

National Marine Dredging Co.

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شركة الجرافات البحرية الوطنية

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Date: 12/05/2010

Report of Directors

After greetings

The first quarter company financial statement ended on 31/03/2010 shows net profit of AED.114,345 million in comparison with AED.55,403 million for the same period of year 2009. 106% growth increase from 2009 vs 2010 and the earning per share is 0.53. At present the company is executing many big projects like Zakum Artificial Island, Mussfah Industrial Channel, Eastern Project and Fujairah Port Project.

The company has embarked on a long term business plan to expand its internal structure by developing and adding new equipment and activities.

The management is focusing on to increase the productivity and efficiency to improve its operational performance while achieving higher growth.

Steps have been initiated to prepare company to be more competitive, customer focused and to expand in regional and international market.

With regards,




Yasser Nasr Zaghloul
Acting Chief Executive Officer

National Marine Dredging Company
(Public Shareholding Company)

Condensed interim financial information

31 March 2010

Principal business address:

P O Box 3649
Abu Dhabi
UAE

National Marine Dredging Company
(Public Shareholding Company)

Condensed interim financial information

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

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of National Marine Dredging Company (Public Shareholding Company) ("the Company") as at 31 March 2010, and the condensed interim statements of comprehensive income, changes in equity and cash flows for the three-month period then ended ("condensed interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 - *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

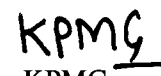
Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 31 March 2010 is not prepared, in all material respects, in accordance with IAS 34 - *Interim Financial Reporting*.

12 May 2010


KPMG
Sharad Bhandari
Registration No. 267

National Marine Dredging Company
(Public Shareholding Company)

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

	<i>Note</i>	2010 AED'000	2009 AED'000
Contract revenue		419,161	213,432
Contract costs		(303,339)	(155,489)
Gross profit		115,822	57,943
Other income	7	1,044	552
Administrative expenses		(7,833)	(5,863)
Results from operating activities		109,033	52,632
Net finance income	8	5,312	2,771
Profit for the period		114,345	55,403
Other comprehensive income			
Net change in fair value reserve	19	539	267
Total comprehensive income for the period		114,884	55,670
Earnings per share			
Basic and diluted earnings per share (AED)	9	0.53	0.28

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


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


National Marine Dredging Company
(Public Shareholding Company)

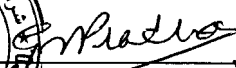
Condensed interim statement of financial position
as at

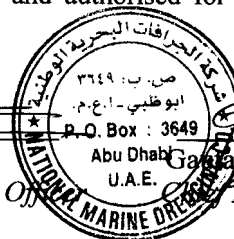
	Note	31 March 2010 AED'000	31 December 2009 AED'000
Non-current assets			
Property, plant and equipment	10	871,480	763,226
Current assets			
Inventories	11	194,717	164,394
Trade and other receivables	12	1,149,635	753,344
Available for sale financial assets	13	11,094	10,555
Financial assets at fair value through profit or loss	14	24,776	24,673
Cash in hand and at banks	15	589,522	820,839
Total current assets		1,969,744	1,773,805
Current liabilities			
Advance from customers (<i>current portion</i>)	17	94,180	111,402
Trade and other payables	18	349,896	277,653
Provision for employees' end of service benefits		67,893	64,915
Dividends payable		19,301	19,322
Total current liabilities		531,270	473,292
Net current assets		1,438,474	1,300,513
Non-current liabilities			
Advance from customers (<i>non-current portion</i>)	17	138,000	138,000
Net assets		2,171,954	1,925,739
Equity			
Share capital	20	216,773	200,000
Share premium	21	114,558	-
Reserves	19	723,788	723,249
Proposed dividend	22	108,386	100,000
Retained earnings		1,008,449	902,490
Total equity		2,171,954	1,925,739

The condensed interim financial information were approved and authorised for issue on 12 MAY 2010 by:


Mohammad Thani Murshid
Al Rumaithi
Chairman


Yasser Nasr
Acting Chief Executive Officer


Gagan V. Pradhan
Financial Officer



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

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

National Marine Dredging Company
(Public Shareholding Company)

