NATIONAL MARINE DREDGING COMPANY

Review report and interim financial information for the period ended 30 September 2016

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Deloitte.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
National Marine Dredging Company
Abu Dhabi, UAE

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of National Marine Dredging Company ("the Company") and its subsidiaries (together referred to as "the Group") as at 30 September 2016 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Basis for qualified conclusion

Management has recognised revenue and unbilled receivables on projects wherein formal agreements have not been signed for significant periods of time. In addition, various projects with formal agreements have long outstanding receivables which are still unbilled. As at 30 September 2016, unbilled receivables relating to unsigned contracts and signed contracts, net of (a) allowances, (b) amounts subsequently invoiced or collected, and (c) amounts recognised on claims under negotiation as described in the emphasis of matter paragraph below, amounted to AED 505,618 thousand and AED 74,942 thousand, respectively. These amounts relate to transactions with the Government of Abu Dhabi, its departments, or other related parties. While we have noted progress in the negotiations with the concerned customers, the absence of signed contracts and the significant delays in billing and collection casts doubts on the recoverability of these amounts.

Conclusion

Based on our review, except for the effects of the matters as described in the basis of qualified conclusion, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with IAS 34 *Interim Financial Reporting*.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION (continued)

Emphasis of matter

Without further qualifying our conclusion, as stated in note 7, 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 conclusion is not qualified in respect of this matter.

Deloitte & Touche (M.E.)

R. P. J.

Rama Padmanabha Acharya
Registration Number 701

13 NOV 2016

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Condensed consolidated statement of financial position as at 30 September 2016

	Notes	30 September 2016 AED '000 (unaudited)	31 December 2015 AED '000 (audited) (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	5	**1,245,582**	1,264,089
Goodwill and other intangible assets		**51,596**	52,193
Retention receivables		**58,758**	30,014
Total non-current assets		**1,355,936**	1,346,296
Current assets			
Inventories	6	**234,700**	226,816
Trade and other receivables	7	**2,586,791**	2,411,123
Available-for-sale financial assets	8	**8,684**	7,987
Financial assets at fair value through profit or loss	9	**30,110**	25,616
Cash and bank balance	10	**192,239**	597,491
Total current assets		**3,052,524**	3,269,033
Total assets		**4,408,460**	4,615,329
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**250,000**	250,000
Share premium		**341,500**	341,500
Reserves		**744,019**	741,922
Retained earnings		**2,008,603**	1,968,461
Proposed dividend		**-**	125,000
Total equity		**3,344,122**	3,426,883
Non-current liabilities			
Provision for employees' end of service benefits		**78,346**	85,630
Total non-current liabilities		**78,346**	85,630
Current liabilities			
Advances from customers	11	**45,227**	81,308
Provisions	14	**101,401**	203,721
Trade and other payables	15	**740,640**	783,475
Bank overdraft		**65,329**	-
Dividends payable		**33,395**	34,312
Total current liabilities		**985,992**	1,102,816
Total liabilities		**1,064,338**	1,188,446
Total equity and liabilities		**4,408,460**	4,615,329

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NATIONAL MARINE DREDGING CO.

Mohamed Thani Murshed Al Rumaithi	Yasser Nasr Zaghloul	Edwin Ros
Chairman	Chief Executive Officer	Chief Financial Officer

