NATIONAL MARINE DREDGING COMPANY

Reports and consolidated financial statements for the year ended 31 December 2016

NATIONAL MARINE DREDGING COMPANY

Reports and consolidated financial statements
for the year ended to 31 December 2016

	Page
Independent auditor's report	1 - 6
Consolidated statement of financial position	7
Consolidated statement of profit or loss and other comprehensive income	8
Consolidated statement of changes in equity	9
Consolidated statement of cash flows	10
Notes to the consolidated financial statements	11 - 52

Deloitte.

Deloitte & Touche (M.E.)
Level 11, Al Sila Tower
Abu Dhabi Global Market Square
Al Maryah Island
P.O. Box 990
Abu Dhabi
United Arab Emirates

Tel: +971 (0) 2 408 2424
Fax:+971 (0) 2 408 2525
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
National Marine Dredging Company
Abu Dhabi, UAE

Qualified Opinion

We have audited the consolidated financial statements of National Marine Dredging Company ("the Company"), and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matters as described in the basis of qualified opinion in our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

Management has recognised unbilled receivables on projects wherein formal agreements have not been signed for significant periods of time with the Government of Abu Dhabi, its departments, or other related parties. In addition, various projects with formal agreements have long outstanding receivables which are still unbilled. Unbilled receivables relating to both unsigned contracts and signed contracts, net of allowances, amounts subsequently invoiced or collected, and amounts recognised on claims under negotiation amounted to AED 519,750 thousand and AED 180,183 thousand, respectively at 31 December 2016 and AED 506,139 thousand and AED 64,798 thousand, respectively at 31 December 2015. Due to the absence of signed contracts and the significant delays in billing and collection, we were unable to obtain sufficient and appropriate audit evidence on the recoverability of these unbilled receivable balances and we were unable to determine with reasonable certainty whether any adjustments to these unbilled receivables were necessary and therefore quantify the effect on assets, retained earnings and profit or loss for the years ended 31 December 2016 and 2015.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How our audit addressed the key audit matters.
Revenue recognition The Group's business involves entering into contractual relationships with customers to provide a range of services with a significant proportion of the Group's revenues and profits derived from long term contracts. 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. Management discloses its revenue recognition policy in notes 3d and 4c to the consolidated financial statements.	In responding to the risk, the following key audit procedures were performed: • understanding of the revenue recognition policy of the Company, its business model and industry; • tests on the appropriateness and accuracy of contract costs incurred on the projects; • analysis of the composition of project cost and reasonableness of estimated cost to complete the project; • performing procedures to ensure that the revenue recognition criteria adopted by each group entity is appropriate and in line with the group's accounting policy.
Provision on estimated future losses The construction industry is characterised by contract risk with significant judgements involved in the assessment of both current and future contract financial performance. Management periodically reviews the project's current and future performance, profitability and assesses the contracts for any expected future losses. In doing so, management are required to exercise significant judgement in their assessment of the valuation of contract variations, claims and liquidated damages (revenue items); the completeness and accuracy of forecast costs to complete; and the ability to deliver contracts within forecast timescales. Management has disclosed its policy on provision for future losses in note 4n and amount provided in note 19.	In responding to the risk, the following key audit procedures were performed: • understanding of the project cost estimation and review, periodic project estimates review and provisioning process performed by management; • hindsight analysis on actual cost to complete certain projects of current period compared to estimated cost of prior period; • testing the adequacy of provision for future losses expected compared to actual losses recognised. • Reviewing the reports from the auditors of significant group entities and held discussions on adequacy of provisions

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matters	**How our audit addressed the key audit matters.**
Goodwill impairment The goodwill balance of AED 36 million, which principally relates to the acquisition of Emarat Europe in 2011, is supported by an annual impairment review. The value in use assessment to support the continued carrying value for the goodwill involves the application of subjective judgement about future business performance. Certain assumptions made by management in the impairment review are considered by the engagement team to be key areas of judgement, notably the forecast cash flows, the overall growth rates and the discount rates applied. Please refer to note 6 to the consolidated financial statements for the details of management's impairment test and assumptions.	Our audit procedures involved engaging our internal specialists and carrying out the below procedures. The following key audit procedures were performed: • Evaluating whether the model used by management to calculate the value in use of each CGU complies with IAS 36 Impairment of Assets; • Reviewing the forecasts provided by management for the subject asset to determine whether they are reasonable and supportable based on historical performance; • Analysing the discount rates calculated by management and calculated Weighted Average Cost of Capital (WACC) independently to compare and assess reasonableness of management's calculations; • Assessing long term growth rates for reasonableness by reference to growth in GDP and projected inflation rates; • Cross checking values with market multiples where applicable; and • Assessing the reasonableness of key cash flow assumptions based on historical performance and industry information. We performed sensitivity analysis around key assumptions to ascertain the extent of change that individually or collectively would be required for the goodwill to be impaired. We also assessed the appropriateness of the related disclosures of goodwill.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Emphasis of matters

Long outstanding unbilled receivables

As stated in note 8 to the consolidated financial statements, unbilled receivables include an amount of AED 600,000 thousand recognised on the basis of claims submitted in prior periods. While the customer has acknowledged the claims, the amount of the claims is still under negotiation. The finalisation of such negotiations could have a significant impact on the amount of receivables recognised.

Our opinion is not qualified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Chairman's Message and Directors' Report, which we obtained prior to the date of this auditors' report and the Annual and Corporate Governance reports, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate evidence about the recoverability of the carrying value of certain of the Group's unbilled receivables as at 31 December 2016. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

When we will read the Annual and Corporate Governance Report, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

Responsibilities of Management and Board of Directors or the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee and Board of Directors (together referred to as "those charged with governance") regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

iv) the financial information included in the report of the Directors is consistent with the books of account of the Group;

v) the Company has not purchased or invested in any shares during the financial year ended 31 December 2016;

vi) note 26 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association of which would materially affect its activities or its financial position as at 31 December 2016; and

viii) note 23 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2016.

Deloitte & Touche (M.E.)

