

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

**Financial statements**

**31 December 2011**

**Registered address:**  
P O Box 3649  
Abu Dhabi  
United Arab Emirates

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

**Financial statements**

<i>Contents</i>	<i>Page</i>
Independent auditors' report	1 - 2
Statement of comprehensive income	3
Statement of financial position	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7 - 31
Directors' report	
Chairman's statement	



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## **Independent auditors' report**

The Shareholders  
National Marine Dredging Company  
(Public Shareholding Company)  
Abu Dhabi  
UAE

### **Report on the financial statements**

We have audited the accompanying financial statements of National Marine Dredging Company (Public Shareholding Company) ("the Company"), which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the relevant Articles of Association of the Company and the UAE Federal Law No. 8 of 1984 (as amended) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply, where appropriate with the relevant Articles of Association of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

## **Report on other legal and regulatory requirements**

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all the information and explanations necessary for our audit, that proper financial records have been kept by the Company, that a physical count of inventories was carried out by the management in accordance with established principles, and that the content of the Directors' report and the Chairman's statement which relate to these financial statements are in agreement with the Company's financial records. We are not aware of any violation of the above mentioned Law or the Articles of Association having occurred during the year, which may have had a material adverse effect on the business of the Company or on its financial position.

18 March 2012

KPMG  
Sharad Bhandari  
Registration No.267

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

Statement of comprehensive income  
for the year ended 31 December

	<i>Note</i>	<b>2011</b> <b>AED'000</b>	2010 AED'000
Contract revenue		<b>2,671,904</b>	1,835,249
Contract costs	6	<b>(2,127,097)</b>	(1,357,887)
<b>Gross profit</b>		<b>544,807</b>	477,362
Other income	7	<b>9,862</b>	13,597
Administrative expenses	8	<b>(69,567)</b>	(44,605)
Provision for impairment of receivables	27	<b>(15,493)</b>	(13,500)
<b>Results from operating activities</b>		<b>469,609</b>	432,854
Net finance income	9	<b>1,986</b>	19,039
<b>Profit for the year</b>		<b>471,595</b>	451,893
<b>Other comprehensive income</b>			
Effective portion of changes in fair value of cash flow hedges	20	-	(3,212)
Fair value loss on available for sale financial assets	14, 25	<b>(299)</b>	(2,082)
<b>Total comprehensive income for the year</b>		<b>471,296</b>	446,599
<b>Earnings per share</b>			
Basic and diluted earnings per share (AED)	10	<b>2.17</b>	2.12

The notes set out on pages 7 to 31 form an integral part of these financial statements.


The independent auditors' report is set out on pages 1 and 2.

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

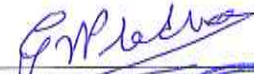
Statement of financial position  
as at 31 December

	Note	2011 AED'000	2010 AED'000
<b>Non-current assets</b>			
Property, plant and equipment	11	1,141,774	1,033,541
<b>Current assets</b>			
Inventories	12	221,249	202,306
Trade and other receivables	13	2,474,719	1,453,383
Available for sale financial assets	14	8,174	8,473
Financial assets at fair value through profit or loss	15	20,389	22,834
Cash and cash equivalents	16	83,516	573,887
<b>Total current assets</b>		<b>2,808,047</b>	<b>2,260,883</b>
<b>Current liabilities</b>			
Advances from customers ( <i>current portion</i> )	17	215,402	127,388
Trade and other payables	18	783,790	532,588
Provision for employees' end of service benefits	19	79,682	75,860
Derivatives used for hedging	20	-	3,212
Dividends payable	21	22,819	22,093
<b>Total current liabilities</b>		<b>1,101,693</b>	<b>761,141</b>
<b>Net current assets</b>		<b>1,706,354</b>	<b>1,499,742</b>
<b>Non-current liabilities</b>			
Advance from customers ( <i>non-current portion</i> )	17	-	138,000
<b>Net assets</b>		<b>2,848,128</b>	<b>2,395,283</b>
<b>Represented by:</b>			
Share capital	23	227,849	216,773
Share premium	24	190,205	114,558
Reserves	25	734,792	726,341
Proposed dividend	26	113,924	108,386
Retained earnings		1,581,358	1,229,225
<b>Total equity</b>		<b>2,848,128</b>	<b>2,395,283</b>

These financial statements were approved and authorised for issue by the Board of Directors on 22 FEB 2012 and signed on their behalf by:

  
Mohammad Thani Murshid  
Al Rumaithi  
Chairman

  
Yasser Nasr Zaghoul  
Chief Executive Officer

  
Gautam V. Pradhan  
Chief Financial Officer



The notes set out on pages 7 to 31 form an integral part of these financial statements.

