

National Marine Dredging Company
(Public Shareholding Company)

Condensed interim financial information

30 June 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



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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 30 June 2011 and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended ("condensed interim financial information"). Management is responsible for the preparation and presentation of the condensed interim financial information in accordance with 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 30 June 2011 is not prepared, in all material respects, in accordance with IAS - 34 *Interim Financial Reporting*.

14 August 2011

National Marine Dredging Company
(Public Shareholding Company)

Condensed interim statement of comprehensive income
for the

		Six-month period ended 30 June 2011	Six-month period ended 30 June 2010	Three-month period ended 30 June 2011	Three-month period ended 30 June 2010
	Note	AED'000	AED'000	AED'000	AED'000
Contract revenue		1,109,871	950,326	599,212	531,165
Contract costs		(852,667)	(654,162)	(462,801)	(350,823)
Gross profit		257,204	296,164	136,411	180,342
Other income	7	7,470	10,932	4,077	9,888
Administrative expenses		(24,770)	(18,843)	(13,417)	(11,010)
Provision for impairment of receivables		(38,181)	-	(19,220)	-
Results from operating activities		201,723	288,253	107,851	179,220
Net finance income	8	3,488	8,102	89	2,790
Profit for the period		205,211	296,355	107,940	182,010
Other comprehensive income					
Effective portion of changes in fair value of cash flow hedges	19	-	(13,513)	-	-
Fair value losses on available for-sale financial assets	20	(331)	(3,523)	(75)	(4,062)
Total comprehensive income for the period		204,880	279,319	107,865	177,948
Earnings per share					
Basic and diluted earnings per share (AED)	9	0.95	1.42	0.50	0.84

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)

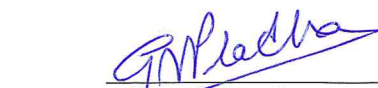
Condensed interim statement of financial position
as at

		30 June 2011 AED'000	31 December 2010 AED'000
Non-current assets			
Property, plant and equipment	10	1,035,663	1,033,541
Current assets			
Inventories	11	198,979	202,306
Trade and other receivables	12	1,975,101	1,453,383
Available for sale financial assets	13	8,142	8,473
Financial assets at fair value through profit or loss	14	22,028	22,834
Cash and cash equivalents	15	160,174	573,887
Total current assets		<u>2,364,424</u>	<u>2,260,883</u>
Current liabilities			
Advance from customers (<i>current portion</i>)	17	109,285	127,388
Trade and other payables	18	549,867	532,588
Derivatives used for hedging	19	-	3,212
Provision for employees' end of service benefits		80,948	75,860
Dividends payable		26,998	22,093
Total current liabilities		<u>767,098</u>	<u>761,141</u>
Net current assets		<u>1,597,326</u>	<u>1,499,742</u>
Non-current liabilities			
Advance from customers (<i>non-current portion</i>)	17	138,000	138,000
Net assets		<u>2,494,989</u>	<u>2,395,283</u>
Equity			
Share capital	21	216,773	216,773
Share premium	22	114,558	114,558
Reserves	20	729,222	726,341
Proposed dividend	23	-	108,386
Retained earnings		1,434,436	1,229,225
Total equity		<u>2,494,989</u>	<u>2,395,283</u>

The condensed interim financial information was approved and authorised for issue on 14 AUG 2011
by:


Mohammad Thani Murshid
Al Rumaithi
Chairman


Yasser Nasr Zaghoul
Chief Executive Officer


Gautam V. Pradhan
Chief Financial Officer

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National Marine Dredging Company
(Public Shareholding Company)

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

	Share capital AED'000 (note 21)	Share premium AED'000 (note 22)	Reserves AED'000 (note 20)	Proposed dividend AED'000 (note 23)	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	-	-	-	-	296,355	296,355
Other comprehensive income						
Fair value losses on available for-sale financial assets	-	-	(3,523)	-	-	(3,523)
Effective portion of changes in fair value of cash flow hedge	-	-	(13,513)	-	-	(13,513)
<i>Transactions with owners, Recorded directly in equity</i>						
Contribution by and distribution to owners						
Issue of shares	16,773	114,558	-	-	-	131,331
Proposed dividend	-	-	-	8,386	(8,386)	-
Dividend	-	-	-	(108,386)	-	(108,386)
At 30 June 2010	216,773	114,558	706,213	-	1,190,459	2,228,003
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	-	-	-	-	205,211	205,211
Other comprehensive income						
Fair value losses on available for-sale financial assets	-	-	(331)	-	-	(331)
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>						
Contributions by and distribution to owners						
Dividend	-	-	-	(108,386)	-	(108,386)
At 30 June 2011	216,773	114,558	729,222	-	1,434,436	2,494,989

