

National Marine Dredging Company
(Public Shareholding Company)

Consolidated financial statements

31 December 2013

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

National Marine Dredging Company
(Public Shareholding Company)

Consolidated financial statements

<i>Contents</i>	<i>Page</i>
Independent auditors' report	1 - 2
Consolidated statement of profit or loss and other comprehensive income	3
Consolidated statement of financial position	4
Consolidated statement of changes in equity	5 - 6
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8 - 37
Directors' report	
Chairman's statement	



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

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of National Marine Dredging Company (Public Shareholding Company) ("the Company") and its subsidiaries (collectively referred to as "the Group"). These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of profit or loss and other 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 14 to the consolidated financial statements, which states that management has exercised significant judgment in estimating the amounts of revenue recognised, and unbilled receivables recoverable, on projects wherein formal agreements are currently not in place for significant periods of time.

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 information and explanations necessary for our audit; the consolidated financial statements comply, in all material respects, with the applicable requirements of the UAE Federal Law (8) of 1984 (as amended) and the Articles of Association of the Company; that proper financial records have been kept by the Group; a physical count of inventories was carried out by the management in accordance with established principles; and the contents of the Directors' report and the Chairman's statement which relate to these consolidated financial statements are in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2013, which may have had a material adverse effect on the business of the Group or its financial position.

KPMG Lower Gulf Limited
Tamer Ragheb
Registration No.797

30 March 2014

National Marine Dredging Company
(Public Shareholding Company)

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December

	<i>Note</i>	2013 AED'000	2012 AED'000
Contract revenue		2,546,029	3,107,297
Contract costs	6	(2,263,483)	(2,683,389)
Gross profit		<u>282,546</u>	<u>423,908</u>
Other income	7	23,626	23,400
Administrative expenses	8	(88,728)	(91,358)
Results from operating activities		<u>217,444</u>	<u>355,950</u>
Net finance expense	9	(10,686)	(16,929)
Profit for the year		<u>206,758</u>	<u>339,021</u>
Other comprehensive income			
Fair value loss on interest rate swap	19	(227)	-
Fair value income on available- for-sale financial assets	15	925	206
Total comprehensive income for the year		<u><u>207,456</u></u>	<u><u>339,227</u></u>
Earnings per share			
Basic earnings per share (AED)	10	0.91	1.49
Diluted earnings per share (AED)	10	0.91	-

The notes set out on pages 8 to 37 form an integral part of these consolidated financial statements.

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


National Marine Dredging Company

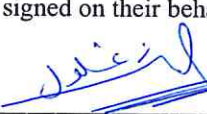
(Public Shareholding Company)

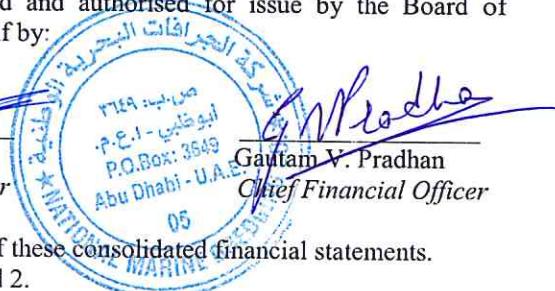
Consolidated statement of financial position as at 31 December

	Note	2013 AED'000	2012 AED'000
Non-current assets			
Property, plant and equipment	11	1,404,958	1,333,912
Goodwill and other intangible assets	12	53,785	54,581
Total non-current assets		1,458,743	1,388,493
Current assets			
Inventories	13	249,008	252,285
Trade and other receivables	14	3,131,741	2,937,333
Available-for-sale financial assets	15	9,305	8,380
Financial assets at fair value through profit or loss	16	38,282	24,399
Cash and cash equivalents	17	212,275	264,099
Total current assets		3,640,611	3,486,496
Current liabilities			
Advances from customers	18	48,514	216,363
Finance lease (<i>current portion</i>)	23(b)	-	26,097
Trade and other payables	19	768,793	918,623
Provision for employees' end of service benefits	20	77,549	82,756
Dividends payable	21	30,612	40,954
Loans and borrowings (<i>current portion</i>)	23(a)	422,612	350,000
Total current liabilities		1,348,080	1,634,793
Net current assets		2,292,531	1,851,703
Non-current liabilities			
Loans and borrowings (<i>non-current portion</i>)	23(a)	410,865	108,000
Finance lease (<i>non-current portion</i>)	23(b)	-	58,765
Total non-current liabilities		410,865	166,765
Net assets		3,340,409	3,073,431
Represented by:			
Share capital	24	227,849	227,849
Share premium	25	190,205	190,205
Additional share capital	25	173,446	-
Reserves	26	735,696	734,998
Proposed dividend	27	75,000	113,924
Retained earnings		1,938,213	1,806,455
Total equity		3,340,409	3,073,431

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 MAR 2014 and signed on their behalf by:


Mohamed Thani Murshed
Al Rumaithi
Chairman


Yasser Nasr Zaghloul
Chief Executive Officer



The notes set out on pages 8 to 37 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 and 2.

National Marine Dredging Company
(Public Shareholding Company)

Consolidated statement of changes in equity
for the year ended 31 December

	Share capital AED'000 (note 24)	Additional share capital AED'000 (note 25)	Share premium AED'000 (note 25)	Reserves AED'000 (note 26)	Proposed dividend AED'000 (note 27)	Retained earnings AED'000	Total AED'000
At 1 January 2012	227,849	-	190,205	734,792	113,924	1,581,358	2,848,128
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	339,021	339,021
Other comprehensive income							
Change in fair value of available -for-sale financial assets	-	-	-	206	-	-	206
Total comprehensive income for the year	-	-	-	206	-	339,021	339,227
<i>Transactions with owners, recorded directly in equity</i>							
Contributions by and distributions to owners							
Dividends	-	-	-	-	(113,924)	-	(113,924)
Proposed dividend for 2012	-	-	-	-	113,924	(113,924)	-
At 31 December 2012	227,849	-	190,205	734,998	113,924	1,806,455	3,073,431