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# National Marine Dredging Company

(Public Shareholding Company)

## Statement of changes in equity for the year ended 31 December

	Share capital AED'000 (note 23)	Share premium AED'000 (note 24)	Reserves AED'000 (note 25)	Proposed dividend AED'000 (note 26)	Retained earnings AED'000	Total AED'000
At 1 January 2010	200,000	-	723,249	100,000	902,490	1,925,739
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	451,893	451,893
Transfer to legal reserve	-	-	8,386	-	(8,386)	-
<b>Other comprehensive loss</b>						
Change in fair value of available for sale financial assets	-	-	(2,082)	-	-	(2,082)
Effective portion of changes in fair value of cash flow hedge	-	-	(3,212)	-	-	(3,212)
<i>Transactions with owners, recorded directly in equity</i>						
<b>Contributions by and distributions to owners</b>						
Issue of shares	16,773	114,558	-	-	-	131,331
Proposed dividend for 2009	-	-	-	8,386	(8,386)	-
Dividends	-	-	-	(108,386)	-	(108,386)
Proposed dividend for 2010	-	-	-	108,386	(108,386)	-
<b>At 31 December 2010</b>	<b>216,773</b>	<b>114,558</b>	<b>726,341</b>	<b>108,386</b>	<b>1,229,225</b>	<b>2,395,283</b>
At 1 January 2011	216,773	114,558	726,341	108,386	1,229,225	2,395,283
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	471,595	471,595
Transfer to legal reserve	-	-	5,538	-	(5,538)	-
<b>Other comprehensive loss</b>						
Change in fair value of available for sale financial assets	-	-	(299)	-	-	(299)
Effective portion of changes in fair value of cash flow hedge	-	-	3,212	-	-	3,212
<i>Transactions with owners, recorded directly in equity</i>						
<b>Contributions by and distributions to owners</b>						
Issue of shares	11,076	75,647	-	-	-	86,723
Dividends	-	-	-	(108,386)	-	(108,386)
Proposed dividend for 2011	-	-	-	113,924	(113,924)	-
<b>At 31 December 2011</b>	<b>227,849</b>	<b>190,205</b>	<b>734,792</b>	<b>113,924</b>	<b>1,581,358</b>	<b>2,848,128</b>

The notes set out on pages 7 to 31 form an integral part of these financial statements.

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

Statement of cash flows  
for the year ended 31 December

	Note	2011 AED'000	2010 AED'000
<b>Cash flows from operating activities:</b>			
Profit for the year		471,595	451,893
<i>Adjustments for:</i>			
Depreciation	11	219,191	172,561
Interest income	9	(4,120)	(20,860)
Gain on disposal of property, plant and equipment	7	(8,171)	(5,577)
Fair value loss on financial assets at fair value through profit or loss	9	2,445	1,839
Dividend income	9	(311)	(18)
Provision for employees' end of service benefits	19	11,099	12,819
		<u>691,728</u>	<u>612,657</u>
Employees' end of service benefits paid	19	(7,277)	(1,874)
		<u>684,451</u>	<u>610,783</u>
Change in inventories	12	(18,943)	(37,912)
Change in trade and other receivables	13	(1,021,336)	(700,039)
Change in advance from customers	17	(49,986)	15,986
Change in trade and other payables	18	251,202	254,935
		<u>(154,612)</u>	<u>143,753</u>
<b>Net cash (used in) / from operating activities</b>			
<b>Cash flows from investing activities:</b>			
Acquisition of property, plant and equipment	11	(330,141)	(312,107)
Proceeds from disposal of property, plant and equipment		10,888	6,139
Interest received	9	4,120	20,860
Dividend received	9	311	18
		<u>(314,822)</u>	<u>(285,090)</u>
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		86,723	-
Dividend paid	21	(107,660)	(105,615)
		<u>(20,937)</u>	<u>(105,615)</u>
<b>Net cash used in financing activities</b>			
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January	16	573,887	820,839
		<u>83,516</u>	<u>573,887</u>
<b>Cash and cash equivalents at 31 December</b>			

The notes set out on pages 7 to 31 form an integral part of these financial statements.

The independent auditors' report is set out on pages 1 and 2.



# **National Marine Dredging Company**

## **(Public Shareholding Company)**

### Notes to the financial statements

#### **1 Legal status and principal activities**

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

During the year, the Company withdrew its plans for the formation of a separate entity with Six Construct Company Limited – UAE (“SixCo”) to undertake the execution of shore protection, breakwaters and quay wall works for Zakum Project and instead carry out the necessary works for the execution of Zakum Project internally.

#### **2 Basis of preparation**

##### **(a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and comply where appropriate, with the Articles of Association of the Company and the requirements of the UAE Federal Law No. 8 of 1984 (as amended).

##### **(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis, except for financial instruments at fair value through profit or loss, available for sale financial assets and derivative financial instruments that are measured at fair value.

##### **(c) Functional and presentation currency**

These financial statements are presented in UAE Dirhams (“AED”), which is the Company’s functional and reporting currency. All financial information presented in AED is rounded to the nearest thousand, unless otherwise stated.

##### **(d) Use of estimates and judgements**

The preparation of financial statements in conformity with the IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are discussed in note 29 to the financial statements.

