



National Marine Dredging Company
(Public Shareholding Company)

Condensed interim financial information

31 March 2011

Principal business address:
P O Box 3649
Abu Dhabi
UAE

National Marine Dredging Company
(Public Shareholding Company)

Condensed interim financial information

<i>Contents</i>	<i>Page</i>
Independent auditors' report on the review of condensed interim financial information	1
Condensed interim statement of comprehensive income	2
Condensed interim statement of financial position	3
Condensed interim statement of changes in equity	4
Condensed interim statement of cash flows	5
Notes to the condensed interim financial information	6 - 13



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

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

Independent auditors' report on the review of condensed interim financial information

The Board of Directors
National Marine Dredging Company
(Public Shareholding Company)
Abu Dhabi

Introduction

We have reviewed the accompanying condensed interim statement of financial position of National Marine Dredging Company (Public Shareholding Company) ("the Company") as at 31 March 2011 and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the three-month period then ended ("condensed interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standards IAS 34 - *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 31 March 2011 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

KPMG

15 May 2011

National Marine Dredging Company
(Public Shareholding Company)

Condensed interim statement of comprehensive income
for the three-month period ended 31 March

	<i>Note</i>	2011 AED'000	2010 AED'000
Contract revenue		510,658	419,161
Contract costs		(389,866)	(303,339)
Gross profit		120,792	115,822
Other income	7	3,393	1,044
Administrative expenses		(30,313)	(7,833)
Results from operating activities		93,872	109,033
Net finance income	8	3,399	5,312
Profit for the period		97,271	114,345
Other comprehensive income			
Fair value (losses) / gains on available for sale financial assets <i>(net)</i>	21	(256)	539
Total comprehensive income for the period		97,015	114,884
Earnings per share			
Basic and diluted earnings per share (AED)	9	0.45	0.53

The notes set out on pages 6 to 13 form an integral part of the condensed interim financial information.


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


National Marine Dredging Company
(Public Shareholding Company)

Condensed interim statement of financial position
as at

	<i>Note</i>	31 March 2011 AED'000	31 December 2010 AED'000
Non-current assets			
Property, plant and equipment	10	1,025,021	1,033,541
Current assets			
Inventories	11	204,219	202,306
Trade and other receivables	12	1,603,878	1,453,383
Available for sale financial assets	13	8,217	8,473
Financial assets at fair value through profit or loss	14	23,034	22,834
Cash and cash equivalents	15	487,368	573,887
Total current assets		2,326,716	2,260,883
Current liabilities			
Advance from customers (<i>current portion</i>)	17	112,587	127,388
Trade and other payables	18	507,246	532,588
Provision for employees' end of service benefits		77,737	75,860
Derivatives used for hedging		-	3,212
Dividends payable		20,657	22,093
Total current liabilities		718,227	761,141
Net current assets		1,608,489	1,499,742
Non-current liabilities			
Advance from customers (<i>non-current portion</i>)	17	138,000	138,000
Net assets		2,495,510	2,395,283
Represented by:			
Share capital	19	216,773	216,773
Share premium	20	114,558	114,558
Reserves	21	729,297	726,341
Proposed dividend	22	108,386	108,386
Retained earnings		1,326,496	1,229,225
Total equity		2,495,510	2,395,283

The condensed interim financial information was approved and authorised for issue on 15 MAY 2011
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 6 to 13 form an integral part of the condensed interim financial information.
The independent auditors' report on the review of condensed interim financial information is set out on page 1.

National Marine Dredging Company
(Public Shareholding Company)

Condensed interim statement of changes in equity
for the three-month period ended 31 March

	Share capital AED'000 (note 19)	Share premium AED'000 (note 20)	Reserves AED'000 (note 21)	Proposed dividend AED'000 (note 22)	Retained earnings AED'000	Total AED'000
At 1 January 2010	200,000	-	723,249	100,000	902,490	1,925,739
Total comprehensive income for the period						
Profit for the period	-	-	-	-	114,345	114,345
Other comprehensive income						
Fair value gains on available for-sale financial assets	-	-	539	-	-	539
<i>Transactions with owners, recorded directly in equity:</i>						
Contribution by and distribution to owners						
Issue of shares	16,773	114,558	-	-	-	131,331
Dividend	-	-	-	8,386	(8,386)	-
At 31 March 2010	216,773	114,558	723,788	108,386	1,008,449	2,171,954
At 1 January 2011	216,773	114,558	726,341	108,386	1,229,225	2,395,283
Total comprehensive income for the period						
Profit for the period	-	-	-	-	97,271	97,271
Other comprehensive income						
Fair value losses on available for-sale financial assets	-	-	(256)	-	-	(256)
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	3,212	-	-	3,212
<i>Transactions with owners, recorded directly in equity</i>						
	-	-	-	-	-	-
At 31 March 2011	216,773	114,558	729,297	108,386	1,326,496	2,495,510

The notes set out on pages 6 to 13 form an integral part of the condensed interim financial information.