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

Condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 September 2016

	Notes	9 months ended 30 September 2016 AED '000 (unaudited)	9 months ended 30 September 2015 AED '000 (unaudited) (restated)	3 months ended 30 September 2016 AED '000 (unaudited)	3 months ended 30 September 2015 AED '000 (unaudited) (restated)
Contract revenue		**973,374**	1,931,051	**321,334**	529,889
Contract costs		**(903,856)**	(1,675,477)	**(288,204)**	(412,810)
Gross profit		**69,518**	255,574	**33,130**	117,079
General and administrative expenses		**(69,673)**	(83,920)	**(21,751)**	(17,954)
Finance income/(costs), net	18	**5,812**	(6,981)	**(95)**	(2,448)
Provision for liquidated damages		**(16,894)**	(30,000)	-	(30,000)
Reversal of liquidated damages		**29,763**	-	**(198)**	-
Provision for restructuring		-	-	**5,230**	-
Allowance for impairment of inventories		-	(2,500)	-	(2,500)
Provision for warranty		-	(5,000)	-	(5,000)
Impairment losses on receivables		-	(40,206)	-	(21,302)
Provision for future losses		**(2,140)**	(20,913)	**(2,140)**	(20,913)
Reversal of provision for future losses		**16,951**	-	**949**	-
Foreign currency exchange (loss)/gain		**(4,250)**	3,278	**(1,021)**	568
Other income, net	17	**11,055**	24,521	**793**	9,335
Profit for the period		**40,142**	93,853	**14,897**	26,865
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Fair value (loss)/gain on foreign currency hedge		-	(1,293)	-	572
Release on foreign currency exchange hedge		**863**	-	-	-
Release on interest rate swap		-	143	-	-
Fair value gains/(loss) on available-for-sale financial assets, net	8	**697**	(12)	**621**	(328)
Cumulative translation adjustment		**537**	(4)	**(548)**	(72)
Total comprehensive income for the period		**42,239**	92,687	**14,970**	27,037
Basic and diluted earnings per share (AED)	12	**0.16**	0.38	**0.06**	0.11

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

Condensed consolidated statement of changes in equity for the period ended 30 September 2016

	Share capital AED '000	Share premium AED '000	Reserves AED '000	Proposed dividend AED '000	Retained earnings AED '000	Total AED '000
Balance at 1 January 2015 (audited)	250,000	341,500	746,763	-	2,016,607	3,354,870
Profit for the period	-	-	-	-	93,853	93,853
Other comprehensive income/(loss)						
Fair value loss on available-for-sale financial assets, net	-	-	(12)	-	-	(12)
Release on interest rate swap	-	-	143	-	-	143
Fair value loss on foreign currency exchange hedge	-	-	(1,293)	-	-	(1,293)
Cumulative translation adjustment	-	-	(4)	-	-	(4)
Total comprehensive (loss)/income for the period	-	-	(1,166)	-	93,853	92,687
Dividends	-	-	-	-	(75,000)	(75,000)
Balance at 30 September 2015 (unaudited)	250,000	341,500	745,597	-	2,035,460	3,372,557
Balance at 1 January 2016 (audited)	250,000	341,500	741,922	125,000	1,968,461	3,426,883
Profit for the period	-	-	-	-	40,142	40,142
Other comprehensive income						
Fair value gains on available-for-sale financial assets, net	-	-	697	-	-	697
Release on loss of foreign currency exchange hedge	-	-	863	-	-	863
Cumulative translation adjustment	-	-	537	-	-	537
Total comprehensive income for the period	-	-	2,097	-	40,142	42,239
Dividends (note 19)	-	-	-	(125,000)	-	(125,000)
Balance at 30 September 2016 (unaudited)	**250,000**	**341,500**	**744,019**	**-**	**2,008,603**	**3,344,122**

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

Condensed consolidated statement of cash flows for the period ended 30 September 2016