# **National Marine Dredging Company**

## **(Public Shareholding Company)**

### Notes to the financial statements

#### **3 Significant accounting policies**

##### **(a) Contract revenue**

Contract revenue comprises revenue from execution of contracts relating to dredging activities and associated land reclamation works in the UAE. 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. Variation claims not agreed with customers are not recognised until such time as they have been accepted.

As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in 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.

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.

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.

##### **(b) 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 translated 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 profit or loss, except for the exchange differences arising on the retranslation of available for sale equity instruments and qualifying cash flow hedges to the extent the hedge is effective, which are recognised in other comprehensive income.

##### **(c) Finance income**

Finance income comprises interest income on funds invested, dividend income and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

# National Marine Dredging Company

## (Public Shareholding Company)

### Notes to the financial statements

#### 3 Significant accounting policies *(continued)*

##### *(d) Property, plant and equipment*

###### *Recognition and measurement*

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets include the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, capitalized borrowing costs and when the Company has obligation, the costs of dismantling and removing the items and restoring the site on which they are located. 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 of property, plant and equipment.

Any Gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of that item and is recognised net within "other income" in profit or loss.

###### *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 Company 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 profit or loss as incurred.

###### *Depreciation*

Depreciation is recognised in 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:

	<i>Years</i>
Building and base facilities	25
Dredgers	4 - 20
Support vessels, boosters and pipelines	1 -10
Plant, machinery and motor vehicles	2 - 7
Office equipment and furniture	3 - 5

Depreciation methods, useful lives and residual values, are reviewed at each reporting date and adjusted if appropriate.

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.

# National Marine Dredging Company

## (Public Shareholding Company)

### Notes to the financial statements

#### 3 Significant accounting policies (continued)

##### (d) Property, plant and equipment (continued)

###### *Capital work in progress*

The Company 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.

##### (e) 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.

##### (f) Financial instruments

###### (i) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency risk on payments to be made to certain suppliers in Euro. The Company applies hedge accounting on its derivative financial instruments. On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below:

###### *Cash flow hedges*

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

# National Marine Dredging Company

## (Public Shareholding Company)

### Notes to the financial statements

#### 3 Significant accounting policies (continued)

##### (f) Financial instruments (continued)

##### (i) Derivative financial instruments (continued)

###### *Cash flow hedges (continued)*

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised.

If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss.

##### (ii) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, available for sale financial assets, financial assets at fair value through profit or loss, cash and cash equivalents, trade and other payables, employees' end of service benefits and dividend payable.

###### *Non-derivative financial assets*

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are categorised as financial assets at fair value through profit or loss, loans and receivables and available for sale.

###### *Financial assets at fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred.

# National Marine Dredging Company

(Public Shareholding Company)

## Notes to the financial statements

### 3 Significant accounting policies (continued)

#### (f) Financial instruments (continued)

#### (ii) Non-derivative financial instruments (continued)

##### *Non-derivative financial assets (continued)*

##### *Financial assets at fair value through profit or loss (continued)*

Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes in to account any dividend income, are recognised in profit or loss.

Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

##### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

##### *Unbilled receivables*

Unbilled receivables, included in trade and other 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.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise balance in hand and at banks and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

##### *Available for sale financial assets*

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that are not classified in any of the previous categories. The Company's investments in equity securities are classified as available for sale financial assets. Available for sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

##### *Non-derivative financial liabilities*

The Company classifies non-derivative financial liabilities into the other financial liabilities category. All other financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

# National Marine Dredging Company

## (Public Shareholding Company)

### Notes to the financial statements

#### 3 Significant accounting policies (continued)

##### (f) Financial instruments (continued)

##### (ii) Non-derivative financial instruments (continued)

###### *Non-derivative financial liabilities (continued)*

Other financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

##### (g) Impairment

###### *Financial assets*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have occurred after the initial recognition of the asset, and that loss had a negative effect on the estimated future cash flows of that asset.

The Company considers evidence of impairment at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

# National Marine Dredging Company

## (Public Shareholding Company)

### Notes to the financial statements

#### 3 Significant accounting policies (continued)

##### (g) Impairment (continued)

###### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, excluding inventory, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset or cash generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### (h) Provision for staff terminal benefits

Provision for staff terminal benefits is made in accordance to the UAE Federal Labour Law and is determined as the liability that would arise if the employment of all staff were to be terminated at the reporting date.

An actuarial valuation is not considered necessary by management in respect of staff terminal and other benefits as the net impact of the discount rate and future salary and benefits level on the present value of the benefits obligation is not expected to be significant.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (2), 2000 for Pension and Social Security. Such contributions are charged to the profit or loss during the employees' period of service.

##### (i) Dividend expense

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



# **National Marine Dredging Company**

## **(Public Shareholding Company)**

### Notes to the financial statements

#### **3 Significant accounting policies (continued)**

##### **(j) Provisions**

A provision is recognised if, as a result of a past event, the Company 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.

##### **(k) New standards and interpretations not adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for IFRS 9 Financial Instruments, which becomes mandatory for the Company's 2013 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early.

