CHAIRMAN'S MESSAGE

I am pleased to meet you and present the Annual Report of National Marine Dredging Company for the year ended 31st December 2010 that includes a summary of the Company performance, final accounts and Auditor's report.

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

This has been a challenging year as the global economy is still recovering from the financial meltdown in 2008. At the same time the Abu Dhabi Government's support is praiseworthy. Despite the economic downturn, your company has emerged stronger in comparison to the other companies listed on the Abu Dhabi Exchange in general. In case the economic recovery is stronger, it will fuel greater demand for oil this year. The high demand will boost the oil price and as a result the Middle Eastern countries would show a steady growth in GDP. Your company is well positioned to capitalize on the opportunities and participate in the events unfolding within the region. It is the vision of the company to become a turnkey player in the marine industry and accordingly steps have been initiated in this direction. Investment in new equipment and machinery will go a long way in sustaining the higher growth trajectory. Your company has set its sights and course on initiatives that will lead it to scale higher targets and value creation to the shareholder.

Major Achievements

The company achieved a major milestone on 09th May 2010 by dredging the 1 Billionth cubic meter since it commenced operations in 1976.

Implementation of Oracle E-Business Suite Release 12.1.3 is underway. Once completed, the new application will enable management to automate business processes, increase efficiency, reduce operational costs and deliver other long term benefits.

The company was awarded the Document of Compliance after successful implementation of the International Safety Management (ISM) code. The ISM code provides an international standard relating to onboard and shore-based management.

Financial Highlights

The company achieved revenue of Dirhams 1,835 million and net profit Dirham 452 million. In the last 3 years the return on equity has increased from 17.8% to 20.9% and the return on capital has increased from 17.3% to 18.6%. The company's solid financial footing can serve as a good launch pad for future growth. The company achieved its revenue by delivering its services to major customers like Abu Dhabi National Oil Company (ADNOC), Abu Dhabi Urban Planning Council, Abu Dhabi Municipality and the UAE Armed Forces. The company would like to assure its shareholders that it will not rest on its laurels and pursue to achieve higher targets.

It is the vision of the Company to be the market leader and take advantage of the growth opportunities in the local market and in the region. The Company is gearing up for this changing scenario by achieving improvement in quality of service, timely completion of projects, optimizing the availability and use of our equipment, cost reduction and price competitiveness. Various measures like modernization of fleet, capacity augmentation, organizational restructuring, obtaining training of employees in related areas, optimization of capital structure, entering in joint ventures etc. are on hand.

Under the wise leadership and vision 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, may Allah protect and save them a solid asset to our beloved country and the people of the UAE, the company is confident that with these measures your Company will be able to improve its market share in the future and provide high return to the shareholders. I would like to assure on behalf of the company that we will never relax in our efforts to meet their expectations. My sincere thanks are due to my colleagues on the Board for their support and valuable advice in all areas of the management of the Company. I am also grateful to all our employees, shareholders, stakeholders, our customers, suppliers and bankers, who have reposed their trust in us and given us their constant support.

Mohamed Thani Murshed Al Rumaithi

Chairman

BOARD OF DIRECTORS' REPORT

On behalf of the Board of Directors of your Company, I am delighted to present the 26th Annual Report of your Company along with the Audited Financial Statements for the Financial Year 2010.

Financial Results

Your Company had an excellent year despite the challenging market conditions on account of the global economic crisis. Your company achieved a record high gross turnover of AED 1,835,249 thousand for the year ended 2010 against AED 1,251,396 thousand in 2009, an increase of AED 583,853 thousand and a growth rate of 47% when compared to the previous year.

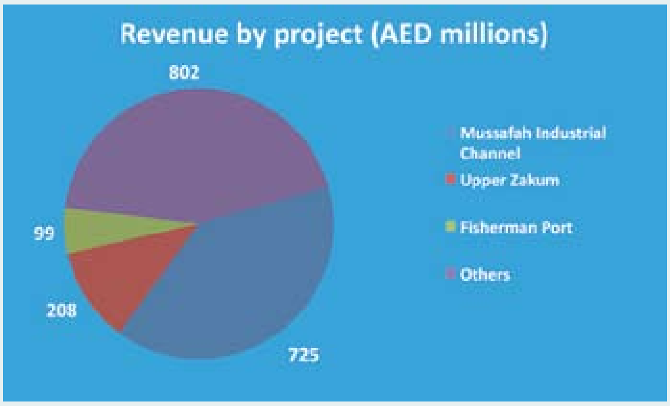
The profit before interest and finance cost is AED 432,854 thousand for the year ended 2010 against AED 400,569 thousand in 2009, an increase of AED 32,285 thousand.

