

National Marine Dredging Company
(Public Shareholding Company)

Condensed consolidated interim
financial information

30 June 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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KPMG Lower Gulf Limited
Abu Dhabi Branch
P. O. Box 7613
Abu Dhabi
United Arab Emirates

Telephone +971 (2) 4014 800
Telefax +971 (2) 6327 612
Website www.ae-kpmg.com

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 30 June 2014 condensed consolidated interim financial information of National Marine Dredging Company (Public Shareholding Company) ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 June 2014;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2014;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2014;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2014; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with 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 interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 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, and on claims which have not yet been accepted by the customer.

KPMG Lower Gulf Limited
Tamer Ragheb
Registration No.797

09 SEP 2014

National Marine Dredging Company
(Public Shareholding Company)

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

| | | Six-month period ended 30 June 2014 | Six-month period ended 30 June 2013 | Three-month period ended 30 June 2014 | Three-month period ended 30 June 2013 |
|---|------|---|---|---|---|
| | Note | AED'000 | AED'000 | AED'000 | AED'000 |
| Contract revenue | | 693,491 | 1,385,029 | 303,729 | 680,161 |
| Contract costs | | (776,076) | (1,208,628) | (370,831) | (608,070) |
| Gross (loss) / profit | | (82,585) | 176,401 | (67,102) | 72,091 |
| Other income | 7 | 16,739 | 14,523 | 13,218 | 13,747 |
| Provision for impairment of receivables | | (36,532) | - | (36,532) | - |
| Administrative expenses | | (37,442) | (37,071) | (18,592) | (17,059) |
| Results from operating activities | | (139,820) | 153,853 | (109,008) | 68,779 |
| Net finance (expenses) / income | 8 | (15,141) | 3,492 | (8,408) | 2,559 |
| (Loss) / profit for the period | | (154,961) | 157,345 | (117,416) | 71,338 |
| Other comprehensive (loss) / income | | | | | |
| Fair value losses on interest rate swap | | (848) | - | (516) | - |
| Fair value losses on available for sale financial assets | 13 | (99) | 391 | (289) | 190 |
| Cumulative translation adjustment | | 5 | - | 5 | - |
| Total comprehensive (loss) / income for the period | | (155,903) | 157,736 | (118,216) | 71,528 |
| Earnings per share | | | | | |
| Basic and diluted earnings per share (AED) | 9 | (0.64) | 0.69 | (0.48) | 0.31 |

The notes set out on pages 7 to 17 form an integral part of the condensed consolidated interim financial information.

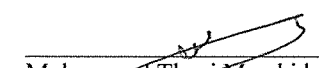
The independent auditors' report on the review of the condensed consolidated interim financial information is set out on page 1.

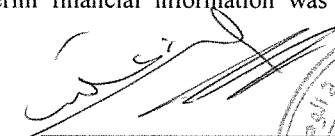
National Marine Dredging Company
(Public Shareholding Company)

Condensed consolidated interim statement of financial position
as at

| | | 30 June 2014 AED'000 | 31 December 2013 AED'000 |
|---|----|----------------------------|--------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 1,350,728 | 1,404,958 |
| Goodwill and other intangible assets | | 53,387 | 53,785 |
| Total non-current assets | | 1,404,115 | 1,458,743 |
| Current assets | | | |
| Inventories | 11 | 252,290 | 249,008 |
| Trade and other receivables | 12 | 2,615,149 | 3,131,741 |
| Available for sale financial assets | 13 | 9,206 | 9,305 |
| Financial assets at fair value through profit or loss | 14 | 31,951 | 38,282 |
| Cash and cash equivalents | 15 | 137,577 | 212,275 |
| Total current assets | | 3,046,173 | 3,640,611 |
| Current liabilities | | | |
| Advance from customers (<i>current portion</i>) | 17 | 27,159 | 48,514 |
| Trade and other payables | 18 | 616,840 | 768,793 |
| Provision for employees' end of service benefits | | 77,406 | 77,549 |
| Dividend payable | | 42,188 | 30,612 |
| Loans and borrowings (<i>current portion</i>) | 19 | 422,612 | 422,612 |
| Total current liabilities | | 1,186,205 | 1,348,080 |
| Net current assets | | 1,859,968 | 2,292,531 |
| Non-current liabilities | | | |
| Loans and borrowings (<i>non-current portion</i>) | 19 | 154,577 | 410,865 |
| Net assets | | 3,109,506 | 3,340,409 |
| Equity | | | |
| Share capital | 20 | 250,000 | 227,849 |
| Share premium | 21 | 341,500 | 190,205 |
| Additional share capital | | - | 173,446 |
| Reserves | 22 | 734,754 | 735,696 |
| Proposed dividend | 23 | - | 75,000 |
| Retained earnings | | 1,783,252 | 1,938,213 |
| Total equity | | 3,109,506 | 3,340,409 |