#### **4 Determination of fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the methods disclosed in note 27.

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

##### **Overview**

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

##### **(i) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

# **National Marine Dredging Company**

## **(Public Shareholding Company)**

### Notes to the financial statements

#### **5 Financial risk management (continued)**

##### **(i) Credit risk**

###### *Trade and other receivables*

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. During 2011, approximately 90% (2010: 87%) of the Company's revenue was attributable to sales transactions with Government of Abu Dhabi, a major shareholder of the Company (refer note 22).

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is specific loss component that relates to individually significant exposures.

###### *Investments*

The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a good credit rating. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

###### *Cash and cash equivalents*

The Company held cash and cash equivalents of AED 83,366 thousand at 31 December 2011 (2010: AED 573,807 thousand), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the reputable banks.

##### **(ii) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

##### **(iii) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

###### *Currency risk*

Currency risk is limited as the Company's transactions are principally denominated in AED and USD. The stability of the rate of exchange of the AED to the US Dollar has been maintained since November 1980.

###### *Interest rate risk*

Interest rate risk is the risk that arises from timing difference in the maturity and re-pricing of Company's interest bearing assets and liabilities. The Company receives the interest on short term deposits at the prevailing market rates. The Company does not have any interest bearing liabilities.

# National Marine Dredging Company

## (Public Shareholding Company)

### Notes to the financial statements

#### 5 Financial risk management (continued)

##### (iii) Market risk (continued)

###### Other market price risk

Equity price risk arises from available for sale equity securities. Management of the Company monitors the equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

The primary goal of the Company's investment strategy is to maximise investment returns. In accordance with this strategy certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

##### (iv) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary Shareholders. Other than certain requirements of the UAE Federal Law No. 8 of 1984, (as amended), which the Company is compliant with, the Company is not subject to externally imposed capital requirements.

#### 6 Contract costs

	2011 AED'000	2010 AED'000
Cost of operation of dredgers, support craft and boosters	384,404	348,771
Direct project costs	1,559,850	927,654
Cost of floating and reclamation areas	153,089	67,703
Cost of consumable stores	3,689	3,021
Other direct operating costs	26,065	10,738
	<u>2,127,097</u>	<u>1,357,887</u>

#### 7 Other income

	2011 AED'000	2010 AED'000
Gain on disposal of property, plant and equipment	8,171	5,577
Miscellaneous income	1,691	8,020
	<u>9,862</u>	<u>13,597</u>

# National Marine Dredging Company

## (Public Shareholding Company)

### Notes to the financial statements

#### 8 Administrative expenses

	2011 AED'000	2010 AED'000
Staff costs	52,206	39,625
Depreciation	1,800	1,715
Others	15,561	3,265
	<u>69,567</u>	<u>44,605</u>

#### 9 Net finance income

	2011 AED'000	2010 AED'000
Change in fair value loss on financial assets at fair value through profit or loss (note 15)	(2,445)	(1,839)
Interest income	4,120	20,860
Dividend income	311	18
	<u>1,986</u>	<u>19,039</u>

#### 10 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the period. The weighted average number of ordinary shares outstanding at 31 December 2011 was 217,045,854 shares (2010: 212,774,864) (also refer to note 24). There are no potentially dilutive instruments therefore the basic and diluted earnings per share are the same.

#### 11 Property, plant and equipment

Details of property, plant and equipment are set out in Schedule I on page 31. Depreciation charge amounting to AED 217,391 thousand is allocated to contract costs (2010: AED 170,846 thousand) (refer note 7) and AED 1,800 thousand is allocated to administrative expenses (2010: AED 1,715 thousand) (refer note 8).

#### 12 Inventories

	2011 AED'000	2010 AED'000
Spare parts and consumable stores	240,933	221,598
Less: Provision for slow moving and obsolete inventories	(22,974)	(22,974)
	<u>217,959</u>	<u>198,624</u>
Goods in transit	3,290	3,682
	<u>221,249</u>	<u>202,306</u>

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

Notes to the financial statements

**13 Trade and other receivables**

	2011 AED'000	2010 AED'000
Trade receivables	803,995	547,572
Less: provision for impairment	(46,817)	(32,060)
	<u>757,178</u>	<u>515,512</u>
Unbilled receivables (net of provisions)	1,560,171	842,412
Deposits and prepayments	57,847	27,432
Other receivables	99,523	68,027
	<u><u>2,474,719</u></u>	<u><u>1,453,383</u></u>

83% (2010: 52%) of the net trade receivables balance above, amounting to AED 671,064 thousand (2010: AED 287,108 thousand) is receivable from the Government of Abu Dhabi, its departments and other related parties (refer to note 22).