The net profit stood at AED 451,894 thousand for the year ended 2010 as compared to AED 413,230 thousand in 2009, an increase of AED 38,664 thousand representing a growth rate of 9%.

Dividend

Keeping in view the financial performance of your company and other relevant considerations, your Directors have recommended a dividend payment of 50% @ 50 fils per share for the approval of the shareholders.

Operations

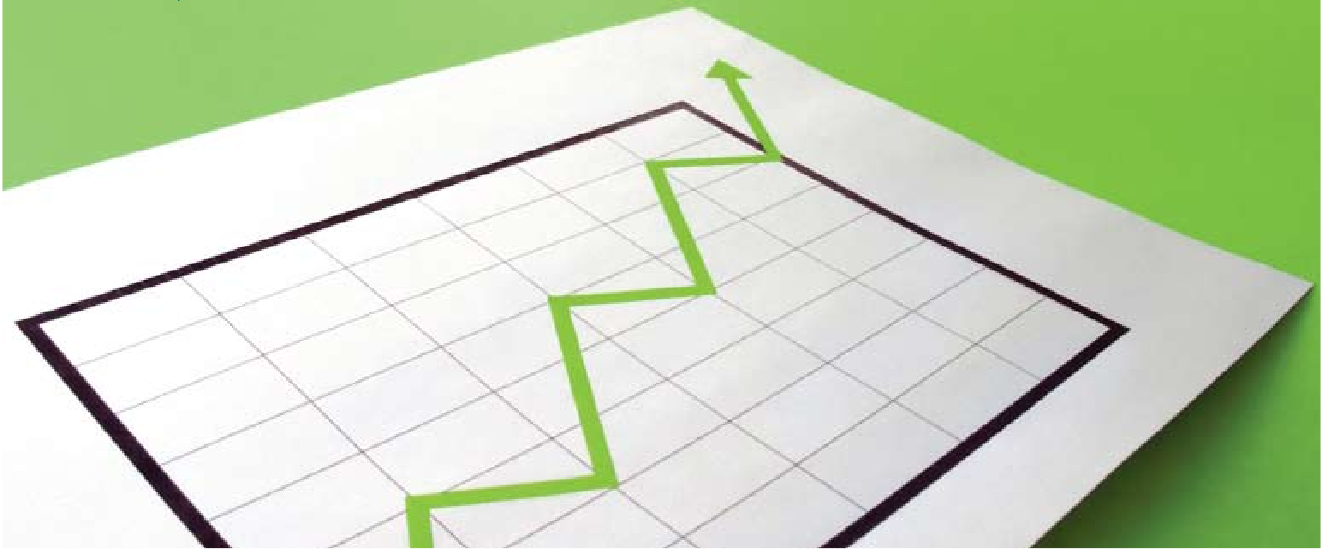


The major project currently being executed is the 'Upper Zakum' project which involves creating four industrial islands in the Zakum region which will serve as a platform from where ZADCO (one of the leading oil companies) will explore the area's potential for expansion of oil production. The dredging quantity consists of nearly 22 million cubic meters with a further 7 million tons of rock being used for beach protection works.

The other major project on which your Company worked on during 2010 was the Mussafah Channel Relocation Project which diverts

INDEPENDENT AUDITORS’ REPROT

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 2010, 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 of 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

REPORT on the FINANCIAL STATEMENT

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2010, 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.