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

	Share capital AED'000 <i>(note 20)</i>	Share premium AED'000 <i>(note 21)</i>	Reserves AED'000 <i>(note 19)</i>	Proposed dividend AED'000 <i>(note 22)</i>	Retained earnings AED'000	Total AED'000
At 1 January 2009	200,000	-	720,641	60,000	629,260	1,609,901
Total comprehensive income for the period						
Profit for the period	-	-	-	-	55,403	55,403
Other comprehensive income						
Fair value losses on available-for-sale financial assets	-	-	267	-	-	267
<i>Transactions with owners, recorded directly in equity</i>						
Contribution by and distribution to owners						
Proposed dividend	-	-	-	40,000	(40,000)	-
At 31 March 2009	200,000	-	720,908	100,000	644,663	1,665,571
At 1 January 2010	200,000	-	723,249	100,000	902,490	1,925,739
Total comprehensive income for the period						
Profit for the period	-	-	-	-	114,345	114,345
Other comprehensive income						
Fair value gain on available-for-sale financial assets	-	-	539	-	-	539
<i>Transactions with owners, recorded directly in equity</i>						
Contribution by and distribution to owners						
Issue of shares	16,773	114,558	-	-	-	131,331
Dividend	-	-	-	8,386	(8,386)	-
At 31 March 2010	216,773	114,558	723,788	108,386	1,008,449	2,171,954

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

National Marine Dredging Company
(Public Shareholding Company)

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

	<i>Note</i>	2010 AED'000	2009 AED'000
Cash flows from operating activities:			
Profit for the period		114,345	55,403
<i>Adjustment for:</i>			
Depreciation	<i>10</i>	40,177	26,881
Interest income	<i>8</i>	(5,209)	(3,382)
Gain on disposal of property, plant and equipment	<i>7</i>	(812)	(547)
Fair value gain / (loss) on financial assets at fair value through profit or loss	<i>8</i>	(103)	611
Provision for employee's end of service benefits		3,345	5,295
		151,743	84,261
End of service benefits paid		(367)	(404)
		151,376	83,857
Change in inventories		(30,323)	(12,674)
Change in trade and other receivables		(396,291)	(111,354)
Change in trade and other payables		72,243	49,332
Change in advance from customers		(17,222)	-
Net cash (used in) / from operating activities		(220,217)	9,161
Cash flows from investing activities:			
Acquisition of property, plant and equipment	<i>10</i>	(17,200)	(84,481)
Proceeds from disposal of property, plant and equipment		912	659
Interest income	<i>8</i>	5,209	3,382
Net cash used in investing activities		(11,079)	(80,440)
Cash flows from financing activities			
Dividend paid		(21)	(50)
Net cash used in financing activities		(21)	(50)
Net decrease in cash and cash equivalents		(231,317)	(71,329)
Cash and cash equivalents at 1 January	<i>15</i>	820,839	405,660
Cash and cash equivalents at 31 March		589,522	334,331

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

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

National Marine Dredging Company

(Public Shareholding Company)

Notes to the condensed interim financial information

1 Legal status and principal activities

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

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

The Company has entered in to an agreement on 24 March 2010 with Six Construct Company Limited – UAE (“SixCo”) for the formation a separate entity to undertake the execution of shore protection, breakwaters and quay wall works for the Zakum Project. The legal formalities for creation of the entity are currently in process and are expected to be completed in Q2 of 2010. The Company will hold 51% shareholding in the entity and the balance 49% would be held by SixCo.

2 Statement of compliance

The condensed interim financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting*. They accordingly do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2009.

3 Significant accounting policies

The accounting policies applied by the Company in these condensed interim financial information are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2009.

4 Estimates

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

In preparing these condensed interim financial information, the significant judgements made by management in applying the Company’s accounting policies and the key sources of uncertainties regarding estimation were the same as those that applied to the financial statements as at and for the year ended 31 December 2009.