**14 Available for sale financial assets**

	2011 AED'000	2010 AED'000
At 1 January	8,473	10,555
Change in fair value (note 25)	(299)	(2,082)
<b>At 31 December</b>	<u><u>8,174</u></u>	<u><u>8,473</u></u>

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

**15 Financial assets at fair value through profit or loss**

	2011 AED'000	2010 AED'000
At 1 January	22,834	24,673
Change in fair value (note 9)	(2,445)	(1,839)
<b>At 31 December</b>	<u><u>20,389</u></u>	<u><u>22,834</u></u>

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

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

Notes to the financial statements

**16 Cash and cash equivalents**

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

	<b>2011</b> <b>AED'000</b>	2010 AED'000
Cash in hand	<b>150</b>	80
Cash at banks		
- Current accounts	<b>83,366</b>	93,807
- Short term deposits*	<b>-</b>	480,000
	<u><b>83,516</b></u>	<u>573,887</u>

\*Deposit accounts have an original maturity of less than 3 months and earn interest at prevailing market rates.

**17 Advances from customers**

Advances from customers represent advances received in respect of dredging contracts from following projects:

	<b>2011</b> <b>AED'000</b>	2010 AED'000
<i>Non-current</i>		
Zakum project	<b>-</b>	138,000
<i>Current</i>		
Zakum project	<b>181,107</b>	88,316
Gasco	<b>32,115</b>	36,892
Al Garnayn Island	<b>2,180</b>	2,180
	<u><b>215,402</b></u>	<u>127,388</u>

**18 Trade and other payables**

	<b>2011</b> <b>AED'000</b>	2010 AED'000
Trade payables	<b>320,437</b>	90,003
Accrued liabilities	<b>423,163</b>	428,377
Retentions payable	<b>37,314</b>	12,503
Other payables	<b>2,876</b>	1,705
	<u><b>783,790</b></u>	<u>532,588</u>

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

Notes to the financial statements

**19 Provision for employees' end of service benefits**

Movements in the provision are set out below:

	<b>2011</b>	2010
	<b>AED'000</b>	AED'000
At 1 January	75,860	64,915
Charge for the year	11,099	12,819
Payments during the year	(7,277)	(1,874)
<b>At 31 December</b>	<b>79,682</b>	<b>75,860</b>

**20 Derivatives used for hedging**

The Company uses forward exchange contracts as part of its currency risk management. Details of such contracts outstanding as at 31 December 2011 are set out below:

	<b>31 December 2011</b>		31 December 2010	
	<b>Notional amount</b>	<b>Fair value</b>	Notional amount	Fair value
	<b>AED'000</b>	<b>AED'000</b>	AED'000	AED'000
Forward exchange contract	-	-	18,000	3,212

**21 Dividend payable**

Dividends payable represents amounts not claimed by shareholders for previous years.

	<b>2011</b>	2010
	<b>AED'000</b>	AED'000
At 1 January	22,093	19,322
Additions during the year (note 26)	108,386	108,386
Payments during the year	(107,660)	(105,615)
<b>At 31 December</b>	<b>22,819</b>	<b>22,093</b>

**22 Related party transactions and balances**

*Identity of related parties*

Related parties comprise the Government of Abu Dhabi, Directors, key management personnel and those enterprises over which the Government of Abu Dhabi, Directors, the Company or its affiliates can exercise significant influence or which can exercise significant influence over the Company. In the ordinary course of business the Company provides services to, and receives services from, such enterprises on terms agreed by management.

# National Marine Dredging Company

(Public Shareholding Company)

## Notes to the financial statements

### 22 Related party transactions and balances *(continued)*

#### *Transactions with key management personnel*

Compensation of key management personnel is as follows:

	2011 AED'000	2010 AED'000
Salaries and other short-term employee benefits	6,889	3,571
Employees' end of service benefits	348	444
	<u>7,237</u>	<u>4,015</u>

#### *Director's fee*

For the year ended 31 December 2011, an amount of AED 14,300 thousand (2010: AED 11,000 thousand) has been recommended by the Chairman based on the authority assigned to him by the Board of Directors at a meeting held on 22 February 2012.

#### *Other related party transactions*

The 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, with effect from the year 2005 the Municipality charges an amount of AED 240 thousand per annum for the use of this land.

The Company's revenue includes an amount of AED 2,416,210 thousand (2010: AED 1,597,384 thousand) earned from the Government of Abu Dhabi and its departments (refer to note 13).

The balances receivable from such parties are disclosed in note 13.

### 23 Share capital

	2011 AED'000	2010 AED'000
Authorised, issued and fully paid: 227,848,502 (2010: 216,772,753) ordinary shares of AED 1 each (refer note 24)	<u>227,849</u>	<u>216,773</u>

### 24 Share premium

On 4 February 2010, the Company and Tasameem Real Estate LLC ("Tasameem") entered into an agreement according to which the Company is to issue 50,000,000 convertible bonds to Tasameem to be converted into equity shares of the Company at AED 7.83 per share over a period of four years. The issue and the conversion of these bonds is to take place as per the schedule stated in the agreement and set out below.

On 22 December 2011 the Company issued 11,076 thousand (2010: 16,773 thousand) convertible bonds to Tasameem, for a consideration of AED 86,723 thousand (2010: AED 131,331 thousand). These bonds were converted to 11,076 thousand (2010: 16,773 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 11,076 thousand.