30 March 2011

KPMG

Sharad Bhandari

Registration No.267

Statement of comprehensive income

for the year ended 31 December

	Note	**2010 AED'000**	2009 AED'000
Contract revenue		**1,835,249**	1,251,396
Contract costs	6	**(1,357,887)**	(791,685)
Gross profit		**477,362**	459,711
Other income	7	**13,597**	16,209
Administrative expenses	8	**(44,605)**	(49,597)
Provision for impairment of receivables	27	**(13,500)**	(25,754)
Results from operating activities		**432,854**	400,569
Net finance income	9	**19,039**	12,661
Profit for the year		**451,893**	413,230
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges	20	**(3,212)**	-
Fair value (loss) /gain on available for sale financial assets	14,25	**(2,082)**	2,608
Total comprehensive income for the year		**446,599**	415,838
Earnings per share			
Basic and diluted earnings per share (AED)	10	**2.12**	2.07

The notes set out on pages 23 to 47 form an integral part of these financial statements.
The independent auditors' report is set out on pages 16-17.

Statement of financial position
as at 31 December

	Note	**2010 AED'000**	2009 AED'000
Non-current assets			
Property, plant and equipment	11	**1,033,541**	763,226
Current assets			
Inventories	12	**202,306**	164,394
Trade and other receivables	13	**1,453,383**	753,344
Available for sale financial assets	14	**8,473**	10,555
Financial assets at fair value through profit and loss	15	**22,834**	24,673
Cash and cash equivalents	16	**573,887**	820,839
Total current assets		**2,260,883**	1,773,805
Current liabilities			
Advances from customers (current portion)	17	**127,388**	111,402
Trade and other payables	18	**532,588**	277,653
Provision for employees' end of service benefits	19	**75,860**	64,915
Derivatives used for hedging	20	**3,212**	-
Dividends payable	21	**22,093**	19,322
Total current liabilities		**761,141**	473,292
Net current assets		**1,499,742**	1,300,513
Non-current liabilities			
Advance from customers (non-current portion)	17	**138,000**	138,000
Net assets		**2,395,283**	1,925,739
Represented by:			
Share capital	23	**216,773**	200,000
Share premium	24	**114,558**	-
Reserves	25	**726,341**	723,249
Proposed dividend	26	**108,386**	100,000
Retained earnings		**1,229,225**	902,490
Total equity		**2,395,283**	1,925,739

These financial statements were approved and authorised for issue by the Board of Directors on 6 March 2011 and signed on their behalf by:

Mohamed Thani Murshid Al Rumaithi	**Yasser Nasr Zaghloul**	**Gautam V. Pradhan**
Chairman	Chief Executive Officer	Chief Financial Officer

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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 2009	200,000	-	720,641	60,000	629,260	1,609,901
Total comprehensive income for the period						
Profit for the year	-	-	-	-	413,230	413,230
Other comprehensive income						
Fair value gain on available-for-sale financial assets	-	-	2,608	-	-	2,608
Transactions with owners, recorded directly in equity						
Contribution by and distribution to owners						
Proposed dividend for 2008	-	-	-	40,000	(40,000)	-
Dividend paid	-	-	-	(100,000)	-	(100,000)
Proposed dividend for 2009	-	-	-	100,000	(100,000)	-
At 31 December 2009	**200,000**	**-**	**723,249**	**100,000**	**902,490**	**1,925,739**
At 1 January 2010	200,000	-	723,249	100,000	902,490	1,925,739
Total comprehensive income for the period						
Profit for the year	-	-	-	-	451,893	451,893
Transfer to legal reserve	-	-	8,386	-	(8,386)	-
Other comprehensive income						
Fair value gain on available-for-sale financial assets	-	-	(2,082)	-	-	(2,082)
Effective portion of changes in fair value of cash flow hedge	-	-	(3,212)	-	-	(3,212)

The notes set out on pages 23 to 47 form an integral part of these financial statements.
The independent auditors' report is set out on pages 16-17.

Statement of changes in equity (continued)

for the year ended 31 December

	Share capital	Share premium	Reserves	Proposed dividend	Retained earnings	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
	(note 23)	(note 24)	(note 25)	(note 26)		
Transactions with owners, recorded directly in equity						
Contribution by and distribution to owners						
Issue of shares	16,773	114,558	-	-	-	131,331
Proposed dividend for 2009	-	-	-	8,386	(8,386)	-
Dividend paid	-	-	-	(108,386)	-	(108,386)
Proposed dividend for 2010	-	-	-	108,386	(108,386)	-
At 31 December 2010	**216,773**	**114,558**	**726,341**	**108,386**	**1,229,225**	**2,395,283**

The notes set out on pages 23 to 47 form an integral part of these financial statements.
The independent auditors' report is set out on pages 16-17.