National Marine Dredging Company
(Public Shareholding Company)

Condensed interim statement of cash flows
for the three-month period ended 31 March

	<i>Note</i>	2011 AED'000	2010 AED'000
Cash flows from operating activities:			
Profit for the period		97,271	114,345
<i>Adjustment for:</i>			
Depreciation	10	51,202	40,177
Interest income	8	(3,199)	(5,209)
Gain on disposal of property, plant and equipment	7	(2,083)	(812)
Fair value loss on financial assets at fair value through profit or loss	8	(200)	(103)
Provision for employee's end of service benefits		2,089	3,345
		<u>145,080</u>	<u>151,743</u>
End of service benefits paid		(212)	(367)
		<u>144,868</u>	<u>151,376</u>
Change in inventories		(1,913)	(30,323)
Change in trade and other receivables		(150,495)	(396,291)
Change in trade and other payables		(25,342)	72,243
Change in advance from customers		(14,801)	(17,222)
		<u>(47,683)</u>	<u>(220,217)</u>
Net cash used in operating activities			
Cash flows from investing activities:			
Acquisition of property, plant and equipment	10	(43,890)	(17,200)
Proceeds from disposal of property, plant and equipment		3,291	912
Interest income	8	3,199	5,209
		<u>(37,400)</u>	<u>(11,079)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Dividend paid		(1,436)	(21)
		<u>(1,436)</u>	<u>(21)</u>
Net cash used in financing activities			
Net decrease in cash and cash equivalents			
Cash and cash equivalents at 1 January	15	573,887	820,839
		<u>487,368</u>	<u>589,522</u>
Cash and cash equivalents at 31 March			

The notes set out on pages 6 to 13 form an integral part of the condensed interim financial information.

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

National Marine Dredging Company

(Public Shareholding Company)

Notes to the condensed interim financial information

1 Legal status and principal activities

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

The Company is primarily engaged in the execution of dredging contracts and associated land reclamation works in the territorial waters of the United Arab Emirates (“UAE”), 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”) for the formation of a separate entity to undertake the execution of shore protection, breakwaters and quay wall works for the Zakum Project. The legal formalities for creation of the entity are currently in process and are expected to be completed in the second half of 2011. The Company will hold 51% shareholding in the entity and the remaining 49% would be held by SixCo.

2 Statement of compliance

The condensed interim financial information has been prepared in accordance with the IAS 34 *Interim Financial Reporting*. They accordingly do not include all the information required for a complete set of annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2010.

3 Significant accounting policies

The accounting policies applied by the Company in these condensed interim financial information are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2010.

4 Estimates

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

In preparing these condensed interim financial information, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2010.

5 Financial risk management

The Company’s financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2010.

National Marine Dredging Company
(Public Shareholding Company)

Notes to the condensed interim financial information

6 Staff costs

	Three month period ended 31 March 2011 AED'000	Three month period ended 31 March 2010 AED'000
Salaries and wages	21,434	17,288
Other benefits	30,593	23,089
	<u>52,027</u>	<u>40,377</u>

7 Other income

	Three month period ended 31 March 2011 AED'000	Three month period ended 31 March 2010 AED'000
Gain on disposal of property, plant and equipment	2,083	812
Miscellaneous income	1,310	232
	<u>3,393</u>	<u>1,044</u>

8 Net finance income

	Three month period ended 31 March 2011 AED'000	Three month period ended 31 March 2010 AED'000
Fair value gain on financial assets at fair value through profit or loss (note 14)	200	103
Interest income	3,199	5,209
	<u>3,399</u>	<u>5,312</u>

9 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 the end of the period was 216,772,753 shares (31 March 2010: 216,772,753).

There are no potentially dilutive instruments therefore the basic and diluted earnings per share are same.

National Marine Dredging Company
(Public Shareholding Company)

Notes to the condensed interim financial information

10 Property, plant and equipment

	Total AED'000
<i>Cost</i>	
At 1 January 2011	2,199,598
Additions	43,890
Disposals	(4,172)
At 31 March 2011	2,239,316
<i>Depreciation</i>	
At 1 January 2011	1,166,057
Charge for the period	51,202
Disposals	(2,964)
At 31 March 2011	1,214,295
<i>Net carrying amount</i>	
At 1 January 2011	1,033,541
At 31 March 2011	1,025,021

11 Inventories

	31 March 2011 AED'000	31 December 2010 AED'000
Spare parts and consumable stores	221,183	221,598
Provision for slow moving and obsolete inventories	(22,974)	(22,974)
	198,209	198,624
Goods in transit	6,010	3,682
	204,219	202,306