## National Marine Dredging Company (Public Shareholding Company)

### Notes to the financial statements

#### 24 Share premium (continued)

The cash consideration from Tasameem for the issue of bonds, amounting to AED 86,723 thousand was received during the year. The excess of the consideration over the face value of the equity shares issued, as set out below, has been recorded as share premium:

	2011 AED'000	2010 AED'000
Par value of shares issued	11,076	16,773
Share premium	75,647	114,558
Total consideration for the issue of bonds	<u>86,723</u>	<u>131,331</u>

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

Issue No.	Issue Date as Per Agreement	Conversion Date	Issue Value * AED	Number of shares to be issued after transfer
1	2 February 2010	15 March 2010	131,330,664	16,772,753
2	30 January 2011	15 March 2011	86,723,112	11,075,749
3	30 January 2012	15 March 2012	86,723,112	11,075,749
4	30 January 2013	15 March 2013	86,723,112	11,075,749

\*The consideration for issue of bonds in 2012 and 2013 would be paid in cash by Tasameem.

#### 25 Reserves

	Legal reserve AED'000	Asset replacement reserve AED'000	Regulatory reserve AED'000	Effective portion of change in fair value of cash flow hedges AED'000	Unrealised gain on available for sale financial assets AED'00	Total AED'000
At 1 January 2010	100,000	595,000	20,000	-	8,249	723,249
Transfer to legal reserve	8,386	-	-	-	-	8,386
Effective portion of change in fair value of cash flow hedge	-	-	-	(3,212)	-	(3,212)
Change in fair value of available for sale financial assets (refer note 14)	-	-	-	-	(2,082)	(2,082)
<b>At 31 December 2010</b>	<u>108,386</u>	<u>595,000</u>	<u>20,000</u>	<u>(3,212)</u>	<u>6,167</u>	<u>726,341</u>

# National Marine Dredging Company

## (Public Shareholding Company)

### Notes to the financial statements

#### 25 Reserves (continued)

	Legal reserve AED'000	Asset replacement reserve AED'000	Regulatory reserve AED'000	Effective portion of change in fair value of cash flow hedges AED'000	Unrealised gain on available for sale financial assets AED'00	Total AED'000
At 1 January 2011	108,386	595,000	20,000	(3,212)	6,167	726,341
Transfer to legal reserve	5,538	-	-	-	-	5,538
Effective portion of change in fair value of cash flow hedge	-	-	-	3,212	-	3,212
Change in fair value of available for sale financial assets (refer note 14)	-	-	-	-	(299)	(299)
<b>At 31 December 2011</b>	<b>113,924</b>	<b>595,000</b>	<b>20,000</b>	<b>-</b>	<b>5,868</b>	<b>734,792</b>

#### Legal reserve

In accordance with Article 255 of the UAE Federal Law No.8 of 1984 (as amended), 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.

#### 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.

#### 26 Proposed dividend

The Board of Directors at a meeting held on 22 February, recommended a final dividend per share of AED 0.5 amounting to AED 113,924 thousand for the year ended 31 December 2011 (2010: AED 0.5 amounting to AED 108,836 thousand) for the Company's shareholders. At the Annual General Meeting held on 5 April 2011, the shareholders approved dividend of AED 0.5 per share amounting to AED 108,836 thousand to all the shareholders whose name is included in the register of members as on 5 April 2011.

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

Notes to the financial statements

**27 Financial instruments**

**(a) Credit risk**

*Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount	
		2011 AED'000	2010 AED'000
Trade and other receivables	13	2,416,872	1,425,951
Cash and cash equivalents	16	83,366	573,807

**Receivables ageing**

	Gross 2011 AED'000	Impairment 2011 AED'000	Gross 2010 AED'000	Impairment 2010 AED'000
Not past due	658,060	-	351,910	-
Past due 0-90 days	19,798	-	-	-
Past due 91-180 days	6,560	-	350	-
Past due 181-360 days	42,805	-	35,527	-
More than 1 year	76,772	46,817	159,785	32,060
<b>Total</b>	<b>803,995</b>	<b>46,817</b>	<b>547,572</b>	<b>32,060</b>

Based on historical default rates, the Company believes that no impairment provision is necessary in respect of trade receivables past due but not provided, as the amounts are owed by the Government of Abu Dhabi or other customers that have a good payment record with the Company.