Signed by:
Rama Padmanabha Acharya
Registration Number 701
Abu Dhabi
20 March 2017

Abu Dhabi- U.A.E.
P.O.Box : 990
Deloitte & Touche

Consolidated statement of financial position at 31 December 2016

	Notes	2016 AED'000	2015 AED'000 (restated)	2014 AED'000 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	5	**1,118,357**	1,264,089	1,295,453
Goodwill and other intangible assets	6	**51,397**	52,193	52,989
Retention receivables		**63,511**	30,014	-
Total non-current assets		**1,233,265**	1,346,296	1,348,442
Current assets				
Inventories	7	**235,194**	226,816	248,570
Trade and other receivables	8	**2,742,822**	2,411,123	3,163,265
Available-for-sale financial assets	10	**8,796**	7,987	7,992
Financial assets at fair value through profit or loss	11	**28,713**	25,616	26,817
Cash and bank balances	12	**137,223**	597,491	177,021
Total current assets		**3,152,748**	3,269,033	3,623,665
Total assets		**4,386,013**	4,615,329	4,972,107
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	13	**250,000**	250,000	250,000
Share premium	14	**341,500**	341,500	341,500
Reserves	15	**743,405**	741,922	746,763
Retained earnings		**1,987,629**	1,968,461	2,016,607
Proposed dividend	20	**37,500**	125,000	-
Total equity		**3,360,034**	3,426,883	3,354,870
Non-current liabilities				
Bank borrowings		**-**	-	135,768
Provision for employees' end of service benefits	16	**73,286**	85,630	75,672
Total non-current liabilities		**73,286**	85,630	211,440
Current liabilities				
Bank borrowings		**-**	-	405,115
Advances from customers	17	**119,588**	81,308	202,925
Provisions	18	**40,666**	203,721	26,458
Trade and other payables	19	**759,160**	783,475	739,307
Dividends payable	20	**33,279**	34,312	31,992
Total current liabilities		**952,693**	1,102,816	1,405,797
Total liabilities		**1,025,979**	1,188,446	1,617,237
Total equity and liabilities		**4,386,013**	4,615,329	4,972,107

Mohamed Thani Murshed Al Rumaithi
Chairman

Yasser Nasr Zaghloul
Chief Executive Officer

Edwin Ros
Chief Financial Officer

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of financial position at 31 December 2016

	Notes	2016 AED'000	2015 AED'000 (restated)	2014 AED'000 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	5	**1,118,357**	1,264,089	1,295,453
Goodwill and other intangible assets	6	**51,397**	52,193	52,989
Retention receivables		**63,511**	30,014	-
Total non-current assets		**1,233,265**	1,346,296	1,348,442
Current assets				
Inventories	7	**235,194**	226,816	248,570
Trade and other receivables	8	**2,742,822**	2,411,123	3,163,265
Available-for-sale financial assets	10	**8,796**	7,987	7,992
Financial assets at fair value through profit or loss	11	**28,713**	25,616	26,817
Cash and bank balances	12	**137,223**	597,491	177,021
Total current assets		**3,152,748**	3,269,033	3,623,665
Total assets		**4,386,013**	4,615,329	4,972,107
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	13	**250,000**	250,000	250,000
Share premium	14	**341,500**	341,500	341,500
Reserves	15	**743,405**	741,922	746,763
Retained earnings		**1,987,629**	1,968,461	2,016,607
Proposed dividend	20	**37,500**	125,000	-
Total equity		**3,360,034**	3,426,883	3,354,870
Non-current liabilities				
Bank borrowings		-	-	135,768
Provision for employees' end of service benefits	16	**73,286**	85,630	75,672
Total non-current liabilities		**73,286**	85,630	211,440
Current liabilities				
Bank borrowings		-	-	405,115
Advances from customers	17	**119,588**	81,308	202,925
Provisions	18	**40,666**	203,721	26,458
Trade and other payables	19	**759,160**	783,475	739,307
Dividends payable	20	**33,279**	34,312	31,992
Total current liabilities		**952,693**	1,102,816	1,405,797
Total liabilities		**1,025,979**	1,188,446	1,617,237
Total equity and liabilities		**4,386,013**	4,615,329	4,972,107

Mohamed Thani Murshed Al Rumaithi
Chairman

Yasser Nasr Zaghloul
Chief Executive Officer

Edwin Ros
Chief Financial Officer

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016

	Notes	2016 AED'000	2015 AED'000 (restated)
Contract revenue		**1,224,827**	2,288,328
Contract costs	21	**(1,124,868)**	(1,941,551)
Gross operating profit		**99,959**	346,777
Other income	22	**17,728**	19,685
General and administrative expenses	23	**(93,230)**	(106,428)
Reversal/(provision) of liquidated damages, net	18	**12,862**	(30,054)
Reversal of provision/(provision) for future losses, net	18	**16,075**	(14,170)
Provision for impairment of financial assets		**(1,030)**	(40,790)
Reversal/(allowance) for slow moving and obsolete inventories		**4,021**	(4,500)
Foreign currency exchange (loss)/gain		**(4,279)**	2,869
Provision for warranty and project discounts	18	**(3,102)**	(13,379)
Finance income/(expense), net	24	**7,664**	(8,156)
Profit for the year		**56,668**	151,854
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on interest rate swap		-	143
Fair value gain/(loss) on available-for-sale financial assets		**809**	(5)
Fair value change on foreign currency exchange hedge		**863**	(863)
Cumulative translation adjustment		**(189)**	(4,116)
Total comprehensive income for the year		**58,151**	147,013
Earnings per share			
Basic and diluted earnings per share (AED)	25	**0.23**	0.61

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2016

	Share capital AED '000	Share premium AED '000	Reserves AED '000	Retained earnings AED '000	Proposed dividend AED '000	Total AED '000
Balance at 1 January 2015	250,000	341,500	746,763	2,016,607	-	3,354,870
Profit for the year	-	-	-	151,854	-	151,854
Other comprehensive (loss)/income						
Release on interest rate swap	-	-	143	-	-	143
Fair value gains on available-for-sale financial assets (net)	-	-	(5)	-	-	(5)
Fair value loss on foreign currency exchange hedge	-	-	(863)	-	-	(863)
Cumulative translation adjustment	-	-	(4,116)	-	-	(4,116)
Total comprehensive income for the period	-	-	(4,841)	151,854	-	147,013
Dividends	-	-	-	(75,000)	-	(75,000)
Proposed dividend	-	-	-	(125,000)	125,000	-
Balance at 1 January 2016	250,000	341,500	741,922	1,968,461	125,000	3,426,883
Profit for the year	-	-	-	56,668	-	56,668
Other comprehensive (loss)/income						
Release on foreign currency exchange hedge	-	-	863	-	-	863
Fair value gains on available-for-sale financial assets (net)	-	-	809	-	-	809
Cumulative translation adjustment	-	-	(189)	-	-	(189)
Total comprehensive income for the period	-	-	1,483	56,668	-	58,151
Dividends	-	-	-	-	(125,000)	(125,000)
Proposed dividend	-	-	-	(37,500)	37,500	-
Balance at 31 December 2016	**250,000**	**341,500**	**743,405**	**1,987,629**	**37,500**	**3,360,034**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2016