The condensed consolidated interim financial information was approved and authorised for issue on 09 SEP 2014 by:


Mohammad Thani Murshid
Al Rumaithi
Chairman


Yasser Nasr Zaghloul
Chief Executive Officer


Gautam V. Pradhan
Chief Financial Officer

The notes set out on pages 7 to 17 form an integral part of the condensed consolidated interim financial information. The independent auditors' report on the review of the condensed consolidated interim financial information is set out on page 1.

National Marine Dredging Company
(Public Shareholding Company)

Condensed consolidated interim statement of changes in equity
for the six-month ended 30 June

| | Share capital AED'000 (note 20) | Share premium AED'000 (note 21) | Additional share capital AED'000 | 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 |
| Total comprehensive income for the period | - | - | - | - | - | 157,345 | 157,345 |
| Other comprehensive income | | | | | | | |
| Fair value losses on available for sale financial assets (<i>net</i>) | - | - | - | 391 | - | - | 391 |
| Total comprehensive income for the period | - | - | - | 391 | - | 157,345 | 157,736 |
| Transactions with owners, recorded directly in equity | | | | | | | |
| Contributions by and distributions to owners | | | | | | | |
| Dividend payable | - | - | - | - | (113,924) | - | (113,924) |
| At 30 June 2013 | 227,849 | 190,205 | - | 735,389 | - | 1,963,800 | 3,117,243 |

.....Continued

National Marine Dredging Company
(Public Shareholding Company)

Condensed consolidated interim statement of changes in equity (continued)
for the six-month ended 30 June

| | Share capital AED'000 (note 20) | Share premium AED'000 (note 21) | Additional share capital AED'000 | Reserves AED'000 (note 22) | Proposed dividend AED'000 (note 23) | Retained earnings AED'000 | Total AED'000 |
|---|---------------------------------------|---------------------------------------|-------------------------------------|----------------------------------|---|------------------------------|------------------|
| At 1 January 2014 | 227,849 | 190,205 | 173,446 | 735,696 | 75,000 | 1,938,213 | 3,340,409 |
| Total comprehensive income for the period | - | - | - | - | - | (154,961) | (154,961) |
| Other comprehensive income | | | | | | | |
| Fair value losses on available for sale financial assets (net) | - | - | - | (99) | - | - | (99) |
| Fair value loss on interest rate swap | - | - | - | (848) | - | - | (848) |
| Cumulative translation adjustment | - | - | - | 5 | - | - | 5 |
| Total comprehensive income for the period | - | - | - | (942) | - | (154,961) | (155,903) |
| Transactions with owners, recorded directly in equity | | | | | | | |
| Contributions by and distributions to owners | | | | | | | |
| Additional share capital | 22,151 | 151,295 | (173,446) | - | - | - | - |
| Dividend payable | - | - | - | - | (75,000) | - | (75,000) |
| At 30 June 2014 | 250,000 | 341,500 | - | 734,754 | - | 1,783,252 | 3,109,506 |

The notes set out on pages 7 to 17 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 six-month ended 30 June