The movement in the provision for impairment in respect of amounts due from customers during current year was as follows:

	2011 AED	2010 AED
At 1 January	32,060	29,525
Provision for impairment	15,493	13,500
Reversals of provision during the year	(736)	(10,965)
<b>At 31 December</b>	<b>46,817</b>	<b>32,060</b>

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

Notes to the financial statements

**27 Financial instruments (continued)**

**(b) Liquidity risk**

The following are the contractual maturities of financial liabilities including estimated interest payments:

**31 December 2011**

	<i>Note</i>	<b>Carrying value AED'000</b>	<b>Contractual cash flows AED'000</b>	<b>1 year or less AED'000</b>
<b>Non-derivative financial liabilities</b>				
Trade and other payables	18	360,627	360,627	360,627
Advance from customers	17	215,402	215,402	215,402
Provision for employees' end of service benefits	19	79,682	79,682	79,682
<b>Derivative financial liabilities</b>				
Forward exchange contract		-	-	-
		<u>655,711</u>	<u>655,711</u>	<u>655,711</u>

**31 December 2010**

	<i>Note</i>	<b>Carrying value AED'000</b>	<b>Contractual cash flows AED'000</b>	<b>1 year or less AED'000</b>
<b>Non-derivative financial liabilities</b>				
Trade and other payables	18	104,211	104,211	104,211
Advance from customers	17	265,388	265,388	265,388
Provision for employees' end of service benefits	19	75,860	75,860	75,860
<b>Derivative financial liabilities</b>				
Forward exchange contract		3,212	3,212	3,212
		<u>448,671</u>	<u>448,671</u>	<u>448,671</u>

**(c) Market risk**

*Exposure to interest rate risk*

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	<i>Note</i>	<b>2011 AED'000</b>	<b>2010 AED'000</b>
Financial asset	16	<u>-</u>	<u>480,000</u>

The Company earns interest on financial assets and liabilities at the prevailing market rates.

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

Notes to the financial statements

**27 Financial instruments (continued)**

**(c) Market risk (continued)**

*Other market price risk*

Investments of the Company comprise equity instruments listed on securities markets in the UAE. Certain of these equity instruments are classified as financial assets at fair value through profit or loss or are designated as such upon initial recognition. The other investments are classified as available for sale investments. The following table demonstrates the sensitivity of the Company's equity and profit or loss to a 5% increase in the price of its equity holdings, assuming all other variables remain constant:

	<b>Effect on profit or loss AED'000</b>	<b>Effect on equity AED'000</b>
<b>31 December 2011</b>		
Effect of change in fair value of available for sale financial assets	-	409
Effect of change in fair value of financial assets at fair value through profit or loss	<u>1,019</u>	<u>-</u>
31 December 2010		
Effect of change in fair value of available for sale financial assets	-	424
Effect of change in fair value of financial assets at fair value through profit or loss	<u>1,142</u>	<u>-</u>

A 5% decrease in the price of its equity holding at reporting date would have had equal but opposite effect assuming all other variables remain constant.

**(d) Fair value hierarchy**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Notes to the financial statements

**27 Financial instruments (continued)**

(d) *Fair value hierarchy (Continued)*

				2011 AED'000
	Level 1	Level 2	Level 3	Total
Available for sale financial assets	8,174	-	-	8,174
Financial assets at fair value through profit or loss	20,389	-	-	20,389
Derivative financial instruments	-	-	-	-
	<u>28,563</u>	<u>-</u>	<u>-</u>	<u>28,563</u>
				2010 AED'000
Available for sale financial assets	8,473	-	-	8,473
Financial assets at fair value through profit or loss	22,834	-	-	22,834
Derivative financial instruments	-	3,212	-	3,212
	<u>31,307</u>	<u>3,212</u>	<u>-</u>	<u>34,519</u>

(e) *Accounting classification and fair values of financial assets and liabilities*

Due to short term nature of the Company's financial assets and financial liabilities, the fair values of the Company's financial instruments are not materially different from their carrying amounts.

**28 Contingencies and commitments**

	2011 AED'000	2010 AED'000
Commitments	<u>164,406</u>	<u>73,608</u>
Guarantees	<u>800,500</u>	<u>881,449</u>
Letters of credit	<u>17,863</u>	<u>50,820</u>

**29 Accounting estimates and judgements**

In the process of applying the Company's accounting policies, which are described in note 3, management has made the following judgements that have the most significant effect on the amounts of assets and liabilities recognised in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

# National Marine Dredging Company

## (Public Shareholding Company)

### Notes to the financial statements

#### 29 Accounting estimates and judgements *(continued)*

##### *Unbilled receivables*

As described in note 3(f) the 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. The Company receives lump sum payments from certain clients in settlement of outstanding invoices and as advance for several ongoing projects. The allocation of proceeds against invoices and unbilled receivables is determined based on management's judgement. Management believes that all unbilled receivables are collectible within twelve months from the reporting date and accordingly the balance is classified under current assets.

##### *Impairment losses on receivables*

The Company reviews its receivables to assess impairment at least on an annual basis. The Company's credit risk is primarily attributable to its trade receivables. In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgements 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.

##### *Depreciation on 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 utilisation of the assets concerned could result in the actual useful lives or residual values differing from the initial estimates. Management has reviewed the residual values and useful lives of the major items of property, plant and equipment and have determined that no adjustment is necessary.

The Company specifically tests annually whether the useful life of dredgers is reasonable. The revision is based on the technical assessment carried by the Company's engineers.