	2016 AED'000	2015 AED'000 (restated)
Cash flows from operating activities		
Profit for the year	**56,668**	151,854
Adjustments for:		
Depreciation of property, plant and equipment	**194,577**	189,168
Amortisation of intangibles	**796**	796
(Gain)/loss on disposal of property, plant and equipment	**(3,173)**	1,764
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(3,097)**	1,201
Dividend income	**(1,360)**	(1,722)
Provision for employees' end of service benefits	**14,686**	16,635
Interest (income)/expense, net	**(3,207)**	8,677
(Reversal)/allowance for impairment of financial assets	**(1,553)**	40,790
(Reversal)/provision for future losses, net	**(16,075)**	14,170
Reversal of liquidated damages	**(29,756)**	-
Provision for liquidated damages	**16,894**	30,054
(Reversal)/provision for impairment of inventory	**(4,021)**	4,500
Provision for warranty and project discounts	**3,102**	13,379
Other provisions	**(137,220)**	119,660
	87,261	590,926
Employees' end of service benefit paid	**(15,771)**	(6,677)
	71,490	584,249
Net movement in working capital:		
(Increase)/decrease in inventories	**(4,357)**	17,254
(Increase)/decrease in trade and other receivables	**(261,612)**	681,338
(Decrease)/increase in trade and other payables	**(34,711)**	43,449
Increase/(decrease) in advances from customers	**38,280**	(121,618)
Net cash (used in)/generated from operating activities	**(190,910)**	1,204,672
Cash flows from investing activities		
Purchase of property, plant and equipment	**(153,299)**	(168,550)
Proceeds from disposal of property, plant and equipment	**5,596**	8,982
Dividend received	**1,360**	1,722
Net cash used in investing activities	**(146,343)**	(157,846)
Cash flows from financing activities		
Dividends paid	**(126,033)**	(72,680)
Interest received/(paid), net	**3,207**	(8,677)
Repayment of bank borrowings	-	(540,883)
Net cash used in financial activities	**(122,826)**	(622,240)
Net (decrease)/increase in cash and cash equivalents	**(460,079)**	424,586
Cash and cash equivalents at the beginning of the year	**597,491**	177,021
Cumulative translation adjustment	**(189)**	(4,116)
Cash and cash equivalents at the end of the year	**137,223**	597,491

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2016

1 General information

National Marine Dredging Company ("the Company") is a public shareholding company incorporated in the Emirates of Abu Dhabi. The Company was incorporated by Law No. (10) of 1979, as amended by Decree No. (3) and (9) of 1985 issued by His Highness Sheikh Khalifa Bin Zayed Al Nahyan, who was then the Deputy Ruler of the Emirate of Abu Dhabi. The 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 UAE, principally under the directives of the Government of Abu Dhabi ("the Government"), a major shareholder. The Group also operates in Qatar, Bahrain, Egypt, Saudi Arabia and India through its subsidiaries, branches and joint operation.

The Company amended its Articles of Association to comply with new UAE Federal Law No. 2 of 2015 ("Companies Law") and best practice regulations issued by Securities and Commodities Authority. The amendment was approved by the Shareholders in the General Meeting held on 27 July 2016.

These consolidated financial statements include the financial performance and position of the Company and its below mentioned subsidiaries (together referred to as "the Group").

Name	Country of incorporation	Share of equity 2016	2015	Principal activities
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 and holding 1% investment in the Group's subsidiaries to comply with the local regulations
ADEC Engineering Consultancy L.L.C.	UAE	**100%**	100%	Consultancy services in the fields of civil, architectural, drilling and marine engineering along with related laboratory services
National Marine Dredging Co S.P.C.	Qatar	**100%**	100%	Dredging and associated land reclamation works, drilling & deepening of waterways and ports & marine installation works
Abu Dhabi Marine Dredging Co S.P.C.	Bahrain	**100%**	100%	Offshore reclamation contracts, services for fixing water installation for marine facilities and excavation contracts
National Marine and Infrastructure India Private Limited	India	**100%**	100%	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction

Notes to the consolidated financial statements
for the year ended 31 December 2016 (continued)

1 General information (continued)

Name	Country of incorporation	Share of equity 2016	2015	Principal activities
National Marine Dredging Company (NMDC) Br.	Saudi Arabia	**100%**	100%	Perform drilling operation within the bottom of coastal seas, dredging and withdrawing the soil or extracting out
National Marine Dredging Company Branch	Egypt	**100%**	100%	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction

2 Application of new and revised International Financial Reporting Standards (IFRS)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 *Regulatory Deferral Accounts*
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017
Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	1 January 2018
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions	1 January 2018
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.	1 January 2018

Notes to the consolidated financial statements
for the year ended 31 December 2016 (consolidated)

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement**: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Notes to the consolidated financial statements
for the year ended 31 December 2016 (consolidated)

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised	
• **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.	
• **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 15 *Revenue from Contracts* with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018
IFRS 16 *Leases* IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2019. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of revenue from contracts with customers and the Group's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its leases.

However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

Notes to the consolidated financial statements
for the year ended 31 December 2016 (continued)

3 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. (2) of 2015.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets at fair value through statement of 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 below:

(d.1) Classification of a joint arrangement

The Company entered into a joint arrangement with other parties ("the Consortium") for the performance of the marine dredging works related to a certain project in Egypt, under a Consortium Agreement dated 15 October 2014. Management performed an assessment whether its interest on the joint arrangement should be classified as joint operation or joint venture. Management considered the detailed criteria as prescribed in IFRS 11 *Joint Arrangements* with respect to its rights to assets and obligations to liabilities and with reference to the Consortium Agreement. Based on detailed assessment, the Consortium was classified by management as joint arrangement.

3 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

(d.2) Contract revenue

Revenue from construction contracts is recognised in statement of 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 4(c) 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.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs should be recognised as an expense in the period in which they are incurred.

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.

(d.3) 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 statement of profit or loss, the Group makes judgments 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. Allowance for impairment losses on trade receivables is AED 49,449 thousand (2015: AED 51,002 thousand).

(d.4) Unbilled receivables

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 judgments are involved in management's assessment of the amounts of revenue and unbilled receivables recognised and the recoverability of these amounts.

Notes to the consolidated financial statements
for the year ended 31 December 2016 (continued)

3 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

(d.4) Unbilled receivables (continued)

These judgments may need to be revisited as events occur and accordingly any changes thereon may have an impact on the amount of revenue recognised 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 judgment.

Allowance for impairment losses on unbilled receivables is AED 61,178 thousand (2015: AED 61,178 thousand).