| | Note | 2014 AED'000 | 2013 AED'000 |
|---|------|------------------|------------------|
| Cash flows from operating activities: | | | |
| Profit for the period | | (154,961) | 157,345 |
| <i>Adjustment for:</i> | | | |
| Depreciation | 10 | 90,735 | 103,156 |
| Amortization of intangibles | | 398 | 199 |
| Interest expense | 8 | 9,618 | 9,058 |
| (Gain) on disposal of property, plant and equipment | 7 | (3,587) | (1,881) |
| Fair value (loss) / gain on financial assets at fair value through profit or loss | 8 | 6,331 | (11,330) |
| Dividend income | 8 | (808) | (1,220) |
| Provision for employees' end of service benefits | | 6,223 | 11,686 |
| | | <u>(46,051)</u> | <u>267,013</u> |
| End of service benefits paid | | (6,366) | (10,372) |
| | | <u>(52,417)</u> | <u>256,641</u> |
| Change in inventories | 11 | (3,282) | (5,558) |
| Change in trade and other receivables | 12 | 516,592 | (373,091) |
| Change in trade and other payables | 18 | (150,500) | (180,572) |
| Change in advance from customers | 17 | (21,355) | (79,896) |
| | | <u>289,038</u> | <u>(382,476)</u> |
| Net cash flow from / (used in) operating activities | | | |
| Cash flows from investing activities: | | | |
| Acquisition of property, plant and equipment | 10 | (39,263) | (151,846) |
| Proceeds from disposal of property, plant and equipment | | 6,345 | 2,042 |
| Cash paid for acquisition of a subsidiary | | (2,300) | (16,500) |
| Dividend income | 8 | 808 | 1,220 |
| | | <u>(34,410)</u> | <u>(165,084)</u> |
| Net cash used in investing activities | | | |
| Cash flows from financing activities: | | | |
| Dividend paid | | (63,425) | (49,403) |
| Proceeds from loan | 19 | - | 211,159 |
| Repayment of finance lease | | - | (82,931) |
| Interest paid | 8 | (9,618) | (9,058) |
| Term loan repaid | 19 | (256,288) | - |
| | | <u>(329,331)</u> | <u>69,767</u> |
| Net cash flows (used in) / from financing activities | | | |
| Net decrease in cash and cash equivalents | | | |
| Cash and cash equivalents at 1 January | 15 | 212,275 | 264,099 |
| Cumulative translation adjustment | | 5 | - |
| | | <u>137,577</u> | <u>(213,694)</u> |
| Cash and cash equivalents at 30 June | | | |

The notes set out on pages 7 to 17 form an integral part of the condensed consolidated interim financial information.

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

National Marine Dredging Company (Public Shareholding Company)

Notes to the condensed consolidated interim financial information

1 Legal status and principal activities

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

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

The condensed consolidated interim financial information of the Group as at and for the six month period ended 30 June 2014 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 |
| ADEC Engineering Consultancy L.L.C | UAE | 100 | 100 | Consultancy services in the field of civil, architectural, drilling and marine engineering along with related laboratory services |
| 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

| | Six-month period ended 30 June 2014 AED'000 | Six-month period ended 30 June 2013 AED'000 | Three-month period ended 30 June 2014 AED'000 | Three-month period ended 30 June 2013 AED'000 |
|--------------------|--|--|--|--|
| Salaries and wages | 58,600 | 59,394 | 29,615 | 27,943 |
| Other benefits | 102,615 | 110,684 | 48,829 | 53,097 |
| | <u>161,215</u> | <u>170,078</u> | <u>78,444</u> | <u>81,040</u> |

7 Other income

| | Six-month period ended 30 June 2014 AED'000 | Six-month period ended 30 June 2013 AED'000 | Three-month period ended 30 June 2014 AED'000 | Three-month period ended 30 June 2013 AED'000 |
|--|--|--|--|--|
| Gain on disposal of property, plant and equipment | 3,587 | 1,881 | 2,186 | 1,363 |
| Foreign exchange gains | 404 | 1,188 | 404 | 1,188 |
| Insurance claim | 7,194 | 5,535 | 6,551 | 5,535 |
| Miscellaneous income | 5,554 | 5,919 | 4,077 | 5,661 |
| | <u>16,739</u> | <u>14,523</u> | <u>13,218</u> | <u>13,747</u> |

8 Net finance (expenses) / income

| | Six-month period ended 30 June 2014 AED'000 | Six-month period ended 30 June 2013 AED'000 | Three-month period ended 30 June 2014 AED'000 | Three-month period ended 30 June 2013 AED'000 |
|--|--|--|--|--|
| Fair value (loss) / gain on financial assets at fair value through profit or loss (<i>refer note 14</i>) | (6,331) | 11,330 | (4,998) | 6,610 |
| Interest expense | (9,618) | (9,058) | (4,218) | (5,271) |
| Dividend income | 808 | 1,220 | 808 | 1,220 |
| | <u>(15,141)</u> | <u>3,492</u> | <u>(8,408)</u> | <u>2,559</u> |

