National Marine Dredging Company PJSC

BOARD OF DIRECTORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

CONSOLIDATED FINANCIAL STATEMENTS

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National Marine Dredging Company PJSC

BOARD OF DIRECTORS' REPORT

31 DECEMBER 2020

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البـحـريـة الـوطنيـة
NATIONAL MARINE
DREDGING COMPANY

Chairman's Message

I am pleased to meet you and present the Annual Report of National Marine Dredging Company (the "Group") for the year ended 31st December 2020. The report includes a summary of the Group's performance, its financial statements and the Auditor's Report thereon.

At the outset, I extend my complete faithfulness to, and utmost appreciation of, 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 National companies in general and your Group in particular.

Overview

Financial year 2020 was another good year for NMDC, with increased revenues and operating profit. This was despite the negative impact that the COVID-19 pandemic had on the Group's operations, particularly due to the lengthy travel restrictions and quarantine procedures that were imposed. Indeed, it was a challenging year globally considering the pandemic situation, with lock downs and other restrictions imposed in various parts of the globe. NMDC was, however, resilient to these challenges.

With the continuation of COVID-19 impact on economies, the near future outlook remains truly uncertain. Prospects for an exit from the pandemic has improved with the availability of the vaccines during early 2021, but with renewed virus outbreaks and new variants surfacing frequently, it is still too early to assess the response of the global economies towards these unprecedented challenges.

Global GDP growth is projected at around 4% in 2021 and 2022, after having declined to -4.2% this year. The Future Market Insights report on the global dredging market states that the global dredging market is expected to grow modestly, expanding at approximately 4% through 2030, attributed to stagnation induced by the COVID-19 pandemic.

The International Monetary Fund article (policy paper no. 2020/065) issued in December 2020 on economic prospects and policy challenges for the GCC countries, says "the GCC countries face a double impact from the corona virus and lower oil prices. GCC authorities have implemented a range of appropriate measures to mitigate the economic damage, including fiscal packages, relaxation of monetary and macroprudential rules, and the injection of liquidity into the banking system, and there are recent signs of improvement. Low oil prices have caused a sharp deterioration of external and fiscal balance, and fiscal strains are evident in countries with higher debt levels".

More recently, the Governor of UAE Central Bank has said that figures presented by UAE financial institutions as of the end of 2020 were encouraging and showed the resilience of the banking sector, with lenders posting slight increases in gross assets, deposits and lending. He went on to say that he expects to see a strong return to GDP growth in in 2021 as the government continues to diversify the economy, provide strong infrastructure spending and encourage private investment both as a measure of growth and private employment. In December, the Central Bank forecast that the UAE economy will grow 2.5% in 2021. The Governor said the good news was that most predictions for 2021 are optimistic and signal a return to growth throughout the year. "Economic activity, although subdued, was recovering, based on the December Google Covid-19 Community Mobility Report", he noted. He said consumer confidence returned to normal in December as employment rate rose. The recovery was also validated by the rise in various indicators such as the Purchasing Managers Index (PMI). The UAE has rolled out an aggressive inoculation program and aims to vaccinate 50% of its 10 million population by the end of March. "The rapid pace of vaccination is a great comfort," the Governor said.

To conclude, despite major factors and predictions that indicate a slowdown in global economic activity, upside potential exists when countries continue efforts in containing the virus and increase number of vaccinated individuals. Economic activity will then start recovering, though everyone agrees that a full recovery is still quite a long way away.

Financial Performance

For NMDC, 2020 was a year with pleasing highlights in a challenging market. Your Group has shown resilience and continued to perform well, as reflected in the Group's financial performance, summarised below.

The Groups revenue stood at AED 3,776 million for 2020 (2019: AED 2,811 million), which was 34% higher than 2019. The increase in revenue was largely due to contributions from large projects such as Hail and Ghasha and Khalifa Port in the U.A.E, Manzalah Lake and Alexandria QW-55 reclamation projects in Egypt, and the receipt of final settlements against a major claim in Bahrain, and against a number of completed projects with government related entities in the UAE.

Net profit for 2020 at AED 352 million (2019: AED 181 million) showed an absolute increase of 94%, supported largely by the same factors that drove increased revenue

In order to continue building the infrastructure to support your Group's growth, we have invested a total of AED 302 million (2019: AED 498 million) in fixed assets during the year, most of which relate to investments in fleet, including a new Trailing Suction Hooper Dredger and a Backhoe Dredger that were deployed into operations during the third quarter, in addition to dry-docking of existing fleet vessels.

Major Achievements

During the year, the Group' shareholders accepted an offer to acquire 100% of the shares of National Petroleum Construction Company (NPCC), a major international EPC contracting entity in Abu Dhabi, in exchange for shares in the Group to be issued to the sellers. This transaction was concluded subsequent to the year end, on 11 February 2021, and has led to the creation of one of the largest EPC contracting entities in the Middle East.

During the year, the Group was awarded the Khalifa Port – Etihad Rail Marine Works and Saadiyat Lagoons Enabling Works projects in the U.A.E, and Al Manzalah Lake Extension and Alexandria QW-55 reclamation works projects in Egypt.

The Group continued the execution of work on multiple projects in the UAE, of which the most notable are Hail and Ghasha Artificial Islands Construction Project, Khalifa Port South Quay Development and Foreshore Works, in addition to ongoing development works at Al Sila and Mugharaq ports.

With regard to international projects, the main activity continues to be in Egypt with two main projects progressing Ras Gargoub and Manzala Lake.

These achievements are of strategic importance to NMDC as they will give your Group an opportunity to grow into an EPC contractor and enable your Group to grow outside the UAE.

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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 Group 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 through 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

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NATIONAL MARINE DREDGING CO.

Directors' Report

The Board of Directors of the Company have the pleasure of presenting the 2020 Annual Report along with the audited financial statements as at and for the year ended 31 December 2020.

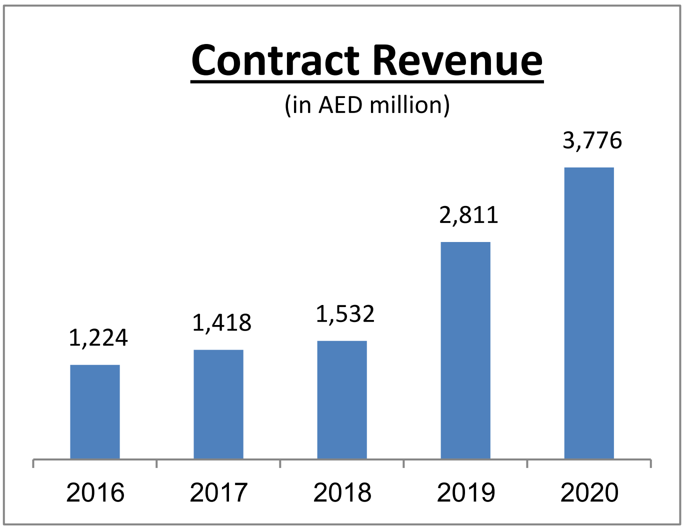
Highlights

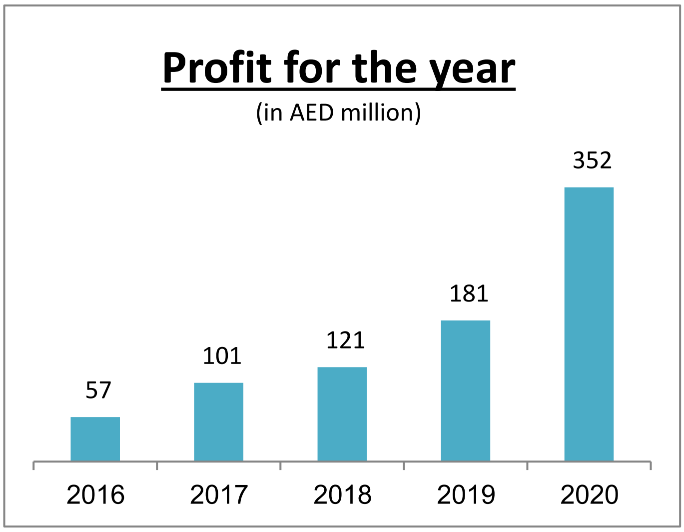
- Despite the unprecedented economic challenges followed by the COVID-19 pandemic, NMDC has shown resilience and continued to report an improvement in overall financial performance, while keeping the health and safety of our colleagues as the number one priority.

- During the year, the Group was awarded the Khalifa Port – Etihad Rail Marine Works and Saadiyat Lagoons Enabling Works projects in the U.A.E, and Al Manzalah Lake Extension and Alexandria QW-55 reclamation works projects in Egypt.

- In the third quarter, NMDC successfully completed the construction and deployment of the newly constructed Trailing Suction Hooper Dredger and a Backhoe Dredger.

- During the year, NMDC received an offer from the shareholders of National Petroleum Construction Company PJSC ("NPCC"), for the acquisition of the entire shareholding of NPCC, in exchange for shares in NMDC. After review and approval of NMDC's Board of Directors, NMDC shareholders approved the offer to transfer the entire shareholding of NPCC to NMDC. The transaction has received regulatory approval and is effective on 11 of February 2021.





Financial Results

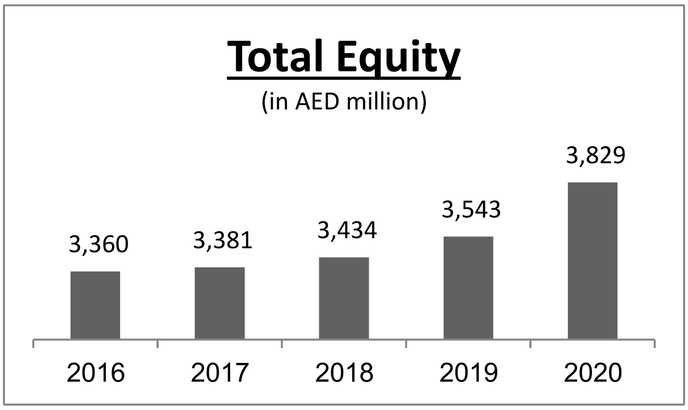
Your Company achieved revenues of AED 3,776 million and net profits of AED 352 million for the year 2020 as compared to revenues of AED 2,811 million and net profits of AED 181 million in 2019.

Consequently, earnings per share increased from AED 0.72 in 2019 to AED 1.41 for 2020. Taking into account the improved performance on the one hand, and the expected significant and all-pervasive effect of the ongoing COVID-19 pandemic on the future operations and performance of the Company on the other, the Directors have proposed a dividend of AED 0.25 per share, totaling AED 62.5 million, for 2020.

Financial Position

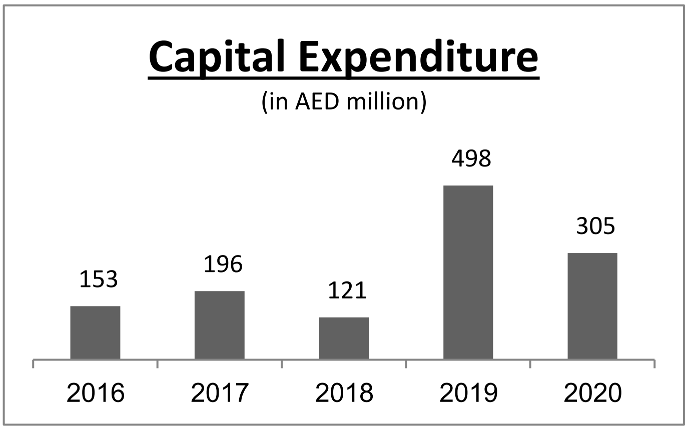
Your Company's equity stands at AED 3,829 million at end of the year 2020, which is an increase of 8% YoY from AED 3,543 million at end of the year 2019. The total equity has been relatively stable from 2015 through 2020, showing a modest but steady CAGR of 3.32 percent.

In 2020 Company maintained a debt-to-equity ratio at 28%, higher than in 2019. There were two main reasons for increase in debt level: financing of vessel construction and investment in working capital requirement to facilitate increase in business activity.



Capital Expenditure

In order to deliver our clients with services to the highest standard, we continue to invest in latest technologies, machinery and equipment that would support the future execution of large, complex projects and improve our margins. Accordingly, we have invested in Fixed Assets AED 302 million in the year 2020 against AED 498 million in the year 2019. The majority of the capital expenditure in 2020 relates to the instalments paid for the new Trailing Suction Hopper Dredger, payments for the new Backhoe Dredger, dry-docking of existing vessels, and investments in other equipment.



Fleet

Your Company currently owns a marine fleet consisting of 19 dredgers, 3 booster stations, an accommodation barge (which can accommodate more than 300 personnel) and 88 other marine equipment such as marine tugs, fuel barge ships, support craft and 79 units of earth moving equipment.