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 six-month ended 30 June

	Note	2011 AED'000	2010 AED'000
Cash flows from operating activities:			
Profit for the period		205,211	296,355
<i>Adjustment for:</i>			
Depreciation	10	106,147	83,317
Interest income	8	(4,049)	(11,445)
Gain on disposal of property, plant and equipment	7	(5,839)	(2,983)
Fair value loss on financial assets at fair fair value through profit or loss	8	806	3,362
Dividend income	8	(245)	(19)
		<u>302,031</u>	<u>368,587</u>
Change in inventories	11	3,327	(36,964)
Change in trade and other receivables	12	(521,718)	(521,561)
Change in trade and other payables	18	17,279	123,479
Change in advance from customers	17	(18,103)	(17,222)
Change in employees' end of service benefits		5,088	6,088
		<u>(212,096)</u>	<u>(77,593)</u>
Cash flows from investing activities:			
Acquisition of property, plant and equipment	10	(110,867)	(34,151)
Proceeds from disposal of property, plant and equipment		8,437	3,220
Interest income	8	4,049	11,445
Dividend income	8	245	19
		<u>(98,136)</u>	<u>(19,467)</u>
Cash flows from financing activities			
Dividend paid		(103,481)	(101,409)
		<u>(103,481)</u>	<u>(101,409)</u>
Cash used in financing activities			
		<u>(103,481)</u>	<u>(101,409)</u>
Net decrease in cash and cash equivalents		(413,713)	(198,469)
Cash and cash equivalents at 1 January	15	573,887	820,839
		<u>160,174</u>	<u>622,370</u>
Cash and cash equivalents at 30 June	15	160,174	622,370

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”), the major shareholder.

The Company has decided not to go ahead 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 Zakum Project and instead carry out the necessary works for the execution of Zakum Project internally.

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 the 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

	Six-month period ended 30 June 2011 AED'000	Six-month period ended 30 June 2010 AED'000	Three-month period ended 30 June 2011 AED'000	Three-month period ended 30 June 2010 AED'000
Salaries and wages	39,254	36,365	17,820	19,077
Other benefits	57,934	49,515	27,341	26,426
	<u>97,188</u>	<u>85,880</u>	<u>45,161</u>	<u>45,503</u>

7 Other income

	Six-month period ended 30 June 2011 AED'000	Six-month period ended 30 June 2010 AED'000	Three-month period ended 30 June 2011 AED'000	Three-month period ended 30 June 2010 AED'000
Gain on disposal of property, plant and equipment	5,839	2,983	3,756	2,171
Miscellaneous income	1,631	7,949	321	7,717
	<u>7,470</u>	<u>10,932</u>	<u>4,077</u>	<u>9,888</u>

8 Net finance income

	Six-month period ended 30 June 2011 AED'000	Six-month period ended 30 June 2010 AED'000	Three-month period ended 30 June 2011 AED'000	Three-month period ended 30 June 2010 AED'000
Fair value loss on financial assets at fair value through profit or loss (<i>refer note 14</i>)	(806)	(3,362)	(1,006)	(3,465)
Interest income	4,049	11,445	850	6,236
Dividend income	245	19	245	19
	<u>3,488</u>	<u>8,102</u>	<u>89</u>	<u>2,790</u>

9 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the period. The weighted number of ordinary shares outstanding at the end of the period was 216,772,753 shares (30 June 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	110,867
Disposals	(21,321)
	<hr/>
At 30 June 2011	2,289,144
	<hr/>
<i>Depreciation</i>	
At 1 January 2011	1,166,057
Charge for the period	106,147
Disposals	(18,723)
	<hr/>
At 30 June 2011	1,253,481
	<hr/>
<i>Carrying amount</i>	
At 1 January 2011	1,033,541
	<hr/>
At 30 June 2011	1,035,663
	<hr/> <hr/>

11 Inventories

	30 June 2011 AED'000	31 December 2010 AED'000
Spare parts and consumable stores	220,591	221,598
Less: Provision for slow moving and obsolete inventories	(22,974)	(22,974)
	<hr/>	<hr/>
	197,617	198,624
Goods in transit	1,362	3,682
	<hr/>	<hr/>
	198,979	202,306
	<hr/> <hr/>	<hr/> <hr/>

National Marine Dredging Company
(Public Shareholding Company)

Notes to the condensed interim financial information

12 Trade and other receivables

	30 June 2011 AED'000	31 December 2010 AED'000
Trade receivables	462,763	547,572
Less: provision for impairment of receivables	(70,810)	(32,060)
	<u>391,953</u>	<u>515,512</u>
Unbilled receivables (<i>net of provisions</i>)	1,411,163	842,412
Deposits and prepayments	68,543	27,432
Other receivables	103,442	68,027
	<u><u>1,975,101</u></u>	<u><u>1,453,383</u></u>

60% of the net trade receivables balance above, AED 279,123 thousand (*31 December 2010, 56% AED 287,108 thousand*) is receivable from the Government and its departments.