(d.5) Depreciation on property, plant and equipment

Management assigns useful lives and residual values to the items of property, plant and equipment based on the intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from the initial estimates. Management has reviewed the residual values and useful lives of the major items of property, plant and equipment and have determined that no adjustment is necessary.

The 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. Management determined that the current year expectations do not differ from previous year estimates based on its review.

(d.6) Allowance for slow moving and obsolete inventory

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. Allowance for slow-moving and obsolete inventories at 31 December 2016 is AED 30,576 thousand (2015: AED 34,597 thousand).

(d.7) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating unit to which the goodwill has been allocated. The value-in-use calculation for goodwill requires the Group to calculate the net present value of the future cash flows for which certain assumptions are required, including management's expectations of:

- long term growth rates in cash flows;
- timing and quantum of future capital expenditure; and
- the selection of discount rates to reflect the risks involved.

3 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

(d.7) Impairment of goodwill (continued)

The key assumptions used and sensitivities are detailed on Note 6 of the consolidated financial statements. A change in the key assumptions or forecasts might result in an impairment of goodwill.

The carrying amounts of goodwill and intangible assets amounted to AED 36,276 thousand and AED 15,121 thousand, respectively. Based on this detailed assessment performed by management, there were no impairment losses recognised on goodwill and intangible assets as at 31 December 2016 and 2015.

(d.8) Impairment of property, plant and equipment and other intangible assets

The Group assesses for indicators of impairment of other intangible assets at each reporting period. In determining whether impairment losses should be recorded, the Group makes judgments 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.

4 Summary of 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

IFRS 10 governs the basis for consolidation where it establishes a single control model that applies to all entities including special purpose entities or structured entities.

The definition of control is such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

(a) the investor has power over an investee;
(b) the investor has exposure to, or rights, to variable returns from its involvement with the investee; and
(c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

4 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

Subsidiaries
Subsidiaries are investees that are controlled by the Group. The Group controls the investee if it meets the control criteria. The Group reassesses whether it has control if, there are changes to one or more of the elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases.

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.

Business combination
The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, together with the fair value of any contingent consideration payable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

4 Summary of significant accounting policies (continued)

(b) Interests in joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to the interest in joint operation:

- its assets including its share of any assets held jointly;
- its liabilities including its share of any liabilities held jointly;
- its revenue from the sale of its share and output arising from joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including any share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenue and expenses relating to interest in joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenue and expenses.

When a group entity transacts with a joint operation in which the group entity is a joint operator (such a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transaction are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which the group entity is a joint operator (such as purchase of assets), the Group does not recognise its share of the gains and losses until it resells to a third party.

(c) Revenue

Contract revenue
Contract revenue comprises revenue from execution of contracts relating to dredging activities and associated land reclamation works. 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 are recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount can be measured reliably. Contract revenue also includes revenue from securing the award of significant projects for dredging and reclamation works. These amounts are recognised when all significant service obligations arising from the related services have been discharged.

If the outcome of a construction contract can be estimated reliably, contract revenue is recognised in statement of 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. 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.

4 Summary of significant accounting policies (continued)

(c) Revenue (continued)

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.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable; and contract costs should be recognised as an expense in the period in which they are incurred.

(d) Foreign currencies

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

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are 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 statement of 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.

For the purposes of presenting these consolidated financials statements, the assets and liabilities of the Group's foreign operations are translated into AED using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

(e) 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 statement of profit or loss. Dividend income is recognised in statement of 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 statement of profit or loss using the effective interest method.

4 Summary of significant accounting policies (continued)

(e) Finance income and expenses (continued)

Finance expenses (continued)
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.

(f) 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 includes 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 in statement of profit or loss.

Subsequent costs
The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the 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 statement of profit or loss as incurred.

Depreciation
Depreciation is recognised in statement of 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:

	Years
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

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

4 Summary of significant accounting policies (continued)

(f) Property, plant and equipment (continued)

Depreciation (continued)
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.

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.

(g) Goodwill and other intangible assets

Goodwill
Goodwill that arises on the acquisition of subsidiaries is presented as 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 statement of profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in statement of 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 have finite useful lives and are measured at cost less accumulated amortisation and any accumulated impairment losses. The estimated useful life of these assets is 24 years.

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 statement of profit or loss as incurred.

4 Summary of significant accounting policies (continued)

(h) *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.

(i) *Financial instruments*

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction cost attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Non-derivative financial assets
Non-derivative financial instruments comprise loans and receivables, available for sale financial assets (AFS), and financial assets at fair value through profit or loss (FVTPL). The classification depends on the nature of the financial asset and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchase or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

Any interest in such transferred financial assets that is created or retained by the 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 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 statement of profit or loss as incurred.

4 Summary of significant accounting policies (continued)

(i) Financial instruments (continued)

Financial assets at fair value through profit or loss (continued)
Financial assets at FVPTL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. 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.

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.

Financial liabilities
The Group classifies non-derivative financial liabilities into other financial liabilities. 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.

Derivative financial instruments and hedge accounting
The Group uses derivative financial instruments to manage its exposure to interest rate and foreign exchange risks, such as interest rates swaps and forward currency contracts. Such derivative financial instruments are initially recognised and measured at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

4 Summary of significant accounting policies (continued)

(i) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)
A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Any gains or losses arising from changes in fair value on derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swaps is based on quotes received from banks.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise. Derivative financial instruments that do not qualify for hedge accounting are classified as held for trading derivatives.

For the purpose of hedge accounting, the Group designates derivatives into two types of hedge categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction that will affect future reported net income.

Hedge accounting
In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and the effectiveness can be reliably measured. At inception of the hedge, the Group documents its risk management objective and strategy for undertaking various hedge transactions, including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

4 Summary of significant accounting policies (continued)

(i) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in the hedging reserve in equity are recycled to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the profit or loss as the recognised hedged item. However, when the forecast transaction that is hedged, results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

(j) 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 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 statement of 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 statement of profit or loss.

4 Summary of significant accounting policies (continued)

(j) Impairment (continued)

Available-for-sale financial assets

For Available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

When an AFS financial asset is considered to be impaired, cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. In respect of AFS equity securities, impairment losses previously recognised in profit of loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit of loss if an increase in the fair value of the investments can be objectively related to an event occurring after the recognition of the impairment loss.

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 is tested annually for impairment. Property, plant and equipment and intangible assets with finite useful lives are assessed for indicators of impairment at each reporting period. 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 statement of 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. 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.

4 Summary of significant accounting policies (continued)

(j) Impairment (continued)

Non-financial assets (continued)

Impairment losses are recognised in statement of 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.