	9 months ended 30 September	
	2016 (unaudited) AED '000	2015 (unaudited) AED '000
Cash flows from operating activities		
Profit for the period	**40,142**	93,853
Adjustments for:		
Depreciation of property, plant and equipment	**143,138**	134,957
Impairment losses on property, plant and equipment	**-**	6,823
Amortisation of intangibles	**597**	597
Interest income	**(441)**	-
Interest expense	**-**	7,693
Impairment losses on receivables	**-**	34,239
Allowance for inventory obsolescence	**-**	2,500
Provision for liquidated damages	**16,894**	30,000
Reversal of provision for liquidated damages	**(29,763)**	-
Provision for future losses	**2,140**	20,913
Reversal of provision for future losses	**(16,951)**	-
Provision for warranty	**-**	5,000
Other provisions	**13,525**	187,477
Gain on disposal of property, plant and equipment	**(3,193)**	(4,874)
Fair value loss on financial assets at fair value through profit or loss	**(4,494)**	155
Dividend income	**(877)**	(867)
End of service benefit charge	**12,024**	9,218
Operating cash flows charge in operating assets and liabilities	**172,741**	527,684
(Increase)/decrease in inventories	**(7,884)**	13,755
(Increase)/decrease in trade and other receivables	**(292,577)**	78,041
(Decrease)/increase in trade and other payables	**(50,345)**	51,859
Decrease in advances from customers	**(36,081)**	(6,099)
Cash (used in)/ generated from operating activities	**(214,146)**	665,240
End of service benefits paid	**(10,935)**	(4,840)
Net cash (used in)/generated from operating activities	**(225,081)**	660,400
Cash flows from investing activities		
Payment for acquisition of property, plant and equipment	**(127,067)**	(141,429)
Dividend income	**877**	867
Proceeds from disposal of property, plant and equipment	**5,629**	5,102
Interest income received	**441**	-
Net cash used in investing activities	**(120,120)**	(135,460)
Cash flows from financing activities		
Dividends paid	**(125,917)**	(72,436)
Proceeds from bank borrowings	**-**	350,000
Borrowings repaid	**-**	(815,508)
Interest expense paid	**-**	(7,693)
Net cash used in financing activities	**(125,917)**	(545,637)
Net decrease in cash and cash equivalents	**(471,118)**	(20,697)
Cash and cash equivalents at beginning of the period	**597,491**	177,021
Cumulative translation adjustment	**537**	(4)
Cash and cash equivalents at end of the period	**126,910**	156,320

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

Notes to the condensed consolidated financial statements for the period ended 30 September 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.

In a General Assembly meeting held on 27 July 2016, certain amendments on the Company's Articles of Association were approved by Shareholders.

The interim financial information of the Company as at and for the nine months ended 30 September 2016 includes the financial performance and position of the Company and its below mentioned subsidiaries and branches (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 condensed consolidated financial statements for the period ended 30 September 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%	Implement contract on Suez Canal project and expansion project of third dock of Al Ain Sokhna city

2 Adoption of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and revised IFRSs effective for accounting periods beginning on or after 1 January 2016

In the current period, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2016. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements and change in accounting policy on interest in joint operations.

- Amendments to IFRS 10 and IAS 28 - clarification that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business
- Amendments to IFRS 10, IFRS 12 and IAS 28 - relating to applying the consolidation exception for investment entities
- Amendments to IFRS 11 - Accounting for acquisitions of *Interests in Joint operations*
- IFRS 14 *Regulatory* deferral accounts
- Ammendments to IAS 1 - relating to the disclosure initiative
- Amendments to IAS 16 and IAS 38 - clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 16 and IAS 41 – relating to agriculture: bearer plants
- Amendment to IAS 27 (as amended in 2011) - relating to reinstating the equity method as an accounting option for investments in in subsidiaries, joint ventures and associates in an entity's separate financial statements
- Annual Improvements to IFRSs 2012 - 2014 - Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

Other than the above, there are no other IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2016.

2 Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective

The Group has not yet applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018
Amendment to IFRS 7 *Financial Instruments: Disclosures* relating to transition to IFRS 9 (or otherwise when IFRS 9 is first applied)	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	When IFRS 9 is first applied
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
IFRS 16 *Leases*	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
IAS 12 *Income Taxes* amendments regarding the recognition of deferred tax assets for unrealised losses	1 January 2017
IAS 7 *Statement of Cash Flows* relating to disclosure initiatives	1 January 2017
IFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2018

Management anticipates that the application of the above standards and interpretations in future periods will have no material impact on the condensed consolidated financial statements of the Group in the period of initial application with the exception of IFRS 15 *Revenue from Contracts with Customers,* IFRS 16 *Leases* and IFRS 9 *Financial Instruments* which management is currently assessing. However, it is not practicable to provide reasonable estimate of effects of the application of these standards until the Group performs a detailed review.