... continued

National Marine Dredging Company
(Public Shareholding Company)

Consolidated statement of changes in equity (continued)
for the year ended 31 December

	Share capital AED'000 (note 24)	Additional share capital AED'000 (note 25)	Share premium AED'000 (note 25)	Reserves AED'000 (note 26)	Proposed dividend AED'000 (note 27)	Retained earnings AED'000	Total AED'000
At 1 January 2013	227,849	-	190,205	734,998	113,924	1,806,455	3,073,431
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	206,758	206,758
Other comprehensive income							
Change in fair value of available -for-sale financial assets	-	-	-	925 (227)	-	-	925 (227)
Fair value loss on interest rate swap	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	698	-	206,758	207,456
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Additional share capital	-	173,446	-	-	-	-	173,446
Dividends	-	-	-	-	(113,924)	-	(113,924)
Proposed dividends for 2013	-	-	-	-	75,000	(75,000)	-
At 31 December 2013	227,849	173,446	190,205	735,696	75,000	1,938,213	3,340,409

The notes set out on pages 8 to 37 form an integral part of these consolidated financial statements.

National Marine Dredging Company
(Public Shareholding Company)

Consolidated statement of cash flows
for the year ended 31 December

	Note	2013 AED'000	2012 AED'000
Cash flows from operating activities:			
Profit for the year		206,758	339,021
<i>Adjustments for:</i>			
Depreciation	11	205,642	245,353
Amortization of intangibles		796	1,008
Interest expense	9	26,606	21,540
Gain on disposal of property, plant and equipment	7	(6,276)	(2,265)
Fair value loss on financial assets at fair value through profit or loss	9	(13,883)	(4,010)
Dividend income	9	(2,037)	(601)
Provision for employees' end of service benefits	20	18,094	12,796
		<u>435,700</u>	<u>612,842</u>
Employees' end of service benefits paid	20	(23,301)	(11,561)
		<u>412,399</u>	<u>601,281</u>
Change in inventories	13	3,277	(31,036)
Change in trade and other receivables	14	(194,408)	(462,614)
Change in advance from customers	18	(167,849)	960
Change in trade and other payables	19	(133,557)	119,004
		<u>(80,138)</u>	<u>227,595</u>
Net cash (used in) / from operating activities			
Cash flows from investing activities:			
Acquisition of property, plant and equipment	11	(278,061)	(299,071)
Proceeds from disposal of property, plant and equipment		7,649	6,777
Cash paid for the acquisition of subsidiary - net	31	(16,500)	(88,875)
Dividend received	9	2,037	601
		<u>(284,875)</u>	<u>(380,568)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from loan	23(a)	375,477	458,000
Proceeds from additional share capital	25	173,446	-
Dividend paid	21	(124,266)	(95,789)
Interest paid	9	(26,606)	(21,438)
Payment of finance lease	23(b)	(84,862)	-
Term loan repaid		-	(7,217)
		<u>313,189</u>	<u>333,556</u>
Net cash from financing activities			
Net (decrease) / increase in cash and cash equivalents			
Cash and cash equivalents at 1 January	17	264,099	83,516
		<u>212,275</u>	<u>264,099</u>
Cash and cash equivalents at 31 December			

The notes set out on pages 8 to 37 form an integral part of these consolidated financial statements.

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

National Marine Dredging Company

(Public Shareholding Company)

Notes to the consolidated financial statements

1 Legal status and principal activities

National Marine Dredging Company (“the Company”) is a public shareholding company incorporated in the Emirate of Abu Dhabi. The Company was incorporated by Law No. (10) of 1979, as amended by Decrees No. (3) and (9) of 1985 issued by His Highness Sheikh Khalifa Bin Zayed Al Nahyan, who was then the Deputy Ruler of the Emirates of Abu Dhabi. The registered address of the Company is P O Box 3649, Abu Dhabi, United Arab Emirates.

The Company is primarily engaged in the execution of dredging contracts and associated land reclamation works in the territorial waters of the United Arab Emirates (“UAE”), principally under the directives of the Government of Abu Dhabi (“the Government”), a major shareholder.

The consolidated financial statements of the Group as at and for the year ended 31 December 2013 include the financial performance and position of the Company and its below mentioned subsidiaries (collectively referred to as “the Group”).

Subsidiary	Country of incorporation and operation	Share of equity %		Principal activity
		2013	2012	
Emarat Europe Fast Building Technology System Factory L.L.C (Emarat Europe)	UAE	100	100	Manufacturing and supply of precast concrete
National Marine Dredging Company (Industrial)	UAE	100	100	Manufacturing of steel pipes and steel pipe fittings; holding of investments in Group subsidiaries
ADEC Engineering Consultancy L.L.C	UAE	100	100	Consultancy services in the field of civil, architectural, drilling and marine engineering; holding of investments in Group subsidiaries
National Marine Dredging Company S.P.C.	State of Qatar	100	-	Dredging and associated land reclamation works.

For more information on the acquisition / formation of subsidiaries, refer to note 31.

National Marine Dredging Company

(Public Shareholding Company)

Notes to the consolidated financial statements

2 Basis of preparation

(a) *Statement of compliance*

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

(c) *Functional and presentation currency*

These consolidated financial statements are presented in UAE Dirhams ("AED"), which is the Group's functional and reporting currency. All financial information presented in AED is rounded to the nearest thousands, except when otherwise indicated.

(d) *Use of estimates and judgements*

The preparation of the consolidated financial statements in conformity with IFRS 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 consolidated financial statements are discussed in note 32.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

(a) *Basis of consolidation*

Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

National Marine Dredging Company

(Public Shareholding Company)

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

Subsidiaries (continued)

Adjustments are made to the figures reported by subsidiaries, when necessary, to align them with the policies adopted by the Group.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest ("NCI") and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) 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. Claims not agreed with customers are not recognised until such time as they have been accepted.

If the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Based on the method that most reliably measures the actual work performed on each contract, the stage of completion is determined either on the basis of surveys of work performed or in the proportion of the contract costs incurred for work performed to date as compared to the estimated total contract costs.

