



## Directors' Report

The Directors of the Company have pleasure in presenting the 30th annual report along with the audited accounts for the year ended 31st December 2014.

### Financial Results

Your Company achieved a turnover of AED 1,629 million and achieved a net profit of AED 89 million for the year 2014 as compared to AED 2,546 million and a net profit of AED 207 million respectively in 2013. EPS in 2014 is AED 0.36 as compared to 0.91 in 2013.



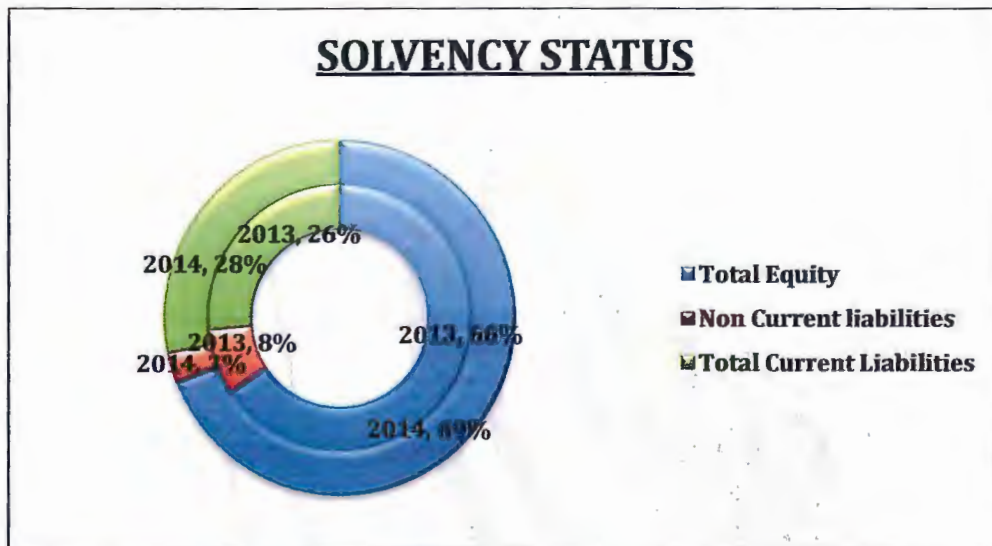


## Financial Position

Your Company has a current equity of AED 3,355 million at end of the year 2014 which is higher by 0.43% YoY from AED 3,340 million at end of the year 2013. The total equity reflects compounded annual growth of 8.79% from 2010 to 2014.



Solvency ratio, which represents debt paying capacity of the company, stood at 69% at end of the year 2014 as against 66% at end of the year 2013. Low level of debt in capital structure is in line with the strategic decision to keep the composite leverage at an optimal level.



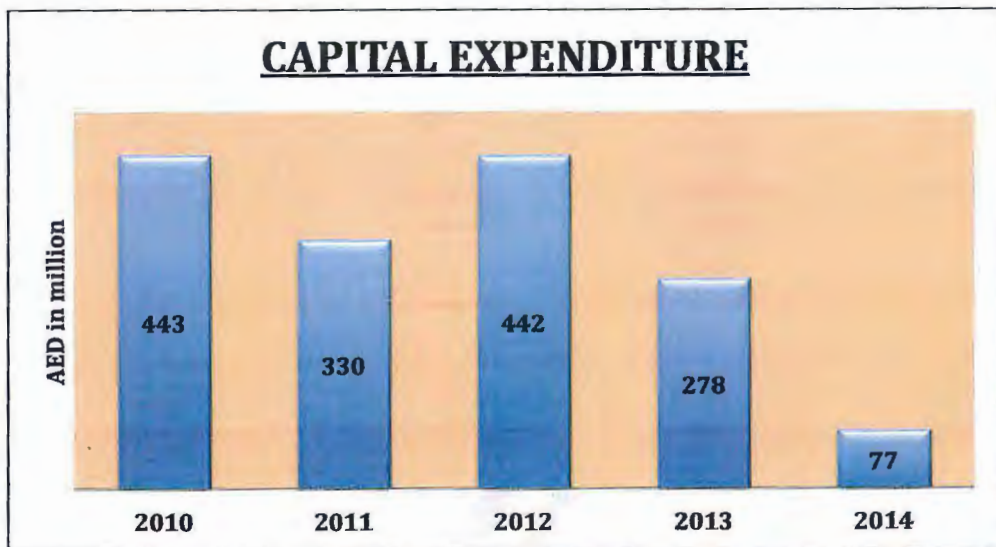


## Capital Expenditure

In order to deliver our clients with services to the highest standard, we continue to invest into latest technologies, machineries and equipments that would support the future execution of complex projects and improves our margins. Accordingly, we have added Fixed Assets amounting to AED 77 million in the year 2014 as against AED 278 million in the year 2013.

## Fleet

Your Company currently owns a marine fleet consisting of 17 dredgers, 3 booster stations, an Accommodation Barge (which can accommodate more than 300 personnel) and 71 other marine equipments such as marine tugs, fuel barge ships, support crafts and 214 earth moving equipments. With continuous investment your company has grown its fleet and is currently one of the largest cutter fleet owner in the region.