Notes to the condensed consolidated financial statements for the period ended 30 September 2016 (continued)

3 Summary of significant accounting policies

3.1 Statement of compliance

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and also comply with the applicable requirements of the laws in the UAE.

3.2 Basis of preparation

The condensed consolidated financial statements are presented in UAE Dirhams (AED) which is the functional currency of the Group and all values are rounded to the nearest thousand (AED '000) except when otherwise indicated.

The condensed consolidated financial statements have been prepared on the historical cost basis, except for the measurement at fair value of certain financial instruments.

These condensed consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2015. In addition, results for the nine months ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

The accounting policies, significant judgments, estimates and assumptions applied by the Group in these condensed consolidated financial statements are consistent with those in the audited annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective 1 January 2016.

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies relating to investments in joint ventures, financial assets and derivative financial instruments are disclosed below.

3.3 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.

Notes to the condensed consolidated financial statements for the period ended 30 September 2016 (continued)

3 Summary of significant accounting policies (continued)

3.3 Interests in joint operation (continued)

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 condensed 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.

3.4 Financial assets

The Group has the following financial assets: 'cash and cash equivalents', 'loans and receivables', 'fair value through profit or loss (FVTPL)' and 'available for sale (AFS)' financial assets. The classification depends on the nature of the financial asset and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks (excluding deposits held under lien) with original maturities of three months or less.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and that are not quoted in an active market. Loans and receivables are measured at amortised cost, less any impairment. Interest income is recognised by applying the effective interest rate, except for cases when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Notes to the condensed consolidated financial statements for the period ended 30 September 2016 (continued)

3 Summary of significant accounting policies (continued)

3.4 Financial assets (continued)

Financial assets at FVTPL

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL 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 and is included in the 'other gains and losses' line item.

Available for sale (AFS) investments

Investments not classified as either "FVTPL" or "held to maturity" are classified as AFS investments and are initially measured at trade date value, plus directly attributable transaction costs.

After initial recognition, AFS investments are remeasured at fair value, based on quoted market prices at the end of reporting period.

Unrealised gains and losses on remeasurement to fair value on AFS investments are recognised directly in equity until the investment is sold, collected or otherwise disposed off, or the investment is determined to be impaired, at which time the cumulative gains or losses previously reported in equity are included in profit or loss.

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.

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.

3 Summary of significant accounting policies (continued)

3.4 Financial assets (continued)

Derivative financial instruments and hedge accounting (continued)

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.

Notes to the condensed consolidated financial statements
for the period ended 30 September 2016 (continued)

3 Summary of significant accounting policies (continued)

3.4 Financial assets (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.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS 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.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2016 (continued)**

3 Summary of significant accounting policies (continued)

3.4 Financial assets (continued)

Impairment of financial assets (continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

4 Critical accounting judgments and key sources of estimation uncertainty

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

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies, and the key sources of estimates uncertainty were the same as those applied in the audited financial statements as at and for the year ended 31 December 2015.

5 Property, plant and equipment

	AED'000
Cost	
At 1 January 2015 (audited)	3,196,588
Additions	168,550
Disposals	(74,358)
At 1 January 2016 (audited)	3,290,780
Additions	127,067
Disposals	(35,946)
At 30 September 2016 (unaudited)	**3,381,901**
Accumulated depreciation	
At 1 January 2015 (audited)	1,901,135
Charge for the year	189,168
Disposals	(63,612)
At 1 January 2016 (audited)	2,026,691
Charge for the period	143,138
Eliminated on disposals	(33,510)
At 30 September 2016 (unaudited)	**2,136,319**
Carrying amount	
At 30 September 2016 (unaudited)	**1,245,582**
At 31 December 2015 (audited)	1,264,089

The cost of property, plant and equipment includes an advance to supplier amounting to AED 52,647 thousand (Euro 12,400 thousand) for the purchase of a dredger during the period.