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

Losses on contracts are assessed on an individual contract basis and a provision is recorded for the full amount of any anticipated losses, including losses relating to future work on a contract, in the period in which the loss is first foreseen.

(c) Foreign currencies

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

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

National Marine Dredging Company
(Public Shareholding Company)

Notes to the consolidated financial statements

3 Significant accounting policies *(continued)*

(c) Foreign currencies (continued)

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

(d) Finance income and expenses

Finance income

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

Finance expenses

Finance costs comprise interest expense on borrowings and changes in fair value of financial assets at fair value through profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(e) 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, capitalised borrowing costs and when the Group has obligation to remove the asset, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

National Marine Dredging Company

(Public Shareholding Company)

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

Subsequent costs

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

Depreciation

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

Depreciation (continued)

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

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

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

During the year, management reassessed the useful lives and the residual values of the major items of property, plant and equipment and based on such a reassessment, determined that the estimated useful lives of marine and earth moving equipment needs to be revised. As a result of this reassessment, the estimated useful lives of marine equipment were revised from 4 - 20 years to 5 - 25 years and those on earth moving equipment were revised from 3 - 4 years to 4 - 6 years. In addition, a residual value of 5% has been taken into consideration. Accordingly, depreciation for the year has been recognised based on the remaining net book value and the remaining useful lives of the assets. As a result of this change in estimate depreciation expense for the year is lower by AED 70 million.

Capital work in progress

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

National Marine Dredging Company

(Public Shareholding Company)

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(f) Goodwill and other intangible assets

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(g) 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.

(h) Financial instruments

Non-derivative financial instruments comprise trade and other receivables, available for sale financial assets, financial assets at fair value through profit or loss, cash and cash equivalents, loans and borrowings, trade and other payables, and dividend payable.

i) Non-derivative financial assets

The Group 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 Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

National Marine Dredging Company

(Public Shareholding Company)

Notes to the consolidated financial statements

3 Significant accounting policies *(continued)*

(h) Financial instruments (continued)

i) Non-derivative financial assets (continued)

Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group'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, which takes in to account any dividend income, are recognised in profit or loss. Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Loans and receivables

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

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

Unbilled receivables

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

Cash and cash equivalents

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

Available for sale financial assets

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

National Marine Dredging Company

(Public Shareholding Company)

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(h) Financial instruments (continued)

ii) Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into the other financial liabilities category. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. Other financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposure. Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income ("OCI") and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

(i) Impairment

Financial assets

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

Financial assets measured at amortised cost

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

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

National Marine Dredging Company

(Public Shareholding Company)

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(i) Impairment (continued)

Financial assets (continued)

Available-for-sale financial assets

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

Non-financial assets

The carrying amounts of the Group'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. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount. An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset or cash generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss in respect of goodwill is not reversed. For other assets, 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.

National Marine Dredging Company
(Public Shareholding Company)

Notes to the consolidated financial statements

3 Significant accounting policies *(continued)*

(j) Provision for staff terminal benefits

Provision for staff terminal benefits is made in accordance to the UAE 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. Pension contributions are made in respect of UAE national employees made in accordance with the Abu Dhabi Retirement Pension and Benefit Fund (Law No. 2 of 2000). Such contributions are charged to the profit or loss during the employees' period of service.

(k) Lease

Leased assets

Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's consolidated statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the assets.

(l) Dividend expense

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

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

National Marine Dredging Company

(Public Shareholding Company)

Notes to the consolidated financial statements

3 Significant accounting policies *(continued)*

(n) *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 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

i) *IFRS 9 Financial Instruments*

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The Company is currently assessing the impact on early adoption.

4 Determination of fair values

A number of the Group'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 29(d).

5 Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

National Marine Dredging Company

(Public Shareholding Company)

Notes to the consolidated financial statements

5 Financial risk management (continued)

Overview (continued)

(i) Credit risk

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. During 2013, approximately 78% (2012: 82%) of the Group's revenue was attributable to sales transactions with Government of Abu Dhabi and the departments associated with it, a major shareholder of the Company (refer note 22). The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is specific loss component that relates to individually significant exposures.

Investments

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

Cash and cash equivalents

The Group held cash and cash equivalents of AED 211,416 thousand at 31 December 2013 (2012: AED 263,225 thousand), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the reputable banks.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group'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 Group'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 Group'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 Group's interest bearing assets and liabilities. The Group's interest rate risk arises primarily from borrowings, bank overdrafts and deposits held as security by the bank. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

Other market price risk

Equity price risk arises from available for sale equity securities. Management of the Group 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 Group's investment strategy is to maximise investment returns. In accordance with this strategy certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

National Marine Dredging Company
(Public Shareholding Company)

Notes to the consolidated financial statements

5 Financial risk management (continued)

(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

	2013 AED'000	2012 AED'000
Cost of operation of dredgers, support craft and boosters	255,687	430,108
Direct project costs	1,885,013	2,111,475
Cost of floating and reclamation areas	48,577	94,118
Cost of consumable stores	3,742	6,482
Other direct operating costs	70,464	41,206
	<u>2,263,483</u>	<u>2,683,389</u>

7 Other income

	2013 AED'000	2012 AED'000
Gain on disposal of property, plant and equipment	6,276	2,265
Foreign exchange (loss) / gain	(2,117)	5,587
Insurance claim	9,698	11,209
Miscellaneous income	9,769	4,339
	<u>23,626</u>	<u>23,400</u>

8 Administrative expenses

	2013 AED'000	2012 AED'000
Staff costs	61,599	72,716
Depreciation	2,784	1,955
Others	24,345	16,687
	<u>88,728</u>	<u>91,358</u>

National Marine Dredging Company
(Public Shareholding Company)

Notes to the consolidated financial statements

9 Net finance expense

	2013 AED'000	2012 AED'000
Fair value loss on financial assets at fair value through profit or loss (note 16)	13,883	4,010
Interest expense	(26,606)	(21,540)
Dividend income	2,037	601
	<u>(10,686)</u>	<u>(16,929)</u>

10 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding at 31 December 2013 was 227,848,502 shares (31 December 2012: 227,848,502) (also refer to note 24). The weighted average number of potentially dilutive shares outstanding at 31 December 2013 was 120,276 shares (31 December 2012: Nil).