5 Financial risk management

The Company’s financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2009.

National Marine Dredging Company
(Public Shareholding Company)

Notes to the condensed interim financial information

6 Staff costs

	Three month period ended 31 March 2010 AED'000	Three month period ended 31 March 2009 AED'000
Salaries and wages	17,288	14,368
Other benefits	23,089	23,568
	<u>40,377</u>	<u>37,936</u>

7 Other income

	Three month period ended 31 March 2010 AED'000	Three month period ended 31 March 2009 AED'000
Gain on disposal of property, plant and equipment	812	547
Miscellaneous income	232	5
	<u>1,044</u>	<u>552</u>

8 Net finance income

	Three month period ended 31 March 2010 AED'000	Three month period ended 31 March 2009 AED'000
Fair value gain / (loss) on financial assets at fair value through profit or loss (<i>note 14</i>)	103	(611)
Interest income	5,209	3,382
	<u>5,312</u>	<u>2,771</u>

National Marine Dredging Company

(Public Shareholding Company)

Notes to the condensed interim financial information

9 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the period. The number of ordinary shares outstanding at the end of the period was 216,772,753 shares (31 March 2009: 200,000,000).

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

10 Property, plant and equipment

	Total AED'000
Cost	
At 1 January 2010	1,777,815
Additions*	148,531
Disposals	(4,731)
At 31 March 2010	1,921,615
Depreciation	
At 1 January 2010	1,014,589
Charge for the period	40,177
Disposals	(4,631)
At 31 March 2010	1,050,135
Net carrying amount	
At 1 January 2010	763,226
At 31 March 2010	871,480

* Additions include 4 dredgers received from Tasameem Real Estate LLC as a consideration for the issue of 16,773 thousand bonds, for a value of AED 131,331 thousand (refer note 21).

11 Inventories

	31 March 2010 AED'000	31 December 2009 AED'000
Spare parts and consumable stores	187,234	179,027
Provision for slow moving and obsolete inventories	(22,974)	(22,974)
	164,260	156,053
Goods in transit	30,457	8,341
	194,717	164,394

National Marine Dredging Company
(Public Shareholding Company)

Notes to the condensed interim financial information

12 Trade and other receivables

	31 March 2010 AED'000	31 December 2009 AED'000
Trade receivables	697,451	231,525
Less: provision for impairment of receivables	(29,525)	(29,525)
	667,926	202,000
Unbilled receivables (net of provision)	410,934	483,818
Deposits and prepayments	10,614	16,317
Other receivables	60,161	51,209
	1,149,635	753,344

71.6% of the net trade receivables balance above, AED 152,408 thousand (31 December 2009: 25%, AED 58,422 thousand) is receivable from the Government and its departments.

13 Available for sale financial assets

	31 March 2010 AED'000	31 December 2009 AED'000
At 1 January	10,555	7,947
Net unrealised gains recorded in equity (refer note 19)	539	2,608
	11,094	10,555

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

14 Financial assets at fair value through profit or loss

	31 March 2010 AED'000	31 December 2009 AED'000
At 1 January	24,673	21,407
Net unrealised gains	103	3,267
	24,776	24,673

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

National Marine Dredging Company
(Public Shareholding Company)

Notes to the condensed interim financial information

15 Cash and cash equivalents

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

	31 March 2010 AED'000	31 December 2009 AED'000
Cash in hand	80	80
Cash at banks		
- Current accounts	30,603	60,956
- Short term deposits"	575,000	775,000
	605,683	836,036
Book overdraft	(16,161)	(15,197)
	589,522	820,839

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

16 Related party transactions and balances

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

The Company derives substantially all of its revenue from the Government of Abu Dhabi, the major shareholder, and its departments.