During the first quarter 2019, NMDC signed agreements for the construction of a new Trailing Suction Hopper Dredger with capacity of 8000m3, and a Backhoe Dredger with a dredging depth of 25m, which were both successfully delivered in Q3 2020 and immediately deployed on projects. During the second quarter 2019, NMDC signed agreements for the purchase of 2 multicats (M19 and M20) which were delivered in Q4 2020. In addition to new fleet investment, Shanyoob 3 and Pushycat 2 were reactivated to be utilized in Base and Khalifa Port project respectively. With continuous investment, your Company has grown its fleet and is currently the largest fleet owner in the region, and one of the largest worldwide.

The addition of these vessels to your fleet will allow NMDC to take on more challenging, large scale and diverse projects, and become more competitive in the dredging market in coming years.

Information Technology

During the year, your Group has automated many business processes in order to increase users' efficiency while maintaining corporate governance:

- Oracle ERP (E-business Suite) has been implemented for Emarat Europe in order to achieve efficient and timely reporting of financial performance of the company. This is in line with company policy to have uniform system across all the NMDC Entities.

- In order to maximize the profitability of projects, we have implemented the Project Budgetary control module, which will enable the management to take correction actions on upfront basis to achieve greater control on project spending.

- Asset Disposal system has been implemented to automate the process of asset disposal requests, asset disposal approvals, asset disposal marking with a notification forwarded to Finance team for Asset Retirement;

- NMDC launched its Accommodation Software portal to automate the booking process of hotels / hostels for crew and Onboarding employees;

- NMDC'S new Delegation of Authority document is under implementation, commencing post the year end.

NMDC IT has also promoted communications and information security in more sophisticated ways:

- Communication: NMDC IT continued the adoption of Online Services ; providing a platform for Collaboration , Online Meetings , and one to one online calls . This fulfilled the requirement of communication and collaboration without the need of physical presence during COVID-19 crisis.

- NMDC IT has upgraded the datacentre to ensure stability in Core network and thereby providing high availability for critical IT Services.

Quality, Health, Safety and Environmental ("QHSE")

The management of NMDC strives for excellence in all we do and recognizes the impact that our activities may have on people and the environment. Furthermore, we understand the value added to our Clients, Product and Performance Quality.

The safety, health and protection of the environment are the prime concerns of our operation. Therefore, one of the main areas of focus is to take good care of our manpower resources;

More attention is directed to the continuous education and training of staff, and implementation of certified quality, safety and environmental management systems.

At NMDC, QHSE targets certain initiatives every year to achieve our objectives by protecting against workplace hazards, promote welfare of personnel, and provide acceptable quality of accommodation facilities, environmental reporting, implementing audits and plans for quality.

QHSE monitors compliance and identifies opportunities to further improve our performance by conducting regular internal audits, inspections, drills, and management reviews. For all subsidiaries, external certification bodies have asserted that the implementation complies with the most recent applicable international (ISO) quality, safety and environmental standards.

Quality, Health, Safety and Environmental ("QHSE") continued

Although NMDC exceeded 24-million man-hour work without LTI, unfortunately, a subcontractor had an incident involving a fatality during 2020, emphasizing the need for extra vigilance in subcontractors' selection and management.

During 2020, the following milestones were achieved as planned:

- NMDC has passed the surveillance audit for ISO 45001 and 9001

- NMDC has continued two-year plan to elevate Safety & quality awareness among all employees.
  Done during 2020:
    - More than 100 Quality tool box talk.
    - 35,000 quality Inspection.
    - 1000 Environmental inspection
    - More than 600 drills
    - More than 300 Management site visits
    - Almost 70,000 Training hours (60% done with external parties)

- QHSE department- solely internal efforts- set up the ADEC quality management system and acquired ISO 9001-2015 for ADEC

- Our recognized efforts and commitment to safety resulted in 2nd Neeshan award for *"BEST HSE PERFORMANCE FORM –CONSTRUCTION- PROJECT"* from Abu Dhabi Ports.

- Hail and Ghasha Project passed two share holder HSE audits by "ADNOC, ENI, OMV and Wintershall" with a recognised HSE assurance score of 79% and 82%

- Received ADNOC Award for 10 Million Man-hours Worked without LTI for Hail & Ghasha Project.

NMDC finished year 2020 as benchmark in the efficiency of HSE E-reporting system and performance analysis. HSE reporting software is officially launched at end of 2019.

Clients' expectations and NMDC strategy obliges continuous monitoring and improvements in order to meet our targets and then exceed them. This is reflected in our KPIs, and focus on gaps identified during performance measurement and internal audits.

Risk Management

Our desire to maintain high standards and improve wherever possible triggers each one to be developed according to 'risk and opportunity' based thinking at every level within the organisation.
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The rapid pace of change, technological, removal of trade barriers, expanding customers' base and mergers and consolidations have led to Operational risks increment.

Starting with NMDC management's approach for forward-thinking. Risks and opportunities management has become a primary part of NMDC operations and is particularly cascaded to supporting departments, purchasing, commercial, and others.

Operational risks and opportunities study starts during initial project study phase, mentored and mitigations assessed during project execution.
Every department head has identified risks in his area and on continues review for the effectiveness of actions taken to address risks and opportunities.

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Environment

Ensuring compliance with applicable local and federal legal requirements leads to NMDC successfully acquiring the necessary Environmental Permits (NOC's) for NMDC projects whenever required, such as Khalifa Port Project, Mugharraq, Sila, Jubail, Hail and Gasha.

Updated NMDC's Environmental Management System to satisfy the requirements of ISO 14001:2015. Resulting in successfully obtaining certification

Supervision and Monitoring of Environmental aspects at all NMDC projects and activities in Abu Dhabi, mainly at Musaffah Base, Jubail, Khalifa Port, Hudariyat, Mugharraq, Sila, Hail & Gasha fields and Emarat Europe. In addition to, across borders for projects in Egypt.

Conducting Inductions and training at Project sites on relevant Environmental topics, particularly those of direct impact on employees' day-to-day work, as and those required by projects, such as Non-Hazardous / Hazardous Waste Management, Marine Mammals and Reptiles Observation & Identification, Spill Prevention and Control, Chemicals Handling and Storage, and Environmental Aspects of Dredging

COVID-19 QHSE Management

In particular, the current situation with the recent Corona virus outbreak has become a key priority for the QHSE department. In coordination with the newly reconstituted Crisis Management Team within NMDC, we have quickly introduced measures to comply with the Government directives and other measures to contain the spread of the virus, and to look after the wellbeing of our employees, within our offices, project sites and shared accommodation facilities, such as:

During the COVID-19 pandemic NMDC took several initiatives for the welfare of employees and controllingCOVID-19 Pandemic. The following initiatives have been taken:

- Established the NMDC Crisis Management Team, dedicated to control and supress COVID-19 spread among the NMDC employees.
- Established the Employee's Care Committee, focusing on facilitating employee's welfare and wellbeing during the COVID-19 Pandemic.

  HSE Team members were patrolling every accommodation area and every work location to spread the awareness and educate NMDC employees the recommended habits to minimize virus spread. Regular Hygiene inspections carried out for all outsourced camps and enforce implementation for COVID-19 control measures
- COVID-19 management monitoring protocol was laid detailing the process of managing confirmed positive cases as well as suspected cases
- A strategic COVID-19 PPE stock was purchased and controlled by the assigned team.
- Impact assessment of potential lock downs or other employee movement restrictions on our ability to perform to client and employees expectations, and managing these as much as possible;
- Work from home programs;
- Monitoring of vital signs for all employees and visitors entering our premises;
- Severe restrictions on travel, changing with the evolving regulations;

- Introduction of interim policies to deal with employee leave and rotation;
- Enhanced cleaning and sanitation procedures at all our work locations, projects sites, labour camps and other shared employee accommodation;
- Dedicated quarantine facility for receiving employees returning to duty. This decision helped in reducing the probability of further spreading of the pandemic throughout company projects.
- Coordination with several medical facilities to receive the latest global and domestic pandemic updates as well as the latest legislative requirements

As a result of the above proactive measures by NMDC CMT supported by the Top management, reported positive cases in critical projects were effectively controlled which led to achieving the main purpose of the team (employee wellbeing and business continuity).

We continue monitoring development of this emerging situation and take measures proactively to mitigate and control the risks arising therefrom.

NMDC readiness and effective response was recognized and appraised by clients from various projects.

COVID-19 pandemic is still posing and is being viewed by Mnagament as a critical risk. This is reflected in the strategic decision of continuing the existing controls despite of any reduction of case numbers until further notice from the authorities.

MANAGEMENT DISCUSSION AND ANALYSIS

Management's explanation on qualification in auditors' report

With reference to the Auditor's Report on the consolidated financial statements – "Qualified Opinion" & "Emphasis of Matters" – Management would like to highlight that the Group is executing strategic projects for the Government of Abu Dhabi and/or Government related entities. The Group is involved in the projects from concept design to final construction and the nature of these projects is such that they require time from conceptualization to finalization with the clients. Following on from the significant progress made on the billing and collections against these projects in 2019 and 2020, discussions and negotiations with clients for finalization of the billing arrangements for the remaining projects are continuing. Management expects that progress will be made on completing the billing and collecting the payments, in the coming periods

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:

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, slipways and fully supported administration and technical departments.

Largest Portfolio of Dredging Assets in UAE
Your Company owns a marine fleet consisting of 19 dredgers with capacities ranging from 1,795 KW to 20,725 KW, including two Trailing Suction Hopper Dredgers with capacities of 6000m3 and 8000m3. Your dredgers are supported by modern marine equipment such as tugs and multicat crafts, and ably assisted by A-Frame and barges wherever necessary. As part of NMDCs strategy, it is in their interest to continually review and expand the fleet to meet the challenging demands of customers and provide a first class service on all projects sanctioned.

With the delivery of the new Trailing Suction Hopper Dredger Arzana in early 2018, NMDC owns and operates the first hopper dredger that was specifically designed for working in areas such as the Arabian Gulf and in other areas with similar operating conditions. The demand generated for the 2018 TSHD highlighted a requirement to add to the fleet, whereby in August 2020, the second Trailing Suction Hopper Dredger Ghasha was successfully delivered and immediately utilized in projects. The new build project was only slightly delayed considering the Covid-19 restrictions and once again there was excellent co-operation between NMDC and the shipyard.

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 operations are a highly-sophisticated business, and our latest modern technology helps our customers not only meet their needs 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 forays into foreign markets
Apart from consolidating our presence in the UAE market, we have established branches in Egypt, Bahrain, Saudi Arabia, Oman, the Maldives and India, as part of strategy to foray into global markets to reduce geography risk. This strategy has started to show results whereby NMDC has executed projects in Egypt, Bahrain and Oman and more recently in Saudi Arabia, India and the Maldives. Our Egyptian operations contributed 12 percent to revenue in 2020 (2019: 10 percent), and our joint venture, Egyptian Emirates Dredging Company ("EEMDC") was formally incorporated during 2019.

Evolving into a fully Integrated and leading Middle East EPC Contractor
Over the years, NMDC has been expanding its capabilities and operations from pure dredging activities, into related marine construction activities. As a longer term strategy, NMDC's seeks to expand from its current marine focused model, into becoming a fully integrated EPC contractor with civil construction capabilities beyond marine contracting, as management believe that this will be critical for NMDC to achieve sustainable future operations and growth.

To this end, the recent acquisition of NPCC (as mentioned above) is a major step forward in this direction. As mentioned in our 2019 Annual Report, the Group was actively looking for opportunities for the acquisition of entities in backward or forward stages of the value chain as well as to enter into strategic alliances or acquisitions to diversify the business into civil or infrastructural development. This acquisition represents the fruition of those efforts. The Group continues to look out for further acquisitions and alliance in this area, to support future growth.

Reducing Operational Cost
In recent years, the Group has adopted a 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 improvements to systems and reduction of costs.

While creating and developing good business relations with banks, your Group has given special attention to procuring finance facilities at very competitive rates, which has resulted in your Group being able to secure cheaper funding & non-funding facilities.

Enhancement of the fleet capability

Your Group took delivery of its first TSHD 'Arzana' in March 2018, and were delighted to take delivery of its second TSHD 'Ghasha' in August 2020. Both vessels were built in the same yard, known as one of the leading shipyards for this type of vessel. These newbuild 'Hopper Dredgers' are strategic additions to the fleet, which will not only provide your Company with additional capacity, but will also widen up the scope of work and provide the Group with a competitive edge. In addition to the newbuild 'Hopper Dredger', your Group has also added to its fleet with a new backhoe dredger, delivered in August 2020. In addition to dredgers, the Group has undertaken dry docking, major overhauling and modernization of several of its existing vessels.