Statement of cash flows

for the year ended 31 December

	Note	2010 AED'000	2009 AED'000
Cash flows from operating activities:			
Profit for the year		**451,893**	413,230
Adjustments for:			
Depreciation	11	**172,561**	132,744
Interest income	9	**(20,860)**	(9,323)
Gain on disposal of property, plant and equipment	7	**(5,577)**	(5,562)
Fair value loss / (gain) on financial assets at fair value through profit and loss	9	**1,839**	(3,266)
Dividend income	9	**(18)**	(72)
Provision for employees' end of service benefits	19	**12,819**	11,456
		612,657	539,207
Employees' end of service benefits paid	19	**(1,874)**	(3,202)
		610,783	536,005
Change in inventories	12	**(37,912)**	(34,240)
Change in trade and other receivables	13	**(700,039)**	(169,639)
Change in advance from customers	17	**15,986**	249,402
Change in trade and other payables	18	**254,935**	173,027
Net cash flows from operating activities		**143,752**	754,555
Cash flows from investing activities:			
Acquisition of property, plant and equipment	11	**(312,107)**	(255,456)
Proceeds from disposal of property, plant and equipment		**6,139**	5,790
Interest received	9	**20,860**	9,323
Dividend received	9	**18**	72
Net cash used in investing activities		**(285,090)**	(240,271)
Cash flows from financing activities			
Dividend paid	21	**(105,615)**	(99,105)
Net cash used in financing activities		**(105,615)**	(99,105)
Net increase in cash and cash equivalents		**(246,952)**	415,179
Cash and cash equivalents at 1 January	16	**820,839**	405,660
Cash and cash equivalents at 31 December	16	**573,887**	820,839

The notes set out on pages 23 to 47 form an integral part of these financial statements.
The independent auditors' report is set out on pages 16-17.

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.

The Company has entered into an agreement on 24 March 2010 with Six Construct Company Limited – UAE ("SixCo"), a Limited Liability Company registered in Emirate of Abu Dhabi, for the formation of a separate entity to undertake the execution of shore protection, breakwaters and quay wall works for a project for the creation of artificial islands for "the Zakum Project". The legal formalities for creation of the entity are currently in progress and are expected to be completed in first half of 2011. The Company will hold 51% shareholding in the entity and with the remaining 49% being held by SixCo.

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 and 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 is discussed in note 29 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 the statement of comprehensive income 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 translated 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 period, 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 the statement of 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 statement of comprehensive income 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.

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, and the costs of dismantling and removing the items and restoring the site on which they are located.

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the statement of comprehensive income.

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 the statement of comprehensive income as incurred.

Depreciation

Depreciation is recognised in the statement of comprehensive income 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 periods are as follows:

	Years
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 financial year end and adjusted if appropriate.

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.

3 Significant accounting policies (continued)

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

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.

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. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

3 Significant accounting policies (continued)

f. Financial instruments (continued)

Non-derivative financial instruments (continued)

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, investment in equity securities, cash and cash equivalents, trade and other payables, advance from customers, employees' end of service benefits and dividend payable.

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.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfer the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments, other than financial assets classified as available for sale or at fair value through profit and loss, are measured at amortised cost, using effective interest method, less impairment losses, if any. Financial assets classified as available for sale or at fair value through profit and loss account are subsequently measured as follows:

Financial assets at fair value through profit and 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. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in the statement of comprehensive income.

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. 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.

Unbilled receivables

Unbilled receivables represent amounts relating to work performed which is yet to be billed to customers. Unbilled receivables are measured by applying contractual rates, or the minimum recoverable rates expected, to the actual quantities dredged or the related works performed.

Cash and cash equivalents

Cash and cash equivalent comprise cash in hand and at banks in current and call deposit accounts and short term deposits with original maturities not greater than three months.

3 Significant accounting policies (continued)

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 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 original effective interest rate. An impairment loss in respect of an available-for -sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the statement of comprehensive income. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

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 the statement of comprehensive income if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset 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.

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.