17 Advance from customers

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

	31 March 2010 AED'000	31 December 2009 AED'000
<i>Non-current</i>		
Zakum project	138,000	138,000
<i>Current</i>		
Zakum project	92,000	92,000
Mussaffah Industrial Channel	-	17,222
Al Garnayn Island	2,180	2,180
	94,180	111,402

National Marine Dredging Company
(Public Shareholding Company)

Notes to the condensed interim financial information

18 Trade and other payables

	31 March 2010 AED'000	31 December 2009 AED'000
Trade payables	87,627	36,887
Accrued liabilities	250,907	225,471
Retentions payable	9,355	9,265
Other payables	2,007	6,030
	<u>349,896</u>	<u>277,653</u>

19 Reserves

	Legal reserve AED'000	Asset replacement reserve AED'000	Regulatory reserve AED'000	Unrealised gain on available- for-sale financial assets AED'00	Total AED'000
At 1 January 2009	100,000	595,000	20,000	5,641	720,641
Fair value gain on available- for-sale financial assets	-	-	-	267	267
At 31 March 2009	<u>100,000</u>	<u>595,000</u>	<u>20,000</u>	<u>5,908</u>	<u>720,908</u>
At 1 January 2010	100,000	595,000	20,000	8,249	723,249
Fair value gain on available- for-sale financial assets	-	-	-	539	539
At 31 March 2010	<u>100,000</u>	<u>595,000</u>	<u>20,000</u>	<u>8,788</u>	<u>723,788</u>

Legal reserve

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

Asset replacement reserve

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

National Marine Dredging Company

(Public Shareholding Company)

Notes to the condensed interim financial information

19 Other reserves (continued)

Regulatory reserve

Transfers to and from the regulatory reserve are made at the discretion of the Board of Directors with the approval of the General Assembly and in accordance with the powers granted by the Articles of Association. This reserve may be used for such purposes as the Directors deem necessary.

20 Share capital

	31 March 2010 AED'000	31 December 2009 AED'000
Authorised, issued and fully paid: 216,772,753 (31 December 2009: 200,000,000) ordinary shares of AED 1 each	216,773	200,000

During the period the share capital of the Company has been increased from 200,000,000 to 216,772,753 (refer note 21).

21 Share premium

On 4 February 2010, the Company and Tasameem Real Estate LLC ("Tasameem") entered into an agreement according to which the Company will issue 50,000,000 convertible bonds to Tasameem to be converted into equity shares of the Company at AED 7.83 per share over a period of four years. The issue and the conversion of these bonds will take place as per the schedule stated in the agreement and set out below. In accordance with this agreement, during 2010, the Company issued 16,773 thousand convertible bonds at an amount of AED 131,331 thousand to Tasameem and has converted them to 16,773 thousand equity shares of the Company at the face value of AED 1 per share amounting to AED 16,773 thousand. The Company has received 4 dredgers from Tasameem as the consideration for the issue of 16,773 thousand bonds. The balance amount, as stated below, has been recorded as share premium:

	31 March AED'000
Par value of shares issued	16,773
Share premium	114,558
Total consideration for issue of bonds	131,331

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

Issue No.	Issue Date as Per Agreement	Transfer Date	Issue Value * AED	Number of shares after transfer
1	2 February 2010	15 March 2010	131,330,664	16,772,753
2	30 January 2011	15 March 2011	86,723,112	11,075,749
3	30 January 2012	15 March 2012	86,723,112	11,075,749
4	30 January 2013	15 March 2013	86,723,112	11,075,749

*The consideration for issue of bonds in 2011, 2012 and 2013 would paid in cash by Tasameem.

National Marine Dredging Company

(Public Shareholding Company)

Notes to the condensed interim financial information

22 Proposed dividend

The Board of Directors at a meeting held on 10 March 2009, recommended a final dividend per share of AED 0.5 per share, amounting to AED 100,000 thousand for the Company's shareholders. At the Annual General Meeting held on 06 April 2010, the shareholders approved the final dividend of AED 0.5 per shares, amounting to AED 108,386 thousand to all the shareholders whose name is included in the register of members as on 06 April 2010.

23 Contingencies and commitments

	31 March 2010 AED'000	31 December 2009 AED'000
Guarantees	855,899	728,639
Letters of credit	22,380	33,525

24 Business and geographical segments

Business segments

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

Geographical segments

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