11 Property, plant and equipment

Details of property, plant and equipment are set out in Schedule I on page 37.

Depreciation charge is allocated as follows:

	2013 AED'000	2012 AED'000
Contract cost	202,858	243,398
Administrative expense	2,784	1,955
	<u>205,642</u>	<u>245,353</u>

12 Goodwill and other intangible assets

	Goodwill AED'000	Other intangible assets* AED'000	Total AED'000
<i>Cost</i>			
At 1 January 2012	-	-	-
Acquisition (refer note 31)	36,276	19,313	55,589
At 31 December 2012	<u>36,276</u>	<u>19,313</u>	<u>55,589</u>
<i>Amortisation and impairment</i>			
At 1 January 2012	-	-	-
Amortisation	-	1,008	1,008
At 31 December 2012	<u>-</u>	<u>1,008</u>	<u>1,008</u>
<i>Carrying amounts at 31 December 2012</i>	<u>36,276</u>	<u>18,305</u>	<u>54,581</u>

National Marine Dredging Company
(Public Shareholding Company)

Notes to the consolidated financial statements

12 Goodwill and other intangible assets (continued)

	Goodwill AED'000	Other intangible assets* AED'000	Total AED'000
<i>Cost</i>			
At 1 January 2013	36,276	19,313	55,589
Acquisition(refer note 31)	-	-	-
At 31 December 2013	36,276	19,313	55,589
<i>Amortisation and impairment</i>			
At 1 January 2013	-	1,008	1,008
Amortisation	-	796	796
At 31 December 2013	-	1,804	1,804
Carrying amounts at 31 December 2013	36,276	17,509	53,785

*Other intangible assets include fair value of operating lease rights amounting to AED 19,101 thousand and customers' order backlog amounting to AED 212 thousand. During the year amortization of AED 796 thousand (31 December 2012: AED 1,008 thousand) is charged to contract cost in profit or loss, on these assets (refer note 31).

Impairment testing for cash generating units containing goodwill

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

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

	2013
	%
Discount rate	14%
Terminal value growth rate	2%
Budgeted EBITDA growth rate	3% to 8%

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

National Marine Dredging Company
(Public Shareholding Company)

Notes to the consolidated financial statements

13 Inventories

	2013 AED'000	2012 AED'000
Spare parts and consumable stores	266,319	271,221
Raw material	2,025	1,686
Finished goods	5,990	3,253
Less: Provision for slow moving and obsolete inventories	(25,326)	(23,875)
	<u>249,008</u>	<u>252,285</u>

14 Trade and other receivables

	2013 AED'000	2012 AED'000
Trade receivables	625,944	430,031
Less: provision for impairment	(36,674)	(37,341)
	<u>589,270</u>	<u>392,690</u>
Unbilled receivables (net of provisions)	2,287,668	2,300,735
Deposits and prepayments	53,159	50,361
Other receivables	201,644	193,547
	<u>3,131,741</u>	<u>2,937,333</u>

79% (31 December 2012: 66%) of the net trade receivables balance above, amounting to AED 468,827 thousand (2012: AED 282,020 thousand) is receivable from the Government of Abu Dhabi, its departments and other related parties (refer to note 22).

Unbilled receivables include AED 695,990 thousand (31 December 2012: AED 742,632 thousand), out of which AED 295,799 thousand (31 December 2012: AED 233,818 thousand) has been recognised as revenue during the year, receivable from the Government of Abu Dhabi and its departments for which the underlying contracts are not signed. In addition, this balance includes an amount of AED 400,191 thousand, which is outstanding for periods exceeding one year as at the reporting date.

Management has exercised significant judgment in estimating the amounts of revenue recognised, and unbilled receivables recoverable, on these projects wherein formal agreements are currently not in place for significant periods of time. Furthermore, the unbilled receivables on such projects have not been subsequently invoiced or recovered for more than one year, consequently raising uncertainties over the recoverability of these amounts.

However, based on the status of discussions with the counterparties, past payment history and the relationship between the parties, management has assessed that these recorded amounts are fully recoverable.

15 Available for sale financial assets

	2013 AED'000	2012 AED'000
At 1 January	8,380	8,174
Change in fair value (note 26)	925	206
At 31 December	<u>9,305</u>	<u>8,380</u>

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

National Marine Dredging Company

(Public Shareholding Company)

Notes to the consolidated financial statements

16 Financial assets at fair value through profit or loss

	2013 AED'000	2012 AED'000
At 1 January	24,399	20,389
Change in fair value (note 9)	13,883	4,010
At 31 December	38,282	24,399

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

17 Cash and cash equivalents

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

	2013 AED'000	2012 AED'000
Cash in hand	859	874
Cash at banks		
- Current accounts	210,113	262,544
- Short term deposits*	1,303	681
	212,275	264,099

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

18 Advances from customers

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

	2013 AED'000	2012 AED'000
Zakum project	31,706	198,740
Gasco project	3,735	14,657
Port of Fujairah project	4,180	-
Water circulation project	4,029	-
Takreer carbon project	2,847	-
Al Garnayn Island project	-	2,180
Yas Island project	-	786
Other projects	2,017	-
	48,514	216,363

19 Trade and other payables

	2013 AED'000	2012 AED'000
Trade payables	323,751	482,709
Accrued liabilities	406,332	391,777
Retentions payable	28,045	37,510
Other payables*	10,665	6,627
	768,793	918,623

*included in other payables is an interest rate swap amounting to AED 227 thousand. The swap agreement is intended to hedge its risk of unfavourable market changes with respect to the floating interest rate on the long term borrowings obtained from commercial banks (refer note 23(a)).