9 Earnings per share

Basic earnings per share are calculated by dividing the profit / loss 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 243,146,498 shares (30 June 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

| | Total AED'000 |
|----------------------------|--------------------------|
| <i>Cost</i> | |
| At 1 January 2014 | 3,176,352 |
| Additions | 39,263 |
| Disposals | (26,995) |
| At 30 June 2014 | 3,188,620 |
| <i>Depreciation</i> | |
| At 1 January 2014 | 1,771,394 |
| Charge for the period | 90,735 |
| Disposals | (24,237) |
| At 30 June 2014 | 1,837,892 |
| <i>Net carrying amount</i> | |
| At 30 June 2014 | 1,350,728 |

11 Inventories

| | 30 June 2014 AED'000 | 31 December 2013 AED'000 |
|---|-------------------------------------|---|
| Spare parts and consumable stores | 258,320 | 266,319 |
| Raw materials | 4,743 | 2,025 |
| Finished goods | 13,303 | 5,990 |
| Less: Provision for slow moving and obsolete inventories | (25,924) | (25,326) |
| | <u>250,442</u> | <u>249,008</u> |
| Goods in transit | 1,848 | - |
| | <u>252,290</u> | <u>249,008</u> |

12 Trade and other receivables

| | 30 June 2014 AED'000 | 31 December 2013 AED'000 |
|---|-------------------------------------|---|
| Trade receivables | 502,835 | 625,944 |
| Less: provision for impairment of receivables | (38,362) | (36,674) |
| | <u>464,473</u> | <u>589,270</u> |
| Unbilled receivables (<i>net of provisions</i>) | 1,891,411 | 2,287,668 |
| Deposits and prepayments | 59,945 | 53,159 |
| Other receivables | 199,320 | 201,644 |
| | <u>2,615,149</u> | <u>3,131,741</u> |

National Marine Dredging Company

(Public Shareholding Company)

Notes to the condensed consolidated interim financial information

12 Trade and other receivables (continued)

69% (2013:66%) of the trade receivables balance above, amounting to AED 344,515 thousand (2013: AED 391,479 thousand) are receivable from the Government of Abu Dhabi, its departments and other related parties.

Unbilled receivables include AED 598,351 thousand (30 June 2013: AED 711,991 thousand), out of which AED 134,086 thousand (30 June 2013: AED 105,596 thousand) has been recognised as revenue during the period, receivable from Government of Abu Dhabi and its departments for which no signed contracts are in place. Furthermore, unbilled amount of AED 598,351 thousand includes an amount of AED 464,265 thousand (30 June 2013: AED 556,014 thousand), which is outstanding for periods exceeding one year as at the reporting date.

Management has exercised significant judgment in estimating the amounts of revenue recognised, and unbilled receivables recoverable, on these projects wherein formal agreements are currently not in place for significant periods of time. Furthermore, the unbilled receivables on such projects have not been subsequently invoiced or recovered for more than one year, consequently raising uncertainties over the recoverability of these amounts. In addition, during the period, management has recognised revenue and unbilled receivables amounting to AED 100 million, out of a total proposed claim amount of AED 771 million, which has not yet been submitted to, or accepted by, the customer. However, based on the status of discussions with the counterparties, past payment history and the relationship between the parties, management has assessed that these recorded amounts are fully recoverable.

13 Available for sale financial assets

| | 30 June 2014 AED'000 | 31 December 2013 AED'000 |
|--------------------------------------|----------------------------|--------------------------------|
| At 1 January | 9,305 | 8,380 |
| Change in fair value (refer note 22) | (99) | 925 |
| | <u>9,206</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

| | 30 June 2014 AED'000 | 31 December 2013 AED'000 |
|------------------------|----------------------------|--------------------------------|
| At 1 January | 38,282 | 24,399 |
| Fair value adjustments | (6,331) | 13,883 |
| | <u>31,951</u> | <u>38,282</u> |

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

National Marine Dredging Company
(Public Shareholding Company)

Notes to the condensed consolidated interim financial information

15 Cash and cash equivalents

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

| | 30 June 2014 AED'000 | 31 December 2013 AED'000 |
|----------------------------------|-------------------------------------|--------------------------------|
| Cash in hand | 873 | 859 |
| Cash at banks | | |
| - Current accounts | 134,500 | 210,113 |
| - Short term deposit* | 2,204 | 1,303 |
| Cash and cash equivalents | 137,577 | 212,275 |

*Short term deposits have original maturities of less than 3 months and earn interest at prevailing market rates.