Optimization of capacity utilization
Your 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's internal control system is established to ensure that the Board and Management are able to achieve their business objectives in a prudent manner, safeguarding interests of the Company's shareholders and other stakeholders, whilst at the same time minimizing key risks such as fraud, unauthorized business activity, misleading financial statements, un-informed risk-taking, or breach of legal or contractual obligations, and also ensuring highest quality achieved in a safe and sustainable environment.

The guidelines for design and implementation of the internal control systems is provided by the Company's approved Corporate Governance Manual and applicable regulations. The Board and its Committees provide oversight on the systems, and the Management is responsible for ensuring that adequate internal controls (both financial and operational) are in place and applied to safeguard and manage the assets of the Company, in an effective and efficient manner.

The Company's internal control is designed to mitigate, not eliminate, significant risks faced. It is recognized that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved within the Company through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, assurance and control functions such as External Audit, Internal Audit, Ethics & Compliance, Quality, Health, Safety and Environment function.

Emiratization

Emiratization is a Key performance indicator of NMDC vision and mission for the past years and surely for year 2020.

NMDC trains Emiratis in various fields and provides life skills. Various initiatives and channels have been taken at NMDC in 2020 for boosting the U.A.E national's talent in dredging and civil marine industry:

NMDC has signed a legal commitment with Abu Dhabi Human Resource Authority for hiring UAE Nationals in maritime transport industry through its fresh graduate engineering program.
Fresh Graduate's engineers are tested; interviewed and selected to start an exciting career with the company through a two years fresh graduate program during which they learn and proceed with on the job training on our sites and in various departments. In 2020; NMDC has hired 15 Fresh Graduate's Engineers U.A.E Nationals to be part of its fresh graduate's program.

In Addition; NMDC has established its Dredging Academy through which semi- skilled U.A.E national workforces is hired to be trained in the core activity of the business being dredging. Life dredging simulators are established in the Academy for this particular purpose; and detailed courses are also provided by our industry Guru.

As of 2020 U.A.E national constitutes 8% of the organization workforce and with the plan to keep increasing it year on year .

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ACKNOWLEDGMENT

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 of the hard work, commitment and unstinting efforts put in by your Company's employees at all levels.

Mohammed Thani Murshed Al Rumaithi
Chairman

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National Marine Dredging Company PJSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NATIONAL MARINE DREDGING COMPANY PJSC

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of National Marine Dredging Company PJSC (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis For Qualified Opinion

Trade and other receivables at 31 December 2020 include unbilled receivables relating to certain contracts with the Government of Abu Dhabi, its departments or its related parties. We were unable to obtain sufficient and appropriate evidence to support the recoverability of amounts totalling AED 455,049 thousand (verbal contracts) and AED 150,621 thousand (signed contracts) included in these balances, due to the absence of signed contracts and/or significant delays in billing and collection. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements section* of our report. We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code")* together with the ethical requirements that are relevant to our audits of financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter

As stated in note 12 to the accompanying consolidated financial statements, unbilled receivables include an amount of AED 600,000 thousand recognized on the basis of claims submitted to a customer in prior periods. The final amount of the claims is still under negotiation and is subject to a review by a consultant, the finalization of which could have a significant impact on the amount of receivables recognized. Our opinion is not qualified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NATIONAL MARINE DREDGING COMPANY PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Project revenue recognition

The Group recognised AED 3,776 million of project revenue for the year ended 31 December 2020.

Project revenue recognition is significant to the financial statements based on the quantitative materiality and the degree of management judgement required for revenue recognition. Revenue is recognized according to the stage of completion of the respective projects, which is measured using the "cost-to-cost method" and surveys of work performed.

Due to the contracting nature of the business, revenue recognition involves a significant degree of judgement, with estimates being made to:

- assess the total contract costs;
- assess the stage of completion of the contract;
- assess the proportion of revenues, including variation orders, to recognize in line with contract completion;
- forecast the profit margin on each contract incorporating appropriate allowances for technical and commercial risks; and
- appropriately identify, estimate and provide for onerous contracts.

There is a range of acceptable outcomes resulting from these judgements that could lead to different revenue or income being reported in the consolidated financial statements.

Management has also considered this area to be a key accounting estimate as disclosed in the 'accounting estimates and management judgements' note to the consolidated financial statements.

How our audit addressed the area of focus

We obtained an understanding of the key internal controls and IT systems which support the project management and accounting. These included controls in the policies and procedures concerning determination of the percentage of completion, estimates to complete for both revenue and costs and provisions for loss making projects.

We enquired of management for a selection of major projects to gain an understanding of the progress of developments, any material contract variations and the projected financial performance of projects against feasibility reports.

We inspected a sample of contracts with customers and assessed project costs to date, estimates of revenue and costs to complete. We also agreed a sample of costs incurred to invoice and/or payment, including testing whether they were allocated to the appropriate project. We also evaluated subsequent payments made after the reporting date to assess whether the costs were accrued in the correct reporting period.

We also evaluated the accounting principles for revenue recognition, which form the basis for the recognition of unbilled receivables. In addition, we evaluated the adequacy of the Group's disclosures regarding trade receivables and unbilled receivables on projects, the related risks such as credit risk and the aging of trade receivables as disclosed in note 12 of the consolidated financial statements.

We also inspected the governance around approval of project budgets and held discussions with management where significant variances against the approved budgets were noted.

In addition, we performed procedures to assess whether the revenue recognition criteria adopted by the Group is appropriate and is in line with Group's accounting policy.

Report on the Audit of the Consolidated Financial Statements continued

Key audit matters continued

Valuation of trade receivables and Unbilled receivables (including the provision for expected credit losses)	***How our audit addressed the area of focus***
As at 31 December 2020, the gross trade receivables and the gross unbilled receivables on projects amounted to AED 927 million and AED 2,779 million respectively, out of which, AED 513 million and AED 2,071 million related to signed contracts while AED 414 million and AED 708 million related to unsigned/ verbal contracts. Such receivables are significant to the Group as these represent approximately 51% of the balance sheet total. Furthermore, the balance of trade and unbilled receivables aged more than 1 year is 33% of the trade receivables account. Hence, collectability of receivables is considered to be a key matter for the Group. The provision for expected credit losses on trade and unbilled receivables from customers is considered to be a key audit matter as it requires the application of judgement by management, since the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money. The Group's disclosures are included in Note 3 and Note 12 to the consolidated financial statements, which outlines the accounting policy for determining the provision for expected credit losses.	We performed procedures on individually significant projects, such as, substantiating transactions with underlying documentation, including contracts and third party correspondence, to obtain evidence for the accuracy and collectability. We examined the Group's assessment of the customers' financial circumstances and ability to repay the debt and considered the customers' historical payment habits along with other macroeconomic information. We requested and assessed legal opinions in situations where the outcome of project results or the recoverability of (un)billed receivables was dependent on the outcome of legal proceedings or arbitration. We gained an understanding of management's assessment of expected credit losses and their assumptions applied such as historical loss rates and time value of money, and evaluated whether the assumptions used in the assessment were reasonable.

Other information

Other information consists of the information included in the Group's 2020 Annual Report and Board of Director's report, other than the consolidated financial statements and our auditors' report thereon. We obtained the Board of Directors' report, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2020 Annual Report after the date of our auditors' report. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on the Audit of the Consolidated Financial Statements continued

Responsibilities of management and Board of Directors for the consolidated financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Report on the Audit of the Consolidated Financial Statements continued

Auditor's responsibilities for the audit of the consolidated financial statements continued

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee and the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee and the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NATIONAL MARINE DREDGING COMPANY PJSC continued

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015 except for any impact from the matter described in the "*Basis for qualified opinion*" section of audit report, we report that for the year ended 31 December 2020:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 and the Company's Articles of Association;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of account and records of the Company;

v) investments in shares and stocks are included in note 8 and 9 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2020;

vi) note 26 reflects the disclosures relating to related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2020, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2020; and

viii) note 22 reflects the social contributions recorded during the year.

Signed by
Raed Ahmad
Partner
Ernst & Young
Registration No. 811

3 March 2021
Abu Dhabi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	***2020*** ***AED '000***	*2019* *AED '000*
ASSETS			
Non-current assets			
Property, plant and equipment	4	**1,549,447**	1,444,334
Goodwill and other intangible assets	6	**36,276**	36,276
Investment in a joint venture	7	**24,438**	21,451
Financial assets at fair value through other comprehensive income	8	**-**	31,669
Deferred tax assets	10	**3,715**	2,623
Retentions receivable		**32,944**	7,395
Total non-current assets		**1,646,820**	1,543,748
Current assets			
Inventories	11	**391,674**	393,640
Trade and other receivables	12	**4,904,239**	3,546,516
Financial assets at fair value through profit or loss	9	**27,782**	27,097
Cash and bank balances	13	**259,786**	254,226
		5,583,481	4,221,479
Assets classified as held for sale	5	**1,062**	1,478
Total current assets		**5,584,543**	4,222,957
TOTAL ASSETS		**7,231,363**	5,766,705
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	**250,000**	250,000
Share premium	16	**341,500**	341,500
Reserves	17	**743,589**	672,725
Proposed dividend		**62,500**	-
Retained earnings		**2,431,481**	2,278,676
Total equity		**3,829,070**	3,542,901
Non-current liabilities			
Provision for employees' end of service benefits	18	**131,807**	118,419
Term loan	14	**266,890**	148,565
Long term lease liabilities	3	**8,251**	8,724
Total non-current liabilities		**406,948**	275,708
Current liabilities			
Trade and other payables	19	**2,183,328**	1,751,807
Short term borrowings	14	**812,017**	196,289
Total current liabilities		**2,995,345**	1,948,096
Total liabilities		**3,402,293**	2,223,804
TOTAL EQUITY AND LIABILITIES		**7,231,363**	5,766,705

Mohammed Thani Murshed Al Rumaithi
CHAIRMAN

Yasser Nasr Zaghloul
CHIEF EXECUTIVE OFFICER

Sreemont Prasad Barua
CHIEF FINANCIAL OFFICER

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2020

	Note	***2020 AED '000***	*2019 AED '000*
Revenue from contracts with customers	20	**3,776,232**	2,810,733
Contract costs	21	**(3,268,906)**	(2,536,861)
GROSS PROFIT		**507,326**	273,872
Share of profit of a joint venture	7	**2,987**	1,245
General and administrative expenses	22	**(131,634)**	(137,257)
Foreign currency exchange (loss) gain		**(21,676)**	36,845
Fair value gain on financial assets at fair value through profit or loss	9	**685**	1,097
Finance costs	23	**(14,494)**	(22,316)
Finance income	23	**12,871**	22,367
Other income, net	24	**8,906**	15,320
Profit before tax		**364,971**	191,173
Income tax expense on foreign operations	10	**(13,215)**	(10,329)
PROFIT FOR THE YEAR		**351,756**	180,844
Basic and diluted earnings per share (in AED) attributable to equity holder of the Company	25	**1.41**	0.72

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	***2020 AED '000***	*2019 AED '000*
PROFIT FOR THE YEAR		**351,756**	180,844
Other comprehensive income (loss) *Items that will not be reclassified to the consolidated statement of profit or loss*			
Loss on revaluation of investment in financial assets carried at fair value through other comprehensive income	8	**(5,530)**	(14,976)
Items that may be subsequently reclassified to the consolidated statement of profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		**2,443**	5,592
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(3,087)**	(9,384)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**348,669**	171,460

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital AED '000	*Share premium AED '000*	*Reserves AED '000*	*Retained earnings AED '000*	*Proposed dividends AED '000*	*Total equity AED '000*
Balance at 1 January 2019	250,000	341,500	682,109	2,105,332	55,000	3,433,941
Profit for the year	-	-	-	180,844	-	180,844
Other comprehensive loss	-	-	(9,384)	-	-	(9,384)
Total comprehensive (loss) income for the year	-	-	(9,384)	180,844	-	171,460
Dividend (note 19.3)	-	-	-	(7,500)	(55,000)	(62,500)
Balance at 31 December 2019	250,000	341,500	672,725	2,278,676	-	3,542,901
Balance at 1 January 2020	250,000	341,500	672,725	2,278,676		3,542,901
Profit for the year	-	-	-	351,756	-	351,756
Other comprehensive loss	-	-	(3,087)	-	-	(3,087)
Total comprehensive (loss) income for the year	-	-	(3,087)	351,756	-	348,669
Reclassification of accumulated losses on disposal of investment in financial assets carried at fair value through other comprehensive income to retained earnings	-	-	73,951	(73,951)	-	-
Proposed dividends (2020) (note 19.3)	-	-	-	(62,500)	62,500	-
Dividends paid (2019) (note 19.3)	-	-	-	(62,500)	-	(62,500)
Balance at 31 December 2020	**250,000**	**341,500**	**743,589**	**2,431,481**	**62,500**	**3,829,070**

