AED 675,298 thousand (31 December 2014: AED 1,147,474 thousand) on signed contracts from various customers, out of which AED 303,075 thousand (for the period ended 30 June 2014: AED 464,265 thousand) has been recognised as revenue during the period.

In addition, as at 30 June 2015 and 31 December 2014, the Group recognised unbilled receivables amounting to AED 600 million, out of total proposed claims amounting to AED 771 million. In a letter dated 14 April 2015, the customer acknowledged the claim to the extent of AED 704 million and mentioned that the claim is in advance stage of review.

The total allowance for impairment of unbilled receivables as at 30 June 2015 is AED 56.7 million (31 December 2014: AED 26.6 million).

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2015 (continued)**

8 Available-for-sale financial assets

	30 June 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
At 1 January	7,992	9,305
Change in fair value	316	(63)
Provision for impairment	-	(1,250)
	<hr/>	<hr/>
	8,308	7,992
	<hr/> <hr/>	<hr/> <hr/>

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

9 Financial assets at fair value through profit or loss

	30 June 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
At 1 January	26,817	38,282
Fair value adjustments	1,062	(10,215)
Provision for impairment	-	(1,250)
	<hr/>	<hr/>
	27,879	26,817
	<hr/> <hr/>	<hr/> <hr/>

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

10 Cash and cash equivalents

	30 June 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000 (restated)
Cash in hand	1,164	1,007
Cash at banks		
- Current accounts	180,003	149,050
- Short term deposits	177,480	26,964
	<hr/>	<hr/>
	358,647	177,021
Bank overdrafts	(63,280)	-
	<hr/>	<hr/>
	295,367	177,021
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2015 (continued)**

11 Advances from customers

	30 June 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Suez Canal	347,738	323,824
Ministry of Housing	71,026	-
Hail Field Development	29,739	-
Ruwais Extension	11,812	-
Other projects	50,794	25,488
	<u>511,109</u>	<u>349,312</u>

Advances from customers mainly represent advances received for projects and are applied against the billings when raised.

12 Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent 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 reporting period was 250,000,000 (30 June 2014: 243,146,498). There are no potentially dilutive instruments therefore the basic and diluted earnings per share are the same.

13 Related party transactions

Related parties include the Government of Abu Dhabi, Group's major shareholders, Directors and key management personnel, and businesses controlled by them and their families or over which they exercise a significant influence in financial and operating decisions. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed.

The Group derives significant portion of its UAE revenue from the Government of Abu Dhabi, the major shareholder, and its departments.

14 Borrowings

During the period, a new facility was obtained from a commercial bank amounting to AED 350 million which was used to settle an existing facility by the same amount. It carries profit at 1 month EIBOR plus margin and is repayable one month from each draw down date. Further during the period, an amount of AED 305 million had been drawn from the bank overdraft facility in a commercial bank. This was used as a settlement of an existing loan amounting to AED 350 million.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2015 (continued)**

14 Borrowings (continued)

Another existing facility amounting to AED 94.5 million carries profit at 1 month EIBOR plus margin and is repayable in 42 monthly equal installment of AED 2.25 million each, of which AED 57.375 million was repaid during the period.

In addition to the above, another existing facility amounting to AED 35 million carries profit at 3 month EIBOR plus margin and is repayable in 12 quarterly equal installment. This was repaid during the period.

15 Trade and other payables

	30 June 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000 (restated)
Trade payables	317,239	208,700
Accrued liabilities	383,098	366,576
Gross amounts due to customers on construction contracts	98,667	-
Retentions payable	16,499	26,108
Other payables	66,470	17,994
	<u>881,973</u>	<u>619,378</u>

16 Staff costs

	6 month period ended 30 June		3 month period ended 30 June	
	2015 (unaudited) AED'000	2014 (unaudited) AED'000	2015 (unaudited) AED'000	2014 (unaudited) AED'000
Salaries and wages	124,416	58,600	69,076	29,615
Other benefits	111,201	102,615	52,612	48,829
	<u>235,617</u>	<u>161,215</u>	<u>121,688</u>	<u>78,444</u>

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2015 (continued)**

17 Other income, net

	6 month period ended 30 June		3 month period ended 30 June	
	2015 (unaudited) AED'000	2014 (unaudited) AED'000	2015 (unaudited) AED'000	2014 (unaudited) AED'000
Gain on disposal of property, plant and equipment	3,273	3,587	2,472	2,186
Foreign exchange gain/(loss)	2,710	404	(68)	404
Insurance claim	8,287	7,194	5,778	6,551
Miscellaneous income	3,626	5,554	356	4,077
	<u>17,896</u>	<u>16,739</u>	<u>8,538</u>	<u>13,218</u>