(k) Provision for staff terminal benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based on the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Monthly pension contributions are made in respect of UAE National employees, who are covered by the Law No. 2 of 2000. The pension fund is administered by the Government of Abu Dhabi, Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund.

(l) 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 statement of 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.

4 Summary of significant accounting policies (continued)

(l) Lease (continued)

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.

(m) Dividend

Dividend 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.

(n) 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.

<u>Onerous contracts</u>

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

5 Property, plant and equipment

	Building and base facilities AED'000	Dredgers AED'000	Support vessels, boosters and pipelines AED'000	Plant, machinery and motor vehicles AED'000	Office equipment and furniture AED'000	Capital work in progress AED'000	Total AED'000
Cost							
At 1 January 2015	202,257	1,160,880	1,245,963	506,621	62,464	18,403	3,196,588
Additions	1,615	-	39,597	4,786	12,260	110,292	168,550
Transfers	963	2,604	93,811	24,909	(16,628)	(105,659)	-
Disposals	(28,112)	(182)	(19,197)	(24,624)	(2,243)	-	(74,358)
At 1 January 2016	176,723	1,163,302	1,360,174	511,692	55,853	23,036	3,290,780
Additions	-	507	25,860	11,602	4,200	111,130	153,299
Transfers	-	53,655	2,058	400	137	(56,250)	-
Disposals	(123)	(350)	(24,078)	(16,165)	(2,254)	-	(42,970)
Write off	-	-	(115,720)	-	-	-	(115,720)
At 31 December 2016	**176,600**	**1,217,114**	**1,248,294**	**507,529**	**57,936**	**77,916**	**3,285,389**
Accumulated depreciation							
At 1 January 2015	74,358	824,708	697,739	266,463	37,867	-	1,901,135
Transfers	926	(1,172)	(49,949)	67,045	(16,850)	-	-
Charge for the year	14,743	35,751	79,518	43,924	15,232	-	189,168
Disposals	(17,811)	(181)	(19,068)	(24,550)	(2,002)	-	(63,612)
At 1 January 2016	72,216	859,106	708,240	352,882	34,247	-	2,026,691
Charge for the year	9,611	42,939	74,970	55,607	11,450	-	194,577
Disposals	(58)	(350)	(23,861)	(14,258)	(2,020)	-	(40,547)
Write off	-	-	(13,689)	-	-	-	(13,689)
At 31 December 2016	**81,769**	**901,695**	**745,660**	**394,231**	**43,677**	-	**2,167,032**
Carrying amount							
At 31 December 2016	**94,831**	**315,419**	**502,634**	**113,298**	**14,259**	**77,916**	**1,118,357**
At 31 December 2015	104,507	304,196	651,934	158,810	21,606	23,036	1,264,089

5 Property, plant and equipment

Capital work in progress relates to dredgers and related equipment under construction as at 31 December 2016 and 2015. Depreciation recognised in profit or loss during the year amounted to AED 194,577 thousand (2015: AED 189,168 thousand).

6 Goodwill and other intangible assets

	Goodwill AED'000	Other intangible assets AED'000	Total AED'000
Cost			
At 1 January 2016 and 31 December 2016	**36,276**	**19,313**	**55,589**
Amortisation and impairment			
1 January 2015	-	2,600	2,600
Charge for the year	-	796	796
1 January 2016	-	3,396	3,396
Charge for the year	-	796	796
At 31 December 2016	-	4,192	4,192
Carrying amounts			
At 31 December 2016	**36,276**	**15,121**	**51,397**
At 31 December 2015	36,276	15,917	52,193

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, amortisation on these assets of AED 796 thousand (2015: AED 796 thousand) was charged to general and administrative expenses in statement of profit or loss.

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 pre-tax three-year 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:

	2016
Discount rate (pre-tax)	10%
Terminal value growth rate	2%
Budgeted EBITDA growth rate	11- 12%

6 Goodwill and other intangible assets (continued)

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.

7 Inventories

	2016 AED'000	2015 AED'000
Spare parts and consumable stores	**254,221**	252,901
Raw materials	**1,756**	1,684
Finished goods	**2,270**	6,626
Less: allowance for slow moving and obsolete inventories	**(30,576)**	(34,597)
	227,671	226,614
Goods in transit	**7,523**	202
	235,194	226,816

The movement in allowance for slow moving and obsolete inventories is as follows:

	2016 AED'000	2015 AED'000
At 1 January	**34,597**	30,097
Reversal of provision	**(4,021)**	-
Charge for the year	-	4,500
At 31 December	**30,576**	34,597

8 Trade and other receivables

	2016 AED'000	2015 AED'000
Trade receivables	**305,871**	509,578
Less: allowance for impairment losses on trade receivables	**(49,449)**	(51,002)
	256,422	458,576
Retention receivables – current portion	**111,836**	108,446
Unbilled receivables (net of allowance)	**1,770,404**	1,521,771
Deposits and prepayments	**427,996**	257,929
Other receivables	**176,164**	64,401
	2,742,822	2,411,123

8 Trade and other receivables (continued)

Unbilled receivables include AED 885,293 thousand (2015: AED 601,864 thousand) receivables from Government of Abu Dhabi, out of which AED 314,839 thousand (2015: AED 170,944 thousand) has been recognised as revenue during the year. The balance of AED 885,293 thousand (2015: AED 601,864 thousand) includes amount of AED 570,454 thousand (2015: AED 430,920 thousand), outstanding for a period exceeding one year as at the reporting date. Unbilled receivables also include AED 919,417 thousand (2015: AED 179,809 thousand) on signed contracts from various customers, out of which AED 182,425 thousand (2015: AED 56,398 thousand) has been recognised as revenue during the year.

In addition, in the prior year, management has recognised revenue and unbilled receivables amounting to AED 600 million, out of a total proposed claims amounting to AED 1,306 million. In a letter dated 14 April 2015, the customer acknowledged receiving the claim to the extent of AED 704 million, and mentioned that the claim is in advance stage of review. During the year, a provisional acceptance certificate has been received from customer. Subsequent to the end of the reporting period a letter from the customer was received aiming to agree a way forward to close out the claim.

The total allowance for impairment of unbilled receivables as at 31 December 2016 is AED 61.18 million (31 December 2015: AED 61.18 million).

The movement in the allowance for doubtful receivables during the year was as follows:

	2016 AED'000	2015 AED'000
At 1 January	**51,002**	41,347
Charge during the year	**1,030**	12,200
Reversal	**(2,583)**	(2,545)
At 31 December	**49,449**	51,002

Included in the Group's trade receivable balance are debtors with a carrying amount of AED 227,709 thousand (2015: AED 349,635 thousand) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Trade receivables are considered past due once they have passed their contracted due date.