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Note	*2020* *AED '000*	*2019* *AED '000*
OPERATING ACTIVITIES			
Profit before tax		**364,971**	191,173
Adjustments for:			
Depreciation of property, plant and equipment	4	**200,849**	164,969
Gain on disposal of property, plant and equipment	24	**(212)**	(5,659)
Reversal of Impairment of assets held for sale	5	**(1,254)**	-
Fair value gain on financial assets at fair value through profit or loss	9	**(685)**	(1,097)
Provision for slow moving and obsolete inventory	11	**8,052**	5,095
Share of profit of a joint venture	7	**(2,987)**	(1,245)
Dividend income	24	**(1,412)**	(2,674)
Allowance / (Reversal of allowance)for expected credit losses		**17,361**	(90,258)
Other provisions		**31,683**	42,823
Finance costs, net		**747**	(51)
Provision for employees' end of service benefits	18	**17,050**	22,430
		634,163	325,506
Tax paid		**(7,666)**	(18,914)
Employees' end of service benefit paid	18	**(3,662)**	(4,842)
		622,835	301,750
Working capital changes:			
Change in inventories		**(6,086)**	(160,095)
Change in trade and other receivables		**(1,400,633)**	(320,193)
Change in trade and other payables		**392,311**	841,723
Net cash (used in) from operating activities		**(391,573)**	663,185
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	**(302,479)**	(498,440)
Proceeds from disposal of FVTOCI shares	8	**26,139**	
Investments in joint venture	7	**-**	(3,337)
Proceeds from disposal of property, plant and equipment		**850**	27,098
Interest received		**12,871**	22,367
Dividend received	24	**1,412**	2,674
Net cash used in investing activities		**(261,207)**	(449,638)
FINANCING ACTIVITIES			
Proceeds from term loan	14	**222,978**	248,565
Repayment of loan		**(91,665)**	(8,334)
Dividends paid	19.3	**(64,065)**	(66,176)
Interest paid		**(14,091)**	(21,869)
Net cash from financing activities		**53,157**	152,186
NET(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(599,623)**	365,733
Cash and cash equivalents at 1 January		**149,603**	(221,727)
Foreign exchange translation adjustment		**2,443**	5,597
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	**(447,577)**	149,603

The attached notes 1 to 31 form part of these consolidated financial statements.

1 GENERAL INFORMATION

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 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 other jurisdictions in the region including Bahrain, Egypt, Saudi Arabia and India through its subsidiaries, branches and joint operations.

During the year, the Company's shareholders accepted an offer from ADQ (an existing shareholder and an entity fully owned by the Government of Abu Dhabi) and other minority shareholders of National Petroleum Construction Company PJSC ("NPCC"), to acquire 100% of the shareholding of NPCC, in exchange for the issuance of 575,000,000 equity shares in the Company to ADQ and the other shareholders of NPCC. This transaction received regulatory approvals subsequent to the reporting date, on 11 February 2021, and consequently, the Company's share capital stands increased to AED 825,000,000 from that date. As a result of this transaction, the Government of Abu Dhabi has now become the majority holder of the Company's shares (also refer to note 15).

These consolidated financial statements include the financial performance and position of the Company and its subsidiaries, joint venture and branches (collectively referred to as the "Group"), details of which are set out below.

		Percentage holding		
Name	*Country of incorporation*	***December 2020***	*December 2019*	*Principal activities*
Subsidiaries				
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
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
Branches				
National Marine Dredging Company	Saudi Arabia	Branch		Dredging and associated land reclamation works, civil engineering, port contracting and marine construction
National Marine Dredging Company	Egypt	Branch		Dredging and associated land reclamation works, civil engineering, port contracting and marine construction
National Marine Dredging Company	Maldives	Branch		Dredging and associated land reclamation works, civil engineering, port contracting and marine construction
National Marine Dredging Company	Abu Dhabi	Branch		Dredging and associated land reclamation works, civil engineering, port contracting and marine construction
National Marine Dredging Company	Dubai	Branch		Dredging and associated land reclamation works, civil engineering, port contracting and marine construction
Joint Venture				
The Challenge Egyptian Emirates Marine Dredging Company	Egypt	49%	49%	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of the UAE Federal Law No. (2) of 2015. Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

These consolidated financial statements are presented in UAE Dirham (AED), which is the functional currency of the primary economic environment in which the Company operates. Each entity in the Group determines its own functional currency. All financial information presented in AED has been rounded to the nearest thousand except as otherwise stated.

The consolidated financial statements have been prepared on a historical cost basis, except for investments in financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, that have been measured at fair value and assets held for sale which have been measured at lower of cost and fair value less cost to sell.

2.2 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES continued

2.3 New And Amended International Financial Reporting Standards (IFRS) and Interpretations

a) Effective and adopted in the current year

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS effective as of 1 January 2020 which did not have a material impact on the consolidated financial statements of the Group:

- Amendments to IFRS 3: Definition of a Business;
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform;
- Amendments to IFRS 16: Covid-19 Related Rent Concession;
- Amendments to IAS 1 and IAS 8: Definition of Material; and
- The Conceptual Framework for Financial Reporting;

The Group has not early adopted any standards, interpretations or amendments during the year that have been issued but are not yet effective.

b) Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- IFRS 17 Insurance contracts;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37;
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter;
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities; and
- IAS 41 Agriculture – Taxation in fair value measurements.

Management anticipates that the adoption of the standards, interpretations and amendments issued but not yet effective will have no material impact on the consolidated financial statements of the Group.

2.4 Critical accounting judgments and key sources of estimation uncertainty

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES continued

2.4 Critical accounting judgments and key sources of estimation uncertainty continued

Judgements continued

Determining whether unsigned (verbal) agreements meet the definition of contract under IFRS 15:

Certain projects for the Government of Abu Dhabi, its departments or related parties, and for customers in Egypt, are executed on the basis of verbally agreed terms (including estimates of total project cost and timelines) in line with the Group's historical business practice. Management has determined such unsigned verbal agreements meet the definition of a 'contract with customer' under IFRS 15 on the basis of external legal opinions. Based on legal opinions, management considers such unsigned verbal agreements to meet the definition of a 'contract with customer' under IFRS 15 since the Group and the customer agree upon the essential elements of a contract and any other lawful conditions, though matters of detail are left to be agreed upon at a later date, and the contract is deemed to be made and binding even in the absence of agreement on these matter of detail. In addition, under Article 132 of the UAE Civil code and under the Supreme Administrative Court Ruling in Case no. 134 of 42 Judicial Year dated 22 July 1997 a contract can be oral or written and a contract can also result from acts which demonstrate the presence of mutual consent between the relevant parties.

Joint arrangement

For assessing joint control, the Group has considered the contractual agreement of sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. For the purpose of assessing whether a joint arrangement is a joint venture or joint operation, the Group has considered whether it has joint control on the rights to the net assets of the arrangements, in which case these are treated as joint ventures, or rights to the assets and obligations for the liabilities relating to the arrangement, in which case these are treated as joint operations.

The Group has concluded that the Group entity *"The Challenge Egyptian Emirates Marine Dredging Company"*, is a joint venture because each party has equal representation on the Board of Directors and unanimous consent of the Board of Directors is required for any resolution to be passed and the Group has rights to the net assets of the joint arrangement established by contractual agreement.

Assets classified as held for sale

The Group's fleet plan include certain dredgers and vessels earmarked for sale where a number of assets are under negotiation with potential buyers are in progress. During the year, the Group has reactivated certain dredgers and marine equipment to meet growing operational requirements, and certain assets were sold during the year. Certain remaining assets are still not sold. Management has continued to classify these assets as held for sale based on the fact that Group is still committed to the plan, the assets are available for immediate sale in its present condition and an active programme to locate a buyer and complete the plan have been initiated.

COVID-19

On 11 March 2020, the World Health Organization made an assessment that the outbreak of a coronavirus (COVID-19) can be characterized as a pandemic. In addition, oil prices significantly dropped in January to March 2020 due to a number of political and economic factors. As a result, businesses have subsequently seen reduced customer traffic and, where governments mandated, temporary suspension of travel and closure of recreation and public facilities.

To alleviate the negative impact of the COVID-19 pandemic, the UAE Government, Central Bank and other independent jurisdictions and regulators have taken measures and issued directives to support businesses and the UAE economy at large, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity in the UAE.

The situation, including the government and public response to the challenges, continues to progress and rapidly evolve. Therefore, the extent and duration of the impact of these conditions remain uncertain and depend on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of approval of these consolidated financial statements. Notwithstanding this, these developments could impact the Group's future financial results, cash flows and financial position.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES continued

2.4 Critical accounting judgments and key sources of estimation uncertainty continued

Estimates and assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Contract revenue
Revenue from construction contracts is recognised in the consolidated statement of profit or loss when the outcome of the contract can be reliably estimated. The measurement of contract revenue is affected by a variety of uncertainties (including cost estimation and surveys of work performed) that depend on the outcome of future events.

As stated in note 3 to the consolidated financial statements, revenue is recognised in the consolidated statement of profit or loss on the basis of stage of completion of the contracts. The stage of completion can be measured by various methods. The management uses one of the following methods that measure reliably the actual work performed on the contract, depending on the nature of the contract:

- surveys of work performed; or
- the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

The above estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue recognised may increase or decrease from period to period.

Contract variations and claims
Contract variations are recognised as revenues only to the extent that it is probable that they will result in revenue which can be reliably measured. This requires the exercise of estimating the value of variations based on management's prior experience, application of contract terms and the relationship with the customers.

Contract claims are recognised as revenue only when management believes that an advanced stage of negotiation has been reached and the revenue can be estimated with reasonable certainty. Management reviews the judgement related to these contract claims periodically and adjustments are made in the future periods, if assessments indicate that such adjustments are appropriate.

Provision for expected credit losses on trade receivables
In measuring the expected credit loss allowance for financial assets measured at amortised cost, management uses the Expected Credit Loss (ECL) model and assumptions about future economic conditions and credit behavior such as likelihood of customer defaulting. Management consider the following judgements and estimates:

- Development of ECL model, including formula and choice of inputs;
- Determining the criteria if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessments;
- The segmentation of financial assets when the ECL is assessed on a collective basis; and
- Determination of associations between macroeconomic scenarios and, economic inputs, and their effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGD); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into ECL models.

The Group recognises lifetime expected credit loss (ECL) for trade and unbilled receivables using the simplified approach (note 12). As of 31 December 2020, the provision for expected credit losses on trade receivables and retention receivables amounted to AED 60,318 thousand (2019: AED 49,674 thousand).

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES continued

2.4 Critical accounting judgments and key sources of estimation uncertainty continued

Estimates and assumptions continued

Unbilled receivables
Unbilled receivables represent amounts relating to work performed which is yet to be billed to customers. Unbilled receivables are measured by applying the minimum recoverable rates expected, to the actual quantities dredged or the related works performed. Management believes that all unbilled receivables are collectible within twelve months from the reporting date and accordingly the balance is classified under current assets. Significant judgments are involved in management's assessment of the amounts of revenue and unbilled receivables recognised and the recoverability of these amounts. These judgments are reviewed as events occur and accordingly any changes thereon may have an impact on the amount of revenue recognised and unbilled receivables in these consolidated financial statements.

The Group receives lump sum payments from certain clients in settlement of outstanding invoices and as advances for several projects. The allocation of proceeds against invoices and unbilled receivables is determined based on management's judgment.

As of 31 December 2020, the provision for expected credit losses on unbilled receivables amounted to AED 46,758 thousand (2019: AED 40,041 thousand).

Useful life of property, plant and equipment
Management assigns useful lives and residual values to the items of property, plant and equipment based on the intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and other limits on the use of the asset. The revision is based on the technical assessment carried by the Group.

During the year, management has reviewed the residual values and useful lives of the major items of property, plant and equipment and changed its estimate in respect of the useful life of dredgers from 25 to 18 years, along with an increase in the estimate of their residual values. This change has been accounted for as a change in accounting estimate in accordance with the requirements of IAS 8. Accordingly, the effect of this change has been recognized prospectively in the consolidated statement of profit or loss.