6 Inventories

	30 September 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
Spare parts and consumable stores	**254,654**	252,901
Raw materials	**793**	1,684
Finished goods	**5,766**	6,626
Goods in transit	**8,084**	202
Less: allowance for slow moving and obsolete inventories	**(34,597)**	(34,597)
	234,700	226,816

Notes to the condensed consolidated financial statements for the period ended 30 September 2016 (continued)

7 Trade and other receivables

	30 September 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
Trade receivables	**387,101**	509,578
Less: allowance for impairment losses on trade receivables	**(48,432)**	(51,002)
	338,669	458,576
Retention receivables – current portion	**111,836**	108,446
Unbilled receivables (net of allowance)	**1,664,378**	1,521,771
Deposits and prepayments	**401,388**	257,929
Other receivables	**70,520**	64,401
	2,586,791	2,411,123

Unbilled receivables include AED 776,729 thousand (31 December 2015: AED 601,864 thousand) receivables from Government of Abu Dhabi, out of which AED 204,004 thousand has been recognised as revenue during the period (for the period ended 30 September 2015: AED 108,083 thousand). The balance of AED 776,729 thousand (31 December 2015: AED 601,864 thousand) includes amount of AED 505,855 thousand (31 December 2015: AED 430,920 thousand), outstanding for a period exceeding one year as at the reporting date, including allowance amounting to AED 237 thousand (31 December 2015: AED 237 thousand).

Unbilled receivables also include AED 170,754 thousand (31 December 2015: AED 179,809 thousand) on signed contracts from various customers, out of which AED 168,954 thousand (for the period ended 30 September 2015: AED 470,334 thousand) has been recognised as revenue during the period. The balance of AED 170,754 thousand (31 December 2015: AED 179,809 thousand) includes amount of AED 64,570 thousand (31 December 2015: AED 102,507 thousand), outstanding for a period exceeding one year as at the reporting date, including allowance amounting to AED 40,628 thousand (31 December 2015: AED 60,940 thousand).

In addition, as at 30 September 2016 and 31 December 2015, the Group recognised unbilled receivables amounting to AED 600 million, out of total proposed claims amounting to AED 771 million. In a letter dated 14 April 2015, the customer acknowledged the claim to the extent of AED 704 million and mentioned that the claim is in advanced stage of review. During the period, the Group received the provisional acceptance certificate from the customer. Unbilled receivables amounting to AED 51,000 thousand is outstanding for a period exceeding one year as at 30 September 2016.

The total allowance for impairment of unbilled receivables as at 30 September 2016 and 31 December 2015 is AED 61.18 million.

Notes to the condensed consolidated financial statements for the period ended 30 September 2016 (continued)

8 Available-for-sale financial assets

	30 September 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
At 1 January	**7,987**	7,992
Change in fair value	**697**	(5)
	8,684	7,987

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

9 Financial assets at fair value through profit or loss

	30 September 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
At 1 January	**25,616**	26,817
Fair value adjustments	**4,494**	(1,201)
	30,110	25,616

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

10 Cash and cash equivalents

	30 September 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
Cash in hand	**1,582**	1,105
Cash at banks		
- Current accounts	**72,503**	212,505
- Short term deposits	**118,154**	383,881
	192,239	597,491
Less: bank overdraft	**(65,329)**	-
	126,910	597,491

Notes to the condensed consolidated financial statements for the period ended 30 September 2016 (continued)

11 Advances from customers

	30 September 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
East Sitra Housing Project	**27,286**	56,863
Ruwais Reef Protection	**12,959**	1,894
Ruwais Extension	**2,760**	4,777
Presidential Palace	**191**	527
Hail Field Development	**-**	12,699
Sarb	**-**	1,836
Water Circulation Project	**-**	1,296
Other projects	**2,031**	1,416
	45,227	81,308

Advances from customers mainly represent advances received for projects and are applied against the billings when raised.