## Information Technology

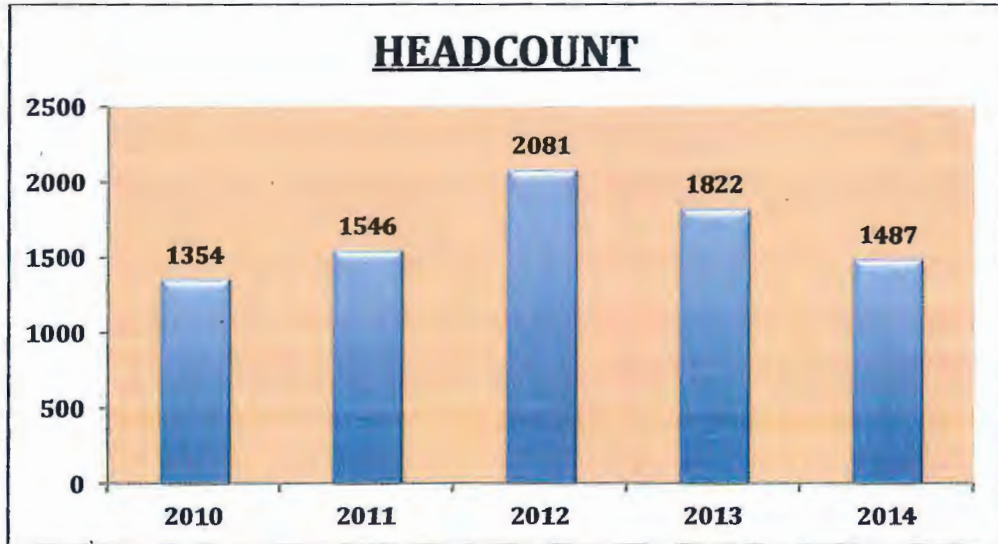
Your Company has implemented Oracle E-Business Suite 12.1.3 to gain greater control and visibility of inventory, increasing operational efficiency and freeing resources to focus on the company's core business operations. Systems have been implemented to connect dredgers to the main office to enable use of all IT system by the crew on board in a reliable environment. System have also been implemented to provide information for fleet rationalization and Project Execution business process to record and control all project activities from mobilization to demobilization.

## Human Capital

Human Capital is our future and main driving force behind the success of the company. Having the same spirit in the mind, we recruit new manpower after rigorous process of screening and nurture our manpower assets by providing requisite training based on Training Need Analysis. Our aim is to attract



talented resources and retain them for the success of the Company. Your Company has 1487 employees at end of year 2014 as against 1823 employees at end of the year 2013.



Please find below some of the initiatives taken by your company to improve the performance at human resource front:

#### ***Outsourcing***

In line with market best practices, Management undertook an initiative to outsource all functions that are tertiary and supporting functions. All core functions and activities were excluded from outsourcing. Positions to be outsourced were identified to not only reduce the fixed cost but to also increase operational efficiency. Currently, outsourcing of activities is in a transition phase which is the primary reason for decline in the headcount from 1822 to 1487 employees.

#### ***EDMS (Electronic Documentation Management System)***

In order to streamline and to manage functional activities more effectively, we have moved all our documentation to a centralized server. It provides a structured and organized system to access all working and archive files for all NMDC personnel at the click of a button. We have appointed one Document controller as a focal point to ensure smooth maintaining and easy tracking of records.

#### ***Manpower Plan and Training Plan***

We have a structured Yearly Manpower and Training Plan which will be the source and baseline for us to adhere to, when it comes to arranging new manpower and training for the organization. HR liaise with Department Managers for inputs in preparing these plans which has resulted in a well-controlled and monitored recruitment and training process.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

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

Subsequent to end of 2014, the Company has progressively received portion of the amounts outstanding from these clients and the Company is following up with the clients to settle the balance amounts. Regarding the claims, the management is confident and pleased to inform that we are in advanced stage of discussion with client and expect to settle the outstanding amount by the end of third quarter of 2015.

### **OUR COMPETITIVE STRENGTHS**

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

#### **Leading & only Government backed dredging company in the UAE**

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

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

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

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

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



## **OUR STRATEGIES**

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

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

Apart from consolidating the presence in the UAE market, we have established branches in Egypt, Bahrain, Qatar, Saudi Arabia and India, and in progress to create our presence in Oman as a part of strategy to foray into global market to reduce geography risk. This strategy has started to show results whereby NMDC has executed couple of projects in Oman and have also been awarded with project in Bahrain and Egypt. The Suez Canal project in Egypt is one of the largest and prestigious project for dredging and reclamation. NMDC is playing a key role as the leader of the consortium (formed along with three major players of Dredging industry) executing the project.

### **Reducing Operational Cost**

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

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

Looking at the uncertainty prevailing in the Euro Zone and our exposure to EURO, your company has been striving to keep itself hedged against the volatility of EURO through suitable Foreign Exchange Products, and your Company has taken an initiative to hedge the EURO exposure by entering into Forward Contract.