3 Significant accounting policies (continued)

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.

j. 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 2010, 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 credit risk with respect to customers.

5 Financial risk management (continued)

i. Credit risk (continued)

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

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 a 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.

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 investments at the prevailing market rates. The Company does not have any interest bearing liabilities.

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 and 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

	2010	2009
	AED'000	AED'000
Cost of operation of dredgers, support craft and boosters	**348,771**	294,224
Direct project costs	**927,654**	436,380
Cost of floating and reclamation areas	**67,703**	51,746
Cost of consumable stores	**3,021**	2,913
Other direct operating cost	**10,738**	6,422
	1,357,887	791,685

7 Other income

	2010	2009
	AED'000	AED'000
Gain on disposal of property, plant and equipment	**5,577**	5,562
Reversal of provision for impairment of receivables	**3,771**	10,000
Miscellaneous income	**4,249**	647
	13,597	16,209

8 Administrative expenses

	2010	2009
	AED'000	AED'000
Staff costs	**39,625**	38,060
Depreciation	**1,715**	1,358
Others	**3,265**	10,179

	44,605	49,597

9 Net finance income

	2010	2009
	AED'000	AED'000
Fair value gain / (loss) on financial assets at fair value through profit and loss (note 15)	**(1,839)**	3,266
Interest income	**20,860**	9,323
Dividend income	**18**	72
	19,039	12,661

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 number of ordinary shares outstanding at 31 December 2010 was 216,772,753 shares (2009: 200,000,000). (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 46-47.

12 Inventories

	2010	2009
	AED'000	AED'000
Spare parts and consumable stores	**221,598**	179,027
Less: Provision for slow moving and obsolete inventories	**(22,974)**	(22,974)
	198,624	156,053
Goods in transit	**3,682**	8,341

	202,306	164,394

13 Trade and other receivables

	2010 AED'000	2009 AED'000
Trade receivables	**547,572**	231,525
Less: provision for impairment	**(32,060)**	(29,525)
	515,512	202,000
Unbilled receivables (net of provisions)	**842,412**	483,818
Deposits and prepayments	**27,432**	16,317
Other receivables	**68,027**	51,209
	1,453,383	753,344

52% (2009: 25%) of the net trade receivables balance above, amounting to AED 287,108 thousand (2009: AED 58,422 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

	2010 AED'000	2009 AED'000
At 1 January	**10,555**	7,947
Change in fair value (note 25)	**(2,082)**	2,608
At 31 December	**8,473**	10,555

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

15 Financial assets at fair value through profit and loss

	2010	2009
	AED'000	AED'000
At 1 January	**24,673**	21,407
Fair value adjustments during the year (note 9)	**(1,839)**	3,266
At 31 December	**22,834**	24,673

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

16 Cash and cash equivalents

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

	2010	2009
	AED'000	AED'000
Cash in hand	**80**	80
Cash at banks		
– Current accounts	**93,807**	45,759
– Short term deposits*	**480,000**	775,000
	573,887	820,839

* 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:

	2010	2009
	AED'000	AED'000
Non -current		
Zakum project	**138,000**	138,000
Current		
Zakum project	**88,316**	92,000
Gasco	**36,892**	-
Mussaffah Industrial Channel	**-**	17,222
Al Garnayn Island	**2,180**	2,180
	127,388	111,402

18 Trade and other payables

	2010	2009
	AED'000	AED'000
Trade payables	**90,003**	36,887
Accrued liabilities	**428,377**	225,471
Retentions payable	**12,503**	9,265
Other payables	**1,705**	6,030
	532,588	277,653

19 Provision for employees' end of service benefits

Movements in the provision are set out below:

	2010	2009
	AED'000	AED'000
At 1 January	**64,915**	56,661
Charge for the year	**12,819**	11,456
Payments during the year	**(1,874)**	(3,202)
At 31 December	**75,860**	64,915

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 2010 are set out below:

	31 December 2010		31 December 2009	
	Notional amount	**Fair value**	Notional amount	Fair value
	AED'000	**AED'000**	AED'000	AED'000
Forward exchange contract	**18,000**	**3,212**	-	-

21 Dividends payable

Dividends payable represent amounts not claimed by shareholders for current and previous years.