Several customers account for a significant portion of the total trade receivables balance, however the credit risk is considered to be limited due to historical performance and ongoing assessments of customer credit and liquidity positions.

8 Trade and other receivables (continued)

Ageing of trade receivables

	2016 AED'000		2015 AED '000	
	Gross	**Impairment**	Gross	Impairment
Not past due	**28,713**	-	108,941	-
Past due for 0 to 90 days	**29,708**	-	44,225	-
Past due for 91 to 180 days	**16,841**	-	161,416	-
Past due for 181 to 360 days	**62,796**	-	32,394	-
More than 360 days	**167,813**	**49,449**	162,602	51,002
	305,871	**49,449**	509,578	51,002

9 Construction contracts

	2016 AED '000	2015 AED '000
Contracts in progress at end of the reporting period		
Amount due from contract customers included in trade and other receivables (gross) (note 8)	**1,831,582**	1,521,771
Amount due to contract customers included in trade and other payables (note 19)	**(2,442)**	(69,551)
	1,829,140	1,452,220
Contract cost incurred plus recognised profits less recognised losses to date	**10,132,688**	9,154,517
Less: Progress billings	**(8,303,548)**	(7,702,297)
	1,829,140	1,452,220

10 Available-for-sale financial assets

	2016 AED'000	2015 AED'000
At 1 January	**7,987**	7,992
Fair value adjustments	**809**	(5)
At 31 December	**8,796**	7,987

10 Available-for-sale financial assets (continued)

The available-for-sale financial assets at the end of reporting date are detailed below.

	2016 AED'000	2015 AED'000
Investment in quoted UAE equity securities	**3,666**	2,857
Investment in unquoted UAE equity securities	**5,130**	5,130
	8,796	7,987

The fair value of the quoted UAE equity securities is based in quoted market prices at the end of the reporting period. The fair value of unquoted non-UAE securities has been arrived at based on the fair market value as per Level 3 valuation.

11 Financial assets at fair value through profit or loss

	2016 AED'000	2015 AED'000
At 1 January	**25,616**	26,817
Change in fair value	**3,097**	(1,201)
At 31 December	**28,713**	25,616

The financial assets at fair value through profit or loss (FVTPL) at the end of reporting date are detailed below.

	2016 AED'000	2015 AED'000
Investment in quoted UAE equity securities	**26,520**	21,766
Investment in unquoted UAE equity securities	**2,193**	3,850
	28,713	25,616

The fair value of the quoted UAE equity securities is based in quoted market prices at the end of the reporting period. The fair value of unquoted non-UAE securities has been arrived at based on the fair market value as per Level 3 valuation.

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

12 Cash and cash equivalents

	2016 AED'000	2015 AED'000
Cash in hand	**1,412**	1,105
Cash at banks		
- Current accounts	**138,800**	212,505
- Short term deposits	**3,645**	383,881
Bank overdraft	**(6,634)**	-
	137,223	597,491

Bank overdraft facility carries interest at prevailing market interest rate per annum. Short term deposits have maturities less than three months and carry interest at prevailing market interest rate per annum.

13 Share capital

	2016 AED'000	2015 AED'000
Authorised, issued and fully paid		
250,000,000 (2015: 250,000,000) ordinary shares of AED 1 each	**250,000**	250,000

14 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 had issued 50,000,000 convertible bonds to Tasameem convertible to 50,000,000 equity shares of the Company at AED 7.83 per share over a period of four years. The Company issued 50,000 thousand convertible bonds to Tasameem from 2010 and 2013, for a total consideration of AED 391,500 thousand. These bonds were converted to 50,000 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 50,000 thousand as at 31 December 2014.

The excess of the consideration over the face value of the equity shares issued, amounting to AED 341,500 thousand had been recorded as share premium.

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 approved the increase of its share capital from 227,848,502 shares to 250,000,000 shares. Accordingly, the share capital of the Company has 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.

Notes to the consolidated financial statements
for the year ended 31 December 2016 (continued)

15 Reserves

	Legal reserve AED'000	Asset replacement reserve AED'000	Regulatory reserve AED'000	Cumulative translation adjustment AED'000	Unrealised loss on interest rate swap AED'000	Unrealised gain/(loss) on available for sale financial assets AED'000	Unrealised loss on foreign currency exchange hedge AED'000	Total AED'000
At 1 January 2015	125,000	595,000	20,000	(30)	(143)	6,936	-	746,763
Change in fair value of available for sale financial assets *(note 10)*	-	-	-	-	-	(5)	-	(5)
Release on interest rate swap	-	-	-	-	143	-	-	143
Fair value loss on foreign currency exchange hedge	-	-	-	-	-	-	(863)	(863)
Cumulative translation adjustment	-	-	-	(4,116)	-	-	-	(4,116)
At 1 January 2016	125,000	595,000	20,000	(4,146)	-	6,931	(863)	741,922
Change in fair value of available for sale financial assets *(note 10)*	-	-	-	-	-	809	-	809
Fair value loss on foreign currency exchange hedge	-	-	-	-	-	-	863	863
Cumulative translation adjustment	-	-	-	(189)	-	-	-	(189)
At 31 December 2016	**125,000**	**595,000**	**20,000**	**(4,335)**	-	**7,740**	-	**743,405**

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

15 Reserves (continued)

Legal reserve

In accordance with UAE Federal Law No. (2) of 2015, 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.

16 Provision for employees' end of service benefit

The movement in the provision for employees' end of service benefits during the year was as follows:

	2016 **AED'000**	2015 AED'000
At 1 January	**85,630**	75,672
Charge for the year	**14,686**	16,635
Paid during the year	**(15,771)**	(6,677)
Reclassified to accrued expense	**(11,259)**	-
At 31 December	**73,286**	85,630

During the year, the Group has contributed a total amount of AED 2,693 thousand (2015: AED 3,149 thousand) towards Abu Dhabi Pension and Retirement Benefits Fund.

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

17 Advances from customers

These represent amounts received in advance from customers for certain projects which will be recovered during the course of the projects as per contractual terms.