12 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 period.

The weighted average number of ordinary shares outstanding at the end of the reporting period was 250,000,000 shares (30 September 2015: 250,000,000 shares). There are no potentially dilutive instruments therefore the basic and diluted earnings per share are the same.

13 Related party transactions

Related parties include the Government of Abu Dhabi, Group's major shareholders, Directors and key management personnel, and businesses controlled by them and their families or over which they exercise a significant influence in financial and operating decisions. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed.

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

Transactions with related parties included in the condensed consolidated financial statements are as follows:

	9 month period ended 30 September		**3 month period ended 30 September**	
	2016 (unaudited) AED'000	2015 (unaudited) AED'000	**2016 (unaudited) AED'000**	2015 (unaudited) AED'000
Key management compensation	**4,099**	3,897	**1,501**	1,223

Notes to the condensed consolidated financial statements for the period ended 30 September 2016 (continued)

14 Provisions

	30 September 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000 (restated)
Provision for liquidated damages	**16,991**	30,054
Provision for future losses	**4,217**	16,236
Provision for warranty	**5,000**	5,000
Other provisions	**75,193**	152,431
	101,401	203,721

15 Trade and other payables

	30 September 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000 (restated)
Trade payables	**133,891**	181,110
Due to joint operation	**369,108**	219,066
Accrued liabilities	**215,812**	297,763
Gross amount due to customer on construction contracts (note 7)	**3,780**	69,551
Retentions payable	**14,704**	13,592
Derivative financial liability	**-**	863
Other payables	**3,345**	1,530
	740,640	783,475

Notes to the condensed consolidated financial statements
for the period ended 30 September 2016 (continued)

16 Staff costs

	9 month period ended 30 September		3 month period ended 30 September	
	2016 (unaudited) AED'000	2015 (unaudited) AED'000	**2016 (unaudited) AED'000**	2015 (unaudited) AED'000
Salaries and wages	**96,528**	187,763	**28,281**	63,347
Other benefits	**162,876**	171,328	**51,263**	60,127
	259,404	359,091	**79,544**	123,474

17 Other income, net

	9 month period ended 30 September		3 month period ended 30 September	
	2016 (unaudited) AED'000	2015 (unaudited) AED'000	**2016 (unaudited) AED'000**	2015 (unaudited) AED'000
Gain on disposal of property, plant and equipment	**3,193**	4,874	**461**	1,601
Insurance claim	**8,227**	13,782	**-**	5,495
Miscellaneous income	**(365)**	5,865	**332**	2,239
	11,055	24,521	**793**	9,335

18 Finance income/(costs), net

	9 month period ended 30 September		3 month period ended 30 September	
	2016 (unaudited) AED'000	2015 (unaudited) AED'000	**2016 (unaudited) AED'000**	2015 (unaudited) AED'000
Fair value gain/(loss) on financial assets at fair value through profit or loss (note 9)	**4,494**	(155)	**597**	(1,217)
Interest income/(expense), net	**441**	(7,693)	**(692)**	(1,231)
Dividend income	**877**	867	**-**	-
	5,812	(6,981)	**(95)**	(2,448)

Notes to the condensed consolidated financial statements for the period ended 30 September 2016 (continued)

19 Dividends

At the Annual General Meeting (AGM) held on 19 April 2016, the Shareholders resolved to distribute cash dividends amounting to 50% of the Company's share capital, amounting to AED 125 million (2015: AED 75 million), to all the shareholders whose names were included in register of members as at the 10th day following the AGM. Dividends amounting to AED 125 million were paid during the period.

20 Contingencies and commitments

	30 September 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
Bank guarantees	**1,044,719**	1,168,051
Letters of credit	**211,300**	7,469

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

	30 September 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
Capital commitments	**5,274**	3,162

21 Seasonality of results

No significant income of a seasonal nature was recorded in the condensed consolidated statement of profit or loss and other comprehensive income for the nine-month period ended 30 September 2016 and 2015.