Allowance for slow moving and obsolete inventory
The Group reviews the underlying costs, ageing and movements of its inventories to assess losses due to any deterioration in the market and obsolescence on a regular basis. In determining whether an allowance should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is any future market for the product and the net realisable value for such product. Accordingly, management has determined that allowance for slow-moving and obsolete inventories at 31 December 2020 is AED 43,723 thousand (2019: AED 35,671 thousand).

Change in estimate of revenue recognition

During the year, the management has re-assessed its estimate for recognition of revenue for one project with effect from 1 April 2020 following a review of changes in circumstances over the period. Based on the review, the management has updated its measure of progress from the "input method" to the "output method" basis. The change in measure of progress has been accounted for as a change in accounting estimate in accordance with the requirements of IAS 8. Accordingly, the effect of this change in accounting estimate has been recognized prospectively in the consolidated statement of profit or loss from the current period. This change has not resulted in a material impact to the reported profit.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES continued

2.4 Critical accounting judgments and key sources of estimation uncertainty continued

Estimates and assumptions continued

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the higher of value-in-use or fair value less cost to sale of the cash-generating unit to which the goodwill has been allocated. The value-in-use calculation for goodwill requires the Group to calculate the net present value of the future cash flows for which certain assumptions are required, including management's expectations of:

- long term growth rates in cash flows;
- timing and quantum of future capital expenditure; and
- the selection of discount rates to reflect the risks involved.

The key assumptions used and sensitivities are detailed in note 6 to the consolidated financial statements. A change in the key assumptions or forecasts might result in an impairment of goodwill.

The carrying amount of the Precast concrete division (CGU) is AED 111,257 (2019: AED 112,299 thousand) which includes goodwill, right of use of asset, fair value adjustments on property, plant and equipment and net assets amounting to AED 36,276 thousand, AED 11,897 thousand, AED 8,071 thousand and AED 55,013 thousand, respectively (2019: AED 36,276 thousand, AED 12,713 thousand, AED 9,401 thousand and AED 53,909 thousand). Based on the detailed impairment assessment performed by management, there were no impairment losses recognized on goodwill as at 31 December 2020 and 2019.

Impairment of property, plant and equipment and other intangible assets
The Group assesses for indicators of impairment of property, plant and equipment and other intangible assets at each reporting period. In determining whether impairment losses should be recorded, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Uncertain tax positions
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long term nature and complexity of existing contractual agreements, differences may arise between the actual results and adjustments to tax income and expense already recorded. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Assessing the recoverability of deferred income tax assets requires the Group to make significant assumptions related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. As of 31 December 2020, the Group has recognised a balance of AED 3,715 thousand as a deferred tax asset (2019: AED 2,623). The uncertain tax positions, for example tax disputes, have been accounted for by the applying the most likely amount. The most likely amount is the single most likely amount in a range of realistically possible options.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES continued

2.4 Critical accounting judgments and key sources of estimation uncertainty continued

Estimates and assumptions continued

Fair value of assets classified as held for sale
Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value less cost to sell for these assets is generally derived from valuation assessment carried out by a third party and/or prices agreed with potential buyers less cost. For the assessment carried out by a third party or by the management, a degree of judgement is required in establishing fair values. The judgements include consideration of market demand for these assets and nature of the assets. Changes in assumptions about these factors could affect the reported fair value of the assets classified as held for sale.

Legal claims and contingencies
When assessing the possible outcomes of legal claims and contingencies, the Group rely on the opinions of the legal counsel. The opinions of the Group's legal counsel are based on their professional judgment and take into consideration the current stage of proceedings and legal experience accumulated with respect to various matters. As the results of the claims may ultimately be determined by courts or otherwise settled, they may be different from such estimates.

Discount rate used for initial measurement of lease liability
The Group, as a lessee, measures the lease liability at the present value of the unpaid lease payments at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group, on initial recognition of the lease, uses its incremental borrowing rate. Incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in similar economic environment. The Group determined its incremental borrowing rate at 4.5% in respect of the lease liability.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or the amount initially recognized less (when appropriate) cumulative amoritsation recognized in accordance with the requirements for revenue recognition.

Investments in joint venture
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. 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.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint venture are accounted for using the equity method.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investments in joint venture continued
Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of the joint venture is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of results of joint ventures' in the consolidated statement of profit or loss.

Revenue from contracts with customers
IFRS 15 establishes a five-step model that applies to revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The five steps are:

Step 1 Identify contract(s) with a customer;
Step 2 Identify performance obligations in the contract;
Step 3 Determine the transaction price;
Step 4 Allocate the transaction price to the performance obligations in the contract; and
Step 5 Recognise revenue when (or as) the Group satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

a) The Group's performance does not create an asset with an alternate use to the Group and the Group has as an enforceable right to payment for performance completed to date.
b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described above. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue from contracts with customers continued
Contract revenue
Contract revenue comprises revenue from execution of contracts relating to dredging activities and associated land reclamation works. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, and incentive payments, to the extent that it is probable that they will result in revenue, they can be measured reliably and will be approved by the customers. Claims are recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount can be measured reliably. Contract revenue also includes revenue from securing the award of significant projects for dredging and reclamation works. These amounts are recognised when all significant service obligations arising from the related services have been discharged.

If the outcome of a contract can be estimated reliably, contract revenue is recognised in the consolidated statement of profit or loss in proportion to the stage of completion of the contract. Based on the method that most reliably measures the actual work performed on each contract, the stage of completion is determined either on the basis of surveys of work performed or in the proportion of the contract costs incurred for work performed to date as compared to the estimated total contract costs. Losses on contracts are assessed on an individual contract basis and a provision is recorded for the full amount of any anticipated losses, including losses relating to future work on a contract, in the period in which the loss is first foreseen.

In case of contracts, where revenue is recognised on the basis of surveys of work performed, revenue is measured by applying contractual rates, or the minimum recoverable rates expected, to the actual quantities dredged or the related works performed. Revenue is adjusted subsequently based on final customer approval if rates approved are different from those originally used.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable; and contract costs should be recognised as an expense in the period in which they are incurred.

Significant financing component
Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Cost to obtain and costs to fulfill a contract
The Group applied the practical expedient to immediately expense contract acquisition costs when the asset that would have resulted from capitalising such costs would have been amortised within one year or less. The Group does not incur any costs to obtain a contract and costs to fulfil a contract that are eligible for capitalisation.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Finance income
Finance income comprises interest income on bank deposits. Interest income is recognised as it accrues in the consolidated statement of profit or loss.

Finance costs
Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the consolidated statement of profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other income
Sale of scrap
Income from the sale of scrap is recognized at the time customers take delivery and risk and rewards are transferred to customers as per agreed terms and conditions.

Dividend income
Dividend income is recognised in the consolidated statement of profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Foreign currencies
Transactions in foreign currencies are translated to AED at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to AED at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between the amortised cost in AED at the beginning of the year, adjusted for effective interest and payments during the period and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are retranslated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to AED at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in the consolidated statement of profit or loss, except for the exchange differences arising on the retranslation of equity instruments at fair value through OCI and qualifying cash flow hedges to the extent the hedge is effective, which are recognised in other comprehensive income. Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into AED using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign currency translation reserves.

Taxation
Income tax (expense) / benefit comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Taxation continued

Current tax

Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Group has determined that interest and penalties related to income taxes do not meet the definition of income taxes, and therefore accounted for these under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint venture to the extent that it is probable that they will not reverse in the foreseeable future.

In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Value added tax (VAT)

Expenses and assets are recognised net of the amount of VAT, except:

- When VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of VAT included

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfer from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency for purchase of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment continued

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. Vessel overhaul and dry-docking costs are capitalised as a separate component of dredgers when incurred. The costs of day to day servicing of property, plant and equipment are recognised in the consolidated statement of profit or loss as incurred.

Depreciation

Depreciation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Vessel overhaul and dry docking costs are depreciated over the period up to next dry-docking, which is generally four years. The estimated useful lives for other items of property, plant and equipment for the current and comparative years are as follows:

	Years
Building and base facilities	25
Dredgers	5 - 25
Support vessels, boosters and pipelines	1 -10
Plant, machinery and motor vehicles	2 - 15
Office equipment and furniture	3 - 5

Depreciation methods, useful lives and residual values are reviewed at each financial year end, with the effect of any changes in estimate accounted for on a prospective basis.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Capital work in progress

The Group capitalises all costs relating to the construction of tangible fixed assets as capital work-in-progress, up to the date of completion of the asset. Such costs are transferred from capital work-in-progress to the appropriate asset category upon completion, and are depreciated over their estimated useful economic lives from the date of such completion.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment continued
Derecognition
An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Insurance claim proceeds, if any, against an insured item of property, plant and equipment are recognised in “other income” in profit or loss.

Intangible assets
Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortization is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets, from the date that they are available for use. Intangible assets includes fair value of operating lease rights. The estimated useful life of these assets is 24 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end date, with the effect of any changes in estimate accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group’s CGUs to which the individual assets are allocated.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset’s or CGU’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit and loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Assets classified as held for sale
Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a complete sale within one year from the date of classification.

An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Inventories
Inventories comprise stores and consumable spares and are measured at the lower of cost and net realisable value. The costs of inventories are based on the weighted average method, and include expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Provision for slow moving and obsolete inventories is established based on expected usage as assessed by management.

Leases
At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Leases continued
Group as a lessee
For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The relative stand-alone price of lease and non-lease components is determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

For determination of the lease term, the Company reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that:

a) is within the control of the Group; and
b) affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

At the commencement date, the Group recognises a right-of-use asset classified within property, plant and equipment and a lease liability classified separately on the consilidated statement of financial position.

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. As a result, ROU recognised as at 31 December 2020 is depreciated over period of 16 years representing the remaining lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Leases continued
Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short- term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Amounts recognised in the consolidated statement of financial position and profit or loss
Set out below, are the carrying amounts of the Group's right-of-use asset and lease liabilities and the movements during the year:

	Right-of-use (land) AED'000	*Lease liabilities AED'000*
As at 1 January 2020	**22,532**	**9,600**
Depreciation expense	**(1,446)**	
Interest expense	**-**	**403**
Payments	**-**	**(876)**
As at 31 December 2020	**21,086**	**9,127**
As at 1 January 2019	23,978	10,029
Depreciation expense	(1,446)	-
Interest expense	-	447
Payments	-	(876)
As at 31 December 2019	22,532	9,600

The Group recognised rent expense from short-term leases of AED 12,364 thousand (2019: AED 14,168 thousand) for the year ended 31 December 2020.

Lease liabilities are analysed in the consolidated statement of financial position as follows:

	2020 AED'000	*2019 AED'000*
Current liabilities (note 19)	**876**	876
Non-current liabilities	**8,251**	8,724
Total	**9,127**	9,600

Current portion of lease liabilities is included in trade and other payables.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments
Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at amortised cost (debt instruments, cash and cash equivalents and trade receivables)
b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
d) Financial assets at fair value through profit or loss

The Group has the following financial assets:

Cash and cash equivalents
Cash and cash equivalents which include cash on hand, cash at banks, bank overdrafts and deposits held at call with banks with original maturities of three months or less, are classified as financial assets at amortised cost.

Financial assets at amortised cost (trade receivables, cash and bank balances and amounts due from related parties)
The Group measures financial assets at amortised cost if both of the following conditions are met:

a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Cash and cash equivalents include cash on hand and deposits held with banks with original maturities of three months or less, net of overdraft balances.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued
Financial assets continued
Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the consolidated statement of profit or loss when the right of payment has been established.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost, lease receivables, trade receivables, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the end of the reporting period or an actual default occurring.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued
Financial assets continued
Impairment of financial assets continued
i) Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

ii) Definition of Default
The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are highly doubtful of collection, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

iii) Credit – impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued
Financial assets continued
iv) Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group.
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in the consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition
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.

Financial liabilities
Trade and other payables are classified as 'financial liabilities' and are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short term liabilities when the recognition of interest is immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Provision for staff terminal benefits
The Group provides end of service benefits to its employees. The entitlement to these benefits is based on the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Monthly pension contributions are made in respect of UAE National employees, who are covered by the Law No. 2 of 2000. The pension fund is administered by the Government of Abu Dhabi, Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund.

Dividend
Dividend is recognised as a liability in the period in which the dividends are approved by the Company’s shareholders and are recognised as distributions within equity.

Provisions
Provisions are recognised if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

The provisions are reviewed and adjusted at each reporting date, and if outflow is no longer probable, the provision is reversed to income.

Onerous contracts
Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Contingent liabilities
Unless the possibility of any outflow in settlement is remote, the Group discloses each class of contingent liability at the end of the reporting period and a brief description of the nature of the contingent liability. Where practicable, the Group discloses an estimate of its financial effect; an indication of the uncertainties relating to the amount or timing of any outflow; and the possibility of any reimbursement.

decision maker and used to allocate resources to the segments and to assess their performance.

Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Current versus non-current classification continued
All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in note 29.

4 PROPERTY, PLANT AND EQUIPMENT

	Building and base facilities AED	*Dredgers AED*	*Support vessels, boosters and pipelines AED*	*Plant, machinery and motor vehicles AED*	*Office equipment and furniture AED*	*Capital work in progress AED*	*Total AED*
2020							
Cost:							
At 1 January 2020	206,507	1,427,135	1,382,118	386,042	75,584	320,726	3,798,112
Additions	560	245,617	15,284	29,625	8,126	3,267	302,479
Transfers	-	343,245	(44,470)	8,330	(8,046)	(299,059)	-
Disposals / derecognition of previously capitalized dry docking costs	(23)	(219,944)	(38,618)	(19,271)	(8,932)	-	(286,788)
Assets reclassified (note 5)	-	2,655	453	-	-	-	3,108
Exchange differences	1	-	2,358	-	100	(4)	2,455
At 31 December 2020	**207,045**	**1,798,708**	**1,317,125**	**404,726**	**66,832**	**24,930**	**3,819,366**
Accumulated depreciation:							
1 January 2020	105,829	1,005,585	863,435	320,442	58,487	-	2,353,778
Charge for the year (note 4.1)	10,079	64,988	87,819	29,265	8,698	-	200,849
Transfer	-	44,189	(44,224)	6,192	(6,157)	-	-
Disposals / derecognition of previously capitalized dry docking costs	(23)	(219,944)	(38,275)	(19,014)	(8,894)	-	(286,150)
Assets reclassified (note 5)	-	985	453	-	-	-	1,438
Exchange differences	1	-	12	1	(10)	-	4
At 31 December 2020	**115,886**	**895,803**	**869,220**	**336,886**	**52,124**	**-**	**2,269,919**
Net carrying amount:							
At 31 December 2020	**91,159**	**902,905**	**447,905**	**67,840**	**14,708**	**24,930**	**1,549,447**

Two dredgers TSHD Ghasha and Backhoe Sarb were capitalised during 2020 under dredgers. Capital work in progress relates to dredgers and related equipment under construction as at 31 December 2020 and 2019.

4 PROPERTY, PLANT AND EQUIPMENT continued

	Building and base facilities AED	*Dredgers AED*	*Support vessels, boosters and pipelines AED*	*Plant, machinery and motor vehicles AED*	*Office equipment and furniture AED*	*Capital work in progress AED*	*Total AED*
2019							
Cost:							
At 1 January 2019	180,322	1,399,920	1,224,622	359,616	70,114	26,143	3,260,737
Effect of change in accounting policy- IFRS 16 (note 2.3)	23,978	-	-	-	-	-	23,978
Additions	2,974	31,114	97,025	32,766	5,313	329,248	498,440
Transfers	(113)	(5,655)	26,144	9,880	5,035	(35,291)	-
Disposals	(656)	(34,739)	(23,275)	(16,220)	(5,010)	(63)	(79,963)
Assets reclassified (note 5)	-	36,495	57,602	-	-	-	94,097
Exchange differences	2	-	-	-	132	689	823
At 31 December 2019	206,507	1,427,135	1,382,118	386,042	75,584	320,726	3,798,112
Accumulated depreciation:							
1 January 2019	98,217	950,619	798,788	304,765	55,764	-	2,208,153
Charge for the year	8,471	61,262	64,422	26,072	4,742	-	164,969
Transfer	(333)	(4,632)	(10)	2,103	2,872	-	-
Disposals	(645)	(17,198)	(23,275)	(12,498)	(4,907)	-	(58,523)
Assets reclassified (note 5)	-	15,534	23,488	-	-	-	39,022
Exchange differences	119	-	22	-	16	-	157
At 31 December 2019	105,829	1,005,585	863,435	320,442	58,487	-	2,353,778
Net carrying amount:							
At 31 December 2019	100,678	421,550	518,683	65,600	17,097	320,726	1,444,334

4.1 PROPERTY, PLANT AND EQUIPMENT continued

	2020 ***AED'000***	*2019* *AED'000*
Contract costs	**195,089**	159,862
General and administrative expenses	**5,760**	5,107
	200,849	164,969

5 ASSETS CLASSIFIED AS HELD FOR SALE

	2020 ***AED'000***	*2019* *AED'000*
As at 1 January	**1,478**	56,553
Transfers to property, plant and equipment (note 4)	**(1,670)**	(55,075)
Impairment reversal	**1,254**	-
At 31 December	**1,062**	1,478

In 2020, the Group transferred certain dredgers and marine equipment with a carrying amount of AED 1,670 thousand (2019: AED 55,075 thousand) back to property, plant and equipment, to meet growing operational requirements. During the year, management has reversed the impairment for the reinstated vessels that was recognised in the previous periods.

For the remaining assets, the Group is in the process of locating buyers willing to buy at market price. The Group is still committed to the plan, the assets are available for immediate sale in its present condition and an active programme to locate a buyer and complete the plan have been initiated.

6 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill *AED'000*	*Other intangible assets* *AED'000*	*Total* *AED'000*
Cost			
At 1 January and 31 December 2020	**36,276**	**-**	**36,276**
Amortization			
At 1 January and 31 December 2020	**36,276**	**-**	**36,276**
Cost			
At 1 January 2019	36,276	19,313	55,589
Adjustment: derecognition upon adoption of IFRS 16	-	(19,313)	(19,313)
At 1 January 2019 (adjusted)	36,276	-	36,276
Amortization			
1 January 2019	-	5,784	5,784
Adjustment: derecognition upon adoption of IFRS 16	-	(5,784)	(5,784)
Charge for the year	-	-	-
At 31 December 2019	36,276	-	36,276

6 GOODWILL AND OTHER INTANGIBLE ASSETS continued

In 2019, the Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related intangibles in respect of favorable lease of AED 13,529 thousand.

Impairment testing for cash generating units containing goodwill
For the purpose of impairment testing, goodwill is allocated to the precast concrete division. The recoverable amount of the precast concrete CGU (Emarat Europe) was based on its value in use, determined by discounting the future pre-tax five-year cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be lower than its recoverable amount, therefore no impairment loss was recognised.

Key assumptions used in the calculation of value in use were discount rate, terminal value growth rate and the EBIDTA growth rate. These assumptions were as follows:

	2020	*2019*
Discount rate (pre-tax)	**8.0%**	8.0%
Terminal value growth rate	**2.5%**	2.5%
Budgeted EBITDA growth rate	**5%**	5%

The discount rate was based on the risk-free rate obtained from the yield on 10-year bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increase risk of investing in equities generally and the systemic risk of the specific CGU.

7 INVESTMENT IN A JOINT VENTURE

	2020 AED'000	*2019 AED'000*
At 1 January	**21,451**	16,869
Additional investment in joint venture	**-**	3,337
Share of profit for the year	**2,987**	1,245
At 31 December	**24,438**	21,451

In November 2017, the Group entered into a Memorandum of Agreement with Canal Harbour and Great Projects Company, an affiliated company of the Suez Canal Authority in Egypt, for the incorporation of a joint stock company (the "Joint Venture") to execute dredging and related works, and other engineering consulting services inside and outside the Arab Republic of Egypt. During 2018, the legal process for incorporating the joint venture in the Suez Canal Economic Zone in the name of "The Challenge Egyptian Emirates Marine Dredging Company" was completed with the shareholding of the Group at 49% and equal representation in Board of Directors of the Joint Venture. The Joint Venture is formed for an initial period of five years with automatic renewal upon approval of both parties.

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	*2019*
	AED'000	*AED'000*
At 1 January	**31,669**	46,645
Fair value adjustments	**(5,530)**	(14,976)
Disposal	**(26,139)**	-
At 31 December	**-**	31,669

The financial assets at fair value through OCI at the end of reporting date are detailed below.

	2020	*2019*
	AED'000	*AED'000*
Investment in quoted UAE equity securities	**-**	31,669

The fair value of the quoted UAE equity securities is based on quoted market prices at the end of the year as per Level 1 valuation.

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	*2019*
	AED'000	*AED'000*
At 1 January	**27,097**	26,000
Change in fair value	**685**	1,097
At 31 December	**27,782**	27,097

The financial assets at fair value through profit or loss (FVTPL) at the end of reporting date are detailed below.

	2020	*2019*
	AED'000	*AED'000*
Investment in quoted UAE equity securities	**27,782**	26,154
Investment in unquoted UAE equity securities	**-**	943
At 31 December	**27,782**	27,097

The fair value of the quoted UAE equity securities is based on quoted market prices at the end of the year as per Level 1 valuation. The fair value of unquoted UAE securities was arrived at based on the fair market value as per Level 3 valuation.

10 TAXATION

	2020	*2019*
	AED'000	*AED'000*
The components of foreign income tax credit/(expense) are:		
Current tax:		
Current tax on profits for the year	**11,908**	10,329
Adjustments in respect of previous years	**1,307**	-
Total current tax	**13,215**	10,329
Deferred tax:		
Origination and reversal of temporary differences	**1,092**	(2,787)
Total deferred tax	**1,092**	(2,787)
Income tax credit	**14,307**	7,542
The income tax credit for the year can be reconciled to the accounting profit as follows:		
Profit before income tax	**63,587**	33,520
Tax calculated at domestic tax rates applicable to profits in respective tax jurisdictions	**22.50%**	22.50%
Income tax credit	**14,307**	7,542

Income tax credit

The tax rates used for the reconciliation above are rates applicable to the profits in the respective foreign tax jurisdictions, mainly in Egypt.

The movement in deferred tax assets is as follows:

	2020	*2019*
	AED'000	*AED'000*
Deferred tax assets		
At 1 January	**2,623**	5,410
Credited to profit or loss during the year	**(1,513)**	(5,410)
Other temporary and translation differences	**2,605**	2,623
At 31 December	**3,715**	2,623

Deferred tax mainly arises from temporary differences relating to tax benefits on expenses incurred in Egypt. The Group has recognized a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

11 INVENTORIES

	2020 AED'000	2019 AED'000
Spare parts and consumables	**425,105**	425,682
Raw materials	**1,494**	1,147
Finished goods	**8,798**	2,482
Less: allowance for slow moving and obsolete inventories	**(43,723)**	(35,671)
	391,674	393,640

As at 31 December 2020, an amount of AED 43,723 thousand (2019: AED 35,671 thousand) is recognised as an allowance for slow moving and obsolete inventories.

	2020 AED'000	2019 AED'000
At 1 January	**35,671**	30,576
Charge for the year	**8,052**	5,095
At 31 December	**43,723**	35,671

12 TRADE AND OTHER RECEIVABLES

	2020 AED'000	2019 AED'000
Trade receivables, net of allowance for expected credit loss	**869,122**	973,347
Retention receivables – current portion	**53,534**	49,722
Unbilled receivables, net of allowance for expected credit loss	**2,732,565**	2,311,962
Deposits and prepayments	**41,115**	43,071
Contract asset	**994,167**	-
Other receivables	**213,736**	168,414
	4,904,239	3,546,516

Receivables, net are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

Contract asset comprises costs incurred on certain elements of one of the Group's major projects, on which the Group is not contractually entitled to earn revenue until the various work packages are completed and handed over. While none of the work packages have been handed over till date, commencing early 2021, a significant number of packages are scheduled to be completed and handed over, which will result in a winding down of the balance throughout the remainder of 2021.

12 TRADE AND OTHER RECEIVABLES continued

Unbilled receivables, net of allowance for expected credit loss, are analysed as follows:

	2020 AED'000	*2019 AED'000*
Unsigned contracts		
- Government of Abu Dhabi and its related entities	**621,894**	715,410
- Joint venture	**55,544**	18,365
	677,438	733,775
Signed contracts		
- Government of Abu Dhabi and its related entities	**1,835,472**	1,388,541
- Joint venture	**186,823**	161,712
- Other entities	**32,832**	27,934
	2,055,127	1,578,187
	2,732,565	2,311,962

Unbilled receivables include AED 455,049 thousand (2019: AED 464,356 thousand) and AED 850,862 thousand (2019: AED 1,011,048 thousand), outstanding for a period exceeding one year, from unsigned and signed contracts respectively.

Unbilled receivables include AED 153,243 thousand (2019: AED 267,084) and AED 1,214,486 thousand (2019: AED 671,359) thousand recognised as revenue during the year from unsigned and signed contracts respectively. Management has determined that these receivables are fully recoverable on the basis that these are approved via letters of awards and considering that they are not outstanding for a long period of time.