National Marine Dredging Company
(Public Shareholding Company)

Notes to the condensed interim financial information

12 Trade and other receivables

	31 March 2011 AED'000	31 December 2010 AED'000
Trade receivables	484,853	547,572
Less: provision for impairment of receivables	(51,020)	(32,060)
	<u>433,833</u>	<u>515,512</u>
Unbilled receivables (net of provisions)	1,016,579	842,412
Deposits and prepayments	46,081	27,432
Other receivables	107,385	68,027
	<u><u>1,603,878</u></u>	<u><u>1,453,383</u></u>

45 % of the net trade receivables balance above, AED 193,534 thousand (31 December 2010 56%, AED 287,108 thousand) is receivable from the Government and its departments.

13 Available for sale financial assets

	31 March 2011 AED'000	31 December 2010 AED'000
At 1 January	8,473	10,555
Change in fair value	(256)	(2,082)
	<u>8,217</u>	<u>8,473</u>

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

14 Financial assets at fair value through profit or loss

	31 March 2011 AED'000	31 December 2010 AED'000
At 1 January	22,834	24,673
Fair value adjustments during the year	200	(1,839)
	<u>23,034</u>	<u>22,834</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 UAE Dirhams.

National Marine Dredging Company
(Public Shareholding Company)

Notes to the condensed interim financial information

15 Cash and cash equivalents

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

	31 March 2011 AED'000	31 December 2010 AED'000
Cash in hand	80	80
Cash at banks		
- Current accounts	87,288	93,807
- Short term deposits*	400,000	480,000
	<u>487,368</u>	<u>573,887</u>

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

16 Related party transactions and balances

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

The Company derives a significant portion of its revenue from the Government of Abu Dhabi, the major shareholder, and its departments.

17 Advance from customers

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

	31 March 2011 AED'000	31 December 2010 AED'000
<i>Non-current</i>		
Zakum project	138,000	138,000
<i>Current</i>		
Zakum project	73,515	88,316
Gasco	36,892	36,892
Al Garnayn Island	2,180	2,180
	<u>112,587</u>	<u>127,388</u>

National Marine Dredging Company
(Public Shareholding Company)

Notes to the condensed interim financial information

18 Trade and other payables

	31 March 2011 AED'000	31 December 2010 AED'000
Trade payables	71,056	90,003
Accrued liabilities	420,529	428,377
Retention payable	13,253	12,503
Other payables	2,408	1,705
	<u>507,246</u>	<u>532,588</u>

19 Share capital

	31 March 2011 AED'000	31 December 2010 AED'000
Authorised, issued and fully paid: 216,772,753 (31 December 2010: 216,772,753) ordinary shares of AED 1 each	<u>216,773</u>	<u>216,773</u>

20 Share premium

On 4 February 2010, the Company and Tasameem Real Estate LLC ("Tasameem") entered into an agreement according to which the Company will 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 will 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 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
	<u>131,331</u>

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

*Tasameem has defaulted on its obligation to pay the consideration for issue of bonds in 2011 and hence no convertible bonds have been issued during the current period.

National Marine Dredging Company
(Public Shareholding Company)

Notes to the condensed interim financial information

21 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'000	Total AED'000
At 1 January 2010	100,000	595,000	20,000	-	8,249	723,249
Fair value gains on available for sale financial assets (<i>net</i>)	-	-	-	-	539	539
At 31 March 2010	100,000	595,000	20,000	-	8,249	723,788
At 1 January 2011	108,386	595,000	20,000	(3,212)	6,167	726,341
Fair value losses on available for sale financial assets (<i>net</i>)	-	-	-	-	(256)	(256)
Realisation of cash flow hedge	-	-	-	3,212	-	3,212
At 31 March 2011	108,386	595,000	20,000	-	5,911	729,297

Legal reserve

The Articles of Association of the Company require that 10% of the Company's net profit be transferred to a non-distributable statutory reserve until the amount of the statutory reserve reaches an amount equal to 50% of the Company's paid-up capital. No such transfers have been made to this reserve as the threshold limit has already been reached.

Asset replacement reserve

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

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

Notes to the condensed interim financial information

22 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 Company's shareholders. At the Annual General Meeting held on 5 April 2011, the shareholders approved the final dividend of AED 0.5 per shares, amounting to AED 108,386 thousand to all the shareholders whose name is included in the register of members as on 17 April 2011.

23 Contingencies and commitments

	31 March 2011 AED'000	31 December 2010 AED'000
Guarantees	<u>772,146</u>	<u>881,449</u>
Letters of credit	<u>51,072</u>	<u>50,820</u>

24 Business and geographical segments

Business segments

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

Geographical segments

All of the Company's projects are carried out in the territorial waters of the United Arab Emirates.