13 Available for sale financial assets

	30 June 2011 AED'000	31 December 2010 AED'000
At 1 January	8,473	10,555
Net unrealised losses recorded in equity (<i>refer note 20</i>)	(331)	(2,082)
	<u>8,142</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

	30 June 2011 AED'000	31 December 2010 AED'000
At 1 January	22,834	24,673
Net unrealised losses (<i>note 8</i>)	(806)	(1,839)
	<u>22,028</u>	<u>22,834</u>

Financial assets at fair value through profit or loss comprise equity instruments listed on securities markets in the United Arab Emirates. 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:

	30 June 2011 AED'000	31 December 2010 AED'000
Cash in hand	80	80
Cash at banks		
- current accounts	15,720	93,807
- short term deposit*	150,000	480,000
	<u>165,800</u>	<u>573,887</u>
Book overdraft	(5,626)	-
	<u>160,174</u>	<u>573,887</u>

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

16 Related party transactions and balances

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

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

17 Advance from customers

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

	30 June 2011 AED'000	31 December 2010 AED'000
<i>Non-current</i>		
Zakum project	138,000	138,000
<i>Current</i>		
Zakum project	70,213	88,316
Gasco	36,892	36,892
Al Garnayn Island	2,180	2,180
	<u>109,285</u>	<u>127,388</u>

National Marine Dredging Company
(Public Shareholding Company)

Notes to the condensed interim financial information

18 Trade and other payables

	30 June 2011 AED'000	31 December 2010 AED'000
Trade payables	113,308	90,003
Accrued liabilities	417,689	428,377
Retention payable	16,098	12,503
Other payables	2,772	1,705
	<u>549,867</u>	<u>532,588</u>

19 Derivatives used for hedging

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

	30 June 2011		31 December 2010	
	Notional amount AED'000	Fair value AED'000	Notional amount AED'000	Fair value AED'000
Forward exchange contract	-	-	18,000	(3,212)
	<u>-</u>	<u>-</u>	<u>18,000</u>	<u>(3,212)</u>

20 Reserves

	Legal Reserve AED'000	Asset replacement reserve AED'000	Regulatory reserve AED'000	Effective portion of Unrealised change in fair value of cash flows		Unrealised gain on available for sale financial Assets AED'00	Total AED'000
				AED'000	AED'000		
At 1 January 2010	100,000	595,000	20,000	-	8,249	723,249	
Effective portion of change in fair value of cash flow hedge	-	-	-	(13,513)	-	(13,513)	
Fair value gain on available for sale financial assets (<i>net</i>)	-	-	-	-	(3,523)	(3,523)	
At 30 June 2010	<u>100,000</u>	<u>595,000</u>	<u>20,000</u>	<u>(13,513)</u>	<u>4,726</u>	<u>706,213</u>	
At 1 January 2011	108,386	595,000	20,000	(3,212)	6,167	726,341	
Realisation of cash flow hedge	-	-	-	3,212	-	3,212	
Fair value loss on available for sale financial assets (<i>net</i>)	-	-	-	-	(331)	(331)	
At 30 June 2011	<u>108,386</u>	<u>595,000</u>	<u>20,000</u>	<u>-</u>	<u>5,836</u>	<u>729,222</u>	

National Marine Dredging Company
(Public Shareholding Company)

Notes to the condensed interim financial information

20 Reserves (continued)

Legal reserve

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

Asset replacement reserve

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

Regulatory reserve

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

21 Share capital

	30 June 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	216,773	216,773

22 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:

National Marine Dredging Company
(Public Shareholding Company)

Notes to the condensed interim financial information

22 Share premium (continued)

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

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

*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.

23 Proposed dividend

The Board of Directors at a meeting held on 06 March 2011, recommended a final dividend per share of AED 0.5 per share, amounting to AED 108,836 thousand for the Company's shareholders. At the Annual General Meeting held on 05 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.

24 Contingencies and commitments

	30 June	31 December
	2011	2010
	AED'000	AED'000
Guarantees	752,201	881,449
	<hr/>	<hr/>
Letters of credit	55,292	50,820
	<hr/> <hr/>	<hr/> <hr/>

25 Business and geographical segments

Business segments

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

Geographical segments

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