Unbilled receivables include an amount of AED 600,000 thousand (2019: AED 600,000 thousand) recognized on the basis of claims submitted to a customer in prior periods. The final amount of the claims is still under negotiation and is subject to a review by a consultant, the finalization of which could have a significant impact on the amount of receivables recognized.

Allowance for expected credit loss

The Group recognises lifetime expected credit loss (ECL) for trade and unbilled receivables using the simplified approach. To determine the expected credit losses all debtors are classified into four categories:

- Category I – billed receivables and unbilled receivables from government of Abu Dhabi and related companies;
- Category II – private companies with low credit risk;
- Category III – private companies with high credit risk; and
- Category IV – debtors at default.

These are adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

12 TRADE AND OTHER RECEIVABLES continued

Trade and retention receivables as at 31 December 2020.

	Categories				
	I	*II*	*III*	*IV*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Expected credit loss rate	**0 to 2%**	**2 to 3%**	**3 to 99%**	**100%**	
Estimated total gross carrying amount	**877,422**	**90,559**	**1,576**	**46,361**	**1,015,918**
Provision for expected credit losses	**(10,498)**	**(2,717)**	**(742)**	**(46,361)**	**(60,318)**
Net trade and retention receivables	**866,924**	**87,842**	**834**	**-**	**955,600**

Trade and retention receivables as at 31 December 2019.

	Categories				
	I	*II*	*III*	*IV*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Expected credit loss rate	0 to 1%	1 to 2%	2 to 99%	100%	
Estimated total gross carrying amount	962,902	71,118	-	46,118	1,080,138
Provision for expected credit losses	(2,134)	(1,422)	-	(46,118)	(49,674)
Net trade and retention receivables	960,768	69,696	-	-	1,030,464

Unbilled receivables as at 31 December 2020

	Categories				
	I	*II*	*III*	*IV*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Expected credit loss rate	**0 to 2%**	**2 to 3%**	**3 to 99%**	**100%**	
stimated total gross carrying amount	**2,723,551**	**28,775**	**-**	**26,997**	**2,779,323**
Provision for expected credit losses	**(18,898)**	**(863)**	**-**	**(26,997)**	**(46,758)**
Net unbilled receivables	**2,704,653**	**27,912**	**-**	**-**	**2,732,565**

Unbilled receivables as at 31 December 2019

	Categories				
	I	*II*	*III*	*IV*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Expected credit loss rate	0 to 1%	1 to 2%	2 to 99%	100%	
Estimated total gross carrying amount	2,292,060	27,325	-	32,618	2,352,003
Provision for expected credit losses	(6,876)	(547)	-	(32,618)	(40,041)
Net unbilled receivables	2,285,184	26,778	-	-	2,311,962

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. Trade receivables are considered past due once they have passed their contracted due date. Management has not recognised an expected credit loss in respect of delays in recovery of receivables expected to be recovered in full in the future as these are expected to be recovered in the short term and therefore no discounting adjustment is required.

12 TRADE AND OTHER RECEIVABLES continued

Movement in the provision for expected credit losses on trade receivables is as follows:

	2020	*2019*
	AED'000	*AED'000*
At 1 January	**49,674**	130,728
Charge during the year	**14,127**	2,987
Reversal	**(3,483)**	(84,041)
At 31 December	**60,318**	49,674

Movement in the provision for expected credit losses on unbilled receivables is as follows:

	2020	*2019*
	AED'000	*AED'000*
At 1 January	**40,041**	49,245
Charge during the year	**13,460**	3,749
Reversal	**(6,743)**	(12,953)
At 31 December	**46,758**	40,041

12.1 Gross amount due from customers on construction contracts

	2020	*2019*
	AED'000	*AED'000*
Contracts in progress at end of the reporting year		
Amount due from contract customers included in trade and other receivable (gross) (note 12)	**2,779,323**	2,352,003
Contract cost incurred plus recognised profits less recognised losses to date	**12,611,571**	10,554,999
Less: progress billings	**(9,832,248)**	(8,202,996)
	2,779,323	2,352,003

13 CASH AND CASH EQUIVALENTS

	2020	*2019*
	AED'000	*AED'000*
Cash in hand	**1,470**	2,005
Cash at banks		
- Current accounts	**135,741**	132,557
- Short term deposits	**122,575**	119,664
Cash and bank balances	**259,786**	254,226
Less: bank overdraft *(note 14)*	**(707,363)**	(104,623)
Cash and cash equivalents	**(447,577)**	149,603

Short-term deposits have original maturities less than three months. These deposits, and the bank overdraft facilities, carry interest at prevailing market interest rates.

14 BORROWINGS

	2020 AED'000	2019 AED'000
Short term borrowings		
Bank overdrafts *(note 13)*	**707,363**	104,623
Short term loan	**104,654**	91,666
Short term borrowings	**812,017**	196,289

During the year, the group entered into a short term loan amounting to AED 75,000 thousand for a total tenor of 12 months which carried an interest rate of 6 months EIBOR + 1.25% per annum. The loan is payable in two (2) semi-annual installments commencing 30th March 2021.

Long term loan
On 8 July 2019, the Group signed an agreement for a EUR 65.67 million facility with Cooperatieve Rabobank UA for financing the construction of a new Hopper Dredger with a 10 year tenor. The full amount of loan was drawn down during the year with the repayment on semi-annual basis commencing from February 2021. Accordingly, the first two instalments have been classified as a current liability under short term loan, with the remainder as a non-current liability under term loan in the consolidated financial statements.

15 SHARE CAPITAL

	2020 AED'000	2019 AED'000
Authorised, issued and fully paid		
250,000,000 (2019: 250,000,000) ordinary shares of AED 1 each	**250,000**	250,000

As stated in note 1 to these consolidated financial statements, as a result of the transaction to acquire NPCC, subsequent to the reporting date, the Company's share capital stands increased to AED 825,000,000 with effect from 11 February 2021, and the Government of Abu Dhabi has now become the majority holder of the Company's shares, with effect from that date (also refer to note 1).

16 SHARE PREMIUM/ ADDITIONAL SHARE CAPITAL

On 4 February 2010, the Company and Tasameem Real Estate LLC ("Tasameem") entered into an agreement according to which the Company had issued 50,000,000 convertible bonds to Tasameem convertible to 50,000,000 equity shares of the Company at AED 7.83 per share over a period of four years.

The Company issued 50,000 thousand convertible bonds to Tasameem from 2010 and 2013, for a total consideration of AED 391,500 thousand. These bonds were converted to 50,000 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 50,000 thousand as at 31 December 2014.

The excess of the consideration over the face value of the equity shares issued, amounting to AED 341,500 thousand had been recorded as share premium.

Pursuant to the Ministerial Decree No. (71) of 2014 and the Board of Directors decision circulated on 22 January 2014, the Company's Board of Directors approved the increase of its share capital from 227,848,502 shares to 250,000,000 shares. Accordingly, the share capital of the Company has increased by 22,151,498 shares with AED 1 par value which were authorised, issued and fully paid. These additional shares were subsequently listed on the Abu Dhabi Stock Exchange.

17 RESERVES

	Legal reserve AED'000	*Asset replacement reserve AED'000*	*Regulatory reserve AED'000*	*Foreign, exchange reserve AED'000*	*Unrealised loss on financial assets at FVTOCI AED'000*	*Total AED'000*
At 1 January 2019	125,000	595,000	20,000	(4,446)	(53,445)	682,109
Change in fair value of financial assets at fair value through other comprehensive income (note 8)	-	-	-	-	(14,976)	(14,976)
Cumulative translation adjustment on foreign operations	-	-	-	5,592	-	5,592
At 31 December 2019	125,000	595,000	20,000	1,146	(68,421)	672,725
At 1 January 2020	**125,000**	**595,000**	**20,000**	**1,146**	**(68,421)**	**672,725**
Change in fair value of financial assets at fair value through other comprehensive income (note 8)	**-**	**-**	**-**	**-**	**(5,530)**	**(5,530)**
Reclassification of accumulated losses on disposal of investment in financial assets carried at fair value through other comprehensive income to retained earnings	**-**	**-**	**-**	**-**	**73,951**	**73,951**
Cumulative translation adjustment on foreign operations	**-**	**-**	**-**	**2,443**	**-**	**2,443**
At 31 December 2020	**125,000**	**595,000**	**20,000**	**3,589**	**-**	**743,589**

17 RESERVES continued

Legal reserve
In accordance with UAE Federal Law No. (2) of 2015, 10% of the annual profit of the Company is transferred to a non-distributable legal reserve. Transfers to this reserve are required to be made until such time as it equals 50% of the paid up share capital of the Company. There were no transfers made during the year as reserves equal to 50% of the paid up share capital.

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 property, plant and equipment. No appropriation was made from the current or prior year profit.

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

18 PROVISION FOR EMPLOYEES’ END OF SERVICE BENEFITS

	2020 ***AED’000***	*2019* *AED’000*
At 1 January	**118,419**	97,641
Charge for the year	**17,050**	22,430
Paid during the year	**(3,662)**	(4,842)
Reclassified to accrued expense	**-**	3,190
At 31 December	**131,807**	118,419

During the year, the Group has contributed a total amount of AED 4,239 thousand (2019: AED 3,231 thousand) towards the Abu Dhabi Pension and Retirement Benefits Fund.

19 TRADE AND OTHER PAYABLES

	2020 ***AED’000***	*2019* *AED’000*
Trade payables	**907,990**	619,222
Accrued liabilities	**510,484**	432,743
Advances from customers (Note 19.1)	**195,258**	245,480
Provisions (Note 19.2)	**127,428**	95,745
Dividends payable (Note 19.3)	**22,765**	24,330
Lease liabilities (Note 3)	**876**	876
Gross amount due to customers on construction contracts (Note 19.4)	**191,873**	209,566
Retentions payable	**28,997**	8,033
Other payables	**197,657**	115,812
	2,183,328	1,751,807

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. No interest is payable on the outstanding balances.

19 TRADE AND OTHER PAYABLES continued

19.1 ADVANCES FROM CUSTOMERS

These represent amounts received in advance from customers for certain projects which will be adjusted against future billing during the course of the projects as per contractual terms

19.2 PROVISIONS

	2020 AED'000	*2019 AED'000*
Provision for Board remuneration and employee bonus	**50,727**	48,500
Provision for unused vacations	**31,702**	17,669
Provision for warranty	**2,499**	7,225
Project provisions	**42,500**	22,351
	127,428	95,745

19.3 DIVIDENDS PAYABLE

	2020 AED'000	*2019 AED'000*
At 1 January	**24,330**	28,006
Dividends declared during the year	**62,500**	62,500
Payments during the year	**(64,065)**	(66,176)
	22,765	24,330

At the annual general meeting held on 21 June 2020, the shareholders approved a dividend of AED 0.25 per share for a total amounting to AED 62.5 million (2019: AED 62.5 million) and remuneration of the Board of Directors amounting to AED 11 million (2019: AED 11 million), relating to the year ended 31 December 2019.

The Board of Directors at the meeting held on 28 February 2021, recommended a dividend of AED 0.25 per share, totaling AED 62.5 million for the year ended 31 December 2020. This is subject to approval by the shareholders at the Annual General Meeting expected to be held on 28 March 2021.