	2010	2009
	AED'000	AED'000
At 1 January	**19,322**	18,427
Additions during the year (note 26)	**108,386**	100,000
Payments made during the year	**(105,615)**	(99,105)
At 31 December	**22,093**	19,322

22 Related party transactions and balances

Identity of related parties

Related parties comprise the Government of Abu Dhabi, Directors, key managerial personnel and those enterprises over which the 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.

Transactions with key management personnel

Compensation of key management personnel is as follows:

	2010	2009
	AED'000	AED'000
Salaries and other short-term employee benefits	**3,571**	2,810
Employees' end of service benefits	**444**	273
	4,015	3,083

Director's fee

For the year ended 31 December 2010, an amount of AED 11,000 thousand has been recommended by the Chairman based on authority assigned to him by the Board of Directors at a meeting held on 6 March 2011. (2009:AED 17,000 thousand).

Other related party transactions

The Abu Dhabi Municipality ("the Municipality") had granted the Company the right to use the land at Company 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 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

	2010	2009
	AED'000	AED'000
Authorised, issued and fully paid:		
216,772,753 (2009:200,000,000)		
ordinary shares of AED 1 each (refer note 24)	**216,773**	200,000

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. In accordance with this agreement, during 2010, the Company issued 16,773 thousand convertible bonds at an amount of AED 131,331 thousand to Tasameem and has converted them to 16,773 thousand equity shares of the Company at the face value of AED 1 per share amounting to AED 16,773 thousand.The Company has received 4 dredgers from Tasameem as the consideration for the issue of 16,773 thousand bonds. The balance amount, as stated below, has been recorded as share premium:

	2010 **AED'000**
Par value of shares issued	**16,773**
Share premium	**114,558**
Total consideration for issue of bonds	**131,331**

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**	**Transfer Date**	**Issue Value * AED**	**Number of shares 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 2011, 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 flows AED'000	Unrealised gain on available for sale financial assets AED'00	Total AED'000
At 1 January 2009	100,000	595,000	20,000-		5,641	720,641
Fair value gain on available for sale financial assets	-	-	-	-	2,608	2,608
At 31 December 2009	**100,000**	**595,000**	**20,000**	**-**	**8,249**	**723,249**

	Legal reserve AED'000	Asset replacement reserve AED'000	Regulatory reserve AED'000	Effective portion of change in fair value of cash flows hedge 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)
Fair value loss on available for sale financial assets	-	-	-	-	(2,082)	(2,082)
At 31 December 2010	**108,386**	**595,000**	**20,000**	**(3,212)**	**6,167**	**726,341**

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.

25 Reserves (continued)

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 got 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 06 March 2011, recommended a final dividend per share of AED 0.5 amounting to AED 108,836 thousand for the year ended 31 December 2010 (2009: AED 0.5 amounting to AED 100,000 thousand) for the Company's share holders. At the Annual General Meeting held on 06 April 2010, 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 06 April 2010.

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**	
		2010	2009
		AED'000	AED'000
Trade and other receivables	13	**1,425,951**	503,942
Cash and cash equivalents	16	**573,807**	820,759

Receivables ageing

	Gross	**Impairment**	Gross	Impairment
	2010	**2010**	2009	2009
	AED'000	**AED'000**	AED'000	AED'000
Not past due	**351,910**	**-**	13,167	-
Past due 0-90 days	**-**	**-**	59,297	-
Past due 91-180 days	**350**	**-**	39,885	-
Past due 181-360 days	**35,527**	**-**	83,065	-
More than 1 year	**159,785**	**32,060**	36,111	29,525
Total	**547,572**	**32,060**	231,525	29,525

27 Financial instruments (continued)

a. Credit risk (continued)

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 customers that have a good payment record with the Company.