18 Net finance expense

	6 month period ended 30 June		3 month period ended 30 June	
	2015 (unaudited) AED'000	2014 (unaudited) AED'000	2015 (unaudited) AED'000	2014 (unaudited) AED'000
Fair value gain/(loss) on financial assets at fair value through profit or loss	1,062	(6,331)	1,495	(4,998)
Interest expense, net	(6,462)	(9,618)	(2,513)	(4,218)
Dividend income	867	808	867	808
	<u>(4,533)</u>	<u>(15,141)</u>	<u>(151)</u>	<u>(8,408)</u>

19 Dividends

At the Annual General Meeting (AGM) held on 29 April 2015, the Shareholders resolved to distribute cash dividends amounting to 30% of the Company's share capital, amounting to AED 75 million, to all the shareholders whose names were included in register of members as at the 10th day following the AGM. Dividends amounting to AED 67.85 million was paid during the period.

20 Contingencies and commitments

	30 June 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Bank guarantees	<u>1,275,267</u>	<u>1,475,373</u>
Letters of credit	<u>6,180</u>	<u>15,861</u>

The above letters of credit and bank guarantees were issued in the normal course of business.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2015 (continued)**

21 Seasonality of results

No significant income of a seasonal nature was recorded in the condensed consolidated statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2015 and 2014.

22 Segment information

Geographical segment information

The Group operates in two main geographical segments, namely, UAE and Egypt. The following table shows the Group's geographical segment analysis:

	30 June 2015 (unaudited)			Group AED
	UAE AED	Egypt AED	Rest of the world AED	
Segment revenue	439,822	932,372	101,451	1,473,645
Intersegment revenue	(72,483)	-	-	(72,483)
Revenue	367,339	932,372	101,451	1,401,162
Segment gross (loss)/profit	(73,240)	221,647	(9,912)	138,495
General and administrative expenses				(65,966)
Impairment losses on receivables				(18,904)
Finance costs, net				(4,533)
Other income				17,896
Profit for the period				66,988
Total assets	4,206,039	747,955	47,676	5,001,670
Total liabilities	1,112,619	506,672	36,859	1,656,150
Equity	3,135,763	221,638	(11,881)	3,345,520

Majority of the Group's revenue in UAE is generated from marine dredging contracts and associated works carried out for the Government of Abu Dhabi. As at and for the year ended 31 December 2014, operations were mainly in the territorial waters of the UAE.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2015 (continued)**

23 Restatement

The following balances in the comparative condensed consolidated financial statements have been restated to conform to the current period's presentation.

Condensed statement of financial position

		As previously reported AED '000	Restatement AED '000	As restated AED '000
<i>31 December 2014</i>				
Trade and other receivables	(a),(b)	3,083,984	79,281	3,163,265
Cash and cash equivalents	(a)	146,442	30,579	177,021
Advance from customers (current portion)	(a)	211,595	137,717	349,312
Trade and other payables	(a),(b)	647,235	(27,857)	619,378
Total current liabilities	(a),(b),(c)	1,371,609	34,188	1,405,797
Total non-current liabilities	(a),(b),(c)	135,768	75,672	211,440

Condensed statement of profit or loss and other comprehensive income

		As previously reported AED '000	Restatement AED '000	As restated AED '000
<i>31 March 2015</i>				
Contract revenue	(d)	494,532	18,579	513,111
Contact costs	(d)	(458,733)	(18,579)	(477,312)

- (a) In the prior year, the Group accounted for a joint arrangement under equity method instead of proportionate consolidation method in accordance with IFRS 11 *Joint Arrangements*. Accordingly the assets and liabilities as at 31 December 2014 had been restated to account for the proportionate share of the Group in the joint operation, in accordance with the requirements of IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. This restatement does not have an impact on the profit or loss as reported in the statement of profit or loss and other comprehensive income and statement of financial position as at 1 January 2014.
- (b) Certain receivables and payables have been reclassified to conform with the current period classification.
- (c) Provision for end of service benefit has been reclassified from current liabilities to non-current liabilities as this is not expected to be settled within 12 months from the statement of financial position date.
- (d) Certain contract revenue and contract costs have been reclassified to conform with current period classification.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2015 (continued)**

24 Events after the reporting date

Subsequent to the reporting date, the project of the joint operations in Egypt, Suez Canal, was completed and inaugurated on 6 August 2015.

25 Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved by management and authorised for issue on 9 August 2015.