19.4 GROSS AMOUNT DUE TO CUSTOMERS ON CONSTRUCTION CONTRACTS

	2020 AED'000	*2019 AED'000*
Contracts in progress at end of the reporting year		
Amount due to contract customers included in trade and other payables (note 19)	**191,873**	209,566
Contract cost incurred plus recognised profits less recognised losses to date	**843,335**	828,520
Less: Progress billings	**(1,035,208)**	(1,038,086)
	191,873	209,566

20 REVENUE FROM CONTRACTS WITH CUSTOMERS

20.1 REVENUE BY PROJECT TYPE

	2020 UAE AED'000	***2020 International AED'000***	***2020 Group AED'000***
Energy	**1,561,027**	**-**	**1,561,027**
Environment	**46,787**	**216,315**	**263,102**
Seaborne trade	**949,631**	**255,532**	**1,205,163**
Tourism	**52,734**	**60,093**	**112,827**
Urban development	**254,994**	**91,422**	**346,416**
Other	**274,226**	**13,471**	**287,697**
Total	**3,139,399**	**636,833**	**3,776,232**

	2019 UAE AED'000	*2019 International AED'000*	*2019 Group AED'000*
Energy	741,125	-	741,125
Environment	48,219	197,629	245,848
Seaborne trade	926,028	94,223	1,020,251
Tourism	54,835	314,636	369,471
Urban development	306,918	-	306,918
Other	127,120	-	127,120
Total	2,204,245	606,488	2,810,733

20.2 REVENUE BY ACTIVITY

	2020 UAE AED'000	***2020 International AED'000***	***2020 Group AED'000***
Dredging and reclamation	**1,187,207**	**483,607**	**1,670,814**
Marine construction	**1,348,507**	**48,074**	**1,396,581**
Other	**603,685**	**105,152**	**708,837**
Total	**3,139,399**	**636,833**	**3,776,232**

	2019 UAE AED'000	*2019 International AED'000*	*2019 Group AED'000*
Dredging and reclamation	1,228,619	287,893	1,516,512
Marine construction	497,333	318,595	815,928
Other	478,293	-	478,293
Total	2,204,245	606,488	2,810,733

20 REVENUE FROM CONTRACTS WITH CUSTOMERS continued

20.3 TIMING OF REVENUE RECOGNITION

	2020 ***AED'000***	*2019* *AED'000*
Services transferred at a point in time	-	-
Services transferred over time	**3,776,232**	2,810,733
Total revenue from contracts with customers	**3,776,232**	2,810,733

20.4 OTHER INFORMATION

The following table provides information relating to the Group's major customers who individually contribute more than 10% of Group revenue:

	Dredging & Reclamation AED'000	*Marine Construction AED'000*	*Other AED'000*	*Total AED'000*
Year ended 31 December 2020				
Customer 1	**561,970**	**671,241**	**327,816**	**1,561,027**
Customer 2	**342,605**	**226,501**	**13,472**	**582,578**
Customer 3	**190,345**	**381,700**	**-**	**572,045**
	1,094,920	**1,279,442**	**341,288**	**2,715,650**
Year ended 31 December 2019				
Customer 1	630,643	225,017	-	855,660
Customer 2	377,974	29,645	333,506	741,125
Customer 3	-	312,812	-	312,812
	1,008,617	567,474	333,506	1,909,597

21 CONTRACT COSTS

	2020 ***AED'000***	*2019* *AED'000*
Direct project costs	**2,694,724**	2,012,382
Cost of operating dredgers, support craft and boosters	**421,496**	379,890
Cost of workshop and stores	**35,468**	33,666
Other operating costs	**117,218**	110,923
	3,268,906	2,536,861

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2020	*2019*
	AED'000	*AED'000*
Salaries and other benefits	**52,224**	53,508
Board remuneration and employee bonus	**38,037**	52,020
Depreciation	**5,760**	5,107
Others	**35,613**	26,622
	131,634	137,257

Included in other expenses is AED 10,340 thousand (2019: AED 2,672 thousand) towards social contributions made during the year.

23 FINANCE COSTS AND FINANCE INCOME

Finance costs
Finance costs mainly include bank interest on overdraft facilities and other bank transaction charges. Overdraft facilities carry interest at prevailing market rates.

	2020	*2019*
	AED'000	*AED'000*
Interest charges	**14,091**	21,869
Unwinding of discount on finance lease *(note 3)*	**403**	447
	14,494	22,316

Finance income
Finance income comprises income from short term deposits, which carry interest at variable market rates plus a spread.

24 OTHER INCOME

	2020	*2019*
	AED'000	*AED'000*
Gain on disposal of property, plant and equipment	**212**	5,659
Dividend income	**1,412**	2,674
Insurance claims	**2,524**	1,357
Miscellaneous income	**4,758**	5,630
	8,906	15,320

25 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares outstanding at the end of the reporting year was 250,000,000 shares (2019: 250,000,000 shares). There are no potentially dilutive instruments therefore the basic and diluted earnings per share are the same.

26 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Government of Abu Dhabi, joint ventures, Directors and key management personnel, management entities engaged by the Group and those enterprises over which the Government of Abu Dhabi, Directors, the Group or its affiliates can exercise significant influence, or which can exercise significant influence over the Group. In the ordinary course of business, the Group provides services to, and receives services from, such enterprises on terms agreed by management. The Group derives a significant portion of its UAE revenue from the Government of Abu Dhabi, its departments and related entities.

Balances with related parties included in the consolidated statement of financial position are as follows:

	2020	*2019*
	AED'000	*AED'000*
Balances with Government of Abu Dhabi and related entities:		
Trade and other receivables	**2,886,540**	2,759,743
Balance with shareholders (excluding Government of Abu Dhabi and related entities):		
Trade and other receivables	**-**	1,626
Trade and other payables	**1,000**	1,000
Due from joint venture for project related work:		
Trade and other receivables	**637,662**	459,849

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	2020	*2019*
	AED'000	*AED'000*
Government of Abu Dhabi and related entities		
Revenue earned during the year	**2,838,495**	2,388,726
Joint venture		
Revenue earned during the year	**471,588**	291,680

Transactions with key management personnel
Compensation of key management personnel is as follows:

	2020	*2019*
	AED'000	*AED'000*
Salaries and other short-term benefits	**6,367**	6,377
Employees' end of service benefits	**492**	492
	6,859	6,869

Directors' remuneration
At the annual general meeting held on 21 June 2020, the shareholders approved a dividend of AED 0.25 per share for a total amounting to AED 62.5 million (2019: AED 62.5 million) and remuneration of the Board of Directors amounting to AED 11 million (2019: AED 11 million), relating to the year ended 31 December 2019.

26 RELATED PARTY TRANSACTIONS AND BALANCES continued

Other related party transactions
Abu Dhabi Municipality (the "Municipality") had granted the Company the right to use the land at the Company's base facilities in Musaffah free of charge. Subsequently, starting 2005 the Municipality charges an amount of AED 240 thousand per annum for the use of this land. The charge had been revised to AED 1,952 thousand per annum during 2020 renewable on a yearly basis.

27 CONTINGENCIES AND COMMITMENTS

	2020	*2019*
	AED'000	*AED'000*
Bank guarantees	**1,630,479**	1,772,166
Letters of credit	**157,701**	361,294
Capital commitments	**11,244**	196,201

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

Capital commitments comprise mainly of capital expenditure which has been contractually agreed with suppliers for future periods for new build vessels or the refurbishment of existing vessels.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk, equity risk and credit risk. The Group's management reviews and agrees policies for managing each of these risks which are summarised below.

Credit risk
The Group seeks to limit its credit risk with respect to customers by dealing with good reputation and financially sound customers and monitoring outstanding receivables. Its 5 largest customers account for 88% (2019: 93%) of outstanding accounts receivable at 31 December 2020. The maximum exposure is the carrying amount as disclosed in note 12 to the consolidated financial statements.

With respect to credit risk arising from the other financial assets of the Group, including cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group manages its credit risk with respect to banks by only dealing with reputable banks.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Liquidity risk
The Group seeks to limit its liquidity risk by ensuring bank facilities are available. As at 31 December 2020, the Group has AED 707,363 thousand (2019: AED 104,623 thousand) of utilised credit facilities from banks which is a revolving facility.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates:

	On demand AED '000	*Less than 3 months AED '000*	*3 to 12 months AED '000*	*1 to 5 years AED '000*	*> 5 years AED '000*	*Total AED '000*
At 31 December 2020						
Trade payables	-	2,183,321	-	-	-	2,183,321
Bank overdrafts	707,363	-	-	-	-	707,363
Short term borrowing	-	52,327	52,327			104,654
Term loan	-	-	-	118,618	148,272	266,890
Total	**707,363**	**2,235,648**	**52,327**	**118,618**	**148,272**	**3,262,228**
At 31 December 2019						
Trade payables	-	906,621	-	-	-	906,621
Bank overdrafts	104,623	-	-	-	-	104,623
Short term borrowing	-	25,000	66,667	-	-	91,667
Trade payables	-	1,075	16,615	147,972	-	165,662
Total	104,623	932,696	83,282	147,972	-	1,268,573

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include bank deposits and equity investments.

Interest rate risk
The Group is mainly exposed to interest rate risk on bank overdrafts, short term borrowing and long term loan.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit for one year.

There is no impact on the Group's equity.

	Effect on profit AED '000
2020	
+100 increase in basis points	(10,789)
-100 decrease in basis points	10,789
2019	
+100 increase in basis points	(2,566)
-100 decrease in basis points	2,566

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Foreign currency risk
Foreign currency risk is the risk that financial instrument will fluctuate due to change in foreign exchange rates. Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Management believes that there is a minimal risk of significant loss due to exchange rate fluctuations and consequently the Group does not hedge its foreign currency exposure.

	2020		*2019*	
	Liabilities AED'000	***Assets AED'000***	*Liabilities AED'000*	*Assets AED'000*
Egyptian Pound (EGP)	**152,632**	**671,162**	68,099	435,232
Bahraini Dinar (BHD)	**7,625**	**94,988**	53,791	2,001
Euro	**320**	**319,319**	-	38
Saudi Riyal (SAR)	**168,145**	**179,437**	141,866	137,591
Indian Rupees (INR)	**3,890**	**60,184**	3,968	61,318
Others	**-**	**642**	-	-
	332,612	**1,325,732**	267,724	636,180

The Group's major transactions in foreign currencies are in Egyptian Pound (EGP), Bahraini Dinar (BHD), Euro and Indian Rupees (INR).

Equity price risk
The Group's listed equity securities are susceptible to market price arising from uncertainties about future values of the investment securities. The Group manages equity price risk through diversification and placing limits on individual and total equity investments. The Group's management reviews and approves all investment decisions.

The following demonstrates the senisitivity of the cumulative changes in fair value to reasonably possible fair value changes in equity prices, with all variables held constant. The effect of the decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

Investments carried at fair value through profit or loss	
2020	
5% change in variables	**1,389**
2019	
5% change in variables	1,355
Investments carried at fair value through other comprehensive income	
2020	
5% change in variables	**-**
2019	
5% change in variables	1,583

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Capital management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019. Capital comprises share capital, share premium, reserves, retained earnings, and proposed dividend and is measured at AED 3,829,070 thousand as at 31 December 2020 (2019: AED 3,542,901 thousand).

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurement recognized in the consolidated statement of financial position
The fair values of the Group's financial assets and liabilities as at 31 December 2020 are not materially different from their carrying values at the reporting date.

The following table provides the fair value measurement hierarchy of the Group's financial assets which are measured at fair value as at 31 December 2020 and 31 December 2019:

		Fair value measurement		
	Total AED'000	*Quoted prices in Active markets (Level 1) AED'000*	*Significant observable inputs (Level 2) AED'000*	*Significant unobservable inputs (Level 3) AED'000*
As at 31 December 2020				
Financial assets at fair value through profit or loss (FVTPL)	**27,782**	**27,782**	**-**	**-**
As at 31 December 2019				
Financial assets at fair value through other comprehensive income (FVTOCI)	31,669	31,669	-	-
Financial assets at fair value through profit or loss (FVTPL)	27,097	26,154	-	943

30 SEGMENT INFORMATION

Geographical segment information
The Group has aggregated its geographical segments into UAE and International. UAE segment includes projects in the UAE, while International segment includes operations in Egypt, Bahrain, India, Maldives and East Africa.

The following table shows the Group's geographical segment analysis:

		31 December 2020	
	UAE	***International***	***Group***
	AED'000	***AED'000***	***AED'000***
Segment revenue	**3,453,607**	**636,833**	**4,090,440**
Intersegment revenue			**(314,208)**
Revenue			**3,776,232**
Segment gross profit	**243,803**	**263,523**	**507,326**
Share of profit of a joint venture			**2,987**
General and administrative expenses			**(131,634)**
Foreign currency exchange loss			**(21,676)**
Fair value gain on financial assets at fair value through profit or loss			**685**
Finance costs – net			**(1,623)**
Other income – net			**8,906**
Profit before tax for the period			**364,971**
Income tax expense on foreign operations			**(13,215)**
Profit after tax			**351,756**
Total assets	**5,740,599**	**1,490,764**	**7,231,363**
Total liabilities	**1,936,118**	**1,466,175**	**3,402,293**

		31 December 2019	
	UAE	*International*	*Group*
	AED'000	*AED'000*	*AED'000*
Segment revenue	2,968,733	426,743	3,395,476
Intersegment revenue	-	-	(584,743)
Revenue			2,810,733
Segment gross profit	219,044	54,828	273,872
Share of profit of a joint venture	-	-	1,245
General and administrative expenses	-	-	(137,257)
Foreign currency exchange gain	-	-	36,845
Fair value gain on financial assets at fair value through profit or loss	-	-	1,097
Finance income - net	-	-	51
Other income - net	-	-	15,320
Profit before tax for the period	-	-	191,173
Income tax expense on foreign operations	-	-	(10,329)
Profit after tax			180,844
Total assets	4,576,832	1,189,873	5,766,705
Total liabilities	1,209,495	1,014,309	2,223,804

31 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 28 February 2021.