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

	2010	2009
	AED	AED
At 1 January	**29,525**	29,760
Provision for impairment	**13,500**	25,754
Reversals of provision during the year	**(10,965)**	(25,989)
At 31 December	**32,060**	29,525

b. Liquidity risk

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

31 December 2010

	Note	**Carrying value AED'000**	**Contractual cash flows AED'000**	**1 year or less AED'000**
Non-derivative financial liabilities				
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**
Derivative financial liabilities				
Forward exchange contract		**3,212**	**3,212**	**3,212**
		448,671	**448,671**	**448,671**

31 December 2009

		value AED'000	cash flows AED'000	1 year or less AED'000
Non-derivative financial liabilities				
Trade and other payables	18	52,182	52,182	52,182
Advance from customers	17	249,402	249,402	249,402
Provision for employees' end of service benefits	19	64,915	64,915	64,915
Derivative financial liabilities				
Forward exchange contract		-	-	-
		366,499	366,499	366,499

27 Financial instruments (continued)

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:

	Note	**2010** **AED'000**	2009 AED'000
Financial asset	16	**480,000**	775,000

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

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 and 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 and loss to a 5% increase in the price of its equity holdings, assuming all other variables remain constant:

	Effect on income statement **AED'000**	**Effect on equity** **AED'000**
31 December 2010		
Effect of change in available for sale financial assets	-	424
Effect of change in financial assets at fair value through profit and loss	**1,142**	-
31 December 2009		
Effect of change in available for sale financial assets	-	528
Effect of change in financial assets at fair value through profit and loss	1,234	-

A 5% decrease in the price of its equity holding at 31 December would have had equal but opposite effect assuming all other variables remain constant.

27 Financial instruments (continued)

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).

				2010 **AED'000**
	Level 1	**Level 2**	**Level 3**	**Total**
Available for sale financial assets	**8,473**	**-**	**-**	**8,473**
Financial assets at fair value through profit and loss	**22,834**	**-**	**-**	**22,834**
Derivative financial instruments	**-**	**3,212**	**-**	**3,212**
	31,307	**3,212**	**-**	**34,519**

				2009 AED'000
Available for sale financial assets	10,555	-	-	10,555
Financial assets at fair value through profit and loss	24,673	-	-	24,673
	35,228	-	-	35,228

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

	2010 **AED'000**	2009 AED'000
Commitments	**73,608**	95,242
Guarantees	**881,449**	728,639
Letters of credit	**50,820**	33,525

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.

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 contractual rates, or 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 losses should be recorded in the statement of comprehensive income, 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.

29 Accounting estimates and judgements (continued)

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 the statement of comprehensive income, 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.

Contract revenue

Revenue from construction contracts is recognised in the statement of comprehensive income 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 Comparative figures

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

Schedule I

Table 1

Property, plant and equipment

	Building and base facilities	Dredgers	Support vessels, boosters and pipelines	Plant, machinery and motor vehicles	Office equipment & furniture	Capital work in progress	Total
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Cost							
At 1 January 2009	94,873	896,623	411,952	83,117	11,179	55,490	1,553,234
Additions	5	3,889	82,256	21,164	2,379	145,763	255,456
Transfers	-	45,604	60,497	-	70	(106,171)	-
Write-off / disposals	(46)	(282)	(26,903)	(3,467)	(177)	-	(30,875)
At 31 December 2009	**94,832**	**945,834**	**527,802**	**100,814**	**13,451**	**95,082**	**1,777,815**
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)
At 31 December 2010	**96,164**	**1,089,574**	**726,630**	**187,039**	**18,583**	**81,608**	**2,199,598**
Accumulated depreciation							
At 1 January 2009	24,819	507,541	306,236	64,330	9,566	-	912,492
Charge for the year	3,854	48,198	68,998	10,713	981	-	132,744
Write-off / disposals	(46)	(282)	(26,731)	(3,420)	(168)	-	(30,647)
At 31 December 2009	**28,627**	**555,457**	**348,503**	**71,623**	**10,379**	**-**	**1,014,589**
At 1 January 2010	28,627	555,457	348,503	71,623	10,379	-	1,014,589

	Building and base facilities	Dredgers	Support vessels, boosters and pipelines	Plant, machinery and motor vehicles	Office equipment & furniture	Capital work in progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
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)
At 31 December 2010	**32,573**	**620,477**	**414,290**	**86,632**	**12,085**	**-**	**1,166,057**
Carrying amounts							
At 31 December 2009	66,205	390,377	179,299	29,191	3,072	95,082	763,226
At 31 December 2010	**63,591**	**469,097**	**312,340**	**100,407**	**6,498**	**81,608**	**1,033,541**

* 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).