National Marine Dredging Company
(Public Shareholding Company)

Notes to the consolidated financial statements

20 Provision for employees' end of service benefits

Movements in the provision are set out below:

	2013 AED'000	2012 AED'000
At 1 January	82,756	79,682
Acquired from subsidiary (<i>refer note 31</i>)	-	1,839
Charge for the year	18,094	12,796
Payments during the year	(23,301)	(11,561)
At 31 December	77,549	82,756

21 Dividends payable

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

	2013 AED'000	2012 AED'000
At 1 January	40,954	22,819
Additions during the year (<i>note 27</i>)	113,924	113,924
Payments during the year	(124,266)	(95,789)
At 31 December	30,612	40,954

22 Related party transactions and balances

Identity of related parties

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

Transactions with key management personnel

Compensation of key management personnel is as follows:

	2013 AED'000	2012 AED'000
Salaries and other short-term employee benefits	9,292	7,618
Employees' end of service benefits	449	396
	9,741	8,014

Director's fees and employee bonus

For the year ended 31 December 2013, an amount of AED 25,000 thousand (2012: AED 40,000 thousand) has been recommended as director's fees and employee bonus by the Board of Directors at a meeting held on 24 March 2014.

National Marine Dredging Company

(Public Shareholding Company)

Notes to the consolidated financial statements

22 Related party transactions and balances *(Continued)*

Other related party transactions

The Abu Dhabi Municipality (“the Municipality”) had granted the Company the right to use the land at the Company’s base facilities in Musaffah free of charge. Subsequently, with effect from the year 2005 the Municipality charges an amount of AED 240 thousand per annum for the use of this land.

The Group’s revenue includes an amount of AED 1,996,016 thousand (2012: AED 2,546,784 thousand) earned from the Government of Abu Dhabi and its departments (refer to note 14).

23(a) Loans and borrowings

	31 December 2013 AED’000	31 December 2012 AED’000
Revolving Mudaraba facility ¹	583,482	350,000
Commodity Murabaha ²	249,995	108,000
	<u>833,477</u>	<u>458,000</u>
	31 December 2013 AED’000	31 December 2012 AED’000
Current portion	422,612	350,000
Non-current portion	410,865	108,000
	<u>833,477</u>	<u>458,000</u>

¹*Revolving Mudaraba Facilities:*

Facility 1

In 2012, the Company obtained Revolving Mudaraba facility from a commercial bank amounting to AED 350 million to finance the working capital requirements for projects executed by the Company. As per the facility agreement the Company was entitled to draw down the amount against invoices raised on certain projects and the bank was entitled to a profit of 1 Month EIBOR + Margin. The facility was secured against the irrevocable and unconditional assignment of project receipts in favour of the bank. In December 2013, the Company settled the facility in full and replaced this facility with another Mudaraba facility (refer facility 2 below) with another commercial bank.

Facility 2

In 2013, the Company obtained a revolving Mudaraba facility from a commercial bank amounting to AED 350 million to replace facility 1. As per the facility agreement the bank is entitled to a profit of 1 Month EIBOR + Margin. The facility is repayable within one year from the draw down date. The facility is secured against the irrevocable and unconditional assignment of project receipts in favour of the bank. As at 31 December 2013, the balance outstanding on the facility amounted to AED 350 million.

Facility 3

During the current year, the Company has availed an amount of AED 233 million from a commercial bank to finance the working capital requirements of projects executed by the Company. The amount is repayable on realisation of the invoices against which the facility is obtained or two years from the date of first draw down of the underlying tranche and carries a profit of 3 Months EIBOR + Margin. The facility is secured against the assignment of proceeds from projects financed under the facility, in favour of the bank. At 31 December 2013, the balance outstanding amounted to AED 233 million.

National Marine Dredging Company
(Public Shareholding Company)

Notes to the consolidated financial statements

23(a) Loans and borrowings (continued)

²Commodity Murabaha

In April 2012, to facilitate the purchase of shareholding in Emarat Europe Fast Building Technology Factory LLC (refer note 31), the Company obtained a commodity murabaha facility from a bank amounting to AED 108 million for a period of three years. The bank is entitled to a profit equal to 3 Months EIBOR + Margin. The principal amount is to be repaid in four quarterly instalments commencing from two years of the draw down. The first three instalments of AED 6.75 million each are payable quarterly, commencing 2 years from the draw down date. The Company has an option to repay the remaining amount of AED 81 million in one tranche as the fourth instalment, or to enter into a new murabaha agreement for AED 81 million. The facility is secured against a corporate guarantee from Emarat Europe Fast Building Technology Factory LLC covering the facility amount of AED 108 million. As at 31 December 2013 the balance outstanding amounted to AED 108 million (31 December 2012: AED 108 million).

During the current year, to facilitate the purchase of items of property, plant and equipment, the Company obtained a commodity murabaha facility from a bank amounting to AED 100 million for a period of three years. The bank is entitled to a profit equal to 3 Months EIBOR + Margin. The principal amount is to be repaid in twelve quarterly instalments commencing from the draw down. As at 31 December 2013, the outstanding balance amounted to AED 63 million (31 December 2012: Nil).

Ijarah Muntahia Bitamleek

During 2013, to facilitate the purchase of items of property, plant and equipment, the Company obtained a Ijarah Muntahia Bitamleek facility from a commercial bank amounting to AED 87 million for a period of three years. The bank is entitled to a profit equal to 3 Months EIBOR + Margin. The principal amount is to be repaid in eleven quarterly instalments of AED 4.37 million each, commencing from the draw down date. The Company has an option to repay the remaining amount of AED 39 million in one tranche as the twelfth instalment, or to enter into a new Ijarah Muntahia Bitamleek agreement for AED 39 million. As at 31 December 2013, the outstanding balance amounted to AED 79 million (31 December 2012: Nil).

Interest rate swap

During the year, the Company has entered into a interest rate swap agreement with commercial banks to hedge against the risk of unfavourable market changes with respect of the floating interest rate on the long term borrowings.

23(b) Finance lease

During 2012 the Company acquired rock transport barges and tug boats on finance lease from the supplier. During 2013, finance lease liabilities were repaid in full.