Notes to the condensed consolidated financial statements for the period ended 30 September 2016 (continued)

22 Segment information

Geographical segment information

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

	30 September 2016 (unaudited)				
	UAE AED'000	Egypt AED'000	Bahrain AED'000	Rest of the world AED'000	Group AED'000
Segment revenue	746,535	35,007	280,906	-	1,062,448
Intersegment revenue	(89,074)	-	-	-	(89,074)
Revenue	657,461	35,007	280,906	-	973,374
Segment gross (loss)/profit	(34,076)	35,027	68,567	-	69,518
General and administrative expenses					(69,673)
Net finance income					5,812
Foreign currency exchange loss					(4,250)
Provision for liquidated damages					(16,894)
Reversal of liquidated damages					29,763
Provision for future losses					(2,140)
Reversal of impairment losses and future loss provisions					16,951
Other income					11,055
Profit for the period					40,142

	30 September 2016 (unaudited)				
Total assets	3,697,057	505,494	205,619	292	4,408,460
Total liabilities	899,405	81,423	83,020	491	1,064,338
Equity/deficit	2,797,652	424,071	122,599	(200)	3,344,122

Notes to the condensed consolidated financial statements for the period ended 30 September 2016 (continued)

22 Segment information (continued)

	30 September 2015 (unaudited)				
	UAE AED'000	Egypt AED'000	Bahrain AED'000	Rest of the world AED'000	Group AED'000 (restated)
Segment revenue	710,289	1,175,239	174,646	-	2,060,174
Intersegment revenue	(129,123)	-	-	-	(129,123)
Revenue	581,166	1,175,239	174,646	-	1,931,051
Segment gross (loss)/profit	(73,969)	354,014	(24,471)	-	255,574
General and administrative expenses					(83,920)
Provision for impairment of receivables					(40,206)
Provision for liquidated damages					(30,000)
Provision for future losses					(20,913)
Provision for impairment on inventories					(2,500)
Provision for warranty					(5,000)
Net finance expenses					(6,981)
Other income					27,799
Profit for the period					93,853
	31 December 2015 (audited)				
Total assets	3,709,243	770,207	135,223	656	4,615,329
Total liabilities	797,219	250,142	140,961	124	1,188,446
Equity/(deficit)	2,912,024	520,066	(5,739)	532	3,426,883

Notes to the condensed consolidated financial statements for the period ended 30 September 2016 (continued)

23 Restatement

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

Condensed consolidated statement of profit or loss and other comprehensive income

	As previously reported AED '000	Restatement AED '000	As restated AED '000
Nine-month period ended 30 September 2015			
Other income	27,799	(3,278)	24,521
Foreign currency exchange gain	-	3,278	3,278
Three-month period ended 30 September 2015			
Other income	9,903	(568)	9,335
Foreign currency exchange gain	-	568	568

Condensed consolidated statement of financial position

	As previously reported AED '000	Restatement AED '000	As restated AED '000
31 December 2015			
Provisions	145,768	57,953	203,721
Trade and other payables	841,428	(57,953)	783,475

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

The condensed consolidated statement of cash flows for the period ended 30 September 2015 has been adjusted for the movement of other provisions amounting to AED 187,477 thousand. This has been shown separately in the operating cash flows before changes in operating assets and liabilities for the period ended 30 September 2015, to conform with current period classification.

24 Event after reporting period

Subsequent to the end of the reporting period and at the date of issuance of the condensed consolidated financial statements, one of the Group's vessels under hire to a customer suffered losses due to a war-related incident while carrying out its operations. The asset had a carrying amount of AED 82,277 thousand as at 30 September 2016. Management is currently assessing the amount of damage and loss in order to finalise its insurance claim, as at the date of issuance of condensed consolidated financial statements.

25 Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved by Board of Directors and authorised for issue on 13 NOV 2016.