16 Related party transactions and balances

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

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

17 Advance from customers

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

| | 30 June 2014 AED'000 | 31 December 2013 AED'000 |
|---------------------------|-------------------------------------|--------------------------------|
| Zakum project | - | 31,706 |
| GASCO project | 1,894 | 3,735 |
| Port of Fujairah project | 2,842 | 4,180 |
| Water circulation project | 2,819 | 4,029 |
| Takreer carbon project | 932 | 2,847 |
| SARB | 7,940 | - |
| Others | 10,732 | 2,017 |
| | 27,159 | 48,514 |

National Marine Dredging Company
(Public Shareholding Company)

Notes to the condensed consolidated interim financial information

18 Trade and other payables

| | 30 June 2014 AED'000 | 31 December 2013 AED'000 |
|---------------------|-------------------------------------|--------------------------------|
| Trade payables | 177,930 | 323,751 |
| Accrued liabilities | 391,272 | 406,332 |
| Retention payable | 31,638 | 28,045 |
| Other payables | 16,000 | 10,665 |
| | <u>616,840</u> | <u>768,793</u> |

19 Loans and borrowings

| | 30 June 2014 AED'000 | 31 December 2013 AED'000 |
|--|-------------------------------------|--------------------------------|
| Revolving Mudaraba facility ¹ | 350,000 | 583,482 |
| Commodity Murabaha ² | 227,189 | 249,995 |
| | <u>577,189</u> | <u>833,477</u> |

| | 30 June 2014 AED'000 | 31 December 2013 AED'000 |
|---------------------|-------------------------------------|--------------------------------|
| Current portion | 422,612 | 422,612 |
| Non-current portion | 154,577 | 410,865 |
| | <u>577,189</u> | <u>833,477</u> |

¹Revolving 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 30 June 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)

¹Revolving 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.

²Commodity 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 30 June 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 30 June 2014 the balance outstanding amounted to AED 49 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 30 June 2014, the outstanding balance amounted to AED 70 million (31 December 2013: 79 million).

Interest rate swap

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

| | 30 June 2014 AED'000 | 31 December 2013 AED'000 |
|--|----------------------------|--------------------------------|
| Authorised, issued and fully paid: | | |
| 250,000,000 (31 December 2012: 227,848,502) ordinary shares of AED 1 each | <u>250,000</u> | <u>227,849</u> |

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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.

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

| Issue No. | Issue Date as Per Agreement | 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, Company issued the balance 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 below. 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:

| | |
|----------------------------|----------------|
| | AED’000 |
| Par value of shares issued | 50,000 |
| Share premium | 341,500 |
| | <hr/> |
| | 391,500 |
| | <hr/> <hr/> |

National Marine Dredging Company
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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'000 | Unrealised gain on available for sale financial assets AED'000 | Total AED'000 |
|---|--------------------------|--------------------------------------|-------------------------------|--|--|---|------------------|
| At 1 January 2013 | 113,924 | 595,000 | 20,000 | - | - | 6,074 | 734,998 |
| Fair value loss on available for sale financial assets (<i>net</i>) | - | - | - | - | - | 391 | 391 |
| At 30 June 2013 | 113,924 | 595,000 | 20,000 | - | - | 6,465 | 735,389 |

| | Legal reserve AED'000 | Asset replacement reserve AED'000 | Regulatory reserve AED'000 | Cumulative translation adjustment AED'000 | Unrealised loss on interest rate swap AED'000 | Unrealised gain on available for sale financial assets AED'000 | Total AED'000 |
|---|--------------------------|--------------------------------------|-------------------------------|--|--|---|------------------|
| At 1 January 2014 | 113,924 | 595,000 | 20,000 | - | (227) | 6,999 | 735,696 |
| Fair value loss on available for sale financial assets (<i>net</i>) | - | - | - | - | - | (99) | (99) |
| Fair value loss on interest rate swap | - | - | - | - | (848) | - | (848) |
| Cumulative translation adjustment | - | - | - | 5 | - | - | 5 |
| At 30 June 2014 | 113,924 | 595,000 | 20,000 | 5 | (1,075) | 6,900 | 734,754 |

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

Asset replacement reserve

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

Regulatory reserve

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

23 Proposed dividend

The Board of Directors at a meeting held on 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

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

| | 30 June 2014 AED'000 | 31 December 2013 AED'000 |
|-------------------|-------------------------------------|--------------------------------|
| Guarantees | 1,440,408 | 1,352,099 |
| Letters of credit | 4,837 | 16,581 |

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.