	Future minimum lease payments	Interest	31 December 2012 Present value of minimum lease payments
	AED'000	AED'000	AED'000
Less than one year	-	-	26,097
Between one and five years	-	-	58,765
	<u> </u>	<u> </u>	<u> </u>
	-	-	84,862
	<u> </u>	<u> </u>	<u> </u>

National Marine Dredging Company

(Public Shareholding Company)

Notes to the consolidated financial statements

24 Share capital

	2013 AED'000	2012 AED'000
Authorised, issued and fully paid: 227,848,502 (2012:227,848,502) ordinary shares of AED 1 each (refer note 25)	<u>227,849</u>	<u>227,849</u>

25 Share premium / additional share capital

On 4 February 2010, the Company and Tasameem Real Estate LLC ("Tasameem") entered into an agreement according to which the Company was to issue 50,000,000 convertible bonds to Tasameem to be converted into 50,000,000 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 were to take place as per the schedule stated in the agreement and set out below.

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

Issue No.	Issue Date as Per Agreement	Conversion Date	Issue Value AED	Number of shares to be issued	Settlement method
1	2 February 2010	15 March 2010	131,330,664	16,772,753	Transfer of property, plant and equipment
2	30 January 2011	15 March 2011	86,723,112	11,075,749	Cash
3	30 January 2012	15 March 2012	86,723,112	11,075,749	Cash
4	30 January 2013	15 March 2013	86,723,112	11,075,749	Cash
		Total	391,500,000	50,000,000	

In accordance with the above, the Company issued 16,773 and 11,076 thousand convertible bonds to Tasameem in 2010 and 2011, respectively, for a total consideration of AED 218,054 thousand. These bonds were converted to 27,849 thousand equity shares of the Company at the face value of AED 1 per share resulting in an increase in the Company's share capital by AED 16,773 thousand in 2010 and AED 11,076 thousand in 2011. On 29 November 2013, Company issued 22,151 thousand convertible bonds to Tasameem for a total consideration of AED 173,446 thousand, representing issue number 3 and 4 set out in the table below. As at the reporting date, the legal formalities for conversion of the bonds to share capital were in process and the same were completed in 2014 and the shares have been listed on the Abu Dhabi Stock Exchange (refer note 28). Accordingly, the amount of AED 173,446 million has been presented as additional share capital in the statement of consolidated financial position as at 31 December 2013. On the conversion, AED 22,152 thousand would be recorded as additional share capital and the balance would be recorded as a share premium.

The excess of the consideration over the face value of the equity shares issued, as set out below, has been recorded as share premium:

	AED'000
Par value of shares issued	27,849
Share premium	190,205
	<u>218,054</u>

National Marine Dredging Company

(Public Shareholding Company)

Notes to the consolidated financial statements

26 Reserves

	Legal reserve AED'000	Asset replacement reserve AED'000	Regulatory reserve AED'000	Unrealised loss on interest rate swap AED'000	Unrealised gain on available for sale financial assets AED'00	Total AED'000
At 1 January 2012	113,924	595,000	20,000	-	5,868	734,792
Change in fair value of available for sale financial assets (<i>refer note 15</i>)	-	-	-	-	206	206
At 31 December 2012	113,924	595,000	20,000	-	6,074	734,998

	Legal reserve AED'000	Asset replacement reserve AED'000	Regulatory reserve AED'000	Unrealised loss on interest rate swap AED'000	Unrealised gain on available for sale financial assets AED'00	Total AED'000
At 1 January 2013	113,924	595,000	20,000	-	6,074	734,998
Change in fair value of available for sale financial assets (<i>refer note 15</i>)	-	-	-	-	925	925
Fair value loss on interest rate swap (<i>note 19</i>)	-	-	-	(227)	-	(227)
At 31 December 2013	113,924	595,000	20,000	(227)	6,999	735,696

Legal reserve

In accordance with Article 255 of the UAE Federal Law No.8 of 1984 (as amended), 10% of the annual profit of the Company is transferred to a non-distributable legal reserve. Transfers to this reserve are required to be made until such time as it equals 50% of the paid up share capital of the Company.

Asset replacement reserve

This reserve represents an appropriation from the annual profit, at the discretion of the Board of Directors with the approval of the General Assembly, to facilitate the financing of dredgers and support craft and other major items of property, plant and equipment. No appropriation was made from the current or prior year profit.

Regulatory reserve

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

27 Proposed dividend

At the Annual General Meeting held on 24 April 2013, the shareholders approved dividend for the year ended 31 December 2012 of AED 0.5 per share amounting to AED 113,924 thousand to all the shareholders whose name is included in the register of members as on 24 April 2013. The Board of Directors at a meeting held on 24 March 2014, recommended a dividend per share of AED 0.30 amounting to AED 75,000 thousand for the year ended 31 December 2013 (*31 December 2012: AED 0.50 amounting to AED 113,924 thousand*) for the Company's shareholders.

National Marine Dredging Company

(Public Shareholding Company)

Notes to the consolidated financial statements

28 Subsequent event

Pursuant to the Ministerial Decree No. (71) of 2014 and the Board of Directors decision circulated on 22 January 2014, the Company's Board of Directors have approved the increase of its share capital from 227,848,502 shares to 250,000,000 shares. Accordingly the share capital of the Company is increased by 22,151,498 shares with AED 1 par value which were authorised, issued and fully paid. These additional shares were subsequently listed on the Abu Dhabi Stock Exchange (Refer note 25).