18 Provisions

	2016 AED'000	2015 AED'000 (restated)
Provision for liquidated damages	**17,192**	30,054
Provision for future losses	**161**	16,236
Provision for warranty		5,000
	8,102	
Other provisions	**15,211**	152,431
	40,666	203,721

Movement in provisions during the year relates to charges and reversals made during the year as follows:

	2016 AED'000	2015 AED'000
At 1 January	**203,721**	26,458
Provision for liquidated damages	**16,894**	30,054
Reversal of liquidated damages	**(29,756)**	-
Provision for future losses	**760**	14,170
Reversal of provision for future losses	**(16,835)**	-
Provision for warranty and project discounts	**3,102**	13,379
Other provisions (reversal)/provision	**(104,600)**	119,660
At 31 December	**73,286**	203,721

19 Trade and other payables

	2016 AED'000	2015 AED'000
Trade payables	**113,012**	181,110
Accrued liabilities	**225,273**	297,763
Advances received from joint operation	**384,236**	219,066
Retentions payable	**14,527**	13,592
Gross amount due to customer on construction contracts (note 9)	**2,442**	69,551
Derivative financial liability	**-**	863
Other payables	**19,670**	1,530
	759,160	783,475

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

19 Trade and other payables (continued)

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. No interest is payable on the outstanding balances.

Accrued liabilities include AED 11,500 thousand toward Board remuneration (note 26) as 31 December 2015.

Included in trade and other payables as 31 December 2015 is a derivative financial liability arising from a forward foreign currency contract to hedge Group's risk of unfavourable market changes with respect to foreign currency exchange rate on Euro. The forward contract's notional amount is Euro 24.1 million at 31 December 2015 and matures on 15 March 2016.

20 Dividends payable

	2016 AED'000	2015 AED'000
At 1 January	**34,312**	31,992
Additions during the year	**125,000**	75,000
Payments during the year	**(126,033)**	(72,680)
At 31 December	**33,279**	34,312

At the Annual General Meeting (AGM) held on 29 April 2015, the Shareholders resolved to distribute cash dividends amounting to 30% of the Company's share capital, amounting to AED 75 million, to all the shareholders whose names were included in register of members as at the 10th day following the AGM.

The Board of Directors at the meeting held on 6 March 2016, recommended a dividend of AED 0.50 per share, for the year ended 31 December 2015 amounting to AED 125 million for the Company's shareholders. This was approved by the Shareholders at the AGM held on 19 April 2016.

Further, the Board of Directors at the meeting held on 20 March 2017, recommended a dividend of AED 0.15 per share, or AED 37.5 million, for the year ended 31 December 2016. This will be subject to approval by the Shareholders in an annual general meeting.

21 Contract costs

	2016 AED'000	2015 AED'000
Cost of operating dredgers, support craft and boosters	**317,494**	381,683
Direct project costs	**545,246**	1,389,576
Cost of floating and reclamation areas	**78,456**	60,899
Cost of consumable stores	**7,223**	7,618
Other direct operating costs	**176,449**	101,775
	1,124,868	1,941,551

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

22 Other income

	2016 AED'000	2015 AED'000 (restatement)
Insurance claim	**11,100**	17,621
Gain/(loss) on disposal of property, plant and equipment	**3,173**	(1,764)
Miscellaneous income	**3,455**	3,828
	17,728	19,685

23 General and administrative expenses

	2016 AED'000	2015 AED'000
Staff costs	**60,265**	75,816
Depreciation	**8,305**	5,972
Others	**24,660**	24,640
	93,230	106,428

Included in other expenses is AED 500 thousand (2015: AED 1,000 thousand) towards social contributions made during the year.

24 Finance income/(expense), net

The net finance expense for the year comprise:

	2016 AED'000	2015 AED'000
Fair value gain/(loss) on financial assets at fair value through profit or loss (note 11)	**3,097**	(1,201)
Interest expense	**(753)**	(10,211)
Interest income	**3,960**	1,534
Dividend income	**1,360**	1,722
	7,664	(8,156)

25 Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares outstanding at 31 December 2016 was 250,000,000 shares (2015: 250,000,000 shares). There are no potentially dilutive instruments therefore the basic and diluted earnings per share are the same.

26 Related party transactions

Related parties include the Government of Abu Dhabi, Directors and 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:

	2016 **AED'000**	2015 AED'000
Compensation of key management personnel		
Salaries and other short-term employee benefits	**5,820**	4,994
Employees' end of service benefits	**480**	354
	6,300	5,348

Directors' fees

For the year ended 31 December 2015, an amount of AED 11,500 thousand had been included in the consolidated financial statements as Directors' fees which was subject to the approval of the Shareholders in the annual general meeting. The amount paid this year is AED 11,000 thousand.

Other related party transactions

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, starting 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 597,932 thousand (2015: AED 368,168 thousand) earned from the Government of Abu Dhabi and its departments.

The below table provides the detail of dealings by NMDC with companies related to the members of the board. All transactions with such related parties were carried out in the normal course of business and as per established policies and procedures.

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

26 Related party transactions (continued)

Other related party transactions (continued)

Name of Company	Nature of transactions	Transactions in 2016 (AED'000)	Transactions in 2015 (AED '000)
Target Engineering Construction Company	Subcontracting services	**64,548**	81,484
Al Khazna Insurance Company	Insurance services	**6,262**	22,617
Al Jazira Sports and Cultural Club	Sponsorships	**4,750**	4,750

27 Financial instruments

Credit risk

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

	Note	Carrying amount	
		2016	2015
		AED'000	AED'000
Trade and other receivables	**8**	**2,784,688**	2,406,423
Cash at banks	**12**	**137,223**	597,491
		2,921,911	3,003,914

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.

Liquidity risk

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

31 December 2016	**Note**	**Carrying value AED'000**	**Contractual cash flow AED'000**	**1 year or less AED'000**	**More than 1 year AED'000**
Trade and other payables	19	**756,718**	**756,718**	**756,718**	**-**

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

27 Financial instruments (continued)

Liquidity risk (continued)

31 December 2015	Note	Carrying value AED'000	Contractual cash flow AED'000	1 year or less AED'000	More than 1 year AED'000
Derivative financial liability	19	863	863	863	-
Trade and other payables	19	713,924	713,924	713,924	-
		714,787	714,787	714,787	-

Market risk

There is no significant exposure to interest rate risk during the year as loans have already been settled. The Group pays interest on financial liabilities at the prevailing market rates.

Foreign currency exchange risk

The Group could incur foreign currency risk on transactions that are denominated in a currency other than UAE Dirhams. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2016		2015	
	Liabilities AED'000	**Assets AED'000**	Liabilities AED'000	Assets AED'000
Egyptian Pound (EGP)	**191**	**110,007**	14,966	110,291
Bahraini Dinar (BHD)	**46,792**	**95,850**	114,272	129,589
Euro	**11,194**	**23**	10,218	680
Indian Rupees (INR)	**8,444**	**491**	17	55
Sterling Pound (GBP)	**51**	**-**	37	-
Omani Riyals (OMN)	**149**	**-**	149	-
Singaporean Dollar (SGD)	**-**	**-**	6	-
	66,821	**206,371**	139,665	240,615

The Company is mainly exposed to EGP, BHD, INR, and Euro. The above balances exclude US Dollars, Saudi Riyals (SAR) and Qatari Riyals (QAR) as the UAE Dirham is pegged to these currencies and therefore has no significant currency risk exposure related to these.