##### *Impairment in respect of available for sale financial assets*

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In assessing whether the decrease in the fair value of available for sale financial assets require impairment losses to be recorded in profit or loss, the Company makes judgement as to whether the decline in fair value is significant or prolonged. The Company estimates, that generally under normal conditions, any decline in fair value in excess of a threshold of 20 percent will be considered as significant.

##### *Provision for slow moving and obsolete items*

The Company tests annually whether the provision for slow moving and obsolete inventories is adequate. If deemed necessary, the provision is revised based on an annual technical study carried out by the Company's engineers and approved by Management.

# **National Marine Dredging Company**

## **(Public Shareholding Company)**

### Notes to the financial statements

#### **29 Accounting estimates and judgements** *(continued)*

##### *Contract revenue*

Revenue from construction contracts is recognised in 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(a) to the financial statements, revenue is recognised in the statement of comprehensive 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 measures 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.

Furthermore, revenue on certain projects (those for which signed contracts are not in place) is recognised by applying minimum recoverable rates expected to the actual quantities dredged or the related works performed. These rates are derived based on the management's best estimates of the amounts expected to be recovered upon final customer approval.

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.

#### **30 Business and geographical segments**

The majority of the Company's revenue is generated from marine dredging contracts and associated works carried out for the Government of Abu Dhabi.

All of the Company's projects are carried out in the territorial waters of the UAE.

#### **31 Subsequent event - acquisition of subsidiary**

On 1 January 2012 the Company completed the acquisition of Emarat Europe Fast Building Technology Factory LLC ("Emarat Europe") by acquiring 100% of the shares and voting rights in the company.

Emarat Europe is primarily engaged in employing fast changing precast technology systems in the manufacturing of pre-stressed and pre-cast concrete products such as hollow core slabs, panels, columns, stairs and other concrete products. Cash consideration to be paid for the acquisition of the subsidiary is included in commitments (*refer note 28*).

#### **32 Comparative figures**

Certain comparative amounts have been reclassified to conform to the current year's presentation.



# National Marine Dredging Company

(Public Shareholding Company)

Notes to the financial statements

Schedule I

## Property, plant and equipment

	Building and base facilities AED'000	Dredgers AED'000	Support vessels, boosters and pipelines AED'000	Plant, machinery and motor vehicles AED'000	Office equipment & furniture AED'000	Capital work in progress AED'000	Total AED'000
<i>Cost</i>							
At 1 January 2010	94,832	945,834	527,802	100,814	13,451	95,082	1,777,815
Additions*	973	6,287	129,367	88,786	5,199	212,826	443,438
Transfers	440	137,586	88,237	-	37	(226,300)	-
Write-off / disposals	(81)	(133)	(18,776)	(2,561)	(104)	-	(21,655)
<b>At 31 December 2010</b>	<b>96,164</b>	<b>1,089,574</b>	<b>726,630</b>	<b>187,039</b>	<b>18,583</b>	<b>81,608</b>	<b>2,199,598</b>
At 1 January 2011	96,164	1,089,574	726,630	187,039	18,583	81,608	2,199,598
Additions	1,495	10,933	23,453	98,774	11,555	183,931	330,141
Transfers	925	13,414	60,640	963	281	(76,223)	-
Write-off / disposals	-	(33)	(13,628)	(13,170)	(107)	-	(26,938)
<b>At 31 December 2011</b>	<b>98,584</b>	<b>1,113,888</b>	<b>797,095</b>	<b>273,606</b>	<b>30,312</b>	<b>189,316</b>	<b>2,502,801</b>
<i>Depreciation</i>							
At 1 January 2010	28,627	555,457	348,503	71,623	10,379	-	1,014,589
Charge for the year	4,027	65,149	84,219	17,358	1,808	-	172,561
Write-off / disposals	(81)	(129)	(18,432)	(2,349)	(102)	-	(21,093)
<b>At 31 December 2010</b>	<b>32,573</b>	<b>620,477</b>	<b>414,290</b>	<b>86,632</b>	<b>12,085</b>	<b>-</b>	<b>1,166,057</b>
At 1 January 2011	32,573	620,477	414,290	86,632	12,085	-	1,166,057
Charge for the year	4,087	66,434	105,966	39,633	3,071	-	219,191
Write-off / disposals	-	-	(12,350)	(11,762)	(109)	-	(24,221)
<b>At 31 December 2011</b>	<b>36,660</b>	<b>686,911</b>	<b>507,906</b>	<b>114,503</b>	<b>15,047</b>	<b>-</b>	<b>1,361,027</b>
<i>Carrying amounts</i>							
At 31 December 2010	63,591	469,097	312,340	100,407	6,498	81,608	1,033,541
<b>At 31 December 2011</b>	<b>61,924</b>	<b>426,977</b>	<b>289,189</b>	<b>159,103</b>	<b>15,265</b>	<b>189,316</b>	<b>1,141,774</b>

\* Additions include 4 dredgers received from Tasameem Real Estate LLC as a consideration for the issue of 16,773 thousand bonds, for a value of AED 131,331 thousand (refer note 24).