29 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	
		2013 AED'000	2012 AED'000
Trade and other receivables	14	3,078,582	2,886,972
Cash and cash equivalents	17	211,416	263,225

Receivables ageing

	Gross 2013 AED'000	Impairment 2013 AED'000	Gross 2012 AED'000	Impairment 2012 AED'000
Not past due	319,679	-	166,107	-
Past due 0-90 days	40,232	-	188,252	-
Past due 91-180 days	13,499	-	10,179	-
Past due 181-360 days	183,314	-	16,275	-
More than 1 year	69,220	36,674	49,218	37,341
Total	625,944	36,674	430,031	37,341

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

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

	2013 AED	2012 AED
At 1 January	37,341	46,817
Provision for impairment	-	-
Reversals of provision during the year	(667)	(9,476)
At 31 December	36,674	37,341

National Marine Dredging Company

(Public Shareholding Company)

Notes to the consolidated financial statements

29 Financial instruments (continued)

(b) Liquidity risk

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

31 December 2013

	Note	Carrying value AED'000	Contractual cash flows AED'000	1 year year or less AED'000	More than 1 year AED'000
Derivative financial liabilities					
Interest rate swap used for Hedging					
	19	227	227	227	-
Non-derivative financial liabilities					
Trade and other payables					
	19	362,461	362,461	362,461	-
Provision for employees' end of service benefits					
	20	77,549	77,549	77,549	-
Loans and borrowings					
	23	833,477	833,477	422,612	410,865
		<u>1,273,714</u>	<u>1,273,714</u>	<u>862,849</u>	<u>410,865</u>

31 December 2012

	Note	Carrying value AED'000	Contractual cash flows AED'000	1 year or less AED'000
Non-derivative financial liabilities				
Trade and other payables				
	19	526,846	526,846	-
Provision for employees' end of service benefits				
	20	82,756	82,756	-
Loans and borrowings				
	23	542,862	550,490	169,396
		<u>1,152,464</u>	<u>1,160,092</u>	<u>169,396</u>

(c) Market risk

Exposure to interest rate risk

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

	Note	2013 AED'000	2012 AED'000
Financial liabilities	23	<u>833,477</u>	<u>542,000</u>

At 31 December 2013, if interest rates on borrowings had been 100 basis points higher with all other variables held constant, borrowing costs for the year would have been AED 8,335 thousand higher, mainly as a result of higher interest expense (2012: AED 4,580 thousand).

The Group pays interest on financial liabilities at the prevailing market rates.

Other market price risk

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

National Marine Dredging Company
(Public Shareholding Company)

Notes to the consolidated financial statements

29 Financial instruments (continued)

(c) *Market risk (continued)*

	Effect on profit or loss AED'000	Effect on equity AED'000
<i>31 December 2013</i>		
Effect of change in fair value of available for sale financial assets	-	465
Effect of change in fair value of financial assets at fair value through profit or loss	<u>1,914</u>	<u>-</u>
<i>31 December 2012</i>		
Effect of change in fair value of available for sale financial assets	-	419
Effect of change in fair value of financial assets at fair value through profit or loss	<u>1,220</u>	<u>-</u>

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

(d) *Fair value hierarchy*

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

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

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

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

	Level 1	Level 2	Level 3	2013 AED'000
				Total
Available for sale financial assets	9,305	-	-	9,305
Financial assets at fair value through profit or loss	38,282	-	-	38,282
Derivative financial instrument – interest rate swap	-	227	-	227
	<u>47,587</u>	<u>227</u>	<u>-</u>	<u>47,814</u>
				2012 AED'000
	Level 1	Level 2	Level 3	Total
Available for sale financial assets	8,380	-	-	8,380
Financial assets at fair value through profit or loss	24,399	-	-	24,399
	<u>32,779</u>	<u>-</u>	<u>-</u>	<u>32,779</u>

National Marine Dredging Company

(Public Shareholding Company)

Notes to the consolidated financial statements

29 Financial instruments (continued)

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

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

30 Contingencies and commitments

	2013 AED'000	2012 AED'000
Guarantees	1,352,099	1,209,268
Letters of credit	16,581	3,023

31 Acquisition / formation of subsidiaries

(a) Acquisition of a subsidiary

In January 2012, the Group completed the acquisition of Emarat Europe Fast Building Technology Factory LLC ("Emarat Europe") by acquiring a 100% of Emarat Europe's shares and voting rights from Investment Holding Establishment and Sehab Al Sayed Ahmed Al Sayed Al Hashmi (collectively referred to as "the Seller"), on a debt and cash free basis, for a consideration of AED 120,000 thousand.

Emarat Europe, a limited liability company registered in the Emirate of Abu Dhabi, is primarily engaged in the manufacturing and erection of pre-stressed and pre-cast concrete products such as hollow core slabs, panels, columns, stairs and other concrete products.

The acquisition of Emarat Europe has enabled the Company to take advantage of growth opportunities in local market and in the region and to improve its delivery of turnkey civil marine projects.

The fair value of identifiable assets acquired, as set out below, has been determined based on an independent valuation.

	AED'000
Property, plant and equipment	58,071
Intangible assets*	19,313
Inventories	6,340
	<u>83,724</u>

*Intangible assets include fair value of operating lease rights amounting to AED 19,101 thousand and customers' order backlog amounting to AED 212 thousand. During the year amortization of AED 796 thousand (2012: AED 1,008 thousand) has been recognised in profit or loss on these assets.

Goodwill has been recognised as follows:

	AED'000
Purchase price	120,000
Fair value of assets acquired (refer above)	(83,724)
	<u>36,276</u>

National Marine Dredging Company

(Public Shareholding Company)

Notes to the consolidated financial statements

31 Acquisition / formation of subsidiaries *(continued)*

(a) Acquisition of a subsidiary *(continued)*

The goodwill is attributable mainly to the skills and the technical talent of the acquiree's work force and synergies expected to be achieved from integrating Emarat Europe in the Group's existing business.