At 31 December 2016, if the EGP, BHD, INR, and Euro had weakened by 10% against the AED, with all other variables held constant, profit for the year would have been lower by AED 13,955 thousand (2015: AED 11,117 thousand) mainly as a result of foreign exchange loss on translation of EGP, BHD, INR, and Euro denominated outstanding balances.

There is no significant impact on Euro denominated foreign currency during the year as Group entered into forward foreign exchange contracts to hedge Euro denominated payments.

Notes to the consolidated financial statements
for the year ended 31 December 2016 (continued)

27 Financial instruments (continued)

Market risk (continued)

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:

	Effect on profit or loss AED'000	Effect on equity AED'000
31 December 2016		
Effect of change in fair value of available for sale investments	-	**399**
Effect of change in fair value of investments through profit or loss	**1,341**	-
31 December 2015		
Effect of change in fair value of available for sale investments	-	(400)
Effect of change in fair value of investments through profit or loss	(1,281)	-

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 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
2016				
Available for sale investments	**3,666**	-	-	**3,666**
Financial assets at fair value through profit or loss (FVPTL)	**26,520**	-	-	**26,520**
	30,186	-	-	**30,186**

Notes to the consolidated financial statements
for the year ended 31 December 2016 (continued)

27 Financial instruments (continued)

Market risk (continued)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
2015				
Available for sale investments	2,857	-	-	2,857
Financial assets at fair value through profit or loss (FVPTL)	21,766	-	-	21,766
Derivative financial liability	-	(863)	-	(863)
	24,623	(863)	-	23,760

There were no transfers between Levels during the year.

Management considers that the fair values of other financial assets and financial liabilities classified at amortised cost approximate their carrying values.

Unquoted equity - at cost

Unquoted equity carried at cost represent such investments for which fair values cannot be measured reliably. Available for sale investment and financial assets at FVPTL of AED 5,130 thousand and AED 2,193 thousand, respectively (2015: AED 5,130 thousand and AED 3,850 thousand, respectively) are carried at cost.

28 Contingencies and commitments

	2016 AED'000	2015 AED'000
Bank guarantees	**1,031,361**	1,168,051
Letters of credit	**200,586**	7,469
Capital commitments	**214,069**	3,162

The above letters of credit and bank guarantees were issued in the normal course of business.

Capital commitments comprise mainly of capital expenditure which has been contractually agreed with suppliers for future periods for new build vessels or the refurbishment of existing vessels.

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

29 Segment information

Geographical segment information

The Group operates in two main geographical segments, namely, UAE and Egypt. The following table shows the Group's geographical segment analysis:

	31 December 2016			
	UAE AED'000	Egypt AED'000	Rest of the world AED'000	Group AED'000
Segment revenue	995,782	29,889	314,775	1,340,446
Intersegment revenue	(115,619)	-	-	(115,619)
Revenue	880,163	29,889	314,775	1,224,827
Segment gross (loss)/profit	(48,424)	88,215	60,168	99,959
Other income	22,665	(5,634)	697	17,728
General and administrative expenses	(88,832)	(3,488)	(910)	(93,230)
Reversal of liquidated damages, net	-	-	12,862	12,862
Reversal of provision for future losses, net	16,075	-	-	16,075
Provision for impairment of receivables	(1,030)	-	-	(1,030)
Provision for impairment on inventories	4,021	-	-	4,021
Provision for warranty and project discounts	(3,102)	-	-	(3,102)
Foreign currency exchange loss	(4,279)	-	-	(4,279)
Finance income/(loss), net	3,883	(567)	4,348	7,664
(Loss)/profit for the year	(99,023)	78,526	77,165	56,668
Total assets	3,786,850	489,311	109,852	4,386,013
Total liabilities	779,308	72,416	174,255	1,025,979
Equity	2,769,741	569,090	21,203	3,360,034

Notes to the condensed consolidated financial statements for the year ended 31 December 2016 (continued)

29 Segment information (continued)

	31 December 2015			
	UAE AED'000 (restated)	Egypt AED'000	Rest of the world AED'000	Group AED'000 (restated)
Segment revenue	1,000,446	1,211,457	261,935	2,473,838
Intersegment revenue	(185,510)	-	-	(185,510)
Revenue	814,936	1,211,457	261,935	2,288,328
Segment gross (loss)/profit	(107,904)	489,564	(34,883)	346,777
Other income	18,798	(11)	898	19,685
General and administrative expenses	(104,625)	(772)	(1,031)	(106,428)
Provision for impairment of receivables	(40,790)	-	-	(40,790)
Provision for liquidated damages		-	(30,054)	(30,054)
Provision for future losses	(14,170)	-	-	(14,170)
Provision for impairment on inventories	(4,500)	-	-	(4,500)
Provision for warranty and project discounts	(13,379)	-	-	(13,379)
Foreign currency exchange gain	2,869	-	-	2,869
Finance (expense)/income, net	(8,755)	1,227	(628)	(8,156)
(Loss)/profit for the year	(272,456)	490,008	(65,698)	151,854
Total assets	3,709,243	770,207	135,879	4,615,329
Total liabilities	797,219	250,142	141,085	1,188,446
Equity	3,009,334	486,311	(68,762)	3,426,883

Notes to the condensed consolidated financial statements for the year ended 31 December 2016 (continued)

30 Restatement

Certain balances and transactions have been reclassified for the prior year to conform with the current period's classification.

Consolidated statement of profit or loss and other comprehensive income

	As previously reported AED '000	Restatement AED '000	As restated AED '000
Year ended 31 December 2015			
Other income	22,554	(2,869)	19,685
Foreign currency exchange gain	-	2,869	2,869

Consolidated statement of financial position
©

	As previously reported AED '000	Restatement AED '000	As restated AED '000
As at 31 December 2015			
Provisions	145,768	57,953	203,721
Trade and other payables	841,428	(57,953)	783,475
As at 1 January 2015			
Provisions	-	26,458	26,458
Trade and other payables	765,765	(26,458)	739,307

The above reclassifications do not have an impact on the profits reported on those periods.

The consolidated statement of cash flows for the year ended 31 December 2015 has been adjusted for the movement of other provisions amounting to AED 18,258 thousand. This has been shown separately in the operating cash flows before changes in operating assets and liabilities for the year ended 31 December 2015, to conform with current year classification.

30 Approval of consolidated financial statements

These consolidated financial statements were approved by the Board of Directors for issue on 20 March 2017.