### **Inorganic Growth**

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

### **Optimization of capacity utilization**

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

## **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

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



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

### EMIRATIZATION

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

### ACKNOWLEDGEMENT

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

**Mohammed Thani Murshed Al Rumaithi**  
Chairman





## Chairman's Message

I am pleased to meet you and present the Annual Report of National Marine Dredging Company for the year ended 31st December 2014. The report includes a summary of the Company's performance, final accounts and Auditor's Report.

I am glad to extend my best faithfulness and appreciation to the President His Highness Sheikh Khalifa Bin Zayed Al Nahyan and His Highness Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, for their infinite support for the National companies in general and your Company in particular.

### Overview

Global economy has started showing some signs of recovery, where US has observed positive economic indicators while Euro Zone has been striving to come out from the debt issue of its member countries. In addition to it, instability in Middle East region accompanied with global decline in oil price have made the Government Bodies, Corporate etc. to take safer route to be conservative in terms of spending over infrastructure projects. This has affected overall economy in general and the performance of your company as well.

Further, due to typical nature of project industry, where projects which were approaching near to completion, have further given a downward impact on the overall performance of your company.

The net profit for the year 2014 is AED 89 million as compared to AED 207 million in 2013; a reduction in the profit by 57%. The net profit margin in 2014 is 5.50% compared to 8% in 2013. The margin dilution was due to aggressive competition in the market.

But, your company has shown a growth from 2010 to 2014 on a cumulative basis, where Equity has grown by 4.98% and Fixed Asset Base has grown by 6.88%, despite the de-growth of Revenue by 2.93%. The Company achieved its revenue by delivering its services to major customers like ZADCO, GSACO, Abu Dhabi Urban Planning Council (UPC), Tourism Development & Investment Company (TDIC), Abu Dhabi Municipality, Korean Electric Company, The UAE Armed Forces, Ministry of Housing in Bahrain and Suez Canal Authority in Egypt.

We do acknowledge the fact that we haven't report encouraging numbers during this year, but we would like to reassure you that you can find a huge turnaround in the performance of your company in coming years which will enable us to gain your confidence which have been waned in recent period. Further, it is to reiterate that your company has been playing a key role in the development by participating & executing key projects in marine infrastructure, and will continuously strive to set precedence.

### Major Achievements

Year 2014 end has ended with great milestones for NMDC, where NMDC led consortium has been awarded with the prestigious project of Suez Canal Expansion in Egypt. Along with NMDC, consortium comprises three other global players of dredging industry. It is one of the largest dredging projects of the World with a dredging quantity of m<sup>3</sup> 194,875,435 required to be completed in a short span of nine months. Just to keep you updated, execution of the project is ahead of its agreed schedule.

In addition to above, NMDC has also been awarded with Al Sitra Housing Project in Bahrain, by the Ministry of Housing, Bahrain. It is a long duration project and is expected to be completed by 2017.





Further, we are glad to inform you that your company has recently been awarded with the project of Channel Dredging and New Artificial Island Reclamation for Hail Field Development Project amounting to AED 309 million in Abu Dhabi by Abu Dhabi Oil Co., Ltd. (JAPAN).

This is of strategic importance to NMDC as it has allowed your company to spread its wings outside the UAE and has given your company an experience to lead global players in a consortium.

### **Strategic Initiative**

NMDC's growth strategy will enable to balance high-quality, industry-leading growth, with high revenue productivity and improved margin in the following years.

NMDC's investment in GCC and India has started show positive signs as NMDC has been awarded with projects in Egypt, Bahrain and Oman. In process of geographically diversifying your company, NMDC is meticulously exploring opportunities in India to create its footprints. In line with the initiatives, NMDC has been bidding for various projects in India on a standalone basis thru its wholly owned subsidiary in India, and endeavoring to tap the market thru strategic alliances. In this context, NMDC has established some strategic alliances with companies operating in the infrastructure industry in India. This will help reduce the concentration risk while enhancing organizational efficiency and will enable to unlock the true potential value of the company.

Your Company is also committed to grow inorganically and will continue to remain open for such kind of acquisition and/or strategic alliance which complements NMDC's core business.

### **Vision**

Under the wise leadership and vision of the President His Highness Sheikh Khalifa Bin Zayed Al Nahyan and His Highness Sheikh Mohammed Bid Zayed Al Nahyan, Crown Prince of Abu Dhabi, may Allah protect and save them a solid asset to our beloved country and the people of the UAE. As UAE boldly moves forward to chart out its economic destiny, your Company is committed to being a partner in the development. We are hopeful and confident to grow as always by blazing new trails and living up to our promise that WE MAKE IT HAPPEN!

Over the past four decades, our shareholders, our clients, the governments, our partners, our employees and our well wishers have supported our strategies and decisions and have stood by us though thick and thin. At the end of this year and at the beginning of another year, we thank each one of you and look forward to your continued support, belief and trust.

We pledge to work hard to meet the elevated expectations of our stakeholders. But all of you know, there is no shortcut to success. It comes with hard work, determination and personal sacrifice. We believe in our strategy and are confident that it will lead us to success.

**Mohammed Thani Murshed Al Rumaithi**  
Chairman