As per the sales and purchase agreement ("SPA") the seller is obligated to settle all the liabilities and is entitled to take certain assets as at 31 December 2011, as set out below. However, since the seller had not yet settled the said liabilities and taken over the assets up to the date of approval of these consolidated financial statements, the purchase price has been adjusted as set out below:

	AED'000
Cash and bank	1,125
Trade and other receivables	28,888
Term loan	(10,007)
Due to a related party	(2,122)
Trade and other payables	(29,113)
Bank overdraft	(2,560)
End of service benefits obligation	(1,839)
	<hr/>
Net liabilities	(15,628)
Purchase consideration	120,000
	<hr/>
Adjusted purchase price	104,372
Approved adjustments	4,428
Payments made in 2012	(88,875)
Payments made in 2013	(16,500)
	<hr/>
Net amount payable to seller	<u>2,925</u>

(b) Formation of subsidiaries

National Marine Dredging Company (Industrial) is an Establishment registered in the Emirate of Abu Dhabi. National Marine Dredging Company (Industrial) is established with the object of manufacturing of steel pipes and steel pipe fittings and for holding 1% investment in the Group's subsidiaries, to comply with the local regulations.

ADEC Engineering Consultancy L.L.C is a limited liability company registered in the Emirate of Abu Dhabi. ADEC Engineering Consultancy L.L.C is formed for the purpose of holding Group's investments in future.

During 2013, the Company has established a branch in Qatar (the "branch"). The branch's principal activities would include dredging and reclamation contracting, drilling and deepening waterways contracting, ports and marine installation contracting, marine dredging works, ports contracting, general contracting along with related general contracting for buildings.

32 Accounting estimates and judgements

In the process of applying the Group'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 consolidated financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that management believe to be reasonable under the circumstances.

National Marine Dredging Company

(Public Shareholding Company)

Notes to the consolidated financial statements

32 Accounting estimates and judgements (*continued*)

(a) *Contract revenue*

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

As stated in note 3(b) to the consolidated 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.

(a) *Impairment losses on receivables*

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

(b) *Unbilled receivables*

As described in note 3(i), unbilled receivables represent amounts relating to work performed which is yet to be billed to customers. Unbilled receivables are measured by applying the minimum recoverable rates expected, to the actual quantities dredged or the related works performed. Management believes that all unbilled receivables are collectible within twelve months from the reporting date and accordingly the balance is classified under current assets. Significant judgements are involved in management's assessment of the amounts of revenue and unbilled receivables recognised and the recoverability of these amounts. These judgements may need to be revisited as events occur and accordingly any changes thereon will have a significant impact on the amount of revenue recognized and unbilled receivables in these consolidated financial statements. The Group 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.

(c) *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.

National Marine Dredging Company

(Public Shareholding Company)

Notes to the consolidated financial statements

32 Accounting estimates and judgements *(continued)*

(c) *Depreciation on property, plant and equipment (continued)*

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

During the year, in accordance with the Company's accounting policy, management reassessed the useful lives and the residual values of the major items of property, plant and equipment and based on such a reassessment, determined that the estimated useful lives of marine and earth moving equipment needs to be revised. As a result of this reassessment, the estimated useful lives of marine equipment were revised from 4 - 20 years to 5 - 25 years and those on earth moving equipment were revised from 3 - 4 years to 4 - 6 years. In addition, a residual value of 5% has been taken into consideration. Accordingly, depreciation for the year has been recognised based on the remaining net book value and the remaining useful lives of the assets. As a result of this change in estimate depreciation expense for the year is lower by AED 70 million.

(d) *Impairment in respect of available for sale financial assets*

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

(e) *Provision for slow moving and obsolete items*

The Group 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 Group's engineers and approved by Management.

(f) *Impairment of goodwill*

The Company tests annually whether goodwill has suffered any impairment. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated.

(g) *Impairment of other intangible assets*

The Company assesses impairment of other intangible assets annually. In determining whether impairment losses should be recorded, 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.

33 Business and geographical segments

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

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

34 Comparative figures

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

National Marine Dredging Company
(Public Shareholding Company)

Notes to the consolidated financial statements

Property, plant and equipment

Schedule I

	Building and base facilities AED'000	Dredgers AED'000	Support vessels, boosters and pipelines AED'000	Plant, machinery and motor vehicles AED'000	Office equipment & furniture AED'000	Capital work in progress AED'000	Total AED'000
<i>Cost</i>							
At 1 January 2012	98,584	1,113,888	797,095	273,606	30,312	189,316	2,502,801
Additions	12,583	16	84,928	157,370	7,861	121,175	383,933
Acquisition of subsidiary	35,585	-	-	21,943	543	-	58,071
Transfers	4,502	2,817	156,647	64,941	-	(228,907)	-
Write-off / disposals	(945)	(7)	(8,812)	(5,974)	(74)	-	(15,812)
Exchange of assets	-	-	(8,880)	-	-	-	(8,880)
At 31 December 2012	150,309	1,116,714	1,020,978	511,886	38,642	81,584	2,920,113
At 1 January 2013	150,309	1,116,714	1,020,978	511,886	38,642	81,584	2,920,113
Additions	26,163	4,847	31,594	28,133	8,150	179,174	278,061
Transfers	19,822	20,968	185,721	-	5,776	(232,287)	-
Write-off / disposals	(80)	(853)	(14,360)	(5,797)	(731)	-	(21,821)
At 31 December 2013	196,214	1,141,675	1,223,933	534,222	51,837	28,471	3,176,352
<i>Depreciation</i>							
At 1 January 2012	36,660	686,911	507,906	114,503	15,047	-	1,361,027
Charge for the year	9,703	64,525	93,095	74,048	3,982	-	245,353
Write-off / disposals	(945)	(7)	(8,812)	(5,423)	(58)	-	(15,245)
Exchange of assets	-	-	(4,935)	-	-	-	(4,935)
At 31 December 2012	45,418	751,429	587,254	183,128	18,971	-	1,586,200
At 1 January 2013	45,418	751,429	587,254	183,128	18,971	-	1,586,200
Charge for the year	14,365	37,515	77,559	69,086	7,117	-	205,642
Write-off / disposals	(80)	(842)	(14,326)	(4,491)	(709)	-	(20,448)
At 31 December 2013	59,703	788,102	650,487	247,723	25,379	-	1,771,394
<i>Carrying amounts</i>							
At 31 December 2012	104,891	365,285	433,724	328,758	19,671	81,584	1,333,912
At 31 December 2013	136,511	353,573	573,446	286,499	26,458	28,471	1,404,958